

The Principles and Policies of California Homebuilders

# NEW COMMUNITIES

A Strategy for Building  
California's Future



# Who We Are



## CBIA is not just a trade organization in Sacramento. CBIA *is* California's homebuilding industry...

- Over 6,500 companies involved in the planning, design and construction of new housing in California, putting more than 500,000 men and women to work every year and contributing nearly \$60 billion annually to the state's economy.
- The entrepreneurs who not only build the state's housing but who finance and construct the roads, schools, parks, fire stations and other infrastructure of California's new communities.
- Thousands of volunteers and a staff of professional advocates, organized to pursue necessary and overdue policy and statutory reforms at the state Capitol so that the housing that's needed in California – for households of all incomes – gets built.
- Homebuilders like Layne Marceau, president of the Northern California Division of Shea Homes and the 2006 Chairman of CBIA. Says Marceau about the state's homebuilding industry, "No other enterprise affects the shape and continuity of a new community like homebuilding. When new homes are built so too are elementary schools, Little League diamonds, community centers, fire stations, parks and nature trails – all built by homebuilders and all tied together by the American Dream of homeownership."

CBIA *is* California's homebuilding industry...  
...the "Voice of Housing in California"

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# New California Communities

## California homebuilders show action is more valuable than words

Most serious policy makers know that California needs more housing. According to economists and state officials, the state should be producing in the neighborhood of 240,000 new housing units every year, just to keep pace with population growth and new household formation.

Yet, for the last 16 years, annual housing production in California has yielded only an average of 135,000 units – a yearly shortfall of over 100,000 units. While, statistically, as many as 100,000 California families simply disappear each year, in reality, those families either choose to live under the same roof with other families, choose housing they can't afford, choose to live in sub-standard housing or choose to leave California.

### Fear factor

While California's serious policy makers would also say that for the sixth-largest economy in the world, this abysmal housing reality should not exist, they face innumerable pressures from political factions that are constantly advocating for limits on growth and housing. Unwilling to take on population growth or job growth directly, these growth-control advocates concentrate their rhetoric and political action on new housing. They conduct campaigns – using demonizing words like “sprawl” and “runaway development” – designed to spread fear.

This fear campaign asserts that new housing is taking more than it's giving. New housing developments, they claim, leave localities with more traffic, more school students, more demand for water, less open

space, foul air and, generally, more stress on California communities. But, as with most assertions of these housing critics – California's “just say no” crowd – the rhetoric is empty and baseless.

### Delivering 'New Communities'

While the “just say no” crowd sounds off from its perch on the inside – at the Capitol, conferences and public hearings – homebuilders are busy on the outside building new roads, schools, parks and other recreational facilities, fire stations, water-delivery systems and acres and acres of nature trails and open space. Today, California subdivisions are better laid out than ever before, with land used more efficiently and greenbelts winding through pedestrian-friendly neighborhoods.

And, the homes themselves are state of the art – employing new, “green building” techniques and boasting a new generation of energy-efficient components and architectural design. Some examples:

- The Fallen Leaf at Riverbend, built by Treasure Homes, is a “zero energy” community in Sacramento with green building components such as solar electric power, radiant heat barriers, tankless water heaters, energy-efficient appliances and lighting.
- In San Diego, Pardee Homes offers “Living Smart” options which include spectrally selective glass for increased energy efficiency, a sealed duct system for optimum heating and air-conditioning efficiency, photovoltaic roof panel systems for solar electricity, carpeting made from recycled material, composite “treeless” doors and low-flow faucets and shower heads to save water.
- The Windermere community in Bakersfield, built by Castle & Cook and awarded the “Best California Green Builder of a Residential Project” in 2005, utilizes master-planning that fosters open space and natural settings; “streetscape” landscaping; and resource-efficient neighborhood designs. Specific features include drip irrigation systems; conservation-friendly drought-tolerant plants; longer-lasting PVC fencing; high-voltage (HIOV) outlets in garages for electric car-charging; and non-polluting, non-toxic (low-VOC) interior and exterior paint.

