If

The Principles and Policies of California Homebuilders

California Building Industry Association

CBIA is...

- The principle advocate at the state Capitol for policies that increase housing production and homeownership opportunities in California — with a Sacramento-based lobbying team of professionals with over 100 years in housing public policy experience.
- A full-service trade association, representing the working men and women of over 7,000 companies involved in development and homebuilding in California, including the nation's largest homebuilding companies — represented by the California Major Builders Council (CMBC).
- Thousands of volunteers helping to define the principles and public policies that make California's homebuilding industry the most innovative and productive in the nation.
- Builders like Ray Becker of DMB Associates, developers of master-planned and new-town communities. Says Ray about chairmanship of CBIA in 2008, "Like its members, CBIA is becoming more active in the process of change: responding to new consumer demands and pursuing policies that create balanced and affordable new communities in California."

...the Trusted Voice of Housing in California.

CBIA maintains a library of important facts and information about housing and homebuilding in California. Visit our Web site at **www.cbia.org**.

If housing is a priority...

Congress and the President showed government can act when it is.

Initially it was conversational — that the nation's housing markets were faltering. New home production was reaching all-time lows and foreclosures were on the rise. Home sales and corresponding values were sliding. Expectations were that it was simply cyclical and a rebound was not far off. Then, it got worse.

In California, 2007 finished with new housing starts at a level half of what's needed. In some markets, foreclosures exceeded the number of monthly home sales. The state's unemployment rate jumped 10 percent in December to a four-year high and, as the *Sacramento Bee* said in January, "the root cause behind the growing economic misery remains the dismal real estate market."

These conditions were enough to get the attention of Congress and President Bush. Pressed by California Governor Schwarzenegger, homebuilders, realtors and others, lawmakers and the White House huddled in late December and emerged in early January with agreement on an economic stimulus package that included a long-overdue increase in what is called the "conforming loan limit." The conforming loan limit is set by the federal government as the maximum amount to be guaranteed through the purchase of underlying mortgage loans by lending giants Fannie Mae and Freddie Mac.

This loan-purchase mechanism is an important feature of credit markets — allowing private capital to support increased "liquidity" and attract better-priced home loans (see box). The recent federal action is expected to encourage would-be homebuyers — forced to pay as much as a full percentage point more for non-conforming ("jumbo") loans — to return to housing markets with at lower rates and greater purchasing power.

CBIA has long argued that the current federal limit — set at $417,000 — is too low to benefit states like California with pervasive high housing costs and, in past appeals to Congress has argued for increases to help improve affordability and homeownership in the state. Unfortunately, it took a train wreck in housing to get Washington to act.

But, along the way, politicians, policy-makers and pundits came to recognize that housing does matter — that it's an important element of national and state economies and that homeownership doesn't happen spontaneously and just because (most) Americans want to own a home. Indeed, what government does about housing — good and bad — does profoundly matter. To know that and be willing to act on the economic and social imperative of homeownership for those who want to buy should be basic training for California lawmakers and policy makers. Their words say it's a priority — their actions should follow.

Government gibberish or real help for homebuyers?

GSEs? Fannie Mae? Freddie Mac? FHA? Liquidity? What does it all mean and how does it do anything to help people buy homes? True, the acronyms are mind-numbing and, seemingly, just more bureaucratic gibberish. In actual fact, the structure in place to help homebuyers afford their purchases represents some pretty good work by government. The Depression-era Fannie Mae (Federal National Mortgage Association) and its sister agency Freddie Mac (Federal Home Loan Mortgage Corporation) were created for one purpose: keep enough private capital in mortgage markets to make home purchasing easier and more affordable. Sounds simple enough, and it is. Mortgage markets perform like any other markets in the U.S. economy — when there's an adequate supply of products, prices stabilize or go down. When supply is insufficient, prices go up. Affirming that homeownership is a national priority, Congress created Fannie Mae and Freddie Mac to buy loans on home purchases — returning precious mortgage capital to the originating lenders, allowing them to lend again — to ensure families that wanted to own could easily acquire the financing to buy. Although time and innovation have made the process more complicated — now involving Wall Street and terms like securitization and mortgage-backed investment instruments — it's still the same, successful program as it was 70 years ago. Government can be proud of this one . . .

