

AGENDA



MONDAY, NOVEMBER 13, 2023

**CALIFORNIA NAR DIRECTORS BRIEFING
NATIONAL ASSOCIATION OF REALTORS®
2023 NAR NXT, THE REALTOR EXPERIENCE
ANAHEIM MARRIOTT
PLATINUM BALLROOM 1&2 LOBBY LEVEL
9:00am - 11:00am**

PRESIDING:

Jennifer Branchini, C.A.R. President
Melanie Barker, C.A.R. President Elect

Staff:

Matt Roberts, Local and Federal Governmental Affairs Director

I. WELCOME

II. KEY CALIFORNIA EVENTS AT THE 2023 CONFERENCE & EXPO MEETINGS

- **MLS/Professional Standards Pre-Briefing.** Tuesday, November 14, 2023, 5- 6 pm Hilton Anaheim, Santa Monica, Concourse Level/Fourth Floor.
- **Region 13 Caucus.** Thursday, November 16, 2023, 4:30 PM–6:00 PM, Anaheim Marriott Hotel, Platinum Ballroom 5, Lobby Level.
- **California Club.** Thursday, November 16 2023, 6-7:30 pm , Hilton Anaheim, California Ballroom B, Ballroom Level/Second Floor.
- **Delegate Body Meeting.** Friday, November 17,2023, 1-2:30 pm, Anaheim Convention Center, Ballroom A-E, Level Three - Main Building.

III. NAR POLICY COMMITTEE ACTION ITEMS AND HOT ISSUES

A. Climate Financial Risk Work Group Report & Recommendations ([Full Report](#))

(Insurance Committee, Federal Housing and Finance Committee, Conventional Finance and Lending)

Recommendations:

- 1. Develop a blueprint for climate financial risk by beginning with the flood risk to the GSEs.** Flood is the largest climate financial risk, but most homeowners do not have flood insurance to repair property damage, which means that the GSEs could have to forebear mortgage payments or sell properties at a loss after major floods. Because the GSEs help finance half of all U.S. mortgages annually, the GSE response to uninsured flood risk will guide the market on how to address climate financial risk.

- 2. Encourage GSEs to use better risk assessment tools to identify and disclose all special flood hazard areas in the U.S.** There are too many stories of people who never would have moved into an area if they had known the risk. The First Street Foundation, CoreLogic, and others are using more granular, modern, and accurate risk assessment tools to delineate more special flood hazard areas than FEMA maps. The GSEs should hire one or more of these companies to identify all the special flood hazard areas and use these tools to disclose flood facts about the properties they guarantee so that GSE investors, property buyers and renters, and taxpayers can make informed decisions.
- 3. Require flood insurance for GSE new construction loans in all special flood hazard areas across the U.S.** Because FEMA maps do not identify all the special flood hazard areas, at least 10 million properties have a high flood risk but are not required to build to flood standards or purchase flood insurance. When properties are built too low in harm's way, the owners often turn to a real estate professional to help them sell properties with high insurance costs and/or past flood damage. Requiring flood insurance would reduce the GSE exposure and ensure that home builders and buyers qualify for loans in high-risk areas only when considering the total cost of home ownership, including flood insurance.
- 4. Continue working to identify reasonable climate financial risk options for existing properties.** While identifying and discussing many options, the Work Group was not able to reach consensus on reasonable alternatives to minimize GSE flood risk while balancing existing housing affordability and sustainability concerns. Meanwhile, federal agencies, lenders, insurers, investors, and other key players, such as Blackrock, continue to move forward, and NAR could miss an opportunity to help shape alternatives to address the climate financial risk.
- 5. Reauthorize and strengthen the National Flood Insurance Program (NFIP).** The GSEs would be less exposed if more property owners purchased flood insurance. NAR policy supports providing federal grants or loans for policyholders to elevate, mitigate, or relocate. NAR should explore targeting and means-testing assistance so that lower income families can purchase flood insurance from the NFIP.