CBIA believes the more Californians – and California policy-makers – learn about the state's new generation of new-home communities, the more they'll dismiss the whining of the critics and make housing and homeownership central to their California future.



## Old problems...

To build new housing in California requires navigating choppy and sometimes treacherous public policy seas. Indeed, to most homebuilders in California, getting housing projects approved today is a battle. It's not unusual in California for major subdivision approval to take seven to ten years. Myriad and ever-changing rules produce massive uncertainty so that, at times, a homebuilder doesn't know whether his or her development will contain multi-family structures or single family, detached homes. Compounding this uncertainty is the maze-like process that homebuilders must follow to get to the finish line (see insert, page 6).

In addition, thanks to ongoing fiscal chaos and a failure of the state to invest, localities that need new housing turn to new homebuyers to pay for decades of neglect – with fees exceeding \$100,000 per home in some markets and for things that most people, particularly new homebuyers, can't comprehend (see box).

It's gotten so bad that now, desperate to respond to their mounting social and infrastructure deficits, local governments – often with the complicity of state government – are forcing homebuilders and homebuyers to be the financial guarantors of things like affordable housing and flood protection.

Indeed, it's not unusual for a condition to be put on a housing project approval that as many 45 percent of the homes planned for construction be sold at deeply discounted prices. That's like telling a car dealer that government has a new, below-market sticker price for nearly 50 percent of the dealership's inventory. On the flood protection front, some state lawmakers are trying to mask their negligence of the past – the failure to fix and maintain the state's 1,600 miles of levees – with schemes like one to shift flood-damage liability to local governments, virtually shutting down development.

But, even after all of that the odds of a new housing project getting built can be as bad as a coin flip. The California Environmental Quality Act (CEQA) and \$175 (the average court filing fee) gives

### Costly alphabet soup

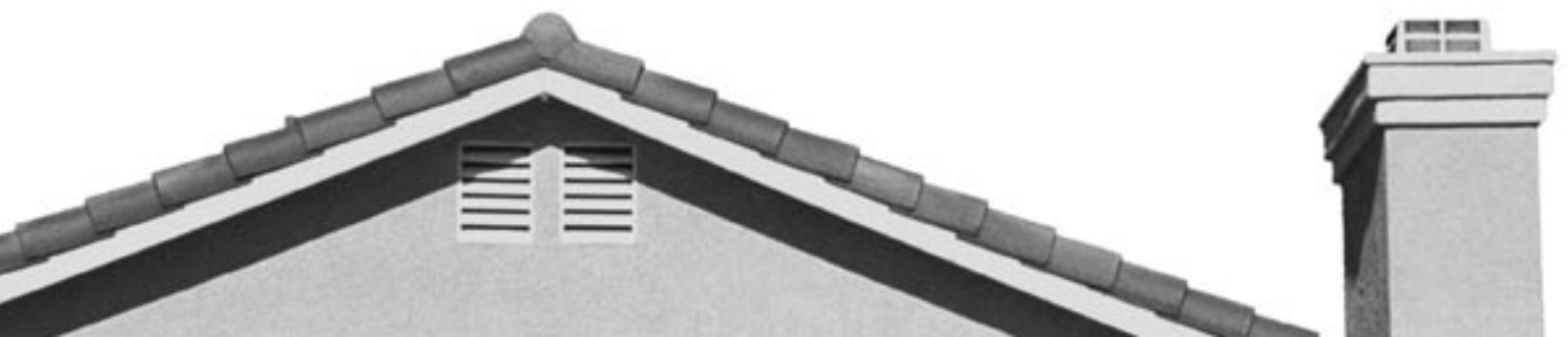
A recently completed fee survey in the Central coast region of California reveals a vocabulary of terms foreign to most Californians but, today, all too real for those who want to buy a home. The following are some of the "line items" included in the \$56,000 new-home tariff that the City of San Luis Obispo charges, in addition to the normal levies for environmental, traffic, school, police, fire, water, sewer, drainage and other development impacts:

- Annexation
- Encroachment
- Energy
- Inclusionary zoning
- Rezone
- Sensitive resources
- Special use
- Valuation
- Variance

just about anyone in California the power to bring down an environmentally sound, locally approved housing project. Says affordable housing developer Carol Galante of Bridge Housing:

