

John Long

From: Stephen Mackey <smackey@somervillechamber.org>
Sent: Wednesday, April 11, 2018 11:56 AM
To: Mark Niedergang
Cc: Board of Aldermen; Katjana Ballantyne; City Clerk Contact; Michael Feloney
Subject: Transfer Tax 204954 - 4/9/18 Meeting

April 11, 2018

Hon. Alderman Mark Niedergang, Chair
Legislative Matters Committee
Somerville Board of Aldermen
City Hall
93 Highland Avenue
Somerville, MA 02143

RE: [204954 – 4/9/18 meeting](#)

Dear Alderman Niedergang:

Due to the limited time, we were only able to perform a quick review of the information presented late Monday night. We have several questions and observations that are shared below. They are in no particular order, but are mostly related to the comprehensive spreadsheet that was developed by Alderman Hirsch. It is clear that a lot of time and effort went into assembling this information, but it is also apparent that more time is required to fully understand the implications. Additionally, we could not reconcile the reference to 72% of non-owner occupied properties. Based on the charts that were included, ownership as a percentage of assessed value seems to be 63.76% or 57% if the Commercial property is excluded. The charts also refer to 47% owner occupied, so it is unclear. As noted below, the inclusion of certain properties disproportionately impacts the calculations. For example, tens of millions of dollars of City owned property, Somerville Housing Authority property, Tufts property, Little Sisters of the Poor, etc., are included in the totals, which don't seem to be an accurate reflection of "investor" ownership.

- The Average Commercial Value is significantly too high. This is due to the inclusion of, among other properties, City Properties (schools, etc.), Somerville Housing Units (11+), Tufts University properties (15+), Several Churches, MBTA properties (4+), Boston Edison (sic) properties, multiple Commonwealth of Massachusetts properties, multiple President and Fellows of Harvard College Properties, several Fire Stations, Little Sisters of the Poor properties, and other properties owned by the Archdiocese of Boston and other charitable organizations. It seems inappropriate to include these properties in any calculation of total assessed value as they are not likely ever for sale. These properties are all listed with multimillion dollar values, some higher than \$70MM for Tufts and \$40MM for City/Somerville Housing properties, none of which is ever for likely for sale. This clearly increases the average value. It is also curious that neither of the two local banks (Winter Hill nor Middlesex Federal) appear to be listed as owner occupants. There are likely other omissions, particularly since many LLCs and Trusts appear to have been classified as non-owner occupants, which is not always correct. After a cursory review of the data, it is clear that the \$4.9MM value is significantly overstated as an average value. There are also large blocks of Assembly Square listed and it is not noted if they could be sold as one parcel or individual buildings and or condominiums. These calculations dramatically impact the potential revenue forecast.
- After comparing the RKG report to the forecast, it is even more apparent that the commercial projections are significantly too high. According to the report, which used The Warren Group as a source, the 10-year average sales volume is 18.2 transactions, worth \$38MM per year, which is 14.8 transactions and \$95MM less than the projection. That is a dramatic difference. Even the best year (2015) was only \$74 million (versus \$133MM projection), and that year seems to include an outlier as three transactions account for \$53MM of the total. There is no way for the revenue projection to be met.

- Similarly, the Average Apartment Value of \$4.1MM is significantly too high. It too is impacted by including the value of apartments owned by the city and other entities, (e.g., Tufts) that are not likely to sell and could arguably be listed as owner occupied. This calculation also increases the total proposed revenue in a significant way.
- Additionally, the number of condominiums listed as selling is too high, notwithstanding the reference to RKG. A review of The Warren Group data, which tracks what is recorded at the Registry of Deeds, indicates that the five year average is 456 condominium units. The difference is significant: 551-456= 95 units, a difference of 17%, which again lowers the revenue forecast. The same Warren Group information confirms the projection of 96 single family homes in the projection, since the five year average is 98 single family homes per year. Using actual sale information would seem more appropriate. Statistics about two and three family homes was not readily available in such a short time.
- The residential sales figures also do not seem to match the RKG projections either in units per year or dollars.
- The "Ownership Status at Transaction" on the spreadsheet assigns a 50/50 split to the percent owner occupied upon disposition. It would seem unlikely that the split is exactly 50/50 and the same for all property types. These assumptions impact the revenue forecast.
- The methodology of using average assessed values to forecast potential revenue seems to have meaningful challenges and create an inaccurate and likely too high forecast of possible revenue.
- Changes in the underlying assumptions about which properties are investor owned and what their values are dramatically reduces the revenue assumptions.
- The fee proposal disproportionately negatively impacts commercial development, an area that the Alderman and the Administration have been publicly trying to increase. This seems to send a very conflicting message and increase the cost, on top of the highest exaction fees in Massachusetts, which would likely stymie development, not encourage it. The shortfall of \$8.1 MM in permitting revenue already this year may be an early indicator of the negative impacts.
- It seems highly unlikely that attempting to have the investor pay a transfer fee, and not the resident, does not reduce the net price that the resident gets. Put simply, an investor will pay the same amount for the property based on their pro-forma, therefore the resident gets at least 1% less. There is no way to insulate the resident from that impact. It sounds like a reasonable proposal, but in practice, it will not work. To obtain financing or to determine if a project is worth pursuing, an investor will do a projection on the total expenses, and the transfer tax, like plumbing, electrical, framing, interest costs, etc., will determine what the investor pays for the property.
- It is unclear if it is legal to discriminate based on ownership intent.
- Multiple calculations have confirmed that describing the tax as 1% is an inaccurate characterization of the impact on the property owner. For the very, very few owners who own property with no mortgage or other obligation, the 1% is accurate. For everyone else, they are paying (or losing if an investor pays less) significantly more, almost 10% by some estimates.
- Using the Resident Exemption designation to delineate "resident" is imperfect at best, as it is not universally understood or taken advantage of.
- There is no clarity regarding how the money collected will be used.
- There has been no accountability on how funds in the Affordable Housing Trust Fund have been managed to date (e.g., no audits since 2008, no annual reports, missing 18 months of minutes, etc.).
- There is no definition on how the various required mechanisms to monitor, collect, and distribute funds, will be implemented or managed. There is no consideration of the cost of such an administrative structure.
- The proposal suggests an entirely new strategy for distribution and appears to create a new trust. Neither of those concepts has been publicly reviewed or discussed.
- The public sentiment was clear, slow down and get it right.

