MidPen HOUSING
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April 10, 2024

Honorable Christopher Ward
Chair, Assembly Committee on Housing and Community Development
1020 N Street, Room 156
Sacramento, CA 95814

RE: AB 1932 (Ward) — SUPPORT

Dear Chair Ward,

On behalf of MidPen Housing, I write to you in support of AB 1932 (Ward), your bill that would provide an ongoing, dedicated state funding source for housing and homelessness prevention programs by eliminating the state mortgage interest deduction (MID) on vacation or second homes.

MidPen Housing is one of the nation's leading nonprofit developers, owners, and managers of high-quality, affordable housing and onsite resident services. Since MidPen was founded in 1970, we have developed over 130 communities and 9,400 homes for low-income families, seniors, and those with supportive housing needs throughout Northern California.

The largest investment the state makes in housing is the MID – a deduction that disproportionately benefits those with higher incomes and larger mortgages, as filers who take the standard deduction get no benefit, even if they pay interest on a mortgage. In addition to the deduction taxpayers can take on their primary home, they can also deduct interest paid on a vacation home, for mortgages up to a cumulative $1 million. The second home MID costs the General Fund about $200 million every year. According to the Franchise Tax Board, tax filers that take a deduction on a second home receive approximately $1,100 in tax benefit per filer.

Virtually no low-income Californians, who make up 38% of the state's population, can afford their local housing costs. Nearly 70% of low-income and very low-income households spend more than half of their income on housing costs. Those losing housing because of inability to pay are among the greatest numbers of those falling into homelessness for the first time.

This year, the state is facing a multibillion-dollar deficit, which may continue in upcoming years. The Governor's 2024-25 State Budget proposes to eliminate $1.2 billion in promised funding for programs that create affordable housing and homeownership opportunities. The most recent homelessness point in time count estimates that over 180,000 people are experiencing homelessness on any given night in our state, a number which has increased 6% from the previous year's count due to more individuals and families falling into homelessness.

Continuing to use state tax dollars to subsidize purchases of vacation homes will perpetuate an inequitable and wasteful tax expenditure that could instead meaningfully address the housing affordability and homelessness crisis facing our state. AB 1932 will align our funding with our priorities, by eliminating the vacation home MID and permanently investing resources saved – in the range of $200 million annually – in programs that create housing stability and homeownership opportunities, including the Multifamily Housing Program, first-time homebuyer assistance, and boosting housing voucher utilization.

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Investing this funding into homeownership and housing solutions ensures that those without a home receive one before the state helps subsidize those well-off enough to purchase a second. For these reasons, we write in strong support of AB 1932.

Thank you for your consideration and please feel free to contact Nevada V. Merriman, Vice President of Policy & Advocacy, at 650-477-6195 or nmerriman@midpen-housing.org.

Sincerely,

Matthew O. Franklin
President and CEO

CC: Nevada Merriman, Vice President of Policy & Advocacy