



April 23, 2024

The Honorable Steve Glazer  
California State Senate  
State Capitol  
Sacramento CA 95814

**Re: SB 1462 (Glazer) Glazer. Subdivisions: disbursements of deposits – SUPPORT**

Dear Senator Glazer:

On behalf of the Council of Infill Builders, a statewide organization of real estate professionals committed to improving California through infill development, I write to express our support for Senate Bill 1462, to allow developers to use deposits made by buyers during the pre-sale process for condominiums with oversight by the California Department of Real Estate and a surety bond in place to protect the buyer and ensure the project is completed.

Our members are committed to building in California's infill neighborhoods. According to research conducted by the Lambda Alpha International, the global land economics society, states such as Hawaii and Washington and the Canadian province of British Columbia produce ten times the number of condominiums that California does on an annual basis.

Only about 3,000 condominiums are built each year in California because of the risk developers and lenders associate with them, in part due to the statutes that govern pre-sales and deposits.

One important reason condo production is depressed in California is due to the state's limit on developers' ability to utilize homebuyers' deposits when constructing condo projects. There is a *de facto* three percent earnest money deposit cap, requiring any funds over three percent to be fully refunded to the buyer if they decide to terminate the deal. This limit restricts the cash developers use to purchase the land and construction and forces them to use more expensive debt. It also encourages buyers to purchase the condos speculatively. They may cancel their contracts and put the project at risk for failure.

In order to create more affordable homeownership opportunities in California, we must reduce the cost and risk for developers, such as increasing the availability of interest-free financing while still requiring strong consumer protections.

We are grateful for your authorship of this important legislation.

A handwritten signature in blue ink, appearing to read "Mott Smith". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Mott Smith, Chair, Board of Directors  
Council of Infill Builders