

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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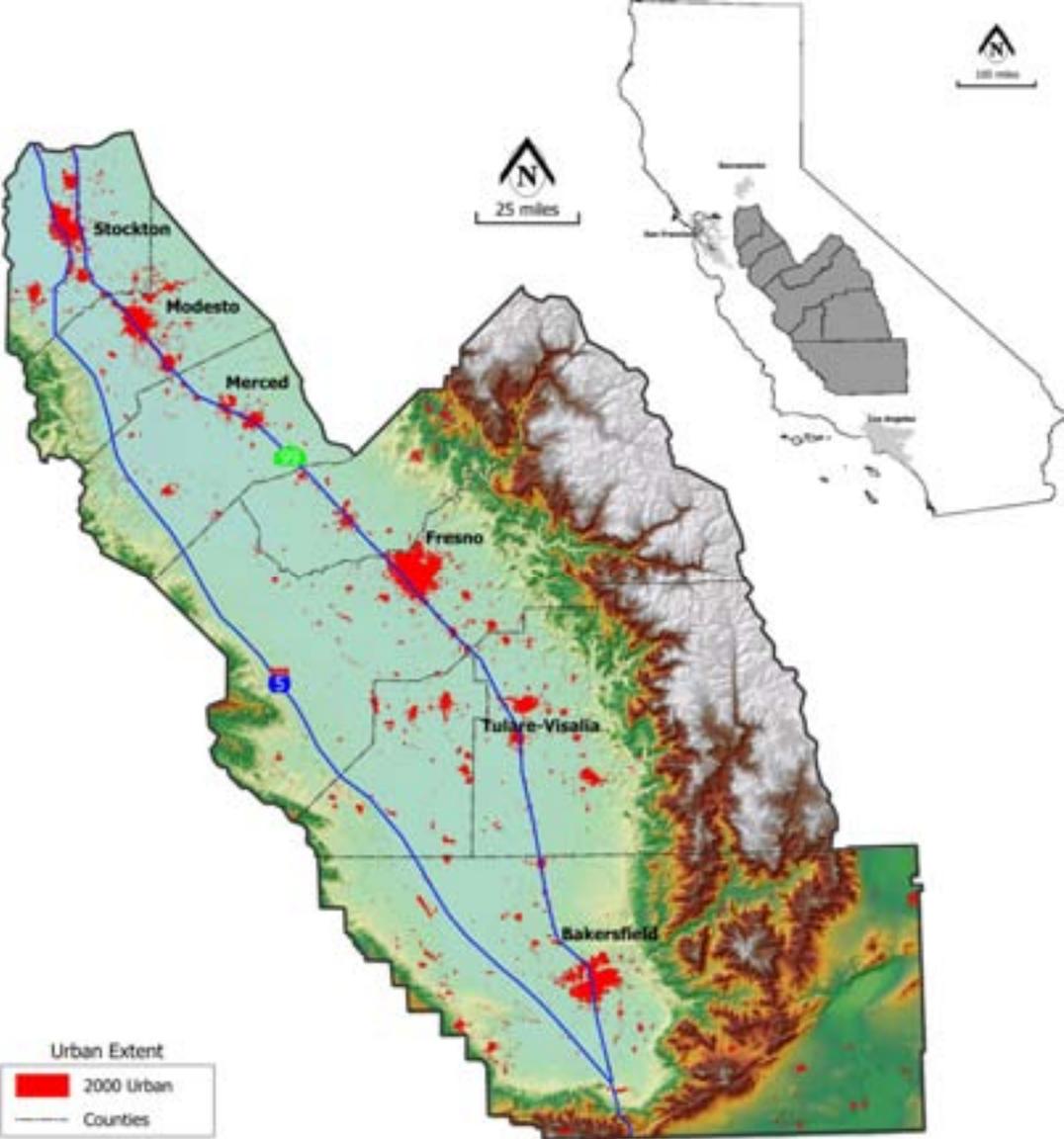


Why Study Foreclosures?

- 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.

