

California's Newly Poor Push Social Services to Brink (Update1)



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By Vivien Lou Chen

Feb. 26 (Bloomberg) -- In California's [Contra Costa County](#), 40,000 families are applying for just 350 affordable-housing vouchers. Church-operated pantries are running out of food. Crisis calls have more than doubled in the city of Antioch, where the Family Stress Center occupies the site of a former bank.

The worst financial [crisis](#) in seven decades is forcing thousands of previously middle-income workers to seek social services, overwhelming local agencies, clinics and nonprofits. Each month 16,000 people, including many who were making \$60,000 to \$100,000 annually just a few years ago, fill four county offices requesting financial, medical or food assistance.

"Unless we do things differently, not only will we continue to be on life support, but the power to the machine is going to die," said county Supervisor [Federal Glover](#), who represents Antioch and the cities of Pittsburg and Oakley about 50 miles (80 kilometers) east of San Francisco.

Contra Costa, an East Bay suburban region of more than 1 million, turned thousands of farmland acres into housing in the past two decades, becoming an affordable alternative to San Francisco. Now, the area is being hit by a double whammy, as rising

unemployment increases demand for social services, while plunging home values shrink tax revenue and squeeze agency budgets.

County officials made \$90 million in cuts during the current fiscal year, and plan to reduce another \$56 million, out of a \$1.2 billion general-fund budget, in the coming year. County administrator David Twa said he doesn't expect to see a "gradual recovery" in property taxes until 2012 or 2013.

Safety Net

The social safety net is being stretched "all over the country," said Jacqueline Byers, research director for the [National Association of Counties](#) in Washington. "The formerly middle class who lost jobs, homes, or both suddenly are requesting assistance for the first time."

Nationwide, demand for food stamps, one of the first benefits that new applicants for services qualify for, has mushroomed since the recession began in December 2007. About 31.1 million people received [food stamps](#) in November, an increase of 13 percent from the end of 2007, according to the [U.S. Agriculture Department](#), which administers the program.

A record 5.11 million Americans were collecting unemployment [benefits](#) in the week ended Feb. 14. The jobless rate in Contra Costa, currently at 9.3 percent compared with a U.S. [rate](#) of 7.6 percent, is likely to reach as high as 12 percent, Twa said. Among local employers that have cut jobs or forced workers to take unpaid leave are USS-Posco Industries, a joint venture of U.S. Steel Corp. and Posco of South Korea, and newspaper publisher MediaNews Group Inc.

"We are in a critical situation and it's not likely to get better over the next several years," Twa said.

Therapy for Staff

Lines snake out the door of Contra Costa County's employment and human services office in Antioch. At the Richmond office, the applicants' stories of foreclosures and repossessed cars are "weighing" on staffers, who are offered therapy, said division manager Renee Giometti.

"People are physically going through a slow death," said Karen Stewart, an area real-estate agent who earned about \$80,000 a year just three years ago and is now down to her last \$700. "You don't have any support and the support systems that were in place before aren't in place anymore."

Recently separated, Stewart, 45, said she has been without a steady income since 2006 and is living on a county-issued food- debit card. The five-bedroom house in Brentwood she and her husband had purchased for \$500,000 went into foreclosure in January. She said she hasn't ruled out moving into her Lexus sedan and sending her 12-year-old son to live with a relative on the East Coast.

‘On the Edge’

Shelley Bowen, a 35-year-old stay-at-home mom from Antioch, said she and her husband Jason are “teetering on the edge,” as they face slowing sales of his art work and a \$2,500 monthly mortgage that will go up by \$1,000 in April.

Even though Jason makes \$90,000 to \$95,000 a year as an oil painter and instructor, “we’re kind of holding our breath, hoping nothing else happens,” Bowen said. If necessary, the couple would turn to family and friends, then church-welfare services and government assistance, she said.

“It’s a combination of a housing crisis and unemployment crisis like we’ve never seen before,” said Antioch realtor Kay Trail, a former city-planning commissioner. “Instead of being a bedroom community where people could live a certain lifestyle for an affordable price, now there’s quiet dread.”

Homeowners Default

The county’s median house price has plummeted 53 percent to \$220,000 from \$463,000 in a year, according to [MDA Dataquick](#) in San Diego. In the fourth quarter, 3,135 notices of default representing the first stage of foreclosure were filed against county homeowners, the firm said. That’s more than 10 times the number in San Francisco.

In Antioch’s old-town district, the Peacock Expressions art gallery, More to Love clothing store, and Rivertown Cafe are gone, replaced by empty storefronts.

About five miles away, signs reading “bank-owned home” are scattered throughout neighborhoods. Single-family properties built by [KB Home](#) are offered for less than \$300,000. At the County East Mall, [TJX Cos.](#)’ Marshalls and [Gottschalks Inc.](#) stores were almost empty.

The county’s Housing Authority has a five-year wait for affordable-housing vouchers, said executive director Joseph Villarreal. Requests for homeless assistance statewide were up 26 percent in September over a year earlier, according to the [California State Association of Counties](#) in Sacramento.

Suicide Threats

“There’s always a level of desperation” in applicants, Villarreal said. “But the degree and depth of it now I’ve never seen: I’m not used to getting calls from clients saying they’ll kill themselves if they don’t get on the wait list.”

California’s 58 counties are \$1 billion short of the amount needed to administer social-service programs in the current fiscal year that ends in June, said Paul McIntosh, executive director of the statewide group of counties. The local-government crisis was aggravated by state Controller [John Chiang](#)’s move earlier this month to start delaying almost \$270 million in payments to counties for social services.

Neither the California legislature's new budget package approved on Feb. 19 nor President [Barack Obama](#)'s \$787 billion federal stimulus plan signed into law two days earlier will be enough to completely or immediately help counties, said McIntosh and Glover. Counties will still fall short of what they need even if Chiang releases previously withheld funds, they said.

"Contra Costa is near the front of the pack" among counties with the deepest financial woes, McIntosh said. "But the pack is tightly bunched and all headed in the same direction: off a cliff."

To contact the reporter on this story: [Vivien Lou Chen](#) in San Francisco at vchen1@bloomberg.net By Vivien Lou Chen

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