*"There is no certainty that even after going through a lengthy and expensive CEQA review process that the project which is the subject of the review will not be challenged (in court). To the contrary, virtually all of the expense of the environmental review is consultants and attorneys trying to "bullet proof" the EIR from the impact of threatened litigation. Opponents of projects use the process to try and negotiate/demand changes. This does not result in reasoned land use decisions. It simply adds to the cost of the development."*

This all means that housing in California is more expensive and fewer people can afford it. Just the fees alone can crush affordability. According to the National Association of Homebuilders, every \$1,000 in cost added to a moderately priced home disqualifies over 20,000 California homebuyers. Think about it: a family of four would need to earn \$35,000 a year to afford just the \$120,000 in fees on housing in Livermore!



# ...need new solutions

Whether the sponsors of these policies and practices know it or not, they have destructive impacts on California families, particularly those in the workforce looking to find their piece of the American Dream in communities like yours around the state.

The median annual income in California is \$50,000. But, that income would have to nearly triple before the family earning it could qualify for the state's median-priced home of \$535,000. Only one in seven California families can afford to buy a home in most places. Not surprisingly, as California is home to nearly all 25 of the nation's least affordable housing markets, it also boasts the second-lowest rate of homeownership. Recently, a Public Policy Institute of California (PPIC) poll showed a large percentage of Californians are so frustrated about their homeownership prospects that they are preparing to leave the state.

This is the drama that's played out every day in far too many of the state's job centers producing troubling, chilling implications for California's economy and quality of life. Neglect, indifference, and regulatory excess have conspired to keep housing production chronically low and unnecessary costs soaring. It's a situation that's begging to be fixed.

## Homebuilders have answers

Despite the challenges created by government and opponents of growth, California homebuilders are producing some of the best homes, neighborhoods and communities in the country. As the project profiles on page 3 show, the community benefits of new housing subdivisions – from suburban homes to downtown condominiums – are markedly improving the quality of California life.

California homebuilders believe more of the same is possible. By adopting a more supportive attitude and adopting housing-friendly policies, government can help more Californians enjoy safe neighborhoods, quality public schools and lower energy bills – all in the comfort of their homes and communities. In their 2006 legislative program, California homebuilders have identified some of the most serious problems in housing markets today and the simple, forward-thinking solutions to them that will produce immediate and lasting results.

Among the list of reforms being pursued this year by CBIA (see box):

- **Land use** — to get a certain and reliable local land-designation and decision-making process – the critical missing ingredients to efficient housing production – CBIA is pursuing a proposal to map a 20-year supply of land for housing and, correspondingly, zone for 10 years of housing production.
- **Infrastructure** — to support the new housing and economic development aimed at existing urban areas, CBIA is sponsoring a new “tax increment” funding mechanism for infrastructure.
- **Infill** — to conform environmental reviews to match the diminished impacts of new housing in already urbanized areas, CBIA continues to push for a project-based, “short form” environmental impact review (EIR).

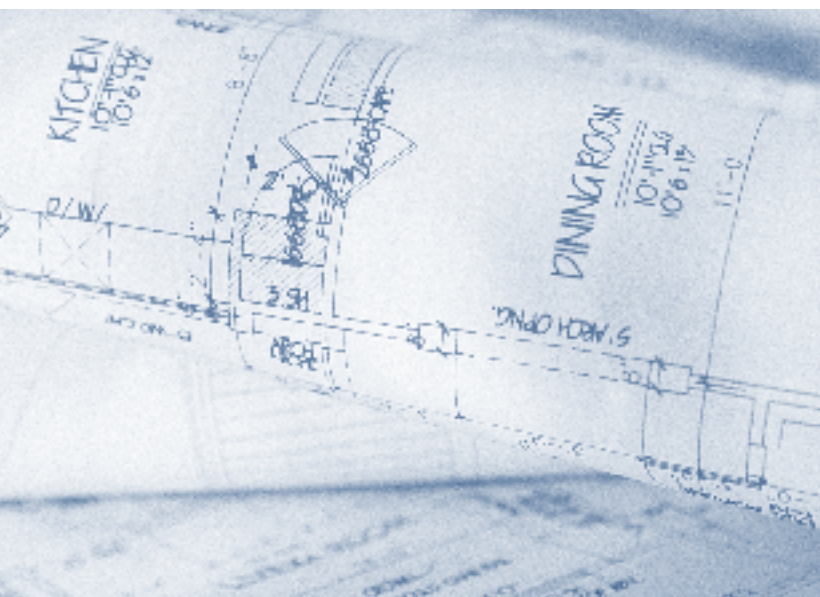
As you will see in the pages that follow, the public policies that these and other homebuilder-sponsored initiatives produce mean that the state's quality of life can improve as new communities grow and thrive in California.