If homeownership is a priority...

Quality of life defines the California experience and central to that experience is homeownership. It is the American Dream. It's what most Californians want more than anything — particularly new Californians who view homeownership as a top priority (by a three-to-one margin over all residents). It's a source of pride, a measure of achievement and a reservoir of wealth. Importantly, that wealth is a source of consumer confidence and corresponding economic activity. A recent study by UCLA reveals that a dollar increase in home equity generate three times as much consumer spending than a dollar increase in stock value.

Lawmakers and policy leaders laud homeownership and embrace its ideal as the life's goal of their constituents. At a recent policy summit organized around homeownership, Assembly Member Joe Coto, Chairman of the Latino Legislative Caucus, after reporting that Latino homeownership in California was 36 percent below the national rate, asked summit attendees, "What can we do to change that?"

The best answer is to increase the supply of homes to buy. Doing so will have an immediate impact on affordability. Indeed, for years, housing production in California has been well below the need. While the Department of Housing and Community Development says that the state should be building about 220,000 housing units a year — homes to both buy and rent — production hasn't reached that level in 18 years. Instead, annual housing production since 1990 has averaged around 135,000 new units a year.

Shortages, of course, create all sorts of problems — the worst being price inflation. California has the dubious decoration of having the highest housing costs in the nation and, consequently, the lowest levels of affordability. Even after a double-digit percentage decline the state's median-priced home, most Californians — probably more than four in five — don't earn enough money to buy. In many job centers, the income of an average family would have to triple to reach the median-priced home there.

Those families are the ones left out, and left behind. Those are the people about whom Assembly Member Coto was speaking. Those are the constituents of the state's lawmakers and policy leaders — the ones who can do something about it. And, what greater duty is there of an elected official than to respond to his or her constituents?

There's another reason why government should act — to make housing and homeownership a priority. Housing is both a powerful economic engine and a foundation for state and local fiscal health — a prolific generator of tax revenues. According to a recent study, for example, every new home built in California produces $16,000 in net income to the state and $3,000 to local treasuries (see box). This comes on top of the $70 billion in economic activity new housing generates and the half-million new jobs it produces.

When housing is being built, government's bills get paid. When it isn't — well, ask a city manager or the state treasurer.

Housing pays

After decades of claims that "housing doesn't pay for itself" a definitive study was published in 2007 that shows new home production to be a fiscal winner. The study, "The Housing Bottom Line — Fiscal Impact of New Home Construction on California Governments", published by the California Homebuilding Foundation, found that both state and local treasuries directly and substantially benefit from new home construction. For example:

- New homes provide a one-time positive fiscal benefit to cities, counties and the state.
  - The average city nets $3,017 in one-time benefits, ranging from $2,353 in the San Diego area to almost $6,800 in the Bay Area.
  - County governments net an average of $1,706 for counties, ranging from $1,332 if the home is located in an incorporated area and $2,323 if it's in the unincorporated part of the county.
  - The state receives an average of $15,858 in corporate and sales tax revenue from the sale of a median-priced new home.
- New housing pays for itself year after year.
  - A new home provides a net ongoing revenue stream of $771 to cities, ranging from $287 in Orange County to $1,107 in the Central Valley.
  - County governments net an average of nearly $200 a year for a new home.
  - The state nets almost $3,500 for each new home.

To download a copy of the full study, please visit **www.cbia.org** and click on the link to the study.

Like the story on page 3 shows, the federal government acted as a positive force for housing and homeownership. Now, as the pain of one of the state's most severe housing slumps begins to spread, is the time for California's government to do the same.

There's much that can be done and in the following pages you will find several legislative and policy recommendations designed to restore homeownership as a priority and a realistic opportunity for more Californians. These initiatives also include proposals to help California accomplish many of its other goals, such as reducing so-called greenhouse gas emissions; building more housing downtown; making new communities more fire-safe; and promoting greenbuilding statewide.

