



SANTA CRUZ ASSOCIATION OF REALTORS® LEGISLATIVE WATCH

November 2006 General Election Results

The 2006 general election has passed, and there were a number of candidates, bond measures and ballot initiatives that were relevant to the real estate industry.

The California Association of REALTORS® (C.A.R.) endorsed Arnold Schwarzenegger for Governor and John Garamendi for Lt. Governor. Both candidates won their races. The two C.A.R. endorsed candidates for Secretary of State and Attorney General, Bruce McPherson and Chuck Poochigian, were defeated.

C.A.R. also took positions on a number of the state ballot propositions. Here is a chart that reflects the results:

PROPOSITION	C.A.R. POSITION	OUTCOME
Proposition 88	No	Failed
Proposition 90	No	Failed
Proposition 1A	Yes	Passed
Proposition 1B	Yes	Passed
Proposition 1C	Yes	Passed
Proposition 1E	Yes	Passed

Locally, the results in Santa Cruz County were as follows:

ELECTED POSITION	WINNER
Senate	Diane Feinstein
Congress, 14 th District	Anna Eshoo
Congress, 17 th District	Sam Farr
State Assembly, 27 th District	John Laird
State Assembly, 28 th District	Anna Caballero

CAPITOLA CITY COUNCIL

(1) Robert "Bob" Begun; (2) Sam Storey and
(3) Maureen O'Malley Moore

SANTA CRUZ CITY COUNCIL

(1) Cynthia Matthews; (2) Mike Rotkin and
(3) Lynn Robinson

WATSONVILLE CITY COUNCIL, DISTRICT 3

Antonio Rivas

WATSONVILLE CITY COUNCIL, DISTRICT 4

Kimberly Petersen

WATSONVILLE CITY COUNCIL, DISTRICT 5

Daniel Dodge

WATSONVILLE CITY COUNCIL, DISTRICT 6

Edward Din

WATSONVILLE CITY COUNCIL, DISTRICT 7

Dale Skillicorn

Measure H, Santa Cruz's General Fund Sale Tax, was approved, with support from 58.12% of the voters.

Overall, Santa Cruz County has 142,428 registered voters. 72,017, or 50.56% actually voted.

Local Update

Santa Cruz County Board of Supervisors

Votes on Pool, Spa and Hot Tub

Regulations at Point of Sale

Over the past months, the Santa Cruz County Board of Supervisors has held several discussions regarding proposed amendments to the pool, spa and hot tub barrier regulations. These regulations were proposed to remedy inconsistencies between various chapters of the County Code. Final action had been pending the enactment of Assembly Bill 2977 that would revise the state law on this issue.

When this issue was first raised for discussion, SCAOR Government Affairs staff and legislative committee members met with each Supervisor and submitted a lengthy comment letter for their consideration. SCAOR's principal concern regarded the proposed requirement to impose enforcement of these new regulations at point of sale.

As noted during these extensive discussions with the Supervisors and their staff, REALTORS® are not opposed to strengthening any regulations that ensure the health, safety and welfare of the community. To that end, SCAOR asserted that to ensure the safety of pools and hot tubs, the County should instead regulate improvements to barriers in a uniform manner that would cover every pool and hot tub in the County in a short frame of time. With a 2-3% turnover of homes annually, it could take the County 30-40 years to bring each pool or hot tub barrier into compliance.

The proposed ordinance was voted upon and approved by the Supervisors. However, one critical change was that



burden of ensuring compliance with the regulations will fall upon building inspectors. Although the regulations will still be imposed at point of sale, REALTORS® have been removed from the liability and responsibility of ensuring compliance.

Sales Tax on Sales of Coaches

At the last Mobilehome Commission meeting, Melissa Thuringer, Escrow Officer at Santa Cruz Title Company, was a guest speaker who presented the sales tax issue regarding mobilehomes. As of October 1, 2006, the previous taxation was 8.25% of Kelly Blue Book retail value, or the sales price, whichever was less. Effective October 1, 2006, taxation will be based on the NADA appraisal guide, not Kelly Blue Book (which no longer provides valuations for mobilehomes). This method will be used statewide. NADA has generally been comparable to Kelly Blue Book values. In the last few transactions Ms. Thuringer completed, it was actually substantially less than the Kelly Blue Book.

If the sales price is less than NADA, then the tax is based on the sales price. The use tax on mobilehomes from 1980 and older will be based off of that. Some mobilehomes that are older than 1980 pay yearly registration to the State (if they pay a yearly registration, they pay a one-time sales tax to the State). Mobilehomes that are 1980 and newer are on the tax rolls and there are personal property taxes for these mobilehomes. Personal property tax is yearly, and is implemented through the County of Santa Cruz, and not the State.