### CBIA'S 2006 LEGISLATIVE PROGRAM:

- **SB 1800 (Ducheny and Cedillo)** – a bill to restore certainty to land-use planning and decision-making, featuring a 20-year housing map; a guaranteed ten-year supply of ready-to-build land; increases in housing densities; a “by right” guarantee for affordable housing; full funding for new planning requirements; and enhanced public participation.
- **SB 1509 (Soto)** – a bill to establish a state clearinghouse for communities looking to promote new or greater infill development.
- **SB 1191 (Hollingsworth)** – a bill to make modest, but intelligent, changes to the California Environmental Quality Act (CEQA) including the authorization of an expedited, “short form” environmental review for new infill development.
- **AB 2286 (Torrico)** – a bill to create a novel infrastructure financing mechanism to serve new urban development.
- **AB 2751 (Wyland)** – a bill to impose real accountability for local fees charged to mitigate development impacts.
- **AB 2803 (Parra)** – a bill to require lawyers soliciting for construction lawsuits to make certain disclosures to homeowners, including the availability of alternative dispute resolution, such as opportunities to have repairs made.
- **AB 3022 (Umberg)** – a bill to provide enhanced flood protection through a combination of increased public awareness and flood insurance for new subdivisions built behind or in proximity to FEMA-certified levees.

## ...well planned

Everyone has a stake in how their communities grow – including those who live there and those who don't yet live there. Where growth is going to occur is of interest to all citizens of a community. And, the best managers of that daunting responsibility are the local elected leaders and the plans they use to govern.



### The land factor

Land is the basic raw material necessary for California's new home construction. And, despite the surplus of land in California – only five percent of the state's 100 million-acre land mass is developed and occupied – it is the costliest component in new housing development, simply due to demand.

How land gets used is a balance between the rights of those who own the land and those who manage the community. Hanging in that balance is meeting the state's housing need – roughly 240,000 new units every year – and whether private investors in the land can lay the groundwork for building it. Of equal concern is how existing residents are going to be affected by the new housing.

With so much at stake, good planning is essential. It's not that most California communities don't plan enough, they just don't stick to their plans. This deficiency, which persists statewide, produces enormous

uncertainty – affecting investment decisions by investing and housing producers and breeding conflict with citizens about the future of their communities.

Existing general plan law sets only vague standards for this planning and the state's more focused planning requirement for housing – the housing element law – is largely ignored. With high annual demand for housing as far as the eye can see, California cannot afford to be unprepared, by failing to identify the land for housing and the plans of the state's 535 communities to accommodate that demand.

### A plan for planning

At the foundation of needed reforms is a housing platform in the general plan. Through the housing and land-use elements, a community's general plan should spell out the housing agenda for the future. Unfortunately, that's a presumption, not a practice.

General plan law needs to be amended to establish a formal and mandatory procedure for identifying land in all California communities sufficient to accommodate a 20-year supply of housing. Within that formal planning procedure is needed certainty – that land designated for housing will stay that way for a meaningful period of time.

Dubbed the "New Communities Planning Act", this legislative proposal is contained in SB 1800 (Ducheny) and would amend general plan law to provide a clear, certain and long-term plan for housing in all of California (see box).

