

Housing and Markets



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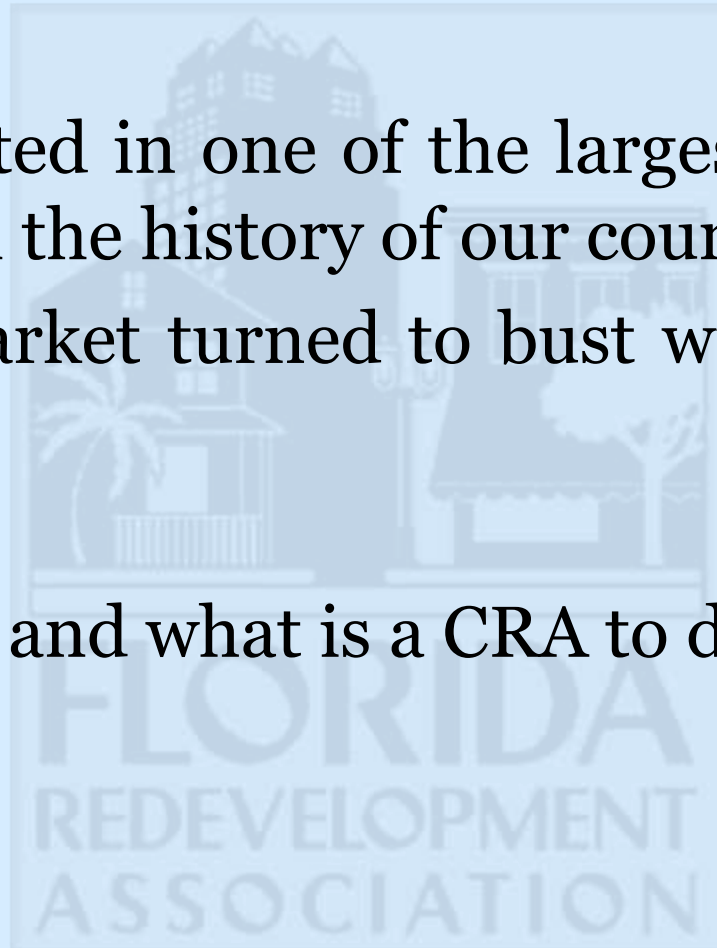
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WHAT'S THE ISSUE

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CRA's participated in one of the largest expansions of housing stock in the history of our country and state. The housing market turned to bust within the last 18 months.

What happened and what is a CRA to do now?

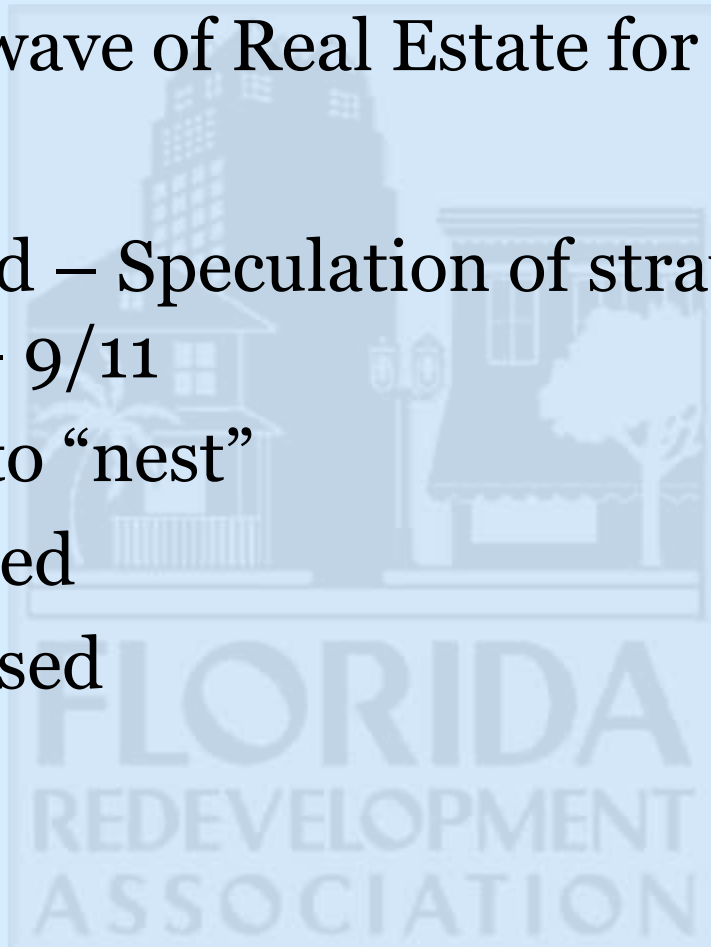


LET THE GOOD TIMES ROLL

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CRA's rode the wave of Real Estate for the last few years

