

LATEST

# Transfer tax bill would give all communities new option in Massachusetts



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By Sam Drysdale

STATE HOUSE, BOSTON, JUNE 6, 2023.....After years of unsuccessful attempts to give cities and towns the option to tax home sales to support local affordable housing, advocates this session are putting forward a new version of the bill with more flexibility for municipalities to choose a plan that works for their community.

The bill (H 2747 / S 1771) authorizes communities to adopt a transfer fee of between 0.5 percent and 2 percent on real estate transactions above \$1 million to create a trust to fund affordable housing. Among the new provisions is a carve-out for municipalities whose county median sales price is below \$750,000.

Median home sale prices in April were below \$750,000 in every Massachusetts county except for Nantucket and Martha's Vineyard, according to The Warren Group. For communities whose real estate prices are below this threshold, they could opt-in to imposing a fee on sales above the county's median sale price for a single family home.

“Our goal here is to enact a policy that's going to help our partners all over the commonwealth. I am from Ware, Massachusetts. Nothing there sells for a million dollars. But there's still an affordability crisis. So this bill allows municipalities to do what is best for them when it's right for them to tackle this crisis,” said Mark Martinez, a housing staff attorney at nonprofit and civil legal aid organization Massachusetts Law Reform Institute.

Martinez and Matt Walsh, a policy analyst at the Metropolitan Area Planning Council, co-lead the Local Option for Housing Affordability Coalition, who were on Beacon Hill Tuesday advocating for the policy.

Opponents label the proposals as taxes while supporters call them fees. Rep. Mike Connolly, who sponsored the House's version of the bill, said Tuesday that it is an “excise, not technically a tax” as it is levied on a specific amount and type of transaction.

Either way, the bill would offer municipalities the option to enact the policy in their communities — not mandate it — and to decide what it should look like for them.

With the new bill language, cities and towns could choose to create exemptions, such as for first-time homebuyers, owner-occupant landlords, or to protect a vulnerable community, Martinez told the News Service.

Towns could also come together with neighboring municipalities to create a combined affordable housing trust, which Martinez said would be valuable in Western Massachusetts

He referenced the Davenport Building apartments in Cambridge, in Connolly's district, which he said was sold for over \$200 million recently 12 or 13 years after it changed hands for \$70 million.

"So now the question is for us in our community, why does the investor get to walk away with \$100 million, or whatever it might be, in profit? Aren't we entitled to retain just a fraction of that so we can reinvest it in affordable housing right in our community?" he said.

#### Community Support and Real Estate Opposition

Arlington, Boston, Brookline, Cambridge, Chatham, Martha's Vineyard, Nantucket, Provincetown, Somerville, and Wellfleet have each filed home rule petitions to impose the policy, with Northampton and other communities working on their own, according to the coalition.

A recent study from the Western Massachusetts Network to End Homelessness shows that there is an 11,000 unit affordable housing gap in the three most western counties alone, which is projected to increase to 19,000 by 2025, according to the organization's director Pamela Schwartz.

The Metro Mayors Coalition Regional Housing Task Force, made up of 15 cities and towns in greater Boston, set a production goal to build 185,000 new housing units by 2030, said Somerville mayor and coalition co-chair Katjana Ballantyne.

"We desperately need more resources to make these goals a reality," Ballantyne said. "We're here seeking the opportunity, not to mandate or force fees where the communities don't agree. But our communities have spoken and the state needs to listen."

The renter-majority city of Somerville has seen large jumps in median housing prices in recent years, affecting rent as well, the mayor said. Median two-bedroom rents are approximately \$3,200 per month, and the city's Office of Housing Stability has fielded roughly 1,600 requests for assistance over the last 12 months.

On Nantucket and Martha's Vineyard, advocates say high-dollar housing prices have pushed year-round residents off the islands.

For NaDaizja Bolling, director of the Aquinnah Cultural Center and member of the Wampanoag Tribe, being unable to afford to live on the Vineyard represents a loss of community, culture and way of life.

Realtor and chair of the Nantucket Affordable Housing Trust Brian Sullivan said the island has 40 open positions in its schools, and a third of the fire department members commute on the ferry from mainland Massachusetts for their shifts, due to the expensive prices of homes.

Sullivan said that though he owns a real estate company on Nantucket, he supports the policy. Real estate groups have long been the voice of opposition to transfer taxes.

“While we understand with and agree on the need to create more affordable housing in Massachusetts, transfer taxes are not the way to achieve this,” CEO of the Greater Boston Real Estate Board Greg Vasil said in a statement in March. “Transfer taxes create unnecessary, additional costs that make it harder for all – from first-time buyers to retirees – to own a home. Instead, cities and towns should focus on utilizing the Community Preservation Act, which already exists as a local option tool to fund and create affordable housing.”

The Massachusetts Association of Realtors said in a statement that the policy increases the cost of housing, “which is already dramatically inflated in many areas of the state because of highly restrictive zoning and other land use limitations,” and that they support building more housing instead.

Sullivan, however, said that he was “unwilling to profit off of the real estate market and not be a part of the solution.”

“In my community... there are only three single family homes for sale under \$2 million. The first one is \$1.695 million and it’s a one bedroom, one bath that was built in 1950 and it hasn’t been renovated,” he said. “It’s desperate in all areas. Without assistance, housing is unattainable for the majority of people.”

Last year Boston Mayor Michelle Wu proposed a real estate transfer fee that would have applied to properties that sell for \$2 million or more, and the tax would have only been assessed on the value of the property above \$2 million, rather than the full amount.

Based on 2021 sales data, city officials projected the tax would have generated \$99.7 million annually, at a time when the city budget allocated about \$71.5 million for affordable housing programs.

The Boston home rule petition was reported favorably from the House Committee on Steering, Policy and Scheduling and given initial approval in the House, but ultimately died at the end of the session without further action.

#### Support on Beacon Hill

Boston was one among several communities, including Somerville, Provincetown, Concord, Arlington, Cambridge, Nantucket and Chatham, who filed bills to impose the policy last session. None of the bills ever emerged for serious debate in either the House or the Senate.

When asked about transfer fees, as well as other long-discussed proposals such as rent regulation and increased eviction protections, Healey’s newly-sworn in Secretary of Housing and Livable Communities Ed Augustus last week did not take a position.

“What I want to do is kind of get up to speed on all of those and make sure that we are looking at all those tools that are available to use, but we have to think outside of the box,” Augustus said. “I think we need to think creatively. The same old isn’t going to get us where we want to go. And so we need to be creative and we need to be open-minded to a lot of different ideas that maybe previously, we weren’t open minded to.”

In March, Senate President Karen Spilka addressed transfer fee advocates in the Senate Chamber — where she allowed them to sit at senator’s desks before they lobbied lawmakers throughout the State House. While she did not express support for any particular approach, the move could indicate a change in tune for leadership’s attitude toward the measure.

In the 200-seat Legislature, Connolly’s bill has two dozen cosponsors and Sen. Jo Comerford’s version has 14, including ten Senate Democrats. The bills were assigned to the Joint Committee on Revenue in February and have not yet received a public hearing.