#### Features of the HOP include:

- A local housing map for the next 20 years
- A zoned ten-year supply of land
- A dramatic increase in housing densities
- A "by right" guarantee for affordable housing
- Preservation of local land-use decision-making
- Comprehensive environmental reviews
- Full funding for new planning requirements
- Expanded role of the public in planning

## ...downtown

For years, sociologists and pundits have lamented the decline of California cities and the absence of private investment in urban neighborhoods. Regrettably, the discussions seemed to focus only on how desperate the conditions were rather than on what led to them and how a decades-old trend could be reversed. As a result, well-intentioned “solutions” – heavily subsidized by government, particularly the federal government – squandered hundreds of millions of dollars and precious time. Meanwhile, all but a few investors continued to look elsewhere to pursue their housing and economic development ambitions.

### A shining star

An exception in California was San Diego where city leaders and policy-makers took a different approach – identifying and removing the regulatory barriers that for decades had been interfering with investment in one of the state’s most attractive cities. Now enjoying national and international acclaim, the renaissance in downtown San Diego – marked by new neighborhoods of high-density housing adjacent to transportation, thriving retail and entertainment districts – is the model for what’s possible in urban markets everywhere.

San Diego was neither an overnight success nor a product of flabby government funding programs. It was, instead, a result of patient collaboration between local officials and private investors and a commitment from both parties to both take risk and stay the course – over the long haul. The San Diego experience means state lawmakers need to listen to the practitioners and local decision-makers – and learn.

Infill development remains a risky and costly undertaking, but San Diego found a way to make it less risky. When the market demanded high-rise, affordable housing, San Diego zoned it. When the market demanded a dramatic mix of housing types, San Diego permitted it. When the market grew and its growth demanded infrastructure sized to support both the new permanent and the new transient populations, it was built. In other words, to get what it wanted, San Diego changed the way it did business and it followed the market.

### How the state can help

State planning and other “top down” ambitions – the natural impulse of bureaucrats in Sacramento – are a poor substitute for visionary and courageous decision-making by city councils and county boards.

Indeed, instead of telling local governments what to do, the state should ask them, “What do you need?”

Take CEQA – the state’s premier environmental law that instead of protecting environmental treasures is actively stopping urban development of all kinds (see box). For a small sum, any citizen at any time can bring stop infill development. Only the state can correct that, which is why CBIA is co-sponsoring SB 1191 (Hollingsworth), which contains a provision that performs a comprehensive environmental review during the development of the local general plan – at which point all the bona fide environmental impacts can be assessed and mitigated – and, thereby, protects individual infill projects that follow from a frivolous CEQA challenge.

CBIA also believes that local governments pursuing infill projects need adequate capital to support new, urban-centric neighborhoods and is sponsoring AB 2286 (Torrico). This bill would use tax-increment financing to produce the infrastructure necessary to help local governments catch up to emerging infill markets and support their new populations.

### CEQA’s Ever-Expanding Reach

The following illustrations show how well-intentioned environmental law can become an anti-housing steamroller:

- **CEQA v. Infill** – In 2004, a neighborhood group, using CEQA, persuaded a judge to halt construction of 139 single-family homes on a narrow stretch of land along Pocket Road. The City of Sacramento was required to do a second environmental review on this infill project. Even after that review was completed, the CEQA group sued again.
- **CEQA v. High School Football** – Neighbors of a local high school, concerned about plans to construct a 1,266-seat stadium for the school’s football team, stopped this facility-improvement plan in its tracks, using CEQA.
- **CEQA v. Energy** – In California, union-backed organizations threaten to challenge projects under CEQA unless the developers sign agreements mandating the use of union labor. This happened when the town of Roseville made plans to construct a \$150 million power plant. Faced with the threat of prolonged CEQA battles and mindful that time is money, Roseville and the plant’s developers agreed.
- **CEQA v. Hospital Management** – A similar situation arose recently when the Service Employees International Union sued the City of Sacramento over its approval to permit Sutter Medical Center to redevelop an area in the City’s midtown – to produce a new hospital, medical offices, a new cathedral and affordable housing. Once again, CEQA provided the means for an employee union bring a needed development to a halt.

