Foreclosures and Urban Development in the San Joaquin Valley

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Outline

- The Issue: Foreclosures and Urban Development
- Foreclosures in the San Joaquin Valley
- Foreclosures, Housing Production, and Urban Development
- Conclusions
Is This Housing Downturn Different?

- Larger in scale than any seen in recent decades
- Foreclosures at a level exceeding anything in recent history
- Preceded by financial irregularities larger than any seen in housing since the S&L crisis
- Simultaneous collapse of significant parts of the financial sector
- For the San Joaquin Valley, some unique factors
How Do Foreclosures Affect the SJ Valley?

- The SJ Valley is historically a “one-industry” region
  - Agriculture and services were its economic foundation
- From 1990 onward, housing production and urban development became major elements of the economy
  - Spillover from the Bay Area and Los Angeles
  - Growth of demand for retirement
- Local governments have increasingly relied on development fees to balance budgets
- Thus, vulnerable to a housing downturn
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Why Study Foreclosures?

- Foreclosures are key indicators of housing market health.
- Foreclosures have adverse affects on individuals and neighborhoods.
- They offer clues to the future of urban development.
The San Joaquin Valley
Foreclosures in the San Joaquin Valley Have Grown Dramatically...

Foreclosures in the San Joaquin Valley by Month July 1995- May 2008

Sources: Rand California; DataQuick
...Coinciding with a Huge Increase in Subprime Loans

Subprime Loans by Origination Year
San Joaquin Valley 1999-2007

Foreclosures in the San Joaquin Valley
by Year 1999- May 2008

Source: Loan Performance
Foreclosures from 2003 to 2008 Hit Hard in Northern Counties
Foreclosures Hit Both Cities and Suburbs...

San Joaquin County Foreclosures, 2003-2008

Legend
- Foreclosed Houses Built 1998 and After
- Foreclosed Houses Built Before 1998
- Major Cities
- Highway 99
- San Joaquin County
...But New Subdivisions Were Hit Hard
As a Result Individuals and Families Suffer...

- Home Loss
- Loss of Home Equity
- Credit Rating Damage
- Pain and Shame

Patterson Gardens Subdivision built in 2005 (Patterson, CA)
As do Neighborhoods...

- Decrease in housing prices
- Rise in neighborhood crime
- Home Abandonment
- Blight

Visalia, Ca

Merced, CA
...And Local Governments and Housing Development.
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Foreclosures Affect Urban Development

- Weaken housing market
- Stall Development

Visalia, CA

Atwater, CA
Major Projects are Derailed
Foreclosures Mirror New Construction...

...And Seem Especially Important in the North and South of the Valley
California’s Housing Cycle May Have Changed

California SF Housing Production 1961-2007
San Joaquin Valley SF Housing Production Has Been More Volatile Than California’s

SF Production as Percent of Housing Stock, 1980 - 2007
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Conclusions

- Foreclosures in the SJ Valley have increased dramatically
- Foreclosures are occurring heavily in new development on the periphery of cities
- The foreclosure crisis will lengthen the housing market recovery time significantly
- Foreclosure Policy has paid little attention to the development impacts
Policy Options

- Opportunity for localities to acquire affordable housing?
- Reconsideration of state policy towards development
  - SB 375
  - Infrastructure financing
- Reconsideration of local government financing
  - Less dependence on development fees
  - Less reliance on sales taxes