

ORANGE COUNTY
REALTORS®

May 2, 2018

Senator Mike McGuire
Senate Committee on Governance and Finance
State Capitol, Room 408
Sacramento, CA 95814

**RE: California State Senate Bill 1116 Personal income taxes: exclusion: capital gains: sale of residence
– Support**

Dear Senator McGuire,

On behalf of the Orange County REALTORS®, I write to express our support for SB 1116. Senate Bill 1116 will increase 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 who sell to a first-time homebuyer. The purpose of Senate Bill 1116 is to give first-time homebuyers a competitive advantage in a low supply market. Sellers have many incentives to sell to all cash investors. This legislation will work to level the playing field, making the dream of homeownership fair and attainable for working Californians.

California is in the midst of a severe housing supply shortage that has made the dream of homeownership unattainable for most. At a median sales price of \$522,440 only 32% of Californians can afford a median priced home. According to the California Department of Housing and Community Development, California needs to build 180,000 units a year to keep up with demand, but only builds about 100,000.

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. Competing in a low supply market is becoming more and more difficult for first-time buyers. As a result, California's homeownership rate has not rebounded with the economy. According to the U.S. Census, the homeownership rate in 2005 was 60%. In the first quarter of 2018 it was 51%.

In addition to the lack of housing production, more of California's housing stock is being purchased by all cash buyers. According to ATTOM Data Solutions, 10% of sales in 2006 were all cash sales. In 2017, 29% of sales were all cash sales. Please show your support for first time homebuyers and support SB-1116.

Respectfully,



Dave Stefanides
CEO, Orange County REALTORS®