But first, state government needs to help get the homebuilding industry back on its feet and can take action in the following areas to do so:

Economic stimulus. Home sales and production have dropped off sharply as consumers wait for markets "to reach bottom." But, the longer homebuyers remain on the sidelines, the more quickly "the bottom" erodes. In 1975, the federal government instituted a temporary tax credit for homebuyers designed to stop the hemorrhaging and begin to clear away surplus inventory. What worked in the '70s is needed now.

In addition, while Congress and the President raised the federal conforming loan limit to help stimulate sales, the increase expires at the end of this year. CBIA's AJR 45 (Coto) asks Congress and the President to extend the increase and make it permanent.

Plan for recovery. The steep decline in new home construction in California is expected to continue through 2008 and possibly into 2009. To ensure a steady and seamless recovery, state government needs to take action to ensure that the needed housing project "entitlements" — best represented by subdivision maps — are in place when things turn around. Many of these subdivision maps are set to expire and CBIA is sponsoring SB 1185 (Lowenthal), legislation to extend them for at least two years.

Do no harm. While state government is encouraged to act affirmatively to stabilize housing markets and stimulate a recovery, it must also take care to avoid inflicting any more wounds than have already been sustained. There's no end to the demands of or restrictions on new housing called for by myriad legislative and regulatory proposals. Homebuilders find that while most of these proposals are well-intended they frequently call on new housing to finance or accomplish broader-based public policy objectives. These include:

- Land-use limits that unnecessarily restrict new development;
- Unworkable and, in some cases, unsafe building standards mandated on new construction;
- Higher fees for financing countless community improvements; and
- Excessive and inefficient water quality regulations.

These are not benign requirements. All add substantial new costs to already stratospheric prices or simply make it harder to build.

If homeownership is truly the priority our leaders in Sacramento say it is, then government will start to go to work today to help make it happen.

CBIA-sponsored bills

The following are legislative proposals sponsored by CBIA in 2008 — all designed to help increase housing supply and expand homeownership opportunities:

- **SB 1185** (Lowenthal) – 2-year extension of expiring subdivision maps.
- **SB 1210** (Dutton) – legal reforms to promote infill housing development.
- **SB 1231** (Correa) – establishment of fire-safe development standards.
- **SB 1473** (Calderon) – establishment of statewide greenbuilding standards.
- **AB 2219** (Parra) – promote water conservation in newly built homes.
- **AB 2309** (DeSaulnier) – plan to reduce carbon emissions from existing homes.
- **AB 2604** (Torrico) – deferral of impact fee payment.
- **AJR 45** (Coto) – resolution asking Congress and the President to permanently increase federal lending limit.

...then now is the time for action.

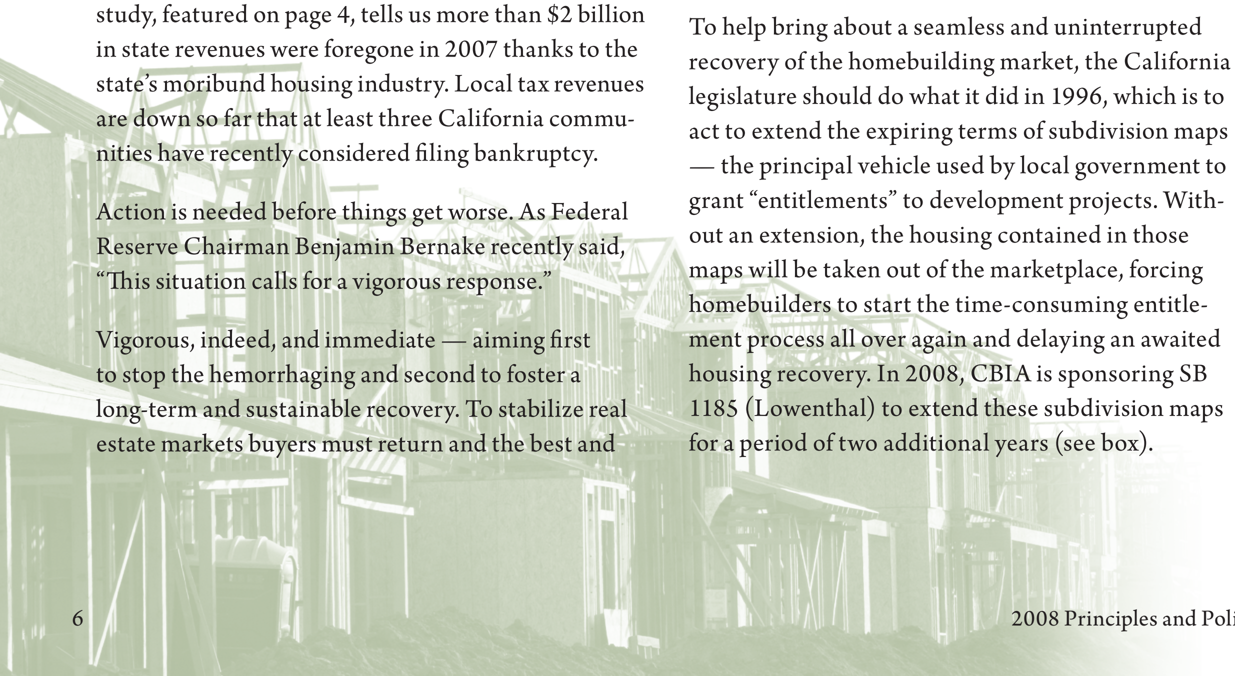
If homeownership is an economic priority...