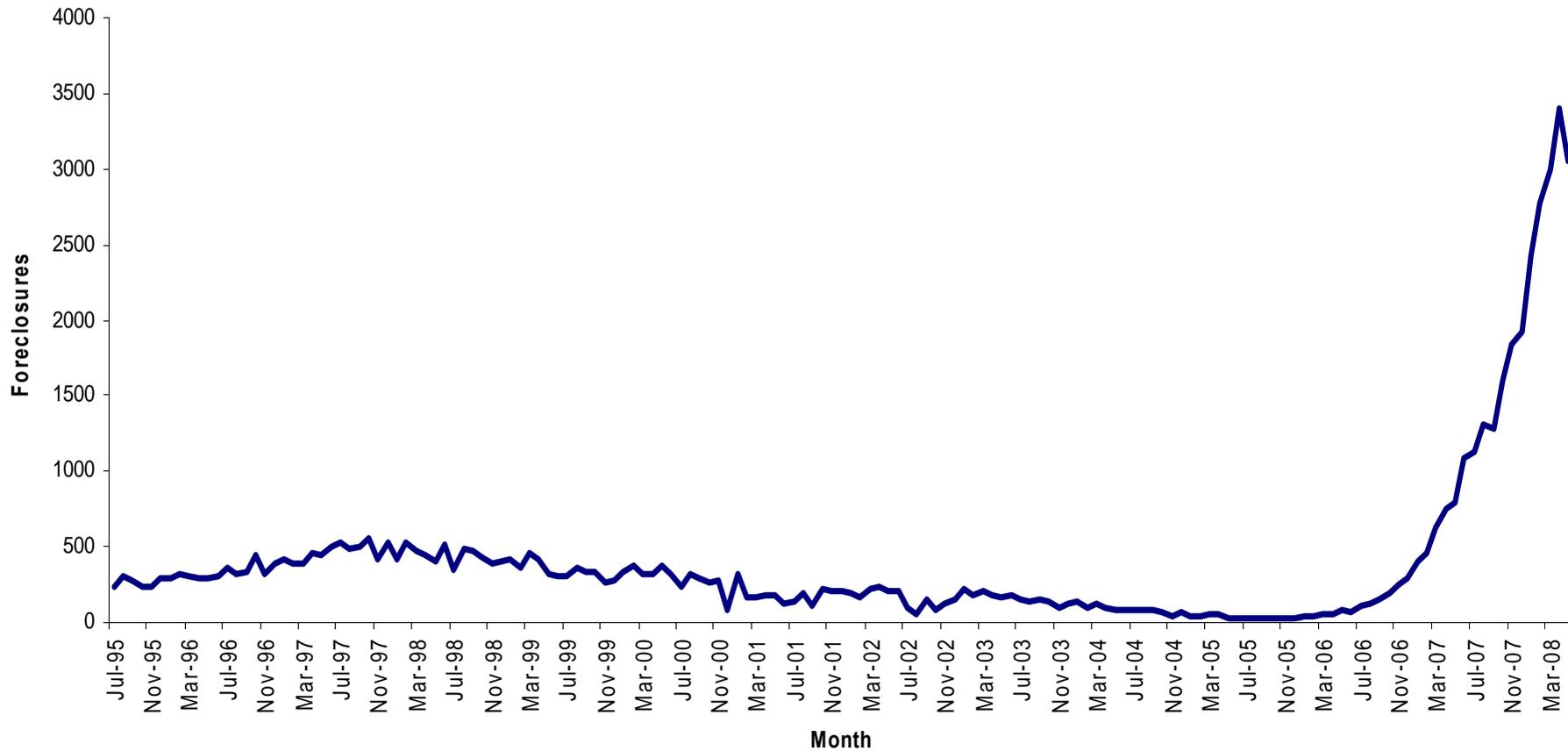


The San Joaquin Valley



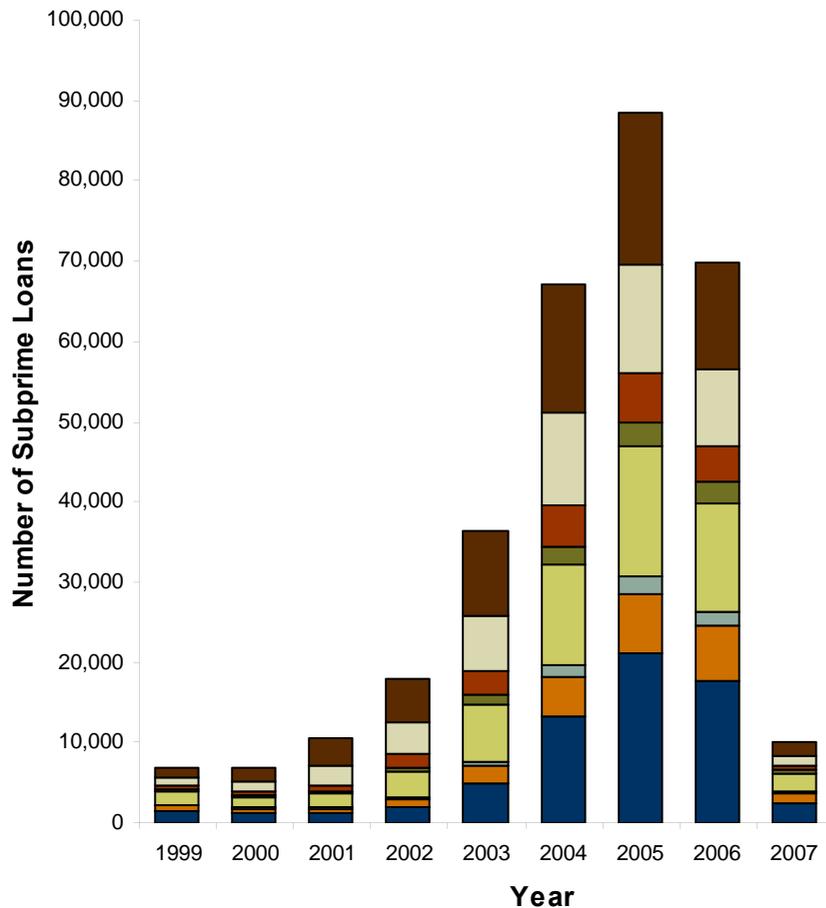
Foreclosures in the San Joaquin Valley Have Grown Dramatically...

