

Date of Hearing: March 20, 2024

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Christopher M. Ward, Chair

AB 2140 (Juan Carrillo) – As Introduced February 6, 2024

SUBJECT: Housing: Building Home Ownership for All Program

SUMMARY: Requires the Treasurer, on or before December 31, 2025, in consultation with the California Housing Finance Agency (CalHFA), the Department of Housing and Community Development (HCD), and other stakeholders, to develop a framework for the Building Home Ownership for All Program in accordance with the goals and elements of the program and submit a report outlining the program framework to the Legislature. Specifically, **this bill:**

- 1) Require the goals of the program to include, but not be limited to, all of the following:
 - a) Expanding access to homeownership by making it affordable for lower and moderate-income Californians, as specified;
 - b) Establishing a program to finance the construction of for-sale housing units at a price that is ultimately affordable to lower and moderate-income Californians;
 - c) Evolving the program over time to create a self-sustaining model, including utilizing nongovernmental funding sources; and
 - d) Ensuring that there is not a reduction in funding to existing rental programs due to enactment of the program.

- 2) Require the framework of the program to include, but not be limited to, all of the following elements:
 - a) Income limits for Californians and price limits for homes eligible for the program, both on a regional basis;
 - b) Options for the initial capitalization for the program;
 - c) Ongoing state financial support limited to nominal administrative costs;
 - d) Program structuring to encourage nongovernmental funding similar to existing programs, including, but not limited to, the Low-Income Housing Tax Credit Program and the New Markets Tax Credit Program;
 - e) Opportunities to leverage existing federal, state, and local homeownership programs to support the goals of the program;
 - f) Integration of the program with existing state housing plans and strategies, including aligning with regional housing needs assessments and plans developed by local governments under existing law;

- g) Opportunities to facilitate the involvement of small development firms, community development corporations, community land trusts, and other community based nonprofit housing developers in the production of these homes, including those owned and operated by members of formerly redlined communities;
 - h) Changes to existing law relating to land use and multifamily homeownership that would reduce the cost to construct for-sale single-family and multifamily homes;
 - i) Changes to streamline approval processes for housing projects under the program, including projects in areas with high housing demand, to expedite construction and reduce bureaucratic delays;
 - j) Quantification of the extent of the racial wealth gap in California;
 - k) Potential size, structure, and geography of a pilot project;
 - l) Incorporation of financial education and homeownership readiness programs, focusing on communities with lower rates of homeownership; and
 - m) Monitoring of the impact of the program on expanding access to homeownership through the collection and analysis of data disaggregated by race, ethnicity, and income.
- 3) Requires the report to include, but not be limited to, all of the following:
- a) The structure of the program, including, but not limited to, the administering entity and the financial structure of the program;
 - b) The type of financial assistance offered to homebuilders; and
 - c) An analysis on the feasibility of establishing the program and the financial risks to the state, including, but not limited to, the costs and benefits of the program compared to available alternatives and existing programs, and how those costs and risks compare to the costs and risks to society of continuing current barriers to homeownership for working families and not combating systemic racism and inequities that have kept generations from building wealth and thriving in the middle class.

EXISTING LAW:

Establishes a number of housing assistance programs for affordable housing at the Department of Housing and Community Development (HCD), including CalHOME, which provides grants to individual homebuyers to purchase a home and loans to nonprofit developers to construct single-family homes. The program also provides grants to nonprofit organizations and local governments to make loans to individual homeowners to construct ADUs or JADUs. (Health and Safety Code (HSC) Section 50650.3)

- 1) Establishes and authorizes CalHFA to make loans to housing sponsors for housing developments and to qualified mortgage lenders, among others. Provides that the primary purpose of CalHFA is to meet the housing needs of persons and families of low- or moderate-income. (Cite)

- 2) Provides that CalHFA is administered by a board of directors and is supervised on a day-to-day basis by an executive director. (Cite)

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, "Most Californians, and especially communities of color who want to achieve the American Dream and experience the wealth-building benefits of homeownership are blocked by extremely high housing costs. AB 2140 is the first, crucial step in creating a new financing program to enable the development of affordable for-sale units throughout California, similar to what the Low Income Housing Tax Credit program has done for affordable rentals. This study is a step in the right direction in making it easier and more affordable for hardworking low- and moderate-income families to own homes near their jobs, schools, and existing communities."

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

For Black Californians who do own homes, racial disparities also exist in the valuation of their assets. Black-owned homes in majority-Black areas of both the San Francisco-Oakland-Hayward Metropolitan Statistical Area (MSA) and the Los Angeles-Long Beach-Anaheim MSA are worth substantially less than equivalent homes with the same structural characteristics and neighborhood amenities in non-majority-Black areas. In the Bay Area, the average devaluation of homes in majority-Black neighborhoods is 22.3%, and in the Los Angeles area it is 17.1%. Differences in credit scores also contribute to racial disparities in homeownership. About 54% of Black Americans report having no credit or a credit score of below 640. About 41% of Latinx Americans report falling into this category as well. In contrast, 37% of white Americans and 18% of Asian Americans report similar credit circumstances. Home Mortgage Disclosure Act (HMDA) data show that Black applicants are denied loans at twice the rate of white applicants, controlling for income and gender. Even when approved for home loans, HMDA data also show that Black and Latinx borrowers are more likely to be offered higher-cost mortgages.