Then state policies should be made to work.

California homebuying is in a downward spiral — dragging with it home values, consumer confidence and credit availability. Something needs to be done to stop it.

Consumers are smart. They don't want to buy when prices are declining. But, that condition feeds on itself and the more buyers pull back, the farther down prices go. Homebuilders, who have already substantially discounted standing inventory, report both increasingly diminished traffic and sales falling out of escrow. Indeed, consumers remain uncertain about whether still more discounting is on the way, keeping them on the homebuying sidelines.

A dynamic such as this one can be devastating for the California economy. According to Sacramento State University's Sacramento Regional Research Institute (SRRI), a fit and well-performing homebuilding industry generates over $70 billion in economic benefit a year and produces over a half-million jobs. But, the current slump has cut those economic benefits nearly in half while consumer confidence sinks, people stop spending, and both incomes and important tax revenues go down. As the "Housing Bottom Line" study, featured on page 4, tells us more than $2 billion in state revenues were foregone in 2007 thanks to the state's moribund housing industry. Local tax revenues are down so far that at least three California communities have recently considered filing bankruptcy.



Action is needed before things get worse. As Federal Reserve Chairman Benjamin Bernake recently said, "This situation calls for a vigorous response."

Vigorous, indeed, and immediate — aiming first to stop the hemorrhaging and second to foster a long-term and sustainable recovery. To stabilize real estate markets buyers must return and the best and quickest way to do that is through a homebuyer tax credit. This approach was taken at the federal level during an equally serious downturn in the '70s with significantly positive results.

A tax credit is not a price discount or just a financial incentive, it's a powerful signal to consumers that buying a home is a good thing and what someone disposed to do so ought to do. And, by making the credit temporary, would-be buyers will know time is limited for them to enjoy the benefit and will help to precipitate stabilizing activity almost immediately.

To help bring about a seamless and uninterrupted recovery of the homebuilding market, the California legislature should do what it did in 1996, which is to act to extend the expiring terms of subdivision maps — the principal vehicle used by local government to grant "entitlements" to development projects. Without an extension, the housing contained in those maps will be taken out of the marketplace, forcing homebuilders to start the time-consuming entitlement process all over again and delaying an awaited housing recovery. In 2008, CBIA is sponsoring SB 1185 (Lowenthal) to extend these subdivision maps for a period of two additional years (see box).

How do map extensions help?

Subdivision maps are the essential administrative tool used by California's local governments used to "entitle" land for new housing development. This entitlement process takes into account the preferences and needs of a local community — implementing the growth ambitions of the community laid out in its general plan. Since there's no free ride for land developers and homebuilders, subdivision maps — authorized in state law — set forth all the conditions that those "land users" have to meet before their projects go forward. And, since in California new land uses are scrutinized for a variety of impacts on the community and the environment, much time and deliberation goes into the completion of subdivision maps.