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

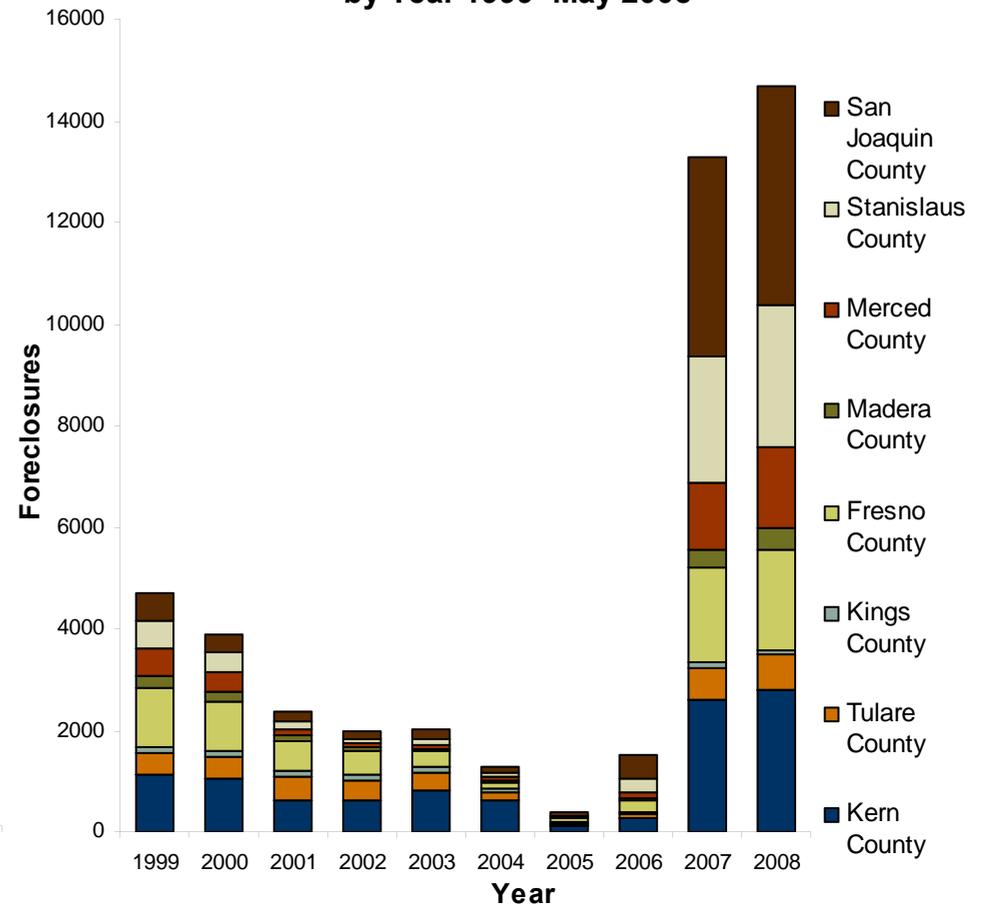


...Coinciding with a Huge Increase in Subprime Loans

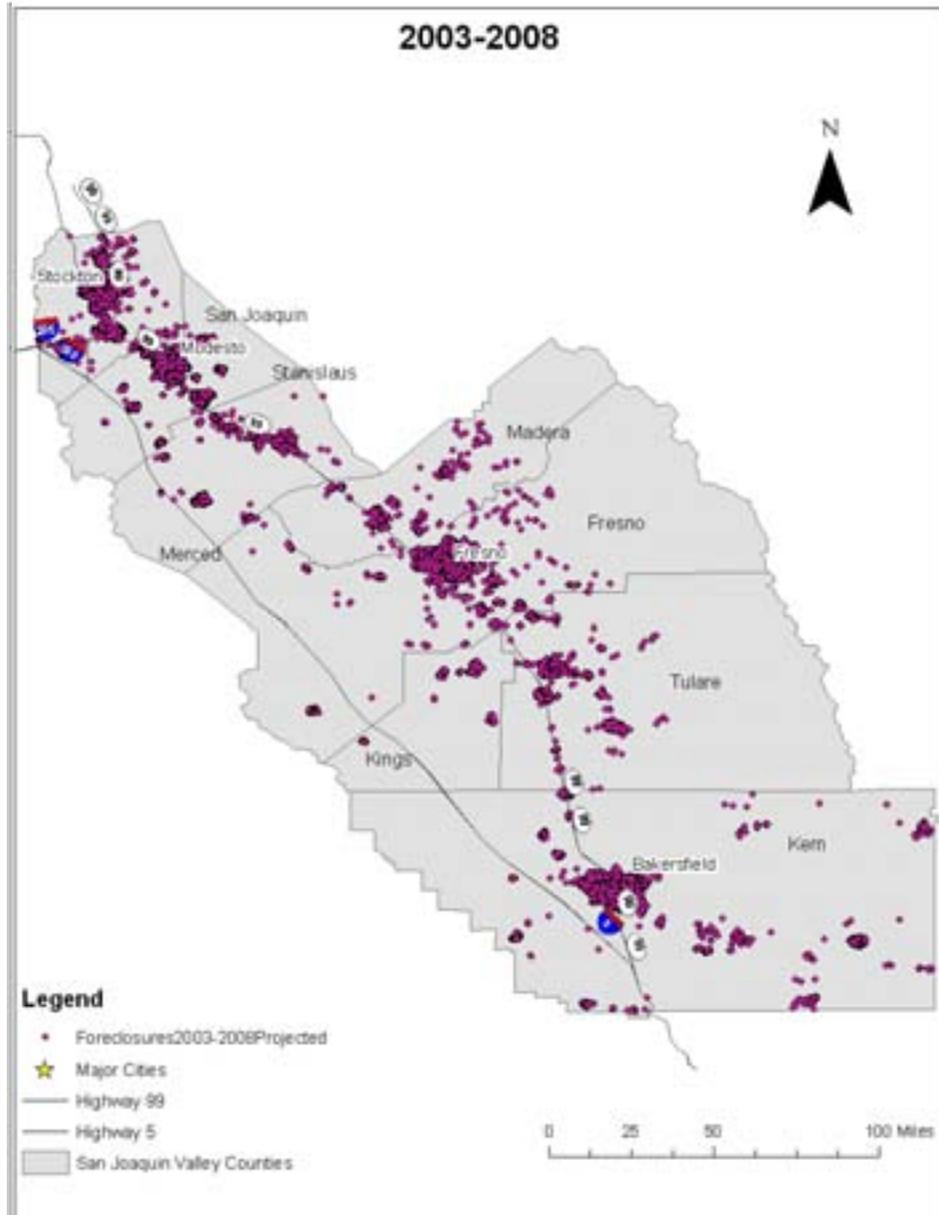
**Subprime Loans by Origination Year
San Joaquin Valley 1999-2007**



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



Foreclosures from 2003 to 2008 Hit Hard in Northern Counties



Foreclosures Hit Both Cities and Suburbs...