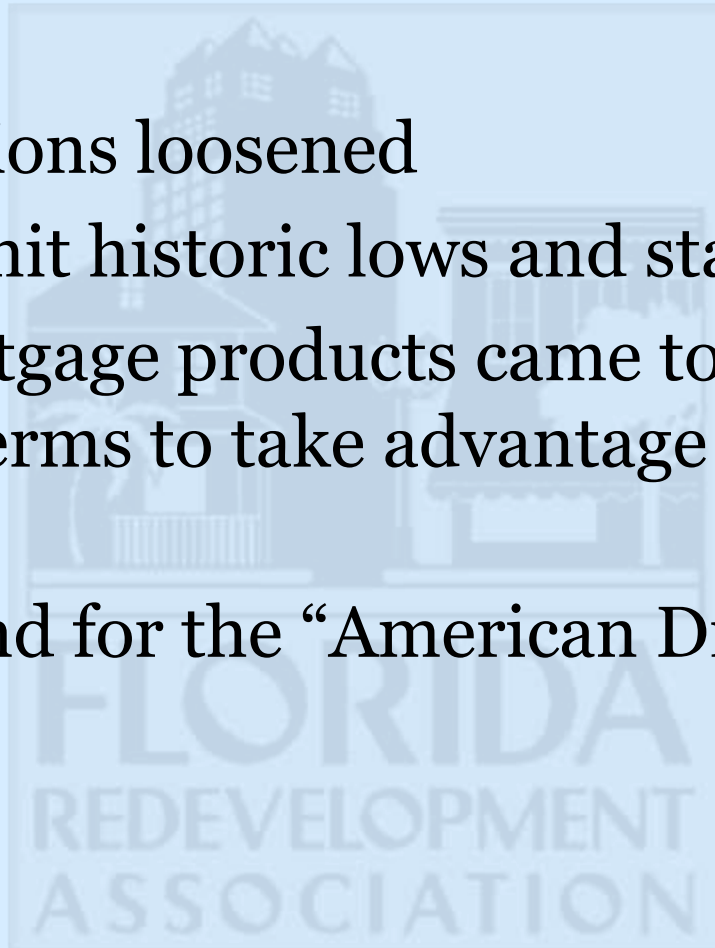
- Markets heated – Speculation of straw that broke the camel's back – 9/11
- People began to “nest”
- Values increased
- Income increased



HOW WE RODE THE WAVE

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- Credit restrictions loosened
- Interest rates hit historic lows and stayed there
- Inventive mortgage products came to the market with flexible terms to take advantage of heated market
- Pressure to lend for the “American Dream”



LET THE GOOD TIMES ROLL

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CRA's rode the wave of Real Estate

- Housing construction/sales increased dramatically
- Mixed use projects that were sought by all became economically feasible
- Condominium market became RED HOT
- Increment Revenue increased allowing CRA's to offer generous development incentives
- Units created were for ownership not rental

AND THEN BUST.....

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The Housing Market Collapse

- Too many speculators in the market (no one actually lives there)
- Speculation frenzy drove up prices
- Innovative mortgage products start to fail
- Truth of lending practices cause mortgage failures
- Construction and financial industries falter
- Economy slows

AND THE BUST..... CONTINUES

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The Housing Market Collapse

- Job losses and layoffs begin
- Unemployment causes further mortgage defaults
- Mortgage crisis create glut of available units depressing values even further
- Depressed values cause historic reductions in taxable values coupled with new homestead exemptions and artificial tax caps approved by legislature in 2008

THE MISSED OPPORTUNITIES

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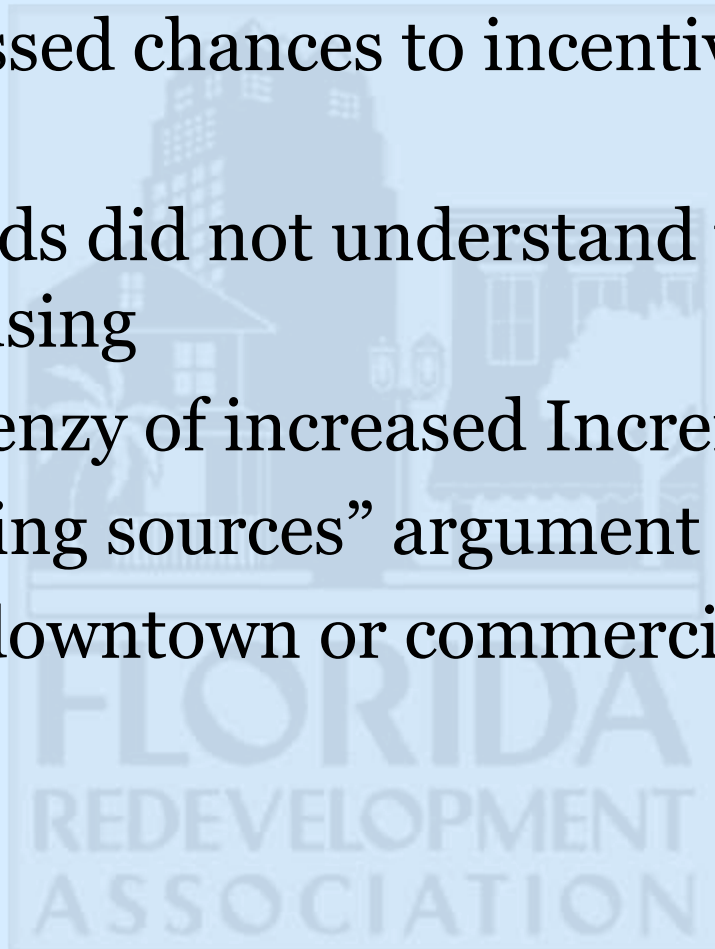
Many CRA's missed chances to incentivize affordable housing:

Many CRA Boards did not understand the need for affordable housing

Caught in the frenzy of increased Increment chasing

The “other funding sources” argument

Hyperfocus on downtown or commercial districts



MISSED OPPORTUNITIES OR NOT?