Not long ago, the mayor of West Sacramento in Northern California said the reason he and his fellow city council members moved to double the fees on new homebuyers was to make sure “we don’t miss out on the housing boom.” If that doesn’t sound right, it isn’t. It’s time for fees on new housing to reflect the true cost of its impact.

## Whatever the market will bear?

It seems like the idea of government charging only what it costs to underwrite new growth has been replaced by the notion that government will collect whatever it can. Indeed, in an environment of soaring home prices, government is charging whatever the market will bear not what new development’s impact costs.

Take the City of Livermore and a project called Alden Place in the south part of town. The government tariff, in fees only, on that project was \$118,000. The City charged on every home built in Alden Place, among other things:

- three transportation fees equaling \$18,000;
- a low-income housing fee of \$12,000;
- a water fee of \$23,000; and
- over \$34,000 for agricultural land “mitigation.”

It used to be that homebuilders could trace the fees charged by government to costs associated with meeting basic community needs, including:

- constructing fire and police stations;
- providing public schools;
- building basic infrastructure like roads and sewers; and
- accessing supplies of water.

Indeed, these are the charges that were envisioned – and understood – by state lawmakers when in 1987 they imposed some fee-charging discipline and accountability, enacting what was dubbed the “nexus” law. The law, known as AB 1600, upholds the constitutionally protected doctrine that fees and other charges on development of private property must bear a direct and proportional relationship to the impact that projects have on local services and facilities.

But, radical changes in local government finance over the last two decades coupled with increasingly hostile growth politics – as well as

### Believing the unbelievable

The City of Livermore charges more in fees than it costs to buy the average home in Oklahoma City. A sample:

- Building fee: \$1,863
- Electrical: \$154
- Plumbing: \$220
- Mechanical: \$188
- SMIP (earthquake design): \$3,742
- Tax on residential construction: \$6,548
- Fire: \$180
- City storm fee: \$614
- County storm fee: \$1,543
- Sanitary sewer fee: \$9,353
- Park fee: \$3,405
- County water fee: \$23,125
- In-lieu low-income housing fee: \$11,973
- Traffic impact fee: \$4,039
- Tri-Valley transportation development fee: \$1,660
- Alden Lane road improvement fee: \$12,467
- Transfer of development rights fee: \$34,130

some unfortunate court decisions – have obscured the intent of AB 1600 and diminished its “nexus” standard of conduct and accountability. A change is needed.

## Fee accountability

Homebuilders should pay for the impacts that new housing has on a community, not what the new community wants and refuses to pay for itself. Both common sense and real accountability needs to be re-introduced to government at all levels to stop the unfair taxation that has become the norm in so many California communities where housing is being built.

In 2006, CBIA is sponsoring AB 2751 (Wyland), designed to specifically prohibit local agencies from charging fees paid by builders for impacts caused by existing residents or existing development.

The tragedy of Hurricane Katrina brought home to California the devastation that can occur if the state's levee system were to give way. This heightened awareness of the flood risks in certain parts of the state reminds Californians of just how critical an element of the state's infrastructure levees are to their health and safety – and what is needed to preserve that safety.

## The levee story

Nearly 100 years ago, state and federal governments commenced what became a century-long effort to control floodwaters in California and limit flood risk – principally by investing in a major levee-building and levee-strengthening program. That policy said the economic prosperity of California is important to its citizens and, accordingly, adopting all measures necessary to protect life and property is in the interest of the state and the nation.

The visionaries of that time, and the engineers they employed to build the levees, saw a growing and prospering Central Valley that could harness California's rivers as passage ways for commerce and travel and, ultimately, as the means to accomplishing a mighty irrigation system for the entire state. But, not unlike California's other infrastructure, the 1,600 miles of levees were neglected, even forgotten.

## The flood-protection debate

Today, the imperative to establish a flood safety policy for the state is being met by the opportunistic interests of those determined to limit development in California. Indeed, CBIA is concerned that the fact-finding and discussion revolving around the adequacy of California's flood-protection policy is being side-tracked by a debate over land use and growth. This debate overlooks the importance of public safety measures and levee improvements that are essential to a policy that protects lives and property of both existing and new residents of California.