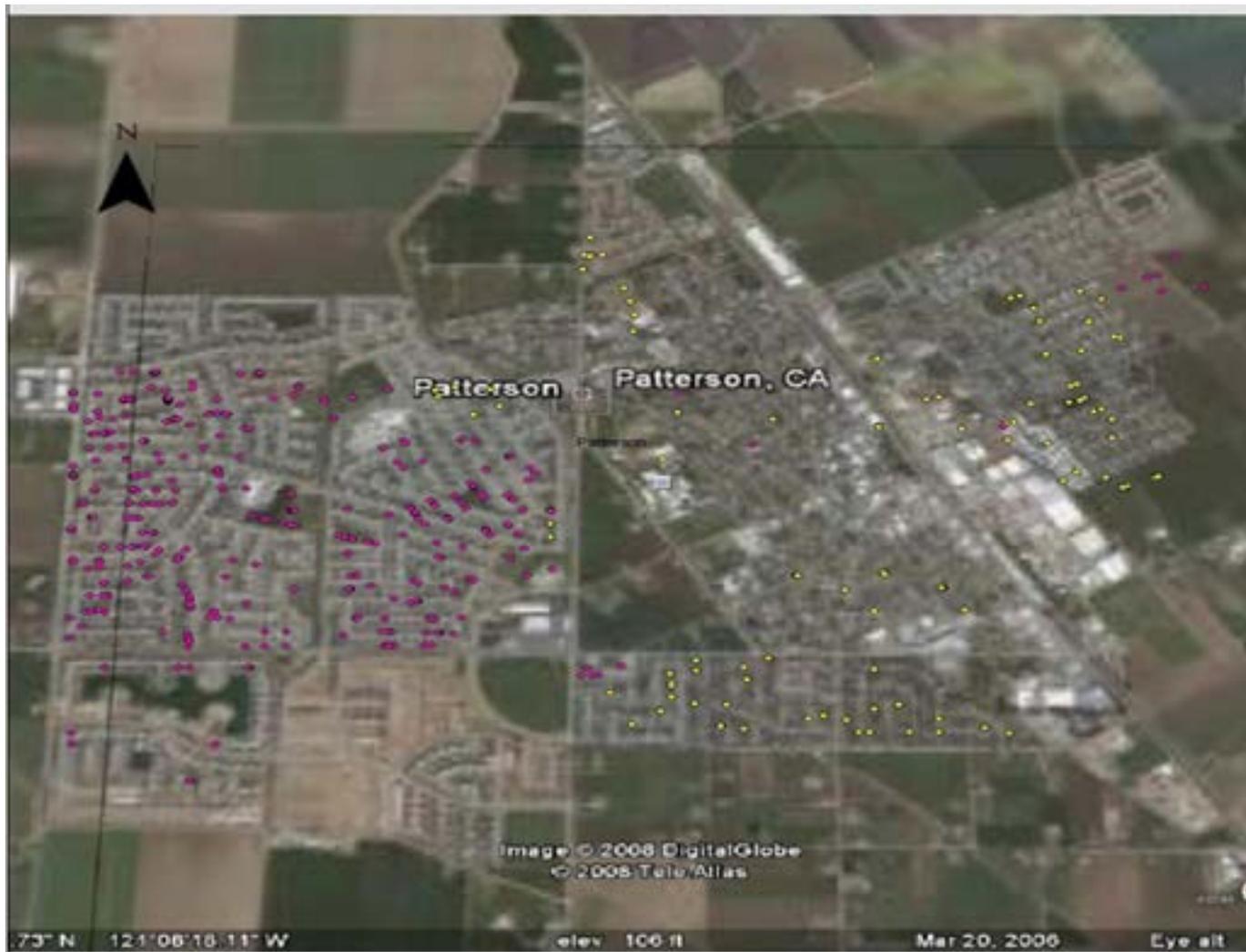


San Joaquin County Foreclosures, 2003-2008

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



- Foreclosed Houses Built 1998 and After
- Foreclosed Houses Built Before 1998



As a Result Individuals and Families Suffer...