In today's markets where little housing production is occurring, these maps lie dormant though the clock on their terms is ticking. To avoid sending homebuilders — and market recovery — back to square one SB 1185 is designed to keep maps alive long enough to be used to support that recovery.

If homeownership for all is a priority...

Then land-use policies should respond to the need.

For years, California homebuilders have been attempting to gain improvements to land-use planning and decision making. That's simply because in today's environment — particularly with chronically low levels of housing production — housing development strategies have become a bit of a crap shoot. Homebuilders and housing investors look to make safe bets on development in certain areas but ever-changing rules serve to increase investment risk.

But, through collaborations with their local government partners, particularly the League of California Cities, homebuilders have tested zoning and project-approval concepts that would both deliver certainty to housing investors and producers while accomplishing more land-efficient development patterns along with a greater degree of both higher-density and urban-centric housing.

With the emergence of so-called "regional blueprints" — long-term planning models that better integrate transportation planning with land-use forecasts — CBIA's planning reforms are making even more sense while producing various corresponding benefits to communities and the environment. Though not all regional blueprints are as far along in their gestation as are others — such as the model plan of the Sacramento Area Council of Governments (SACOG) — they are moving in a positive direction and need a little push from the Legislature to spur them to completion of their work.

Unfortunately, others are using regional blueprints to promote traditional growth-control ambitions and recently have sponsored state legislation that would use the cover of "global warming" to accomplish their development-limiting objectives. Their bill, SB 375 (Steinberg) would:

- Establish new top-down, state-based criteria for land-use planning and approvals;
- Require that new housing development be confined to urban areas only;
- Fence off from development large parcels of housing-suitable land;
- Intensify environmental scrutiny of infill development; and
- Punish non-compliant communities by withholding state transportation funding.

All of this in order to, as the sponsors of SB 375 say — without one iota of evidence, scientific or otherwise, that their scheme will work — reduce vehicular travel and, correspondingly, greenhouse gas emissions. In the same spirit, SB 375 sponsors ignore the collateral impacts on an already significantly damaged housing situation in California — something the state can't afford.

Helping to accomplish the state's AB 32, greenhouse gas emissions goal doesn't have to come at the expense of meeting the state's housing goals. CBIA is in the process of developing an alternative to SB 375, utilizing the "regional blueprint" concept (see box), with the hope that a compromise agreement can be reached sometime this year.

What's a regional blueprint?

Increasingly, policy-makers are looking at taking a more regional approach to planning. Regional "blueprints" have become the models for this alternative focus transportation and land-use. Here's a brief definition of the concept:

- Where they exist, blueprints are voluntary undertakings that serve as the linkage or bridge between regional transportation system planning, development and management decisions and local land use planning, zoning and development activities.
- Blueprints are done in conjunction with the federal government requirement of each region to prepare a regional transportation plan (RTP).
- Blueprints serve as the land allocation methodology by which transportation investments will be made over a 20-year period to implement the federally required RTP. The land allocation plan must fully accommodate all the projected housing, commercial, retail and industrial land use allocation for the planning period (20 years; updated every four years).
- Adopted blueprints identify land-use designations, densities, and building intensities for areas of the region sufficient to accommodate the region's regional housing needs assessment (RHNA) obligation and account for consumer housing preferences.
- Regional blueprints are not, nor should they be, growth-control mechanisms or broad-scale resource-protection plans.

If infill homeownership is a priority...

Then state policies should be made to work.

If California lawmakers and policymakers really want to see more infill development occur, on a scale that seriously addresses a larger segment of the state's mounting housing demand, they must be willing to take one principal and well-guarded institution which is the single-biggest deterrent to building downtown — CEQA.

As the quotation above indicates, even one of greatest champions of the California Environmental Quality Act (CEQA) was frustrated by the law's interference with his ambitions to build as many as 10,000 units of housing in downtown Oakland. The mayor's experience is what has homebuilders concerned about the future of infill.

Infill housing — the new apartments, townhomes and other higher-density construction built in and around already-developed areas of a community — has the potential of becoming a first choice for more and more Californians in the coming years. Downtown living offers to a variety people and households — young and old — attractive lifestyles and intelligent housing choices. And, the potential benefits to the environment are noteworthy.

