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## HOUSING MATTERS

# The Time is Ripe for a Real Estate Transfer Tax

Robust Market Will Raise Key Cash to House State's Workforce

BY SUSAN GITTELMAN  
SPECIAL TO BANKER & TRADESMAN



The need to create affordable and workforce housing in the Boston area continues to build. In today's market, even middle-class households and particularly young professionals and young families are having difficulty securing housing they can afford.

The solution is to create new housing supply, and the optimal time to raise necessary resources is when the market is strong and robust. However, attempts to link the two – the need to produce this housing and the financial wherewithal – have met with limited success in the past.

Now in Boston and on Beacon Hill, there is a revival of the idea of a tax relating to the transfer of real estate to help create affordable housing.

Boston Mayor Michelle Wu recently filed what's called a home rule petition with the Boston City Council that, if approved by councilors and state legislators, would allow Boston to impose a new seller-paid fee on market real estate transactions. The proceeds would support affordable and workforce housing.

In the past, the transaction fee concept has been supported by advocates of affordable

housing, while it has long been opposed by the real estate community on the basis that it would raise already high housing costs even further and stifle the supply.

### Boston's Proposal Differs from Past Pitches

Wu's proposal is for a "transfer fee" of up to 2 percent on both commercial and residential real estate sales of \$2 million or more, which the announcement said would generate "tens of millions" of dollars annually.

The housing crunch has become such a hardship for many workers that it is creating huge incentives for major employers to become active on the issue.

"As the cost of housing has become more and more out of reach for families, we must take urgent action to keep families in their homes and build a city for everyone," Wu said.

An earlier Boston proposal passed in the City Council but languished in the legislature, which must approve home rule petitions. Some other communities, including Somerville, Con-

cord and Nantucket, have sought authorization for transfer fees, set at various levels, but not one has been approved.

Things may be different this time around.

Boston's newest proposal is more targeted, and it has strong support from members of the legislature including Boston City Councilor Lydia Edwards, who is also now a state senator. In 2019, Councilor Edwards introduced a more aggressive proposal to the City Council, to put a tax of up to 6 percent on all real estate transactions over \$2 million.

The new version proposed by Wu is different and would apply only to the amount of a sale over \$2 million, so it would raise less money for affordable housing. It would exempt in-family purchases and protect senior homeowners. Public or affordable transactions would be exempt.

In addition, there is emerging interest among private-sector employers to find ways to address the affordability issue. It is a recognition that something must be done to address our housing market, which has become a significant obstacle to recruiting and retaining quality employees.

### Major Employer Backs Concept

Even prior to the pandemic and the Great Resignation, moderate and middle-income professionals were being squeezed out in large numbers. The situation has worsened. The housing crunch has become such a hardship

*Continued on Page 2*

for many workers that it is creating huge incentives for major employers to become active on the issue. And these employers have influence among state legislators.

As the Boston Globe reported a few days before Wu's announcement, Mass General Brigham, the state's largest private employer with about 80,000 employees, announced its support for a plan that would apply statewide, saying that the lack of housing not only creates health disparities but also contributes to hospital staffing shortages, because employees can't afford area prices.

In a joint statement, the chief executives of

two Mass General-affiliated hospitals, The Nantucket Cottage and Marth's Vineyard hospitals, noted that Massachusetts will "not be able to maintain its status as a leader in health care if people cannot afford decent, quality housing."

The legislation on Beacon Hill would allow cities and towns to collect 0.5 to 2 percent on large-dollar transactions. A sponsor told the Globe the fees would help communities "capture just a tiny fraction of some of the incredible wealth that is being created by the red hot housing market, along with the historic commercial real estate development boom." The hope is that many would follow Boston's lead

and pursue the opportunity to fund the creation of additional housing units.

Enabling municipalities to raise dedicated funds through a real estate transfer tax for affordable and workforce housing investment is not a new idea. But given today's circumstances, including a Greater Boston economy with no signs of slowing down, it is time for the legislature to get this done. ◀

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