

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 ON STATE ADMINISTRATION AND ASSEMBLY HOUSING AND COMMUNITY DEVELOPMENT COMMITTEE

ASSEMBLYMEMBERS WENDY CARRILLO, BUFFY WICKS, CHAIRS

TUESDAY, FEBRUARY 15, 2022

1:30 PM, STATE CAPITOL, ROOM 444

The public may attend this hearing in person or participate by phone. Any member of the public attending this hearing will need to wear a mask at all times while in the building location. This hearing can be viewed via live stream on the Assembly's website at

<https://assembly.ca.gov/todayevents>.

We encourage the public to provide written testimony before the hearing. Please send your written testimony to: BudgetSub4@asm.ca.gov. Please note that any written testimony submitted to the committee is considered public comment and may be read into the record or reprinted.

A moderated telephone line will be available to assist with public participation. The public may provide comment by calling the following toll-free number:

877-692-8957 / Access Code: 131 54 44.

Informational Hearing

Exploring Opportunities for Homeownership

I. Introduction

II. Panel 1 : Overview of Housing Market In California

- Stephen Menendian, Assistant Director, Othering & Belonging Institute

III. Panel 2: Overview of State Homeownership Programs

- Francesc Marti, Legislative Director, California Housing Finance Agency (CalHFA)
- Pedro Galvao, Legislative Director, Department of Housing and Community Development

IV. Panel 3: Challenges to Increasing Homeownership

- Tasha Henneman, Director, Black Leadership Council
- Jeff Schroeder, SVP Land, Planning & Operations, Ponderosa Homes
- Debbie Arakel, Executive Director, Habitat for Humanity CA
- Tom Collishaw, President and CEO, Self-Help Enterprises

V. Public Comment

ITEMS TO BE HEARD

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

EXPLORING OPPORTUNITIES FOR HOMEOWNERSHIP

In the fall of 2021, a group of Assemblymembers convened stakeholder meetings around the state to learn more about the housing challenges facing communities. An issue consistently raised at each meeting was the low rate of homeownership in the state. Of particular concern was the rate of homeownership among black and brown constituents who have historically faced barriers to purchasing a home, the main source of wealth creation for most households.

The state has invested in homeownership through down payment assistance, low-interest mortgage products, and construction and rehabilitation of single-family homes. Investments in multi-family affordable rental housing have outweighed investments in single family over the last few years. This is due to the significant need for affordable multi-family housing and the fact that the private market does not meet the need for this type of housing. In the current market, 2.2 million extremely low-income and very low-income renter households are competing for 664,000 affordable rental units. Of the six million renter households in the state, 1.7 million are paying more than 50 percent of their income toward rent. The National Low Income Housing Coalition estimates that the state needs an additional 1.5 million housing units affordable to very-low income Californians.

The supply of affordable entry-level homeownership options for families has diminished. In 2022, the average home price in California was \$683,996 (233% of typical U.S. price).¹ According to the California Realtors the average home price will jump to \$800,000 in 2022.² Construction of single-family homes dropped dramatically after the housing bubble burst in 2006 and the ensuing Great Recession. In 2005, there were 150,000 single-family housing starts as compared to 59,000 single-family housing starts in 2020. Housing starts did increase in 2021 by twenty percent.³ The high cost of building materials and labor shortages contribute to the lack of construction.

This hearing will provide background on state's current homeownership programs and explore what steps the Assembly could consider taking to address the lack of homeownership opportunities.

BACKGROUND

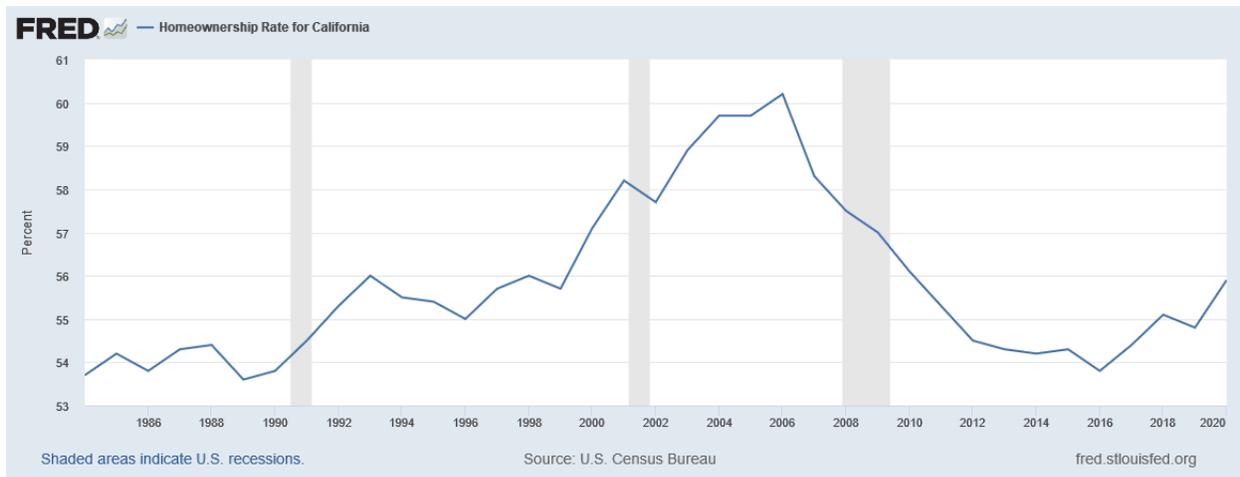
Homeownership Trends

¹ [Average House Price by State in 2021 | The Ascent \(fool.com\)](#)