NAR Update

Completion of the 109th Session of Congress

The 109th Session of Congress has come to a close. As of September 30th, Congress is in recess until after the November 7th elections. The end of the session proved to be contentious with both parties jockeying for positions in the upcoming midterm election. The end of the 109th Congress saw an emphasis on the Iraq War and the War on Terrorism. This led to numerous appropriations and other bills being pushed back until after the election, when Congress returns for a lame duck session. Additionally, with the balance of power in question, partisan politics reared its head. Neither party wanted to give their opposition a legislative victory to campaign on. As such,

negotiations were tough because Democrats were holding out to see if they could gain power in either chamber of Congress.

In the past few months there have been debates and votes taken on REALTOR® related issues. One of the more controversial debates came in seeking a permanent solution to the estate tax. After numerous efforts to package the estate tax with different incentives, the Senate was unable to get cloture for a final vote on the estate tax. The last effort was on H.R. 5970, dubbed the "trifecta". H.R. 5970 included a permanent solution to the estate tax, an increase in the federal minimum wage, and the inclusion of popular tax extenders. Included in those tax extenders is a one-year extension of the tenant improvement deduction over a 15-year period, instead of a 39-year period. Currently the 15-year tenant improvement deduction expired on December 31, 2005. H.R. 5970 failed to gain cloture by a vote of 56-42.

The House did pass H.R. 4973, which reforms the National Flood Insurance Program (NFIP). H.R. 4973 includes provisions that allow the NFIP to increase their borrowing authority to \$25 billion, increase the coverage limits for residential flood insurance from \$250,000 (structure) and \$100,000 (contents) to \$335,000/\$135,000, increase coverage on non-residential properties from \$500,000 to \$670,000, and increases the amount FEMA can raise premiums annually from 10% to 15%. Additionally, H.R. 4973 calls for a review of the nation's flood maps (including mapping the 500-year floodplain), extends the mitigation program for properties with severe repetitive losses, and includes a provision to phase in actuarial rates for subsidized vacation homes, second homes, and non-residential properties. While H.R. 4973 has only passed the House, it is hoped that the Senate will review and pass H.R. 4973 when they return for the lame duck session. Reforming the NFIP is also the first step that was needed before the issue of natural disaster insurance could be addressed, which will likely not occur until the 110th Congress.

Additionally, on September 27th, the House passed H.R. 5503. H.R. 5503 amends the National Housing Act to increase the mortgage amount limits allowed for multifamily housing located in high-cost areas, such as parts of California. The bill would increase the limits from 170% of FHA loan limits





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to 215% for high cost areas. The bill would still have to pass the Senate during the lame duck session in order to become law. Additionally, we are monitoring to see if Congress will take action on H.R. 5121 which, among other things: would allow for the increase in FHA loan limits to 100% of the conforming loan limit, insure zero down mortgages, insure 40-year mortgages, and allow for risk based financing.

When Congress returns after the midterm elections for the lame duck session, it is hopeful that they will wrap up the major issues left for the 109th Congress. This means that appropriations bills may be combined into an omnibus package and the tax extenders may have to be separated from the estate tax in order to get passed by the Senate. Nonetheless, the amount of work that gets done hinges on the results of the elections and the agenda set by the party in power.

REALTOR®: Homebuyers Should Take Action Now While Conditions Remain Favorable, NAR advises

The National Association of REALTORS® (NAR) is urging home buyers who have been waiting to buy the home of their dreams to act now before the market changes. NAR points out that interest rates have fallen seven months in a row and are near 40-year lows, inventories of existing homes are higher than they have been in decades and prices have stabilized. But the perfect conditions for buyers are likely to change as sales pick up, prices gain traction and conditions improve for sellers next year.

Homeownership is a safe, secure way to build long term wealth. The national median price of homes bought 10 years ago has increased 88 percent. The number of U.S. households is expected to increase 15% during the next decade, creating a continued high demand for housing, according to NAR officials.

NAR President Thomas M. Stevens said, "The market is much better than you might hear or read. Consumers should take advantage of this perfect alignment of low rates and extraordinary inventory before market conditions change."

The California Association of REALTORS® (C.A.R.) reported home sales decreased 31.7% in September in California

compared with the same period a year ago, while the median price of an existing home increased 1.8%.

"Unsold inventory is holding steady, and is close to the long-term historic average typical of a more 'normal' market," said C.A.R. President Vince Malta.

The median price of an existing, single-family detached home in California during September 2006 was \$553,050, a 1.8% increase over the revised \$543,510 median for September 2005, C.A.R. reported.

Despite reports of a dip in home sales and median home prices in some areas in the state, sales statistics show an increase in home sales as well as a rise in median home price in various areas.