Neighborhood Homes Investment Act: The Neighborhood Homes Investment Act, which has been introduced in Congress, would create a new financing tool for homeownership modeled after the Low Income Housing Tax Credit (LIHTC). LIHTC funds the creation of multifamily rental housing for households at or below 80% of the area median income. States would receive an allocation of tax credits and select sponsors through a competitive process, and developers would sell the tax credits and raise equity to invest in building or acquiring homeownership units.

According to the author, the goal of AB 2140 is to create a framework for a new large scale affordable homeownership financing program similar to what is being proposed at the federal level through the Neighborhood Homes Investment Act.

State Support for Homeownership:

Mortgage Interest Deduction: The mortgage interest deduction is the largest investment the state makes in housing. Homeowners can deduct the mortgage interest on up to \$750,000 of qualified residence loans (\$375,000 for married individuals filing separately) on their primary home and a second home that they live in part of the year. The mortgage interest deduction costs the state General Fund approximately \$5 billion each year.

MyHome: MyHome offers a deferred-payment junior loan of an amount up to the lesser of 3.5% of the purchase price or appraised value to assist with down payment closing costs of a home that is capped at \$15,000. There is no cap on the amount of down payment buyers can receive if they are a veteran, school employee, have an income of 80% of AMI or less, and are purchasing a new home, manufactured home, or a home with an ADU. 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 up to 150% of AMI in high cost areas). CalHFA received \$150 million for home purchase assistance from Proposition 1 (2018) bond funds to provide first and junior loan options for low- to moderate-income families, including low to zero interest rate down payment assistance loans. CalHFA issues bonds to fund the mortgages and uses the proceeds of mortgage repayments to repay the bonds. Down payment assistance is funded by voter-approved bonds and through repayment of assistance as buyers sell or refinance their homes. CalHFA provides first-mortgages to buyers who income qualify. CalHFA is not a direct lender but partners with qualified lenders that offer their products.

California Dream for All Program: The 2022-23 State Budget (SB 197 (Committee on Budget)), Chapter 70, established the California Dream for All Program, a revolving shared appreciation loan program designed to increase access to homeownership for low- and moderate-income Californians. The 2022-23 budget included \$300 million which was awarded to 2,500 homeowners with an average appreciation loan of \$112,000. The 2023-24 budget includes an additional \$200 million for the program with a requirement that the program be revamped to focus on providing down payment assistance to homebuyers who would not otherwise be able to purchase a home.

CalHOME: The CalHOME program provides loans and grants to nonprofit corporations and local governments to support homeownership activities. Grants provide down payment assistance to qualified households and loans to fund the construction of ownership units. To qualify, households must be lower income (making 80% of AMI or less); however, grants may be made to households making up to 120% of AMI in areas where the Governor has declared a state of emergency due to a disaster. In 2019, AB 101 (Committee on Budget), Chapter 159, expanded the uses of CalHOME to include grants to local governments or nonprofit corporations to develop and construct ADUs and JADUs. The program makes grants to local agencies that then loan funds to qualifying homeowners who build ADUs or JADUs and rent them out. The program is intended to increase the supply of affordable

housing and provide income to lower income homeowners. Although the CalHOME program provides loans to nonprofit corporations that build ownership units for qualifying families, it does not allow nonprofits to construct ADUs or JADUs and sell them as separate units.

Arguments in Support: According to the California Community Builders and UnidosUs, “while the Neighborhood Homes Investment Act would be the first large-scale affordable homeownership financing program in the country, as written it would not be applicable to most neighborhoods in California due to our state’s high land costs and lower rate of vacant and blighted land. Additionally, recognizing the needs of middle-income families, a bipartisan group of federal legislators has introduced the Workforce Housing Tax Credit Act that would create a middle-income housing tax credit, or MIHTC, program for affordable housing serving households of up to 100% of area median income. By studying and evaluating how to adapt and leverage existing programs and build upon national innovation, the legislature can take the important first step in truly building homeownership for all Californians.”

Arguments in Opposition: None on file.

REGISTERED SUPPORT / OPPOSITION:

Support

California Community Builders (Co-Sponsor)
UnidosUS (Co-Sponsor)
Abundant Housing LA
Asian Business Association of Silicon Valley
Bay Area Council
California Forward
California Defense Community Alliance
California YIMBY
Canal Alliance
Casita Coalition
CivicWell
Community Development Inc.
Cornerstone Construction
East Bay Housing Organization
El Concilio California
Faith and Community Empowerment
Habitat for Humanity
Haven Neighborhood Services
Hogar Hispano
League of California Cities
LISC San Diego
MidPen Housing
Montebello Housing Development Corporation
Monterey Bay Economic Partnership
Neighborhood Housing Services of the Inland Empire
People for Housing - Orange County
Power CA Action
PUENTE Learning Center

RestoreLA-CDC
Richmond Neighborhood Housing Services Inc.
San Diego Housing Commission
San Francisco Bay Area Planning and Urban Research Association
Self Help Enterprises
Southern California Black Chamber of Commerce
TentMakers Inc.
The Center by Lendistry
The Two Hundred for Home Ownership
The Unity Council
United Latinos Action
YIMBY Action

Opposition

None on file.

Analysis Prepared by: Lisa Engel / H. & C.D. / (916) 319-2085