Moreover, existing safeguards contained in the land-use element of general plan law are not only adequate but have led to a variety of effective flood-risk mitigation measures that are being replicated around the state. Those homebuilder-financed improvements include set-back levees in Contra Costa County, "super levees" in Stanislaus County and retention basins in Yuba County. Indeed, new housing subdivi-

sions in California are providing better flood protection than the federal government requires.

## An agenda for safety

The best and most responsible state action to limit flood risk is a simple one: fix the levees. The state's flood engineers know – whether it's structural weakness or under-seepage – repair and fortification of California's levees is long overdue. CBIA strongly supports the Governor's plan as well as similar proposals of legislative leaders to invest billions in levee improvements.

In addition to making these critical capital improvements, CBIA believes the state can do more and is sponsoring AB 3022 (Umberg), the "Flood Safety and Public Awareness Act." Under AB 3022, consumers will be fully informed of flood risks and have the value of their homes and personal property protected while the fiscal exposure of the state – pursuant to *Paterno v. State of California* – will be reduced. The elements of the bill are:

- As part of the Department of Real Estate's "public report," homebuilders will advise homebuyers of their proximity to levees and their relative flood risk;
- New homebuyers will also be advised of local and/or state government's flood emergency response information, including evacuation information particular to the subdivision; and
- A guarantee that flood insurance – issued under the National Flood Insurance Program (NFIP) – will be in place for at least four years on every subdivision home.

Unlike the many frivolous proposals to reduce flood risk by limiting development, CBIA's plan provides real flood safety – today.

### CBIA's flood-protection principles

CBIA has historically supported a comprehensive flood-protection policy that advocates:

- stepped-up risk assessments, including adequate flood zone mapping
- levee repairs and fortification
- fully capitalized levee maintenance
- maximum public awareness
- responsible land-use safeguards
- flood insurance for an extra measure of protection

# ...energy efficient

As California continues to grow, so too does demand for energy. If that energy were an unlimited resource, consumers might not be as conscientious about conservation as they are in California. Indeed, the state's residents are increasingly mindful of the financial and environmental costs of over-consumption and – with a few shortage scares under their belts in just the last four or five years – are becoming ever-wiser consumers of energy-dependent products, including housing.

### Coping with California's energy mis-steps

The seeds of California's energy mess were sown when California began to make it systematically more difficult to approve the development of power-generating facilities. Things reached a head in 2000 when energy demand in the state began to regularly exceed supply, which eventually created shortages, including occasional interruptions in service. Lacking the capacity from power resources in California to deal with this problem, utilities were forced to desperately start shopping out of state and became subjected to the vagaries associated with a fluctuating (and, as it turns out, a manipulated) national energy market. And, the cost of energy in the Golden State soared.

But, all wasn't dark and grim during California's energy drought. Because, as housing demand was also growing at the time, new California homebuyers were discovering the extraordinary energy-efficiency of new California homes. Indeed, when it comes to energy-efficient construction, states across the country are taking pages out of the construction manual of California homebuilders to make their homes energy-efficient. Thanks to an ongoing collaboration between California homebuilders and state government (California Energy Commission) over the past two decades, the bar for energy efficiency in new homes has been set high so that the state's new communities are far less energy-dependent. By adopting the most stringent insulation, heating and air conditioning and other construction standards and by constantly improving home design and construction technologies, California homes are more than 30 percent more energy-efficient homes built anywhere else on the planet.

### Aiming for zero

Even with the success it has had in pushing the energy-efficiency envelope, the homebuilding industry isn't done. As new building technologies advance, California homebuilders are aiming to actually stop the meter – that is, employ systems that can actually reduce dependency on California's energy "grid" to zero. That's right. Zero.

#### Green Building

CBIA has developed the California Green Building Program® ("the Program"), a voluntary, cost-effective program that is being applied in several dozen communities throughout the state. The Program has energy, water, air and waste components and is simple to understand and easy to use. Using the Program, a homebuilder would exceed the high standards of the California Energy Commission (CEC) by 15%. Consistent with the goals of the Program, AB 2160 (Ted Lieu), supported by CBIA, would direct the CEC to consult with other agencies and the interested public in the development of voluntary green building guidelines for the residential sector.

