

April 2, 2021

Assemblymember Alex Lee  
State Capitol, Room 3126  
Sacramento, CA 94249

**Support – AB 946 – Homeownership assistance.**

Assembly Member Alex Lee,

California YIMBY is proud to support and cosponsor AB 946, a bill that would reallocate \$230 million from wasteful subsidies to purchase a second home to programs like the CalHFA MyHome Program, providing over 23,000 first-time homebuyers with down payment assistance.

California YIMBY is a statewide organization of 80,000 neighbors who welcome more neighbors. We believe that an equitable California begins with abundant, secure, affordable housing. We focus on housing and land use policy at the state and local level to ensure grassroots organizers and city leaders have the tools they need to accelerate home building, fight displacement, and fight for a California for everyone.

According to the Franchise Tax Board, approximately 175,000 wealthy Californians deduct the interest from their second home's mortgage on their state taxes<sup>1</sup>. This tax break equates to roughly \$230 million a year in tax expenditures, subsidizing people who do not need it. Mortgage interest deductions, particularly deductions on second homes, are regressive -- on a federal level, filers with six-figure incomes receive 80% of the tax subsidies<sup>2</sup>. A study from the St. Louis Federal Reserve found that savings from the MID are baked into the price of the home, or capitalized, which may depress homeownership by up to 5%<sup>3</sup>. Congress has passed bi-partisan measures to curb this subsidy for the wealthiest taxpayers; however, California, with the second-lowest rate of homeownership in the United States, subsidizes the luxury of owning a second home.

Today's minority homeownership rates reflect California's history of racist and discriminatory housing policies -- only 34.5% of Black people & 41.9% of Latinos are homeowners, compared to 74% for Whites<sup>4</sup>. Fortunately, California has opened the opportunity for homeownership by funding down payment assistance and publicly insured mortgages. 65-70% of CalHFA first-time home loans go to people of color<sup>5</sup>.

This bill would remove the mortgage interest deduction on second homes and reallocate that money to CalHFA's MyHome Assistance Program and other programs that support low- and moderate-income homeownership. By increasing funding to these programs, this bill would reallocate money that currently subsidizes mostly vacant, vacation homes to help low-to-middle income Californians afford their first home. We are therefore proud to join the diverse coalition of organizations in support of AB 946 and urge your colleagues to support this bill.

Best wishes,



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<sup>1</sup> [https://drive.google.com/file/d/178GGUf\\_45y3ScqB-nKwboPmEG1H0IFGj/view](https://drive.google.com/file/d/178GGUf_45y3ScqB-nKwboPmEG1H0IFGj/view)

<sup>2</sup> <https://www.nytimes.com/2017/05/09/magazine/how-homeownership-became-the-engine-of-american-inequality.html>

<sup>3</sup> <https://www.stlouised.org/publications/housing-market-perspectives/2018/fewer-tax-breaks-for-homeowners>

<sup>4</sup> <https://www.census.gov/housing/hvs/files/currenthvspress.pdf>

<sup>5</sup> <https://www.calhfa.ca.gov/about/financials/reports/2018-2019/2018-2019-pafr.pdf>