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



**Patterson Gardens
Subdivision built in 2005
(Patterson, CA)**

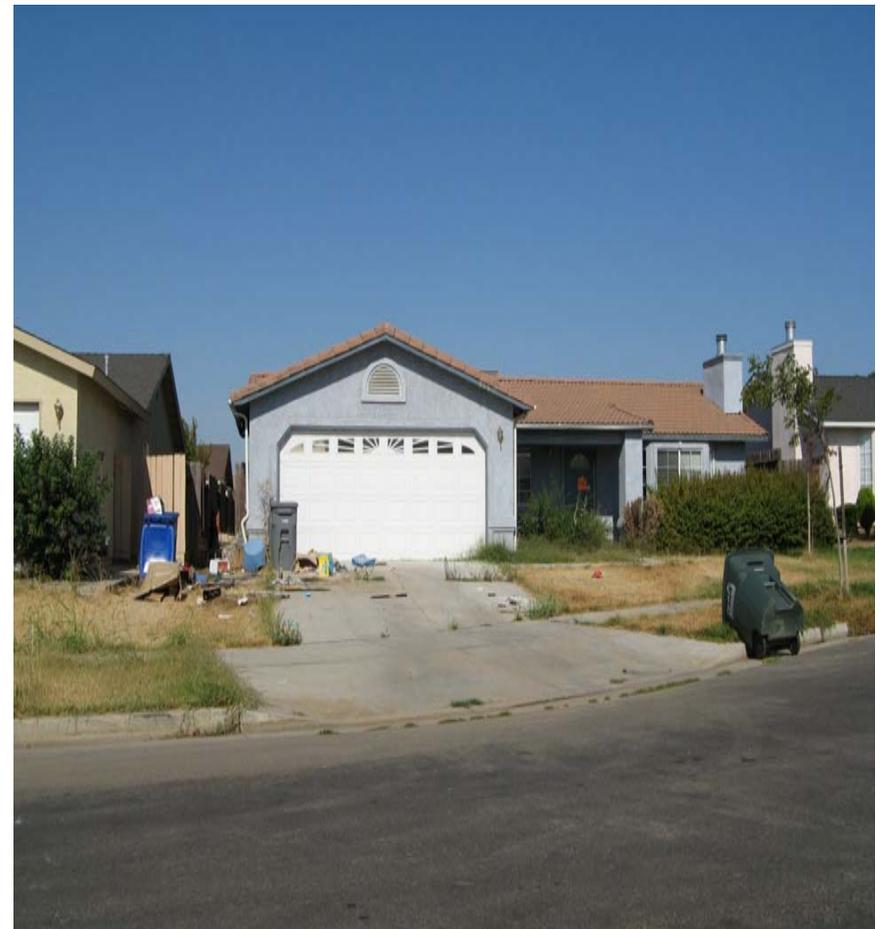


...As do Neighborhoods...

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



Visalia, Ca



Merced, CA

...And Local Governments and Housing Development.



Elk Grove

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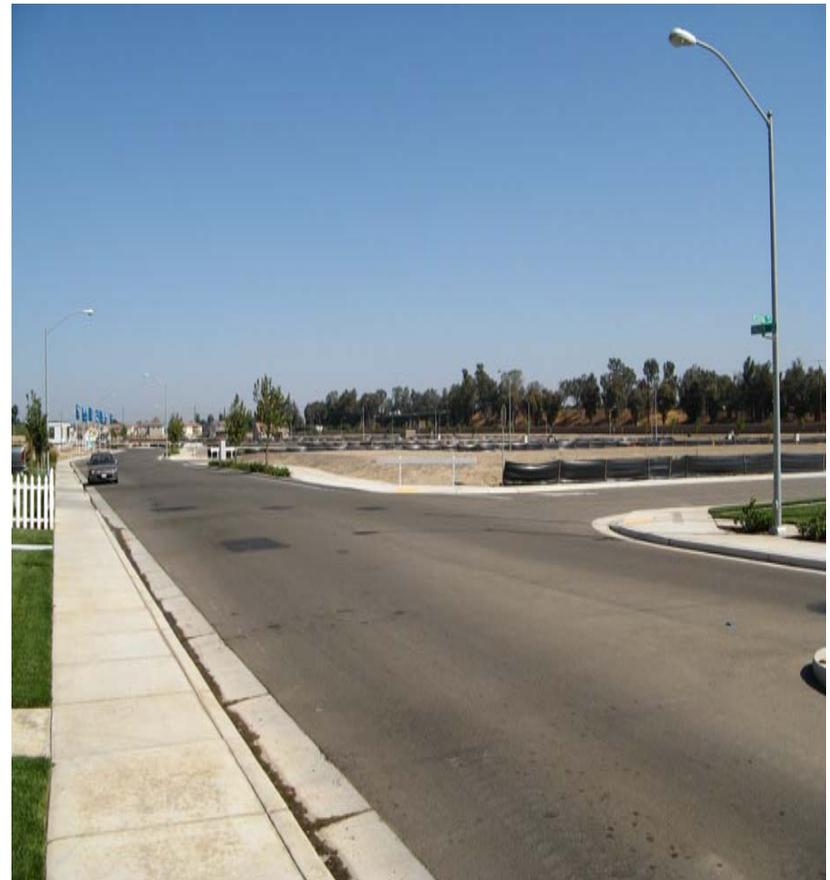