B. Federal Taxation Committee

1. To support policies that provide a temporary tax credit to long-tenured owners of single-family homes to encourage them to sell them to another owner-occupant.
2. Estate and Gift Tax Clarifying Motion
 - To clarify that NAR supports repealing the federal estate and gift tax regime and retaining the step-up in basis to fair market value for all inherited assets.
 - If repeal of the estate and gift tax regime is not possible, NAR supports an estate and gift tax regime that:
 - provides for the step-up in basis for all inherited assets.
 - taxes all assets in an estate at the same rate, which rate is as low as possible but no higher than the tax rate for long-term capital gains.
 - provides an estate tax exemption no lower than that provided in the Tax Cuts and Jobs Act of 2017 (for 2023, \$12.92 million for individuals and \$25.84 million for married couples) and is indexed for inflation.
 - does not include a tax on unrealized gains upon a decedent's death.

3. Capital Gains and Recapture Clarifying Motion

- To clarify that NAR supports a federal capital gains tax regime which recognizes that a significant portion of capital gains are due to inflationary increases in assets values, and thus should not be taxed and that encourages the formation and turnover of capital.
Further, NAR supports:
 - A differential between the tax rate on ordinary income and the tax rate on long-term capital gains, the rate of which should be substantially lower than the rate on ordinary income.
 - The recapture of depreciation upon the sale of real property at ordinary income rates, but only to the extent that depreciation claimed on the sold property exceeded straight-line depreciation.
 - A rate of tax on the amount of "unrecaptured section 1250 gain," (which is the portion of the gain on the sale of real property that represents the amount of straight-line depreciation taken over the life of the asset) that does not exceed the current rate of 25 percent.
 - Indexing the tax bases of capital assets to reduce the unfair taxation of inflationary gains and to better reflect true economic increases in the value of the assets.

4. Demolition of Buildings Clarifying Motion

- To clarify that NAR supports removing a principal deterrent to the acquisition of property for voluntary demolition of obsolete structures by permitting the costs of demolition to be added to the basis of any new building constructed upon such land.

C. Land Use and Environment

1. Climate Change Risks and Property Sustainability (with changes shown in red)

NAR is committed to sustainability, the benefits of which will help preserve our environment and address ongoing climate change risks, while supporting our nation as a vibrant, healthy, and prosperous place to live and work.

NAR supports:

- Cost-effective strategies that facilitate a positive, voluntary market response to energy production, energy efficiency, resiliency, and sustainability.
- Market-based federal policies that are cost-effective and energize the nation's innovative entrepreneurial spirit.
- Public policies that address climate risks, resiliency, and sustainability, guided by and respectful of, private property rights, long-term sustainability, and Smart Growth principles.
- The creation of resilient and sustainable infrastructure, buildings, and communities.
- Cost effective mitigation strategies that facilitate adaptation to the effects of climate change risks, weather events, and ecosystem change.
- Solutions that encourage sustainable energy practices, energy efficiency and independence through including incentives such as expedited permitting and tax benefits.
- Smart building and high-performance construction technologies that enhance living experiences and the community our quality of life while preserving resources and the environment.

NAR acknowledges:

- The benefits of adapting to changing climate conditions and protecting against future risks.
- The benefits of transitioning towards clean energy resources while acknowledging that carbon-based energy will remain a fundamental, and necessary, foundation of our economy until clean energy production and storage can supply reliable and abundant energy for the power grid.

Rationale: The policy statement demonstrates NAR's commitment to sustainability and addressing climate change risks from a long-term perspective. By advocating for cost-effective strategies, climate-risk adaptations, a transition to clean energy resources, market-based policies, and resilient and sustainable real estate practices, NAR recognizes the importance of preserving the environment and ensuring a prosperous and healthy future for communities.

D. Federal Technology

The Federal Technology committee will be holding breakout discussion sessions on the topic of Artificial Intelligence. The administration has recently announced guidelines and regulations in an attempt to oversee this new segment of the technology market. The committee will discuss the issues surrounding AI, including "Data Privacy," "Ethics & and Disclosures," "Algorithmic Bias," and "Copyright Issues."

IV. OTHER BUSINESS

V. ADJOURN