



May 21, 2021

The Honorable Nancy Skinner & Vice Chair Nielsen
Senate Committee on Budget & Fiscal Review
California State Capitol, Room 5094
Sacramento, CA 95814

RE: Homeownership Budget Request – SUPPORT

Dear Chair Skinner and Vice Chair Nielsen:

On behalf of Habitat for Humanity California, California Association of Realtors (CAR), The Two Hundred, San Francisco Bay Area Planning and Research Association (SPUR), LISC San Diego, Housing Action Coalition, National Association of Hispanic Real Estate Professionals (NAHREP), the California Building Industry Association (CBIA), and the Black Leadership Council (BLC) we respectfully request that the 2021-2022 State Budget prioritize homeownership funding as it has homelessness and rental funding, to support the full continuum of necessary housing options for Californians. The California Dream for All, in the Senate's Build Back Boldly blueprint is a good start, however, that program does not address the root cause of the affordability crisis in California – the supply shortage – and cannot fully provide relief without additional funding to support ownership construction.

We request that the budget be amended to include three elements that are focused on creating new owner-occupied units for low-income Californians throughout the state:

1. Ensure the new California Dream for All tax credit program also applies to new construction of owner-occupied units and to qualified non-profit developers building and providing interest-free loans to low and moderate income families.
2. \$200 million for the CalHome program to increase development and acquisition rehabilitation of affordable homeownership projects.
3. Allocate 20% of the Governor's proposed \$9.3 billion in affordable housing funding to affordable owner occupied workforce housing developments to provide long-term housing stability.

Homeownership has consistently proven to contribute to the financial security and stability of communities by offering homeowners protection from rising housing costs and allowing for increased savings and purchasing power. In addition, studies have demonstrated that homeownership benefits families not just financially, but also through improved health and education outcomes.

Unfortunately, homeownership levels are at their lowest rate since the 1940s, due to increased costs of land, construction, and insurance. This is particularly true for communities of color due

to the historic and ongoing systemic inequities excluding Black and Latinx households from homeownership opportunities. Homeownership rates for Black and Latinx households are at 41% and 46%, respectively, whereas the overall state homeownership rate is at 56%. Even more concerning, the state's median price for housing continues to break records month after month. The statewide median home price closed out 2020 at a record \$717,930, while April's statewide median home price up 34.2% from April 2020 and a staggering 26.2% from January 2021 to \$813,980.

Making matters worse, supply simply isn't keeping up with demand and it hasn't for years. It is common knowledge that California needs to build at least 180,000 new homes annually. Production continues to be low at only 80,000 annually, with costs aggravated by lengthy approvals. It can take as long as 20 years to get a project going in California. In Arizona and all neighboring states, they can do it in less than 20 months.

With this in mind, we conceptually support the Senate's California Dream for All proposal. While the details of the program operations are important, we are generally supportive of the proposals, providing direct support to California families' dream of homeownership. It's well past the time for the state lead the way in enabling homeownership for working families who want to build equity for future generations. Acting as a silent second, the state can effectively reduce the cost of a home by 40%, making it more affordable for families to enter the market. While we are supportive of this idea and recognize the importance of this program, it will not address the root cause of the affordability crisis, which is the state's massive supply shortage of all housing. We must pair this groundbreaking program with tax credits to incentivize the construction of entry level, affordable market-rate housing.

Furthermore, the lack of available state and local funding sources to support the state's affordable homeownership developers poses a major obstacle as we seek to increase the affordable ownership housing supply. This barrier has only become more extreme by the economic hardship created by the COVID-19 pandemic. Housing, health, and economic insecurity is particularly on the rise in low-income communities of color and nonprofit affordable developers, like Habitat for Humanity, who seek to provide decent stable housing within those communities (81% of Habitat homeowners are BIPOC), are facing even greater challenges now, given the increased cost of construction due to supply chain disruptions. Building material costs have skyrocketed, with lumber alone up 180% over last year. These spikes have increased the cost to build a single-family home by more than \$24,000, making building affordable housing in California infeasible.

The increased cost of construction has significantly limited all development in California, but most notably, the development of housing affordable to middle and low-income families. Programs, like CalHome, one of the only state funding sources available for homeownership programs, promotes affordable homeownership production, home preservation and access to homeownership for low and very low-income households. Programs include homeownership project development, home rehabilitation and preservation, first-time homebuyer assistance, , and Accessory Dwelling Units, with all programs serving low and very low-income individuals and families.

In the November 2019 general notice of funding available (NOFA), 107 local jurisdictions, nonprofit entities, and counties applied for CalHome funding, resulting in a total request of over \$211 million dollars from the program. However, the CalHome Program only had a total of \$57

million available for approved applicants, leading to an oversubscription of more than \$154 million dollars.

As a result, hundreds of affordable units have gone unbuilt or unrepaired leaving vulnerable low-income families without homes. As the state grapples with a housing crisis, it is incumbent upon our leaders to provide funding to existing programs that have an established track record and proven need.

Lastly, we respectfully request a 20% of the \$9.3 billion proposed in the Governor's May Revised Budget be allocated to address affordable housing funding, specifically to affordable homeownership projects that keep at-risk families off the streets and provide stability while allowing opportunities to build generational wealth. The Governor must recognize that to tackle the homelessness problem, we cannot continue to solely fund transitional, supportive, and rental housing, but we must support the full housing spectrum, which includes affordable homeownership as a stable and permanent solution.

With this in mind, we respectfully request that the 2021-2022 Budget provides critical funding to increase low-income opportunities in California by 1) ensuring the new California Dream for All tax credit program also applies to new construction of owner-occupied units and to qualified non-profit developers, 2) appropriating \$200 million for the CalHome program, and 3) allocating 20% of the Governor's proposed \$9.3 billion in affordable housing funding to affordable owner occupied workforce housing developments to provide long-term housing stability.

Respectfully,



Debbie Arakel, Habitat for Humanity California



Robert Apodaca, The Two Hundred



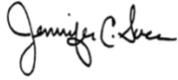
Michael Lane, San Francisco Bay Area Planning and Research Association (SPUR)



Ricardo Flores, LISC San Diego



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Jennifer Svec, California Association of Realtors



Christopher Brown, Black Leadership Council



Michael Gunning, California Building Industry Association



Todd David, Housing Action Coalition

cc: James Hacker, Housing & Development Consultant, Senate Budget & Fiscal Review Committee