The Governor and lawmakers understood this when they worked together in 2006 to craft a $37 billion bond package that include first-time-ever funding for making improvements to aging and inadequate infrastructure in downtown areas. As Senate President pro tem Don Perata said at the time, "With this funding, we intend to attract transformative development projects that will meet a growing demand for downtown living near retail and job centers, accessible to public transit and capable of attracting new, private investment to emerging neighborhoods."

Important as the infrastructure funding is to nurturing infill housing, however, the threat of so-called NIMBY lawsuits can nullify the state's new investment. Ironically, the NIMBYs legal weapon of choice — that can systematically block higher-density, more urban-centric housing — is CEQA. Because of CEQA's broad reach, a multi-million-dollar project can be brought to a grinding halt by a $175 check and filing a complaint in municipal court. And, it's not just housing. Hospitals, high schools and power plants are among CEQA's recent victims.

But, attempts at an honest debate over these abuses — which are increasingly showing up in places like the editorial page of the *Sacramento Bee* — are always met with shrill charges by environmental groups about efforts to "gut CEQA" which, of course, is not true. Only a minor change in the state's premier environmental law is needed to end the abuse.

Indeed, CBIA believes the fundamental purpose of CEQA is upheld — even enhanced — by the adoption of a "short form EIR." The short-form EIR says two environmental reviews should be done: a broader one that encompasses and assesses the impacts of all new growth and development in a region and a smaller, focused analysis of only the impacts that individual projects — so long as they are consistent with the broader environmental review — have on the environment. Such a reform is contained in SB 1210 (Dutton).

"Little did I know that I was going to find CEQA lurking around every corner to stop me."

—Honorable Jerry Brown,
CA Attorney General and
former mayor of Oakland

What is being said about CEQA

Mayors and housing producers aren't the only ones concerned about abuse of CEQA. The following are excerpts from a recent *Sacramento Bee* editorial on the subject:

- "With shameless abandon, lawyers and monied players are abusing the state's premier environmental law — the California Environmental Quality Act."
- "Over the years, various interests have hijacked this law for non-environmental purposes, and conservation groups have looked the other way."
- "Labor unions are an even larger abuser of CEQA. In recent years, labor groups have used environmental lawsuits, or the threat of such suits, to stop or slow down power plant construction, hospital expansions and housing developments."
- "Critics call this practice 'greenmail,' a polite term for legal extortion. The combined effect is to drive up the cost of new houses, hospital beds and other projects, with little or no benefit for the environment."
- "Defenders of CEQA should be outraged. Oddly, environmental leaders in California have remained mum on this hijacking of environmental law. Their silence reflects a marriage of convenience between labor and environmental groups and, possibly, some financial entanglements."

If affordable homeownership is a priority...

Then all Californians should help fund it.

If the state's estimates about housing needs are correct, California needs to produce tens of thousands of housing units every year that are affordable to low and moderate-income families. What that typically means is that to provide shelter to these families either market costs have to be deeply discounted or subsidized, or incomes must be supplemented.

Either way, it's a big number — probably somewhere in the range of $2 billion to $3 billion a year to get at everybody. The best that California has done to address this need is to every so often win approval of state general obligation bonds that appropriate funds to support increasingly expensive state housing programs. Those funds are stretched to cover not only the housing needs of the very poor, living in urban areas but to farmworkers in rural, agricultural areas, as well.

The worst that California has done to deal with this problem is to adopt the practice of squeezing as much money as possible out of private, market-rate housing developments as possible to help a relatively small number of needy families. This practice is called "inclusionary zoning." In its simplest form, inclusionary zoning is an income-transfer program. But, the "income" that it transfers — from the market-rate home to the subsidized home — comes from a hike in the price of the market-rate home. Which means, only rich people and poor people benefit from inclusionary zoning, and middle-class buyers remain locked out of housing markets.

