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Help new home builders and help the economy, too

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There are no easy solutions to this dreadful economy. What started out as a housing market correction has resulted in a global financial crisis and potentially a prolonged recession.

Economists and financial analysts agree that until housing prices stabilize there will be no improvement in the economy. And stabilization will not occur until buyers are convinced the intense downward pressure on home prices will abate. Only then will they move to buy, creating increased demand.

According to the California Department of Housing and Community Development, California needs to produce about 220,000 new homes and apartments per year to meet the need caused by population growth.

But in 2008, housing starts totaled just 65,300 units, a fraction of that number and the lowest level since tracking was initiated in 1954. The myth that there's a housing oversupply is a fundamental misunderstanding of our true housing needs.

To revive our housing market, we recommend a four-part plan to stabilize housing and begin the economic recovery:

- Stop the downward spiral of home prices;
 - Put people back to work;
 - Revive the economy;
- Increase revenue to government without increasing taxes.

The first step is for the Legislature to approve an immediate tax credit for buyers of

new homes. The credit would be fixed at

5 percent of the purchase price, not to exceed \$10,000. To be eligible, a buyer must purchase a previously unsold or new home and occupy the home as a principal residence.

This will result in a net gain of thousands in tax revenue from the home and will help to reduce existing inventories of unsold homes.

As part of the federal stimulus package, we support mortgage interest rate reductions for creditworthy buyers and increasing the housing tax credit to be used as a down payment or as part of closing costs.

Closer to home, local governments should evaluate development impact fee structures to determine if the fees match current economic conditions.

If local governments were to roll back fees and also defer collection of fees until occupancy (when the actual impact occurs), this would promote investment.

Restoring the market for new-home construction doesn't just help our industry; it includes nearly every occupation from accountants to warehouse and storage workers. Legislative and local leaders need to act decisively to improve the economy.

Franco is the president of the Building Industry Association of Central California. She is co-owner of Heirloom Homes.

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