



March 12, 2024

The Honorable Christopher Ward
Chair, Assembly Committee on Housing and Community Development
1020 N Street, Room 156
Sacramento, CA 95814

RE: AB 2140 (J. Carrillo) Building Homeownership Act — SUPPORT

Dear Chairman Ward,

The California Home Building Alliance (HBA) is committed to supporting legislation and administrative actions that will increase housing production in our state and we write to you in support of AB 2140 (J. Carrillo), an act to study the feasibility of creating a state-led program to finance new homes for-sale to low- and moderate-income families at the scale and size of our existing affordable rental financing programs.

This coalition includes trade associations representing small and large businesses, for-profit and not-for-profit home builders, realtors, developers, employers, affordable housing infill builders, and non-profit research, education, and advocacy organizations focused on increasing the supply of new housing and improving the quality and affordability of housing in California.

California has an opportunity to leverage and enhance our existing homeownership programs, as well as potential federal affordable homeownership financing proposals, but a necessary first step is to study and analyze which aspects of the federal program, as well as existing rental financing programs, could be adapted to meet California's homeownership needs.

California's Homeownership Crisis Disproportionately Impacts Moderate-Income Communities of Color

Homeownership is how most Americans build wealth, achieve financial security, and stabilize neighborhoods. Tragically, homeownership rates in California are at their lowest levels since the 1940s. In 1969, the average home cost 2.6 times a family's annual salary. In 2020, the average cost was 8.5 times a family's annual salary. As a result, the American Dream of homeownership is out of reach for most Californians, particularly for BIPOC communities. African American and Latino homeownership rates are 26% and 19% lower than white Californians respectively.

Opportunities for first-time home buyers – the majority of whom are people of color – continue to dwindle.

There is no single reason for the severe homeownership gap in California, but the California Legislative Analyst’s Office has identified a lack of housing supply as one of the culprits. According to the 2016 report on housing affordability, the LAO reported that “the state’s housing shortage also makes many Californians—not only low-income residents—more likely to commute longer distances, live in overcrowded housing, and delay or forgo homeownership.”¹

The state has made significant strides in funding affordable housing preservation, protection, and production in recent years. However, most construction financing programs, such as the Low-Income Housing Tax Credit (LIHTC), are reserved solely to build rental housing. What programs do exist to support homeownership are primarily available in the form of down payment assistance programs, which are essential but sadly do not create new affordable homes for sale.

California must study the feasibility of creating its own state-led financing system that will create new for-sale homes to low- and moderate-income families at the scale and size of our existing affordable rental financing programs.

Now is the time to study the creation of a large-scale homeownership financing program.

A federal bill – the Neighborhood Homes Investment Act (NHIA) – currently being considered in Congress could create a new affordable homeownership financing system; one modeled off the successful LIHTC program, which drives the production of affordable rental units throughout the country. While the NHIA 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.

The HBA is therefore happy to support AB 2140.

Sincerely,

¹ <https://lao.ca.gov/Publications/Report/3345>



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