According to C.A.R., statewide, the 10 cities and communities with the highest median home prices in California during September 2006 were: Los Altos, \$1,545,000; Manhattan Beach, \$1,465,000; Newport Beach, \$1,350,000; Burlingame, \$1,330,000; Los Gatos, \$1,212,500; Rancho Palos Verdes, \$1,150,000; Danville, \$1,014,500; Cupertino, \$968,750; San Clemente, \$940,000; Santa Barbara, \$917,500.

Statewide, the 10 cities and communities with the greatest median home price increases in September 2006 compared with the same period a year ago were: Los Gatos, 38.6%; Delano, 31.7%; Paramount, 26.9%; Inglewood, 24.5%; Colton, 23.8%; Barstow, 22.4%; San Juan Capistrano, 21.8%; Irvine, 19.1%; Lake Forest, 15.4%; Compton, 14.9%.

NAR reported the Pending Home Sales Index, based on contracts signed in September, slipped just 1.1% to a level of 109.1, following a 4.5% gain in August. The index is derived from pending sales of existing homes.

David Lereah, NAR's chief economist, said "We don't expect to see any changes of note until early next year when we're likely to see a modest lift to home sales. The market currently is a little lower than expected as buyers try to time their entry. In the meantime, there's some buildup in demand that will move when consumers realize that conditions are optimal for them."



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General Interest

REALTOR® survey shows sellers value experience, trust, integrity in their choice of a REALTOR®

Findings from a survey of recent home sellers conducted by the California Association of REALTORS® (C.A.R.) show sellers depend on their agent for their expertise in the transaction and that trust and integrity are key factors in their choice of an agent. In a survey conducted in mid-May, C.A.R. interviewed 150 sellers who had just sold their home within the last six months using a real estate agent. The purpose of the interviews was to understand why they chose to use a real estate agent and how and why they chose the agent they used. Sellers were also asked what they expected from their agent, and gave an opportunity to make recommendations for REALTORS® on how to better serve their home seller clients.

The survey sample was about evenly split between first-time sellers (52%) and experienced sellers who have sold more than one home previously (48%). The average age among first-time sellers was 42 years of age, while the average age of experienced sellers was 47 years of age.

Twenty-eight percent of first-time sellers originally considered not using an agent, but when it came down to the transaction, concerns with the complexity and risk associated with a home sale drove them to select an expert in the business to manage their transaction.

More than one-third of first-time sellers (35%) were concerned with the complexity and risk of the home sale transaction. One first-time seller said, "Never sold a home before...wanted the knowledge of an expert." Another said, "We saw our neighbor sell it on his own, and it went badly." These sellers sought a REALTOR®'s experience in the business, illustrating that knowledge and professionalism are crucial for sellers to sell their home.

For experienced sellers, the home sale transaction wasn't worth their time or the risks associated with selling a home on their own. Thirty-one percent of experienced sellers were worried about the time it would take to sell their home with a real estate agent. They just didn't want to deal with any hassles. They stated they trust and rely on their agent to get them through the process quickly and smoothly.

Here are some reasons why experienced sellers chose to work with a real estate agent in selling their home:

- "Too much trouble and time..."
- "I always use a REALTOR®...makes it easier with their experience."
- "Do not want any legal ramifications..."
- "I didn't think I would get my asking price without using an agent."
- "It will sell slower without an agent."

As far as choosing an agent, trust and comfort level were key themes throughout the interviews. First-time sellers tended to be a little uneasy about the process and felt that their agent would carry them through the transaction with ease. Nearly half of first-time sellers interviewed (45%) said they chose their agent because of the integrity and trust their agent relayed to them. Experienced sellers chose their agent on the basis of market knowledge (36%), as well as integrity and trust (31%).

The main source for choosing an agent to list their homes was a family or friend referral for 42% of first-time sellers, or a previous transaction with agent for 38% of experienced sellers. Other sources mentioned by both groups were brochures or mailers and local advertising by the agent.

The interviews show that sellers rely on their agent's market knowledge and professionalism for their home sale transaction. They also take into consideration the agent's reputation in real estate. Referral from friends and family members is one of the most cited reasons for choosing an agent for first-time sellers, while a previous transaction with an agent is a main factor for agent selection for many experienced sellers.

A REALTOR® is a licensed real estate agent or broker who is a member of National Association of REALTORS® (NAR) and is held to a higher standard than other real estate professionals. The "REALTOR®" designation is used by real estate agents and brokers who must adhere to a strict Code of Ethics and actively pursue continuing education to increase their professionalism and skill. If a local association of REALTOR® finds a REALTOR® in violation of the Code of Ethics, disciplinary action can be imposed.

Please Note: The Legislative Watch is prepared by the Santa Cruz Association of REALTORS®. The Legislative Watch is only a summary not intended to provide legal advice and should always be verified for accuracy. For more information on a local agency, please call SCAOR at (831) 464-2000 to contact the Local Governmental Relations Liaison assigned to that agency or municipality.