



New Study Released Shows SB 32 Will Significantly Drive Up Cost of Housing, Pricing Hundreds of Thousands of California Families Out of the Housing Market

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Proposed legislation aimed at dramatically cutting greenhouse gas emissions will drive up the price of homes, price hundreds of thousands of households out of the housing market, dramatically increase the number of Californians living in poverty and result in an annual loss of billions of dollars in California's gross state product, according to a new report released today.

"Senate Bill 32 would create a de facto mandate that all residential construction after its enactment be constructed to a minimum standard of Zero Net Energy, regardless of whether it is cost-effective for the consumer," said Brad Williams, a co-author of the report released by [Capitol Matrix Consulting](#). "This de facto mandate will have troubling negative impacts on the state's economic recovery including instability in the housing market, increased number of people living below the poverty line, and decreased new home construction."

The report, authored by former Department of Finance Director [Michael Genest](#) and former LAO Chief Economist [Brad Williams](#) at Capitol Matrix Consulting and commissioned by the California Building Industry Association, analyzed SB 32 by Senator Fran Pavley and found that - should the bill become law - the imposition of a Zero Net Energy mandate on all new construction in California would have to be immediately implemented to achieve the goal's objectives. Zero net energy homes produce at least as much on-site energy as the home consumes.

According to the report, the immediate effect of SB 32 would be a sharp reduction in new construction activity until contractors and developers could gain expertise and capacity to adapt to the strict new requirements that would require significant on-site energy production for every unit built. The report also found that the de facto mandate would result in the following economic impacts:

- Raising the cost of a median priced home by over 12 percent
- Approximately 683,000 households being priced out of the real estate market
- An annual 10,450 unit reduction in single-family housing construction
- An annual loss of \$9.7 billion in gross state product and about 95,000 jobs in the California economy;
- An increase of 436,000 in the number of people living below the poverty line, due mainly to the negative effects of further housing shortages on shelter costs and household budgets.

"This is another case of putting the cart way before the horse - but with serious consequences for California," said Dave Cogdill, President and CEO of the California Building Industry Association. "SB 32 will - in effect - require emerging technology be built into every new home in the state - which will tack on more than an extra \$58,000 onto every new unit. The market will not bear this premature and extreme policy, and frankly, Californians just climbing out of a catastrophic housing slump shouldn't be asked to shoulder the extra cost."

As written, SB 32 proposes to require the California Air Resources Board to set a statewide greenhouse gas emissions limit of 40 percent below 1990 levels by the year 2030 and 80 percent below the 1990 levels for 2050. With current laws already stringently governing new construction through the California Environmental Quality Act, the likely effect of SB 32's passage will be that all new construction be built according to zero net energy standards in order to meet SB 32's goals.

California median home price is already two and a half times the national average at \$440,000, and rents are 50 percent higher than the national average. According to the nonpartisan [Legislative Analysts' Office](#), high housing costs are particularly problematic for renters and low-income households. A variety of factors are responsible for California's high housing costs, but the LAO clearly stated that a shortage of housing is a significant contributing factor. According to the Capitol Matrix report, SB 32 would further imbalance the supply and demand in the market - further escalating home prices and slowing new construction activity.

According to the newly released report, the enactment of SB 32 will increase the number of Californian's in poverty by 436,000 primarily because of the negative effects of higher rents on household budgets that will force low-income households to spend more of their income on housing as opposed to other essentials.

The full report can be found here:

http://www.cbia.org/uploads/5/1/2/6/51268865/sb_32_impacts_final.pdf

For questions and additional information contact Megan MacNee, Political Affairs Manager, CBIA, at 916-340-3352 or mmacnee@cbia.org. Or Brad Williams, Partner, Capitol Matrix Consulting at (916) 761-2574 or williams@capitolmatrixconsulting.com

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The California Building Industry Association is a statewide trade association representing thousands of homebuilders, remodelers, subcontractors, architects, engineers, designers, and other industry professionals. More information is available on the Association's Web site, www.cbia.org.

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