



SENATOR

JOHN M. W. MOORLACH

THIRTY-SEVENTH SENATE DISTRICT

FACT SHEET

Senate Bill 1116 – First Time Homebuyers Affordability Act

BILL SUMMARY

Senate Bill 1116 incentivizes homeowners to sell their homes to first-time buyers by increasing the capital gains exclusion from \$250,000 to \$300,000 for single filers and from \$500,000 to \$600,000 for married couples filing jointly. This exclusion applies specifically for transactions between homeowners and first-time buyers.

REASON FOR LEGISLATION

Capital gains are the net profits made when a homeowner sells their house. Sellers currently have many incentives to sell to all cash investors and SB 1116 will now give first-time homebuyers a competitive assist in a low-supply market.

ISSUE BACKGROUND

California is in the midst of a severe housing supply shortage. With the median sales price at \$522,440, only 32% of Californians can afford a median priced home. Additionally, the California Department of Housing and Community Development determined that 180,000 homes need to be built each year to keep up with demand. The state has not met this need, falling 80,000 units short of that determination every year.

One of the many consequences of this supply shortage is an extremely competitive market for potential home buyers, especially buyers looking to purchase their first home. In this type of market, cash buyers have a decisive edge. According to ATTOM Data Solutions, 10% of sales in 2006 were all cash sales. That number increased dramatically

in 2017, jumping to 29%. With cash, sellers do not have to wait for the buyer to obtain a loan. Escrow simply closes upon home inspection and removal of contingencies. This also removes a lot of the risk for the seller, as all cash buyers are much more likely to close escrow.

According to the National Association of REALTORS®, the average down payment for a first-time homebuyer in 2016 was 6%. First-time home buyers also have a more difficult time obtaining a loan, as most have not established a record of borrowing, and are riddled with a significant amount of student loan debt. As a result, California's homeownership rate has not rebounded with the economy.

SB 1116 provides a small incentive to encourage a sale to our younger residents that are just starting out in life, thus making homeownership attainable for working Californians.

SUPPORT

Orange County Realtors (Sponsor)



CONTACT

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