

Transfer fee will be an early test of how Michelle Wu's policies fare on Beacon Hill

"We are making another run at this," Wu said of a real estate tax proposal that floundered in past years

By [Emma Platoff](#) Globe Staff, Updated March 2, 2022, 7:30 p.m.



"We're hoping that the amended language and this moment of recovery after the pandemic gives us a new window to be able to advocate for passage," Mayor Michelle Wu said of the transfer fee. BARRY CHIN/GLOBE STAFF

Even Martin J. Walsh, a former state lawmaker, couldn't get Beacon Hill on board with it when he was mayor of Boston.

Now, facing a crisis in the city's housing market, his successor will once again ask for state sign-off on a proposal to tax high-dollar real estate transactions to raise money to fund affordable housing.

A similar pitch from Boston floundered on Beacon Hill two years ago, as have numerous comparable requests from cities across the state. But Mayor Michelle Wu and her allies hope state lawmakers will bite at a new version of the familiar idea, leaning on a few targeted tweaks to the proposal, the need to address a precarious housing market further strained by the pandemic, and the ample political capital of a new mayor who won her post with a sizable margin after running a campaign focused in large part on housing.

"We are making another run at this," Wu told the Globe on Wednesday morning after a ribbon-cutting event. "We're hoping that the amended language and this moment of recovery after the pandemic gives us a new window to be able to advocate for passage."

The transfer fee is an important political test for Wu, who will need to win the support of state lawmakers if she is to implement many of her top priorities. The proposal's reception on Beacon Hill may forecast the fate of her other policy plans, including some — such as rent control — that are even more controversial than the real estate tax.

Wu carries numerous advantages: a strong mandate from Boston voters, relationships with some of the Legislature's most influential Democrats, and the broad recognition from state and municipal leaders that Massachusetts faces an urgent housing crisis. She is not shy about using her bully pulpit, or mobilizing her supporters, to push for the issues she cares about most.

But history is against her, as are powerful voices in the city's real estate lobby.

Municipal transfer fees have often been proposed, but never been approved, at the State House. And many Boston mayors have struggled to persuade state lawmakers to approve

city priorities through the home-rule petition process. Even Walsh, who had served in the Legislature and had the attendant institutional knowledge and personal connections, saw many of his proposals die on Beacon Hill. One was an earlier iteration of Boston's transfer fee proposal; others that floundered were as seemingly uncontroversial as [a tweak to the state's civil service system intended to diversify the Boston Police Department.](#)

Wu's proposal, which the City Council approved on Wednesday, would allow Boston to impose a fee of up to 2 percent on high-dollar real estate transactions, a cost that would be borne by the seller. The fee would be levied only on transactions of \$2 million or more, with the first \$2 million exempt from the fee. The city would pour that money into affordable housing and also provide property tax cuts for low-income seniors.

According to city estimates, the provision would have raised nearly \$100 million had it been in place in 2021, with less than half of that money coming from the sales of residential properties. That sum would have more than doubled the city's affordable housing budget for the current fiscal year.

In a city where many say the cost of housing is their top concern, the transfer fee is potentially transformative, proponents say.

"The interest is there, the appetite is there, the need is certainly there," Wu said on Wednesday. "Giving us the continuous, sustainable funding stream to be able to do this on an ongoing basis would be a game changer for the city."

But Wu faces a long legislative fight, and many of the leaders whose support she will need were mum on the issue this week. Through spokespeople, House Speaker Ronald Mariano and Senate President Karen Spilka both declined to take a position on the transfer fee. Aides to Governor Charlie Baker also did not answer questions about whether he would support the proposal.

State Representative Aaron Michlewitz, a Wu ally and Boston Democrat who chairs the

House's powerful Ways and Means Committee, praised the new provision offering

property tax relief for low-income seniors, which he said Wu added after consulting state legislators and city councilors. Still, he did not take a firm position on the measure.

"We will certainly take a look at it," he said.

Opponents of Wu's transfer fee have been vocal. Influential real estate associations argue that Boston has other means to fund affordable housing, and that commercial real estate already contributes significant revenue to city coffers through property taxes and other fees. And they warn that the new fee could further disrupt a volatile real estate market, potentially scaring off investors and driving up rents.

"We see this as a real threat to economic development in the city of Boston," said Tamara Small, chief executive of NAIOP Massachusetts, a lobbying group for developers and building owners. "The cost of building in Boston has never been higher. We are concerned that this proposal could increase the cost of housing and commercial development in the city. Most importantly, we are concerned that this could dissuade new investment."

And some financial watchdogs warn tax increases could be a hard sell when the city and state are both awash in hundreds of millions of dollars in federal COVID-19 relief funds.

Still, some in the Legislature believe that the issue has its best shot yet with the backing of this Boston mayor. They pointed to the tax relief for seniors, as well as the fact that the city will give state lawmakers leeway to amend the petition before voting on it, as features that may make it more palatable to state leaders.

"She's really beefed up and improved on what we've looked at before," said state Representative Nika Elugardo, a Jamaica Plain Democrat who supports the fee.

And Wu's political capital will absolutely boost the proposal's chances, said Lydia

Edwards, who is currently serving on the City Council and in the state Senate and has

Edwardus, who is currently serving on the City Council and in the state Senate and has been a prominent supporter of the proposal.

“Everything is different” after the pandemic, said Edwards, one of Wu’s closest allies at the State House. And the issue is an ideal one for Wu to bring to a State House that is “still figuring out how to work with” her, Edwards said, because it applies only to a small percentage of properties in the city and does not cost the state a cent.

Boston is not the only city seeking state permission for a transfer fee to fund affordable housing efforts, nor was it the first. Nantucket, where astronomical costs make it difficult for working-class people to afford housing, has been pushing for a version of the transfer fee for at least a decade, representatives said. Somerville, Concord, and Brookline have also proposed transfer fees, among other municipalities. Even Mass General Brigham, the state’s largest private employer, has [backed a bill](#) that would allow municipalities to impose the fees.

Wu’s advocacy “is a huge deal, and really adds more momentum and clout to our push,” said state Representative Dylan Fernandes, the Falmouth Democrat who has been advocating for the provision for Nantucket for years.

“We’re not asking the state for money, we’re coming to the state and saying, ‘Hey, we have a profound housing crisis,’” Fernandes said. “We need the state to give cities and towns the tools to address it.”

Catherine Carlock of the Globe staff contributed to this report.

Emma Platoff can be reached at emma.platoff@globe.com. Follow her on Twitter [@emmaplatoff](https://twitter.com/emmaplatoff).

[Show 209 comments](#)