Foreclosures Affect Urban Development

- Weaken housing market
- Stall Development



Visalia, CA



Atwater, CA

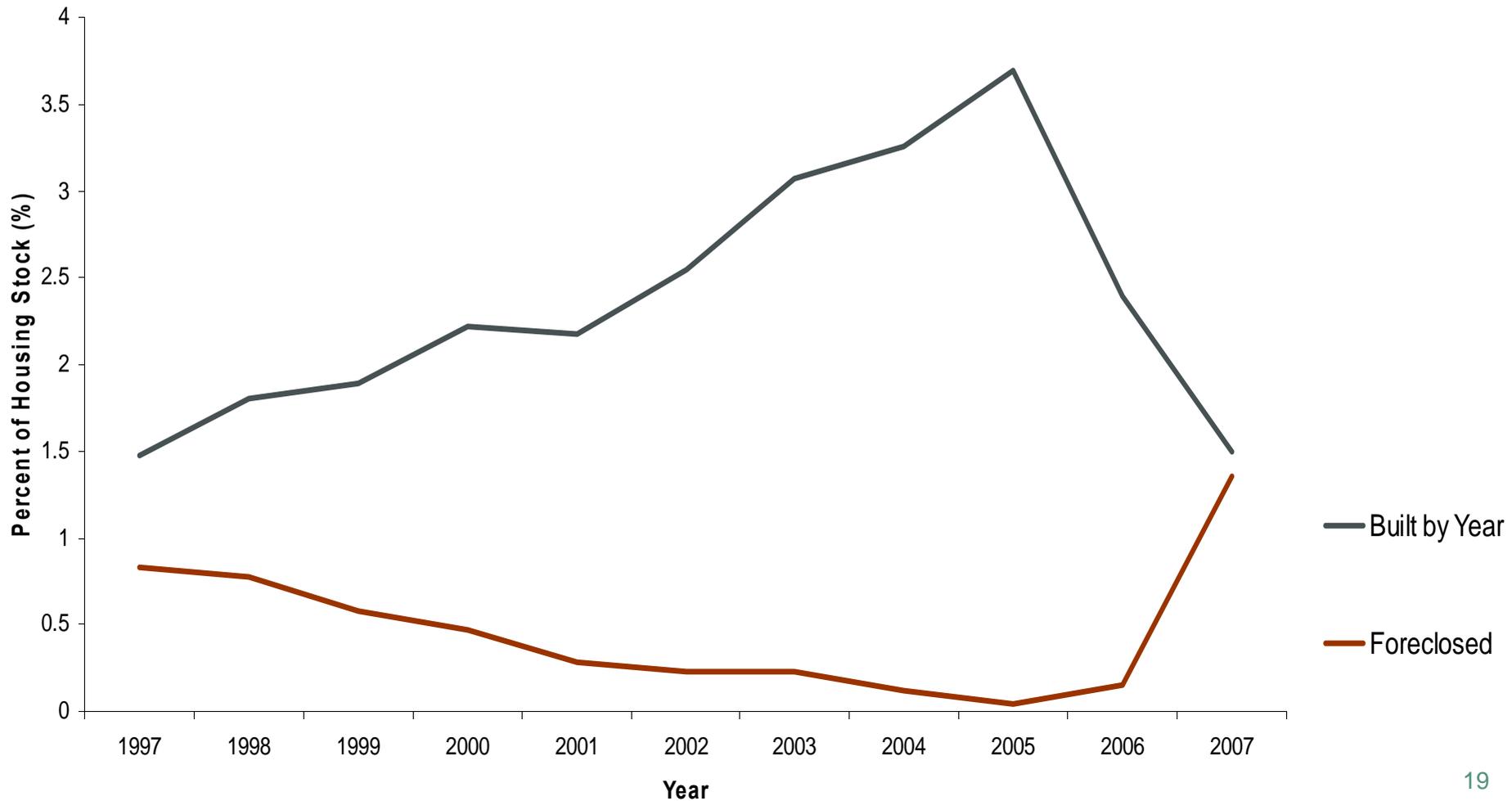
Major Projects are Derailed



Elk Grove

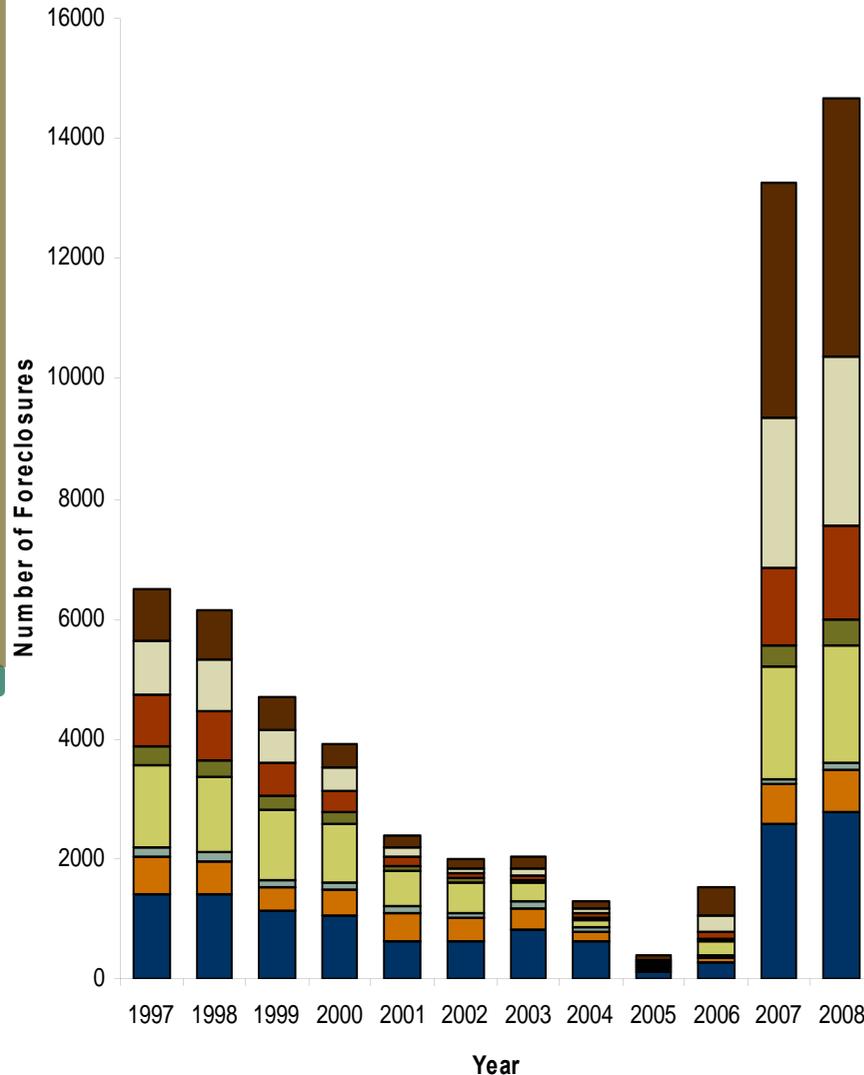
Foreclosures Mirror New Construction...

