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Che Salinas, Chief Deputy Legislative Secretary for Operations
Governor Gavin Newsom, Office of Legislative Affairs
State Capitol, First Floor
Sacramento, CA 95814

Re: AB 520 (Kalra) – Public Works: Prevailing Wage – Oppose "Housing Killer"

Dear Mr. Salinas,

As you know, resolving AB 520 is CBIA's top priority with the Legislature and ultimately the Governor for the end of session. While the bill was just amended (amendments pasted below for ease of reference), unfortunately in many ways these amendments make the bill worse. After months of claims by the author and sponsor (both publicly and privately to individual legislators) that this bill has no impact on housing, these amendments solidify, that this bill is intended to expand prevailing wage into private residential projects. As you analyze these amendments please take several things into consideration:

THE EXEMPTION AS WRITTEN DOES NOT WORK: (ii) (shown below). While this provision may be an attempt to providing an exception to the $500K threshold for single family dwellings it does not succeed. There is not a residential project that will be able to avail itself of this exception with the inclusion of the word "entirely". None of our members build projects that consist entirely of single-family dwellings (there is always a club house, guard facilities, or other amenities that go along with it), and therefore housing projects will never qualify for the exception intended in provision (ii). More importantly, when a project is challenged, the DIR looks at the contracts negotiated between project proponents and public agencies (i.e., development agreements (DA)) that govern the land uses and negotiated components in a particular project. DAs are fully encompassing of a project's components including, single family, multi family, condos, townhomes, parks and open space, recreation centers and club houses, horizontal infrastructures, and negotiated services, etc. The inclusion of "entirely" ensures that no project is actually intended to benefit from this exception. The substantial housing included in these projects would be ineligible. Said differently, drafting issues aside, because of state policies that encourage infill, mixed use development and jobs/housing balance the idea of "entirely housing" built projects is a thing of the past. Even if "entirely" were deleted, this provision would still result in an incentive to build precisely the kind of housing all of the other state housing and environmental policy is designed to discourage.

THE AMENDMENTS FLY IN THE FACE OF STATE HOUSING & ENVIRONMENTAL POLICY: As described above, limiting the exception to "single family dwellings" purposefully omits private, for-sale townhomes, condos, duplexes, mixed-use infill developments, etc. The irony of this is threefold:

a. State environmental & housing policy overwhelmingly encourages higher density development closer to urban cores, transit, and jobs. AB 520's approach would ensure that the exact type of housing our state policy is intending to encourage is made 20-30% more expensive then the "sprawl housing" it was designed to displace.

b. Additionally, these amendments further encourage sprawl by guaranteeing that most of any new supply of affordable market rate housing will occur through suburban greenfield developments. Again, this flies in the face of all of state housing and environmental policy.
c. Builders are being asked to build projects and communities that lower VMT, provide mixed-use walkable spaces while also creating a better jobs and housing balance. To do this our projects cannot be "entirely" single family.

CBIA HAS REPEATEDLY OFFERED AMENDMENTS TO TRY AND WORK THIS OUT: While CBIA would prefer this bill die, we have worked diligently to try and meet the proponents halfway. We have offered several sets of amendments to no avail. The current draft of the bill leaves us right back where we have always been: Increasing the application of prevailing wage will force builders to forego incentive programs and refuse to work with locals to oversize infrastructure to serve the broader community because those actions would trigger prevailing wage on the entire project. For example, under a $500K threshold a $3,000 incentive (solar, battery, EV) on a 167-home project would now trigger prevailing wage. That is not a lot of homes. It's much easier and cheaper just to forego installing these energy technologies.

CBIA appreciates the Governor's commitment and initiatives to increase housing supply. If the goal is to first do no harm, this bill constitutes significant harm that would increase the cost of housing and make it more difficult to build in the places its most needed.

Unfortunately, it seems unlikely that CBIA will be able to stop or meaningfully amend this bill before it reaches the Governor's desk. Without your immediate mediation of the issue, the Governor will be put in a horrible position of having to decide between siding with labor or exacerbating the housing crisis.

If there is anything we can do to help avoid this outcome, please let us know.

Thank you for your attention to this.

8/21 Amendments:

(B) *(i)* For purposes of subparagraph (A), a public subsidy is de minimis if it is both less than ~~two hundred seventy-five thousand dollars ($275,000) and is~~ *five hundred thousand dollars ($500,000) and* less than 2 percent of the total project cost. ~~This~~

(ii) Notwithstanding clause (i), for purposes of subparagraph (A), a public subsidy for a project that consists entirely of single family dwellings is de minimis if it is less than 2 percent of the total project cost.

Sincerely,

Michael Gunning
Senior Vice President of Legislative Affairs

cc: Ana Matosantos, Cabinet Secretary
Angie Wei, Chief Deputy Cabinet Secretary for Policy Development
Jason Elliott, Chief Deputy Cabinet Secretary
Anthony Williams, Legislative Affairs Secretary
Tia Boatman-Patterson, Senior Advisor on Housing