

HOUSING

SUMMARY

- Assembly Republicans want to return affordability to homeownership by reforming antiquated mandates and prioritizing flexibility. We want to reduce costs, accelerate development timelines, and incentivize housing for California's diverse population.
- **Six in ten Californians name economic conditions, homelessness, and housing as the three most important issues facing the people of California today.**
- High borrowing costs along with a slowing economy resulted in fewer home sales and despite losing 800,000 people in 2022 and building 800,000 units in 2022, California remains mired in a housing crisis.

ISSUE – According to the CA Assn. of Realtors, the December **statewide median home price was \$822,200, down 2.2 percent from October 2023 but up 6.2 percent from November 2022.** Demand has been partly driven by families migrating to suburban and rural areas due to COVID. Only 15% of households can afford that price.

- The **median monthly rent for a California apartment is \$2,750;** in Texas, it is \$1,850. The most worrying statistic is that 3.2 million tenants in California are rent burdened, which means people are spending 30 percent or more of their income on housing costs. No other state in the nation has more rent-burdened residents.
- **Causes:** Environmental laws hijacked by special interests, rent controls, inclusionary zoning, high fees, prevailing wages, permit requirements, open-space land set-asides, and construction defect litigation.

SOLUTIONS -- Build our way out of the problem. An increased housing stock will ease the upward price trend, improve access, reduce homelessness, and accelerate wildfire recovery for millions of Californians who desperately need relief.

- **Provide a Property Tax Reduction:** Recognizing California's excessively high housing costs, increase affordability by exempting the first \$200,000 from the calculation of first-year property taxes.
- **Institute a CEQA Moratorium:** Create an exemption from the stifling requirements of the California Environmental Quality Act for any activity or approval necessary for planning, design, site acquisition, construction, or reconstruction of any building.
- **Delay Developer Impact Fees:** Prohibit local governments from requiring the payment of all local developer impact fees before the developer has received a certificate of occupancy for any housing development because impact fees frequently exceed 15% of total construction costs.
- **Create homeowner savings accounts:** Create such accounts to win state income tax benefits for money saved in one and for a down payment and closing costs.
- **Reform (CEQA) Mandates:** Anti-housing obstructionism in the state often wears pro-environment disguises. CEQA no longer serves its original purpose and is the single biggest impediment to residential housing development in the state. Start by allowing infill developments to proceed without CEQA reviews.
- **Develop a senior rent program:** Create a "Senior Tenant Shallow Rental Assistance Program" in the Dept. of Housing and Community Development to administer a \$100 million grant program for cities and counties to provide rent assistance for senior citizens in danger of losing housing.
- **Repeal Rent Control:** Repeal The Tenancy Protection Act of 2019 (Chiu, Ch. 8) to increase the supply of multifamily housing and improve property maintenance thereby improving affordability.
- **Building supplies sales tax exemption:** Provide a sales and use tax exemption for the purchase of building supplies used for home construction. Lowers the cost to construct houses by eliminating the sales tax on building materials and supplies saving builders between \$7.25 and \$10.75 for every \$100 spent, depending upon the location of the purchase.
- **Fix a property tax inequity:** Allow property tax payments to be paid in installments, or allow a delay in the due date, if an error by county government resulted large, unexpected property tax increases.
- **Give a property tax bonus:** Provides a property tax bonus to cities and counties that approve more housing by redirecting funds from the document recording fee (SB 2, Atkins, 2017). Incentivizes cities and counties to allow more construction so more Californians can realize the dream of home ownership.
- **Provide an income premium tax reduction:** California homeowners, especially, though not exclusively, those living in wildfire-prone parts of the state, are struggling with the ongoing insurance availability and affordability crisis. To help alleviate the rising costs of this necessary purchase for home owners, create a state income tax deduction for the full annual cost of homeowners' insurance premiums.

- **Eliminate inclusionary zoning:** It discourages housing by making it less profitable. Such measures act like a tax on homebuilders, property owners, and market-rate homebuyers, thereby decreasing housing availability.
- **Drop prevailing wage requirements:** Project labor agreements and “prevailing wage” requirements undercut freedom of contract, discriminate against non-union workers, and increase construction costs by 20% according to the Turner Center for Housing Innovation. Many more low-income units could be built, especially in San Francisco where such units cost almost \$700,000.
- **Curtail time-consuming permitting:** In many parts of the country, a developer can build multiple projects in the time it takes to permit and build one project in California.
- **Reduce open-space set-asides:** A basic economic axiom of supply and demand is that when land is set aside for open space and parkland on the periphery of a city, less land is available for construction. The value of the remaining land goes up. Over two-thirds of cities and counties in California’s coastal metros have adopted urban limit lines explicitly aimed at limiting housing growth, which particularly hurts the poor.
- **Encourage entrepreneurial innovation:** Entrepreneurs would provide fast and affordable housing if only they could enter markets, compete, and build units at the price points demanded by consumers. Examples of quick, inexpensive, and increasingly high-quality housing include modular or “prefabricated” homes, so-called “tiny homes,” and futuristic 3D-printed homes, which in some cases can be built in 24 hours for as little as \$5,000.
- **Make building housing a constitutional right:** The quickest exit from the regulatory thicket might be to amend the California Constitution to establish an individual right to build residential housing. Then, if housing opponents wished to alter or end a development project, they could do so only through the voluntary agreement of builders.

REFERENCES FOR THE PRIOR CATEGORIES

SUMMARY

For more information on where housing ranks as a concern with Californians, click here:

<https://www.ppic.org/publication/ppic-statewide-survey-californians-and-their-government-december-2023/>

For information on housing policy contrasting with how Californians want to live, see the Public Policy Institute paper here:

<https://www.ppic.org/blog/desire-for-action-on-housing-contrasts-with-how-californians-want-to-live/>

For information on housing demand and declining population, click here:

<https://www.caprдио.org/articles/2023/08/16/california-has-lost-population-and-built-more-homes-why-is-there-still-a-housing-crisis/>

More information on rent burdens can be found here: <https://www.housingisahumanright.org/california-has-most-rent-burdened-tenants-in-us-we-need-rent-control/#:~:text=The%20most%20worrying%20one%20is,has%20more%20rent%2Dburdened%20residents.>

ISSUE

For more details on recent housing data as of January 10, 2024, please go to:

<https://ktla.com/news/california/only-15-of-californians-can-afford-a-home-new-data-shows/>

and here: <https://www.car.org/en/aboutus/mediacenter/newsreleases/2023-News-Releases/nov2023sales>

For more information on rent costs, click here: <https://www.zillow.com/rental-manager/market-trends/ca/>

SOLUTIONS

For more information on Assembly Republican Caucus policy solutions, please contact William Weber at 916-319-3900 or william.weber@asm.ca.gov.