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These opportunities were missed to create units when things were unaffordable, however:

Would we have jeopardized low-moderate households by getting them into units during the high times

Would we have spent too much in subsidy to incentivize affordable housing when rates were unsustainable?

Would those units have gone to foreclosure and income restrictions voided in the court process?

THE FUTURE MARKETPLACE FOR CRA's

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There has been a major paradigm shift in housing. It is now time to rethink some of our needs:

- Is it still feasible to promote home ownership in light of increasing divide between income levels
- With a more mobile society and people holding jobs for shorter and shorter periods, will they and should they continue to be anchored by a home
- Will jobs pay enough to sustain a home purchase in Florida with increased costs for:
 - Transportation
 - Food
 - Insurance
 - Health
 - Homeowners

THE FUTURE MARKETPLACE FOR CRA's

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It will be some time before the ownership as a method of wealth-building is really a major factor to purchase.

- CRA's should be looking at mixed use areas and limiting the amount of residential units (i.e. limited number of units allowed in an area instead of as a right on each parcel) to prevent an overabundance of residential units in the future
- Mixed use project should look at promotion of rental instead of ownership units
- Inducements for mixed income housing should be put in place to prevent overbuilding of luxury units while also preventing projects from getting reputations as “housing projects”

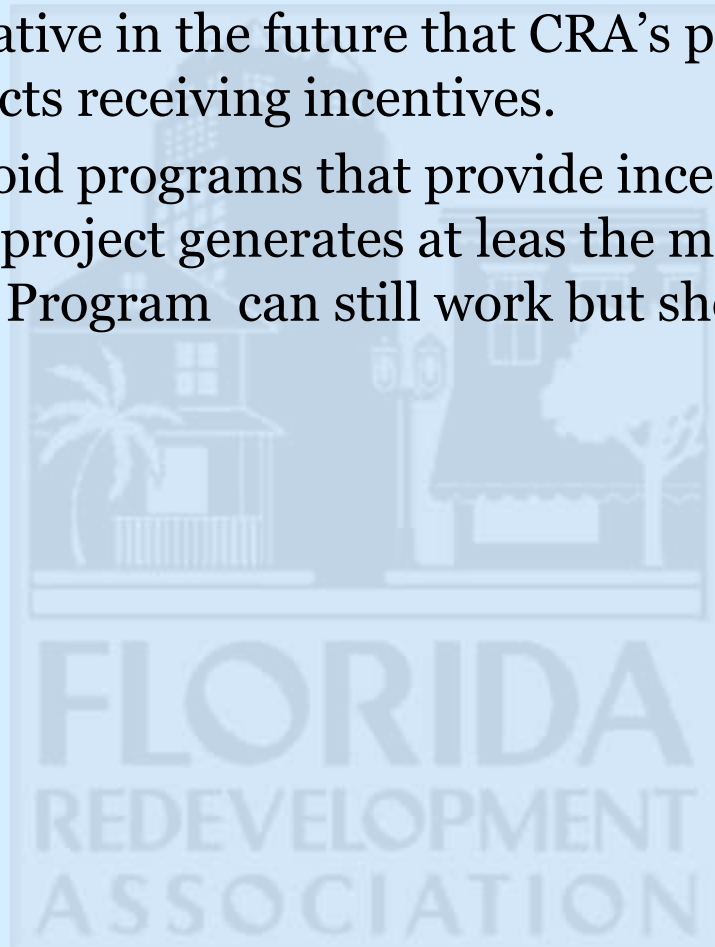
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THE FUTURE MARKETPLACE FOR CRA's

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It is even more imperative in the future that CRA's perform a financial analysis of all projects receiving incentives.

CRA's also need to avoid programs that provide incentives almost as a right as long as the project generates at least the money it is receiving back in incentives. Program can still work but should be tightened.



KNOW YOUR HOUSING MARKET

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Housing needs are changing. CRA's must monitor:

- Who is buying homes (owner occupants v. speculators)
- What is the demographics of this group (families income levels)
- Average length of occupancy (ownership and rental)

These items will help promote your housing programs to the right direction at specific times. It will be important to be flexible based on needs.

OTHER ITEMS TO NOTE

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- If there is a high level of rental make certain property maintenance standards are in place to insure upkeep
- Assist owners with background checks on tenants and provide landlord training
- Be mindful of funding a single-income project.
- Understand and be able to effectively communicate the value of housing for persons of all income levels.

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