Comparison of New Single Family Construction and Foreclosures in the San Joaquin Valley 1997-2007

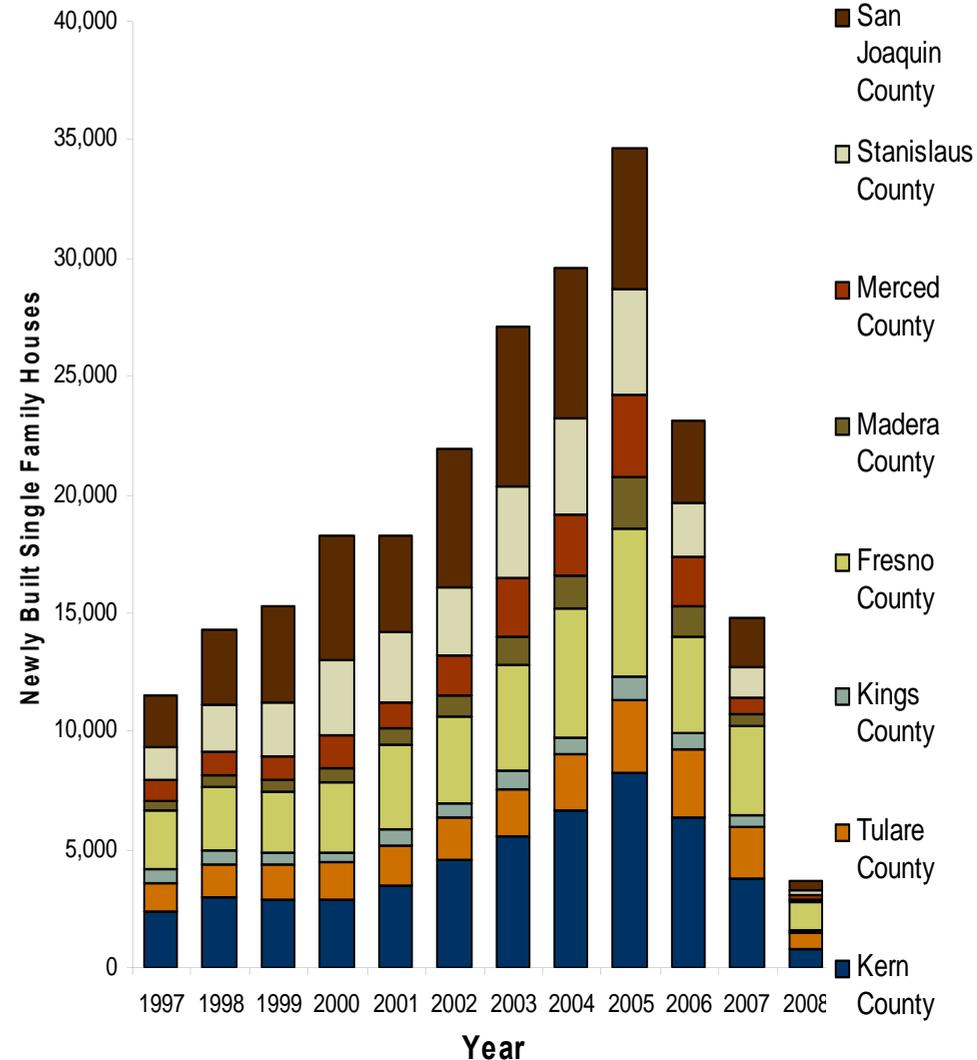


...And Seem Especially Important in the North and South of the Valley

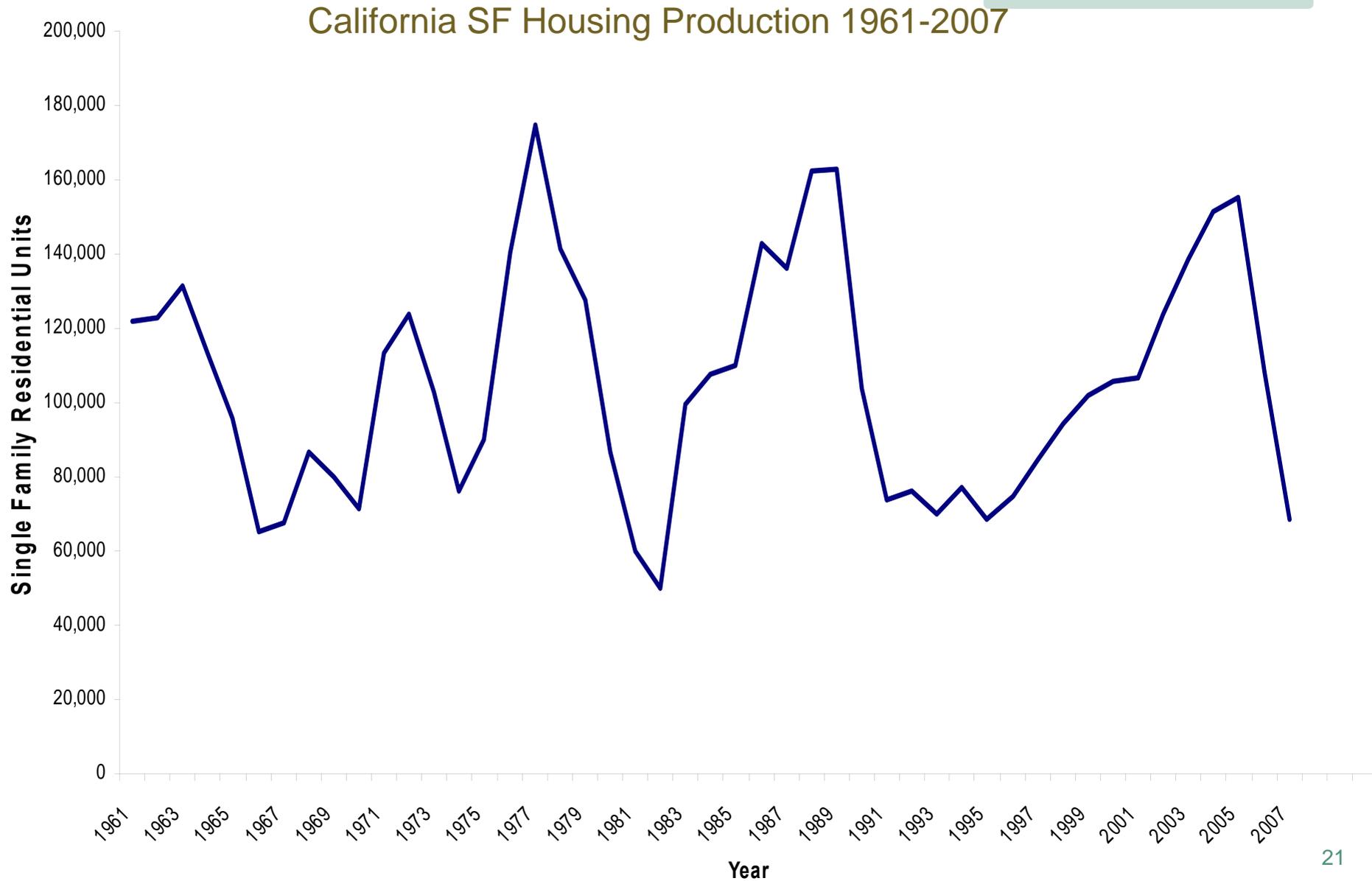
Number of Foreclosures by County
January 1997 to May 2008



