

Assembly Bill 1903

Construction Defect Liability Reform

Assemblymember Buffy Wicks (AD-14)

SUMMARY

AB 1903 would increase the amount of homeownership housing built in California by reducing construction defect litigation, while ensuring homeowners get speedier repairs.

ISSUE

California's residential construction defect law, enacted through SB 800 (2002), was intended to create a fair and efficient process to resolve construction defect claims while giving builders the opportunity to repair problems before litigation occurs. The premise was simple: a defect is identified by the homeowner, the builder is responsible to repair it, and if the repair does not occur, the homeowner can sue the developer.

However, over time, the system has become imbalanced in favor of expensive litigation, instead of timely repair. There are several reasons for this, including that:

- Many of the standards of violation only require that a building component might someday be defective, even if no damage has occurred, making it possible for litigants to seek unlimited compensation that bears no relation to the actual damages and for issues that may never occur;
- Notices of claim frequently lack basic information about the alleged defect, making inspections and repairs difficult; and
- The builder is not able to receive a release for repairs made, and those repairs made might not count against their self-insured retention, limiting the motivation for builders to make timely repairs.

As a result, homeowners often face years of litigation rather than having problems with their homes resolved quickly. Additionally, the costs and uncertainty affiliated with litigation have become a substantial impediment to the construction of condominiums, which are an essential entry-level homeownership option. As a result, the construction of condominiums has decreased 75%

since the first years after SB 800 passed – from 27% of housing in major metros to 6%.

SOLUTION

AB 1903 restores the original intent of the law and restores balance to the construction defect process. It does so by:

- Ensuring that only actual defects can be actionable claims by systematically tightening the violation standards to substantially minimize the potential for frivolous claims.
- Providing transparency by requiring claimants to identify the location and observable evidence of alleged defects.
- Creating a true right to repair by allowing builders to get a release from liability one year after successful repairs.

By correcting the imbalance in the current system, AB 1903 will help ensure that homeowners get repairs to actual defects in a timely way, while also making it more economically feasible to build condominiums – creating more entry-level homeownership opportunities for the people of California.

SUPPORT

California Building Industry Association (sponsor)
Bay Area Council (sponsor)
California YIMBY (sponsor)
Council of Infill Builders (sponsor)
Habitat for Humanity California (sponsor)
Housing Action Coalition (sponsor)
SPUR (sponsor)
21st Century Alliance
Abundant Housing Los Angeles
American Council of Engineering Companies of CA
American Institute of Architects
American Planning Association
Associated General Contractors
American Subcontractors Association - CA
CalAsian Chamber of Commerce
California Business Properties Association
California Business Roundtable
California Chamber of Commerce

California Conference of Carpenters
California Council for Affordable Housing
California Housing Consortium
California Hotel and Lodging Association
Casita Coalition
Central Valley Urban Institute
Chamber of Progress
Circulate Planning and Policy
City of Burbank
City of Culver City
City of El Cerrito
City of Folsom
City of Foster City
City of Glendale
City of Long Beach
City of Los Angeles
City of Mountain View
City of Newport Beach
City of Petaluma
City of Redwood City
City of Riverside
City of Sacramento
City of San Mateo
Councilmember Brian Barnacle, City of Petaluma
Councilmember Chris Ricci, City of Modesto
Councilmember Rashi Kesarwani, City of Berkeley
Councilmember Zach Hilton, City of Gilroy
Councilmember Jed Leano, City of Claremont
Councilmember Gregorio Gomez, City of Farmersville
Councilmember Caty Maple, City of Sacramento
Councilmember Lucas Ramirez, City of Mountain View
Councilmember Rebecca Saltzman, City of El Cerrito
Councilmember Matthew Solomon, City of Emeryville
Councilmember Anthony Tordillos, City of San Jose
Councilmember Phoebe Venkat, City of Foster City
Councilmember Thomas Wong, City of Monterey Park
Councilmember Katy Yaroslavsky, City of Los Angeles
County of Marin
Democratic Party of the San Fernando Valley
East Bay for Everyone
East Bay YIMBY
Eastside Housing for All
End Poverty in California (EPIC)
Everybody's Long Beach
Faith and Housing Coalition
Fieldstead and Company, Inc.
Greater Conejo Valley Chamber of Commerce
Greenbelt Alliance
Grow the Richmond
Housing Trust Silicon Valley
LIISC San Diego
Mayor Karen Bass, City of Los Angeles
Mayor Jerry Dyer, City of Fresno
Mayor Christina Fugazi, Mayor of Stockton
Mayor Todd Gloria, City of San Diego
Mayor Karen Goh, City of Bakersfield

Mayor Barbara Lee, City of Oakland
Mayor Daniel Lurie, City of San Francisco
Mayor Matt Mahan, City of San Jose
Monterey Bay Economic Partnership
Mountain View YIMBY
Napa-Solano for Everyone
Neighborhood Partnership Housing Services, Inc.
New California Coalition
New Way Homes
Northern Neighbors SF
Orange County Business Council
Peninsula for Everyone
People for Housing Orange County
Sacramento Area Council of Governments
San Diego Housing Commission
San Diego Regional Chamber of Commerce
San Fernando Valley for All
San Francisco YIMBY
San Jose YIMBY
San Mateo Forward
Santa Cruz YIMBY
Santa Rosa YIMBY
SF YIMBY
South Bay YIMBY
Southern California Black Chamber of Commerce
Southern California Leadership Council
Student Homes Coalition
The Two Hundred for Home Ownership
Ventura County YIMBY
Yes! In Redwood City
YIMBY Action
YIMBY Los Angeles
YIMBY Monterey Peninsula
YIMBY SLO
Zillow

CONTACT

Steve Wertheim
Office of Assemblymember Wicks
(916) 319-2014
steve.wertheim@asm.ca.gov