

February 17, 2006

Hon. Bill Lockyer
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Tricia Knight
Initiative Coordinator

Dear Attorney General Lockyer:

Pursuant to Elections Code Section 9005, we have reviewed the proposed statutory initiative related to home construction lawsuits (File No. SA2006RF0011).

Background

Residential Construction Defects. In cases when residential property has construction defects, California property owners generally have up to ten years from the time of construction to seek compensation. Due to recent legislative changes, the procedures for seeking compensation are different depending on when the residence was constructed.

- *Pre-2003 Construction.* For residential properties built prior to 2003, current law allows homeowners to sue builders in cases of property damage or personal injury.
- *Recent Construction.* For residential properties built in 2003 or later, current law establishes specific construction standards that homes must meet. Before a lawsuit is filed regarding construction defects, specific procedures regarding notifications, inspections, repairs, and mediation must be followed. Conversions of apartment complexes to condominiums, however, are not subject to these new rules.

Major Provisions

This statutory measure expands the conditions under which homeowners can sue builders for construction defects in residential properties built prior to 2003 and any condominium conversions. (Residential construction since that time would continue to be governed by current law.) Specifically, under the measure, homeowners could sue builders even if a construction defect resulted in no physical damage.

Fiscal Effect

Court Costs. By allowing construction defect lawsuits when there is no property damage, this measure would likely increase the number of construction defect lawsuits filed. While the court system does not track the number of construction defect lawsuits, such lawsuits generally are not a significant portion of courts' cases. Any net increase, therefore, likely would not have a significant effect on courts' workload.

Fiscal Summary. This measure would have the following fiscal impact:

- Probably no significant costs on state government.

Sincerely,

Elizabeth G. Hill
Legislative Analyst

Michael C. Genest
Director of Finance