² [California's Median Home Price Seen Topping \\$800,000 in New Peak - Bloomberg](#)

³ [A bump-up moment in California construction starts | firsttuesday Journal](#)

While the homeownership rate in California is historically low compared to the rest of the country, it has dropped from its peak in 2006 at 60.9 percent to 55 percent. California's homeownership rate is the second lowest in the nation behind the State of New York. California's homeownership rate typically falls around 10 percentage points below the national average, partly due to the state's more mobile population. However, one of the more challenging issues for California is its lack of residential construction sufficient to support the state's growing population.⁴



Homeownership Trends by Race/Ethnicity

California, like the nation as a whole, has lower homeownership rates among communities of color. According to Census data, 65 percent of white Californians are homeowners while Asian/Asian-Americans have a homeownership rate that is six percentage points lower at 59 percent. About one in two Californians of Native/Indigenous descent are homeowners (49 percent), while the rate of homeownership amongst the Latinx population is 44 percent. Black Californians have the lowest rate of homeownership across racial/ethnic groups California with only about 1 in 3 owning their home (35 percent).⁵

State Homeownership Programs:

Historically, the state has invested in homeownership through down payment assistance, first- mortgage products, and the construction of single-family homes for households at or below 120 percent of the area median income (AMI).

California Housing Finance Agency (CalHFA)

CalHFA, the state's affordable housing lender, operates several programs to assist first-time homebuyers including down payment assistance and low-income interest first-mortgage products. CalHFA issues bonds to fund the mortgages and uses the proceeds of mortgage repayments to repay the bonds. Down payment assistance is funded by

⁴ [California's low homeownership rate to continue | first Tuesday Journal](#)

⁵ U.S. Census Bureau, 2015-2019 American Community Survey 5-Year Estimates, Tables B25003A-I

voter-approved bonds and through repayment of assistance as buyers sell or refinance their homes.

First Mortgage Products: CalHFA provides first-mortgages to buyers who income qualify. CalHFA is not a direct lender but partners with qualified lenders that offer their products. CalHFA's issues bonds and uses the proceeds to fund its' mortgage products.

My Home: MyHome offers a deferred-payment junior loan of an amount up to the lesser of 3.5 percent of the purchase price or appraised value to assist with down payment and/or closing costs, with a cap of \$15,000. Buyers must be first time homeowners (have not owned a home in the last three years), complete homebuyer education, and meet the income qualifications which extend to households who are at 150 percent of AMI in high cost areas. The program received \$200 million from Veteran's and Affordable Housing Bond Act of 2018.

Note that the \$15,000 cap does not apply to:

- CalHFA VA Program
- CalHFA USDA Program
- CalHFA FHA Section 203(h)
- CalHFA FHA Section 184
- Borrowers with income equal to or below 80 percent MI
- CA school employees
- All CA fire department employees
- New construction homes
- Manufactured homes
- Home with an ADU

Department of Housing and Community Development

HCD operates several programs that fund down payment assistance and the construction and rehabilitation of single-family homes.

Bond-funded Programs:

CalHome: CalHome provides grants to local public agencies and nonprofits to help first-time homebuyers with down-payment assistance; assist homeowners with repairing/rebuilding; provide counseling for homebuyers; and assist those interested in self-help homeownership through mortgage and technical assistance. The Veterans and Affordable Housing Bond Act of 2018 included \$300 million for CalHOME.

Local Housing Trust Fund (LHTF): Provides grants to regional housing trust funds on a dollar-for-dollar match basis for construction loans and/or permanent financing loans to pay for predevelopment costs, acquisition costs, and other costs associated with development or rehabilitation of affordable rental housing, emergency shelters, permanent housing with supportive services, transitional housing, and affordable homebuyer/ homeowner projects, including homebuyer assistance for lower-income Californians. The Veteran's and Affordable Housing Bond Act of 2018 included \$300 million for the LHTF.

Fee-funded Programs:

Permanent Local Housing Allocation (PLHA): California's Building Homes and Jobs Act (Senate Bill 2, 2017) established a \$75 document-recording fee for certain real estate documents to increase the supply of affordable homes in California. Because the number of real estate transactions recorded in each county varies from year to year, the revenues collected fluctuates. The fees collected are deposited into California's Building Homes and Jobs Trust Fund. Seventy percent of funding from the recording fee is allocated directly to counties to use for a variety of purposes including affordable owner-occupied housing for households up to 150 percent of AML.

Federal Programs:

HOME: Housing rehabilitation, new construction, and acquisition and rehabilitation, for both single-family and multifamily projects, and predevelopment loans to Community Housing Development Organizations (CHDOs) to benefit lower-income renters or owners.

QUESTIONS

Members may wish to consider the following when exploring opportunities for homeownership:

- Which homebuyers does the Legislature want to assist with resources to enter the market? Those who have been historically kept out the market or all qualified buyers?
- Should funding focus on those who are higher incomes but still face challenges purchasing a home because of the high cost of homes?
- Should funding focus on creating more supply of ownership units and at what level of affordability?
- How does the state evaluate the effectiveness of the homeownership programs in its portfolio?
- Do any of the state or federal programs address the barriers to homeownership by race or ethnicity?
- The programs funded by the state provide resources for down payment assistance, but do not address the supply issue. How effective would additional resources be if they are added to these programs?

Staff Recommendation: This item is presented for information only.
