
SENATE COMMITTEE ON HOUSING
Senator Scott Wiener, Chair
2021 - 2022 Regular

Bill No: AB 2217 **Hearing Date:** 6/13/2022
Author: Reyes
Version: 3/28/2022
Urgency: No **Fiscal:** Yes
Consultant: Alison Hughes

SUBJECT: CalHome Program: grant allocation

DIGEST: This bill requires the Department of Housing and Community Development (HCD) to consider setting higher per-unit and total projection allocations for the CalHome Program (CalHome) based on local development costs, when appropriate.

ANALYSIS:

Existing law:

- 1) Establishes the CalHome program to be administered by HCD.
- 2) Establishes CalHome to provide local public agencies and nonprofits to enable low- and very low-income households to become or remain homeowners and to provide disaster relief assistance to moderate income households.
- 3) Allows CalHome funds to be used towards: first-time homebuyer downpayment assistance, home rehabilitation, including specified retrofits of manufactured homes, mobilehomes, and accessory structures, homebuyer counseling, home acquisition and rehabilitation, or self-help mortgage assistance programs, or for technical assistance for self-help and shared housing home ownership.

This bill:

- 1) Requires HCD to consider setting higher per-unit and total projection allocations for CalHome based on local development costs for new construction of home ownership units, when appropriate.
- 2) Requires increases to the maximum unit and project allocations for each new round of funding for new construction of home ownership units.

COMMENTS:

- 1) *Author's statement.* “This bill will authorize the Department of Housing and Community Development to increase per unit and project caps within the CalHome Program, which will encourage the construction of affordable homes. Currently, the CalHome program is oversubscribed and underfunded, which has severely limited the ability of nonprofit developers and local jurisdictions to access these funds. This means that desperately needed affordable homes have gone unbuilt year after year. By updating the funding caps, AB 2217 will increase nonprofit developers’ ability to leverage CalHome funding and generate more opportunity for affordable homeownership across the state. Homeownership among Californians remains grossly inequitable, largely due to a legacy of exclusionary housing policies. By empowering low-income Californians and families of color to become first-time homeowners, this bill will help low-income families build modest equity and accumulate wealth over time, which they can use to invest in the success of future generations.”
- 2) *The CalHome Program.* The CalHome program provides funding to local public agencies and nonprofits to assist low-income households become or remain homeowners. Grant funds can be used to assist first-time homebuyers through deferred-payment loans for downpayment assistance and a variety of other uses including: home rehabilitation, homebuyer counseling, self-help mortgage assistance, and technical assistance for homeowners under the self-help ownership models. Individual homeowners do not need to pay off any CalHome loans until the loan matures unless the home is sold, transferred, or ceases to be owner-occupied before that date.

Local public agencies and nonprofits that receive CalHome awards can also fund low-income ownership housing development projects with direct, forgivable loans to build new ownership units and other loans for purchasing property, predevelopment, and construction expenses of homeownership units. For mutual housing and cooperative housing developments CalHome awards can be used for permanent financing as well. While CalHome funds are usually restricted only to uses that further homeownership for low-income households, moderate-income households are also eligible for CalHome disaster assistance funds that are awarded to cities and counties, tribal entities, and nonprofits located in counties affected by specified declared federal emergencies.

- 3) *Adjusting for higher housing costs.* This bill would require HCD to consider setting higher per-unit and total project limits for CalHome awards. Each time a new round of CalHome funding is made available HCD would also need to

consider adjusting the maximum per-unit and total project allocations for new construction as well. The current CalHome award limits are set at \$100,000 per unit and \$5 million per project. These limits have been in place for at least two years and there are no known plans to adjust these going forward.

While many aspects of state and federal housing programs include “built in” annual adjustments that factor in changes to household incomes, market rents, and home lending limits, no automatic adjustments are in place to raise the CalHome award limits for homeownership construction projects.

CalHome is not unique in having fixed award amounts that are not automatically adjusted on a regular schedule despite the fact that construction costs rise over time. For example, some loans for affordable rental housing developments provided through the Affordable Housing and Sustainable Communities program also have a fixed maximum dollar amount based on the type of financing the project receives. Moreover, since the CalHome award terms are not specified in statute, HCD could presumably increase per-unit and total project construction costs through its existing ability to issue guidance and regulations related to the program.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

POSITIONS: (Communicated to the committee before noon on Wednesday, June 8, 2022.)

SUPPORT:

Habitat for Humanity California (Sponsor)
California Building Industry Association (CBIA)
California Catholic Conference
California Community Builders
Heritage Housing Partners
Housing Action Coalition

OPPOSITION:

None received.