While inclusionary zoning offends on a number of levels, its greatest sin is that it helps so few for such a high cost. Even its most fervent advocates can't ignore their own report on the last 30 years of the program which shows only 34,000 "affordable" units have been produced. At that rate, says a recent study from San Jose State University, it will take over 100 years for California to catch up to its current affordable housing need. Meanwhile, the study showed, market-rate buyers were forced to pay an extra $37,000, on average, for their homes and as much as $100,000 more.[1]

But, California homebuilders are "housers" and believe that every effort should be made to meet 100 percent of the state's housing needs — including those of modest means. And, state government needs to play the lead role. Specifically, homebuilders believe a reliable source of regular funding needs to be brought to bear on California's chronic affordable housing needs.

BEGIN

Building Equity and Growth in Neighborhoods (BEGIN) was an experiment in the '90's and now is among the best of California's public/private partnerships:

- BEGIN was started in 1993 as a pilot program to demonstrate how regulatory reform could help increase local homeownership opportunities. It is now a fully authorized and fully funded state housing program.
- BEGIN rewards local governments for lowering regulatory costs with down-payment assistance for first-time homebuyers in the community.
- BEGIN partnership concept has worked throughout California because there's money to be saved through even modest amendments to zoning policy, parking requirements and fees charged on new housing. Those savings translate into lower home prices and new homeowners.

And, this money should be put to good use. Unfortunately, most of California's affordable housing programs have high costs, low benefit yields and tend to ignore market economies and efficiencies. To stretch whatever funding California can amass to meet this challenge, it must produce more housing for each dollar spent that what occurs today.

Finally, money by itself won't solve the problem. With more and more communities practicing "exclusionary zoning" (land-use policies that make it hard to build affordable housing) or charging fees for all housing, not based on impacts but what the "market" will bear — some well exceeding $100,000 per housing unit — something else has to give. State and local governments have the power to make it easier and more economical to build much-needed affordable housing. Models such as California's BEGIN program (see box) exist today that can be used to launch even more substantial affordable housing partnerships.

[1] Benjamin Powell, Ph.D. and Edward Stringham, Ph.D., *Housing Supply And Affordability: Do Affordable Housing Mandates Work?*, San Jose State University; 2004.

If tomorrow's homeownership is a priority...

Then needed infrastructure should be built today.

When Governor Schwarzenegger announced his Strategic Growth Initiative in 2006, there were high hopes that the moment marked a turnaround point in California's history. The Governor's soaring oratory that January evening spoke to both the past and the future.

He spoke of visionary and courageous governors that preceded him, who in the face of "massive change and huge challenges, they built the foundation of California's prosperity. They built the schools and the universities that became the envy of the world. They built the bridges and the aqueducts, the highways and the hospitals that made California the economic powerhouse it is today."

And, he reminded the lawmakers present that night that "a new California is coming whether you plan for it or not."

The Legislature responded, thanks to the leadership of Senate pro tem Don Perata and Assembly Speaker Fabian Núñez. By May 1 of that year, lawmakers had cobbled together and approved an infrastructure financing package — covering roads, rail, schools and levees — totaling nearly $40 billion. Voters overwhelmingly approved the plan in November. Finally, a significant down payment on California's future.

It was just a downpayment, however, and California, after decades of neglect, needs tens of billions more to simply catch up. Some will argue that now, with a grim budget situation, is not the time for making major public investments. But, "if not now when?" asked a former California governor. "If not us, who?" And, as Governor Schwarzenegger noted about the trying times his predecessor-builder governors faced, "They (built) it, through wars and recession, year in and year out, for decade after decade."

No infrastructure improvement is more important to California's future than storage facilities for water. While billions of cubic feet of water wash out to sea after every storm and during the Sierra snowmelt every spring, California's growing demand for this vital resource is going unmanaged and unmet. In the past three decades, no significant new infrastructure has been built to keep up with the state's growing population — which grows by half a million new people every year and is expected to be 49 million by 2030.

Now, the most vital link in California's water delivery chain is in crisis. The San Joaquin Delta, the hub of California's water system which transports water to millions of residents, businesses and farmland in California, is being challenged by among other things, sinking islands, surging seawater and invasive species. All of this and more add up to water deliveries to 25 million Californians at risk.