For more than a decade, California homebuilders have been pioneering alternative energy systems such as photovoltaic (PV), otherwise known as solar power. PV systems are expensive and the technology hasn't yet been perfected to make them cost and energy efficient, but California homebuilders see the possibilities and are working with both the CEC and PV manufacturers to see how both the energy savings and the cost of the PV systems can be brought into balance. That's why CBIA has been actively involved in Governor Schwarzenegger's "Million Solar Roofs" initiative – a plan, now underway through the Public Utilities Commission (PUC) to ultimately have solar power become a staple in residential and commercial development markets.

If this collaborative is successful – and technology continues to make its energy-efficiency advances in other areas, like green building (see box) – then new California homes might actually become energy self-sufficient, and provide enormous savings to both individual households and the state.



## ...built for the future

*“We must build a California eager to meet the challenges of the 21st Century without reluctance or fear . . . a new California is coming whether you plan for it or not.”*

—Governor Arnold Schwarzenegger,  
January 5, 2006

Governor Schwarzenegger is right. Like no other state in the union, California’s ceaseless population growth is adding to the burden the state’s infrastructure must shoulder. The 550,000 new Californians each year will need to rely on safe roads, sturdy schools, an adequate supply of drinking water and levees that hold.

### Infrastructure debt

Today, more than ever, that promise – that California’s infrastructure is sound and adequate – is becoming increasingly hard for the state to keep. Physical infrastructure is as critical to economic growth as are people and capital. It creates jobs, educates the state’s workforce of the future, makes commerce possible, protects the public and supplies the water Californians need to survive.

But, today, the state – boasting immense wealth and economic prowess – is living on borrowed time. It’s hard to say why but nearly 40 years ago, California stopped regularly investing in its infrastructure. And, for decades, Californians have been led to believe that they can get by on the same infrastructure their parents financed in a post-World War II growth era. The signs of that false hope are reflected in the state’s deteriorating transportation system:

- California has an infrastructure system designed for 25 million people, not the 37 million we have now, nor the 46 million expected by 2025;
- In the last 30 years, highway travel has increased 116 percent while highway lane capacity has increased only eight percent;
- Nearly 40 percent of major roads and highways in California are rated in poor condition, meaning they have potholes, cracking, and/or rutting;

- The state used to devote more than 20 percent of its annual expenditures to infrastructure, now its barely two percent;
- California ranks dead last among states in per capita highway investment; and
- By some estimates, the state has unfunded transportation needs of more than \$150 billion.

When the state fails to honor its responsibility to maintain and upgrade California’s infrastructure, communities suffer – congestion increases, roads go un-repaired, school facilities deteriorate, water is rationed and the regional economy becomes strained as goods and services face uncertain delivery.

### Strategic investment

Whether you’re conservative or liberal, there’s no denying that the state has been AWOL when it comes to infrastructure spending. And, for homebuilders and homebuyers, in the absence of funding for these capital improvements, the burden typically falls on them in the form of fees and other exactions. (In the City of Livermore, for example, builders pay upwards of \$120,000 in fees for every new home.)

CBIA has continuously urged state lawmakers to establish a long-term capital-improvement investment plan – and fund it. Recently, the Governor and legislative leaders have put infrastructure investment at the top of the list of state priorities. For his part, the Governor has put forward a “Strategic Growth Plan” – \$222 billion in long-term funding for infrastructure – which CBIA strongly supports. Meanwhile, Senate President pro tem Don Perata and Assembly Speaker Fabian Núñez are at work on multi-billion-dollar infrastructure proposals.

And, as reported on Page 7, CBIA is sponsoring AB 2286 (Torrico) to create a new infrastructure-funding mechanism in support of new urban housing and economic development. This concept is aimed at serving the new communities that are beginning to emerge downtown – and addresses one of the biggest obstacles to infill development.

Regarding the state’s infrastructure needs, the Governor said “build it!” CBIA agrees and recommends that California start today.



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