



# Homeownership Assistance

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## The Housing Crisis:

California's 56% homeownership rate is 11% below the national average. Even Hawaii now has a higher homeownership rate than California; only New York ranks below the Golden State. Despite a booming economy that is producing hundreds of thousands of jobs each year, new home construction is not keeping up with job growth, creating a strong upward pressure on housing costs. The top 5 least affordable metropolitan areas in the U.S. are in California, as are 8 of the top 10. As the Governor recently said in the Summary to his 2000-2001 State Budget, "California's housing supply and affordability problems could undermine the state's continued economic strength and diminish the quality of life in its communities. The availability of an adequate supply of affordable housing is a key element in retaining and attracting job-creating businesses to the state."

**A Major Response:** A Senators Alarcón and Vasconcellos and Assembly Members Shelley, Steinberg and Torlakson seek \$50 million to help low and very low income working families achieve homeownership, keep California's economy growing, stabilize distressed neighborhoods and give working families access to one of the primary ways to accumulate wealth.

The State Department of Housing and Community Development (HCD) would allocate the

funds as grants to support local government and non-profit ownership efforts, giving priority to programs that serve the lowest income levels, and that leverage state funding by using volunteers, donations, self-help, and other public participation. A 50% match would be required.

Companion legislation, SB 1593 (Alarcón) creates an omnibus, CalHome Program at HCD that would be flexible enough to accommodate future legislative initiatives to develop new single-family housing, acquire and rehabilitate existing homes, convert non-residential properties to ownership housing or to undertake a variety of other housing strategies. Future funding for single family housing administered by HCD, both budget and bond funds, could flow into this streamlined, single-family housing program.

**Success Stories:** There are many successful examples of groups whose homeownership efforts would be enhanced by increased state assistance:

- Grassroots organizations that emphasize volunteers, self-help and that sell houses at no profit on zero interest mortgages to very low income families.
- Local governments programs that stabilize neighborhoods by bringing substandard, vacant, boarded-up housing units back onto the market.

- Nonprofits that acquire, rehabilitate and sell vacant, foreclosed homes in distressed areas to low income buyers.
- Partnerships of lenders, local government, and neighborhood residents that educate potential homebuyers on realistic home buying goals while transforming challenged neighborhoods.
- Organizations that assist childcare providers to purchase the homes in which they provide childcare.

There are many other homeownership strategies that are part of the solution to our housing crisis—for example, programs that help seniors locate rooms in existing single-family homes; enable low-income families to contribute sweat-equity to the building of their home; enable residents to construct, rehabilitate and cooperatively own their homes; and programs that combine construction skills training with leadership training for disadvantaged youth and young adults.

**Conclusion:** An increased state investment in homeownership assistance to low and very low income families will help the California economy, will leverage private funds, will encourage volunteer public service and will make the American Dream of homeownership a reality for more hardworking California families.