California homebuilders have joined others in the state — including Governor Schwarzenegger — who want to do something about California's water future. In addition to continuing to push for legislation that would authorize a bond that includes a variety of strategies to increase the state's supply and reliability a coalition of water storage advocates — Californians for Clean and Reliable Water — is moving to place its own water bond on the November, 2008 ballot (see box).

To fail to act is to deny the quality of life for future generations of Californians that previous ones gave to us.

"California needs water now. We need water 20, 30 and 50 years from now."

—Governor Arnold Schwarzenegger

What we want

The water supply concept being advanced by the bond measure sponsored by Californians for Clean and Reliable Water seeks the following:

- $3.5 billion in funding for new surface water storage facilities.
- $2.7 billion in funding for conservation, recycling and clean water projects.
- $2.4 billion for ecosystem protection and preservation in the Delta.
- $1.1 billion for pollution clean-up projects.
- $1.6 billion for groundwater management projects.
- $.5 billion for various facility management and recycling activities.

All of these proposals are consistent with the water-supply objectives of the Governor's Strategic Growth Initiative.

If green homeownership is a priority...

Then all homes should participate.

State lawmakers and policy-makers continue to turn to new homebuilding to produce their environmental objectives. But, the returns are diminishing . . .

- New California homes are already recognized as being more energy-efficient, water-efficient, transit-oriented and generally environmentally friendly than all other homes in California, and the nation.
- Most of California's housing inventory (approaching 13 million units) was constructed long before energy, water and other resource efficiencies were established as residential standards, meaning there's more to be gained from improving existing versus new homes.
- Indeed, a dollar spent improving an older, existing home yields five to 10 times more in energy savings than a dollar spent in a new home.

If reducing greenhouse gas (GHG) emissions by a certain level by 2020 is the goal, pursuant to AB 32, "The Global Warming Solutions Act", then simply mandating that new housing do more won't cut it — all homes can and need to make a contribution.

And, lawmakers and policy-makers have only to look at the success that homebuilders have had in the past decade or so to reduce energy use in homes and, thereby reduce GHG.

In 2004, CBIA launched the now-successful California Green Builder (CGB) program. CGB incorporates straightforward measures dealing with, among other things, energy efficiency, water conservation and recycling. The results are compelling. For example, CGB homes are 15 percent to 20 percent more energy efficient than the toughest-in-the-nation standards of the California Energy Commission (CEC). In addition, each CGB home ensures that 1,000 fewer pounds of greenhouse gases will be released into the Earth's atmosphere each year (see box for more).

California homebuilders have been equally successful in achieving meaningful water conservation. Thanks to the use of things like low-flow toilets and state-of-the-art technology to regulate outdoor water use, CGB homes save at least 20,000 gallons of water a year compared to non-CGB homes. That works out to a 20 percent reduction in water use per household — tops in the nation.

Global cooling homes

As reported, newly built California homes are by far and away the nation's and the world's most energy efficient. And, as a recently completed study shows, new homes should be the standard against what the energy efficiency of all homes ought to be measured.

- New housing represents 0.15 % of existing carbon emissions.
- Homes built in 2005 use 47% less heating and cooling than homes built in 1978.
- Energy use in new homes is 26% less than homes built in 1990.
- The carbon footprint of a home built in 2005 is 24% smaller than one built in 1990.

So, if you want to reduce GHG emissions, buy a new California home.

To further promote this greenbuilding effort, this year CBIA is sponsoring SB 1473 (Calderon) to support the establishment by the Building Standards Commission of CGB standards as those to follow for greenbuilding in California. In addition, homebuilders will promote the use of even more effective water-conservation in new subdivisions through AB 2219 (Parra).

Finally, to ensure that existing homes — all 12.5 million of them — are doing their part to help green California, CBIA is sponsoring AB 2309 (DeSaulnier), a bill to pursue the use of "energy audits" so that the contributions to reducing GHG emissions from existing homes can be determined.

Getting to green and promoting housing affordability is possible, if lawmakers are prepared to make the right choices.

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To view the documents referred to in this publication, please refer to the Government Affairs section of CBIA's website: **www.cbia.org**

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