New Single Family Construction
January 1997 to May 2008

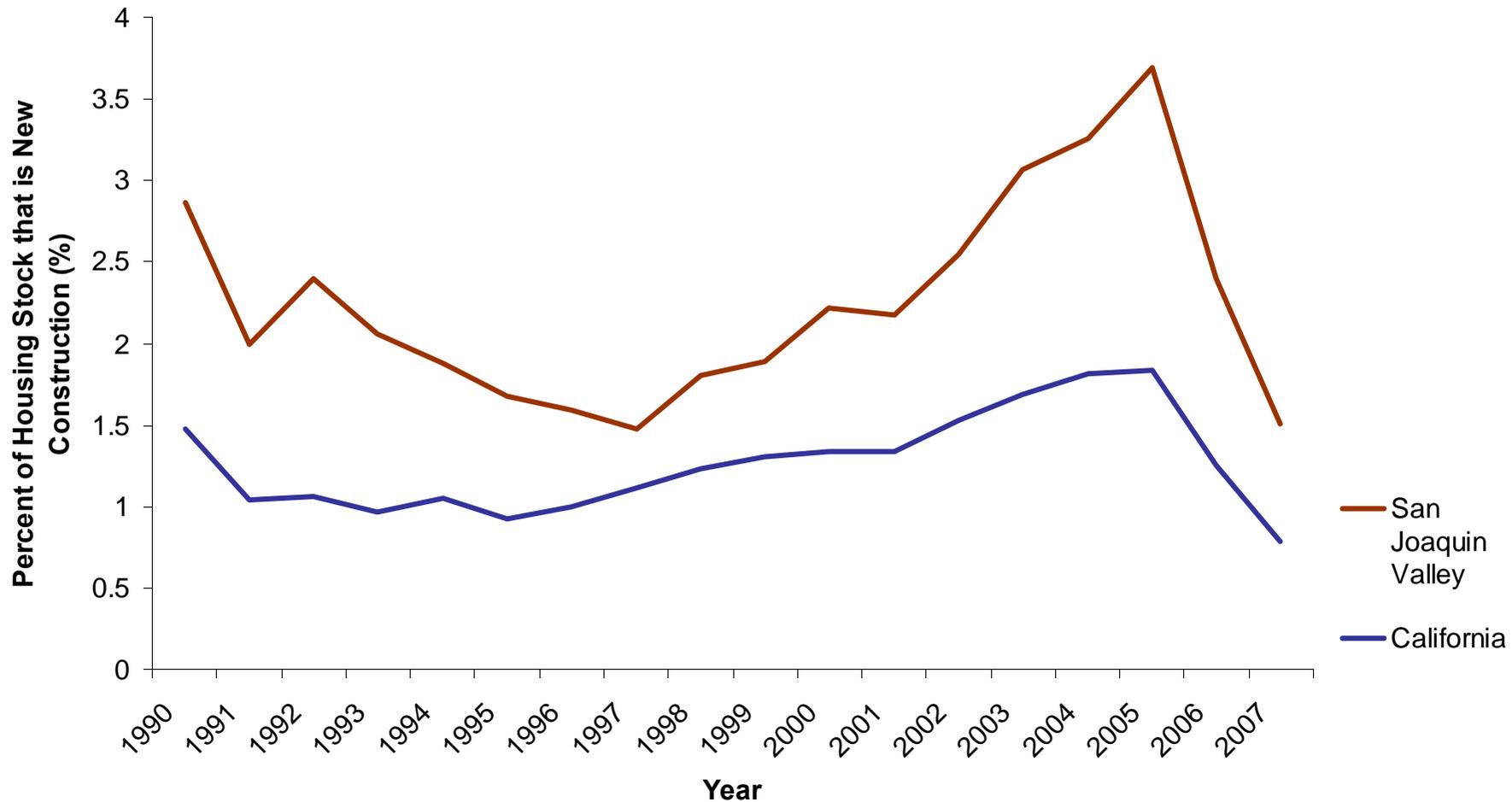


California's Housing Cycle May Have Changed



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

