



February 28, 2017

The Honorable Kansen Chu
 State Capitol, Room 2160
 Sacramento, CA 95814

RE: Assembly Bill 199 – Prevailing Wage on Private Residential Construction - OPPOSE

Dear Assemblymember Chu:

The organizations listed below write to express our strong opposition to your measure, AB 199. Specifically, AB 199 would eliminate the long-standing residential exemption from prevailing wage rates and thereby make private, market-rate residential development a public work project for which a prevailing wage would be paid. This measure would have dramatic negative cost implications for newly constructed and privately financed housing in California and it could not come at a worse time.

Countless newspaper articles and recent reports have highlighted the dire condition of housing in California. California's Department of Housing and Community Development estimates that we must build at least 180,000 units to keep pace with demand, not accounting for the backlog of 2 million units that has accrued over the past several decades. Homeownership rates are at abysmal levels – the lowest level since the 1940s – currently 49th nationally.

The Legislative Analyst Office found that (1) California's average housing costs are two and a half times the national average; (2) faced with high housing costs, commute distances and the resulting adverse environmental consequences are significantly increased as they search for more affordable housing; (3) higher housing costs shift spending away from paying health insurance resulting in adverse health consequences, increased likelihood of becoming homeless, increased dependence on government subsidized services and shortened lifespan.

With the current crisis of undersupply, highest-in-the-nation housing costs, and exploding unaffordability ranking at the top of the state's most pressing political, social and economic concerns, it would seem that a proposal to add as much as 45-50 percent to the cost of a newly built home is ill-advised as it will definitely hamper housing production in the state and make housing more expensive and more out of reach for an ever-growing number of Californians. Given that for every \$1,000 increase in the cost of a home, 15,000 California households are priced out of the market, this measure would directly impact hundreds of thousands of Californians and their ability to attain the American

1 National Association of Home Builders - 2016 "Priced Out" Estimates

dream of homeownership, disproportionately impacting teachers, firefighters, police, nurses, service employees in the public and private sector, minorities and millennials. This can only increase inequality in California.

While the legislative session is already witnessing an influx of bills hoping to ameliorate the housing crisis, AB 199's mandate to pay prevailing wages for private residential projects constructed on private property would undoubtedly further exacerbate it. For these reasons, we voice our ardent opposition to this measure.

Sincerely,

California Building Industry Association
California Apartment Association
California Business Properties Association
California Business Roundtable
California Manufacturers & Technology Association
California Chamber of Commerce
Orange County Business Council
California Construction and Industrial Materials Association
California Framing Contractors Association
North Valley Property Owners Association
Murrieta Chamber of Commerce
Apartment Association of California Southern Cities
Chino Valley Chamber of Commerce
San Diego Regional Chamber
Santa Maria Valley Chamber of Commerce
East Bay Rental Housing Association
Southwest California Legislative Council
Camarillo Chamber of Commerce

Brea Chamber of Commerce
Rancho Cordova Chamber of Commerce
Association Builders and Contractors – San Diego Chapter
Culver City Chamber
Palm Desert Area Chamber of Commerce
Yuba Sutter Chamber of Commerce
Plumbing-Heating-Cooling Contractors Association of California
Long Beach Area Chamber of Commerce
Greater Irvine Chamber of Commerce
Western Electrical Contractors Association
Independent Roofing Contractors of California
Los Angeles Area Chamber of Commerce
Oxnard Chamber of Commerce
America Fire Sprinkler Association
Apartment Association of Orange County
Desert Valley Builders Association