As we have said multiple times, we support the SomerVision goal of 1,200 affordable housing units, we fully support increasing the number of affordable units in Somerville, but respectfully disagree with this method. It will have unintended consequences and not accomplish the desired results. The Chamber of Commerce remains committed to working with The Board of Alderman and the Administration to find a solution to the crisis of affordable housing.

Please let me know if you have any questions.

Sincerely,
 Stephen V. Mackey, President/CEO
 Somerville Chamber of Commerce
 2 Alpine Street, P.O. Box 440343
 Somerville, MA 02144

smackey@somervillechamber.org

O 617-776-4100

M 617-413-5071

www.somervillechamber.org

Sources:

Massachusetts law <https://malegislature.gov/Laws/SessionLaws/Acts/2004/Chapter491>

Somerville ordinance

https://library.municode.com/ma/somerville/codes/code_of_ordinances?nodeId=PTIICOOR_CH7HO_ARTVSOMUAFHOTRFU

Proposed transfer fee home rule petition <https://www.somervillema.gov/departments/proposed-transfer-fee-home-rule-petition>

CC:

Members, Board of Aldermen boardofaldermen@somervillema.gov

Katjana Ballantyne, President, Board of Aldermen katjana@katjana.org

John Long, City Clerk cityclerk@somervillema.gov

Michael Feloney, Director of Housing, Mayor's Office of Strategic Planning and Community Development mfeloney@somervillema.gov

John Long

From: Lisa McFarren <lisa.mcfarren@comcast.net>
Sent: Thursday, April 12, 2018 2:27 PM
To: City Clerk Contact
Cc: jgrunau; Lisa K. McFarren
Subject: Proposed Real Estate Transfer Fee Act - please direct to the Board of Aldermen
Attachments: BoA RETF Act 4-12-14.pdf

12 April 2018

Dear Somerville Board of Aldermen and Elected State Officials,

We are very concerned about the proposed Act that would authorize the City of Somerville to impose a real estate transfer fee. We do not feel that the burden of payment for an affordable housing trust should be placed on the homeowner, but that other viable options should be investigated instead.

We strongly support affordable housing in Somerville. We have many friends who have been evicted from their long-time homes by landlords who have taken “offers they can’t refuse”, and many of these friends have been unable to find places to rent in the area and some have had to move as far away as Milton or Brockton. We are concerned that within the next decade, Art Beat will not exist because most artists will have been pushed out of the city, as many already have. We voted for the Community Preservation Act Tax, and we voted for the in property taxes for the funding of the new high school even though we have no children ourselves, because we believe that an educated citizenry is critical to a strong community and to our future.

The proposed transfer tax memorandum states that 30% of income (pre-tax? The wording of the Act doesn’t say) is a high amount for renters to have to pay on housing expenses. In our household, we pay over 34% of our pre-tax income on the mortgage payment alone (principal & interest, homeowner’s insurance, and real estate tax), a percentage which does not include maintenance and repairs, water bills, or other utilities. The post-tax amount is closer to 50%. We suspect many homeowners in the area are in the same boat.

Since the Republican tax law change in December 2017, State and Local Tax deductions are capped at \$10,000. Our family’s combined state income tax for 2016 and 2017 plus our real estate and automobile excise tax for those years already exceeded that \$10,000 cap by several thousand, which means that we, like many in this area, will see our federal taxes go up when it comes time to file our taxes in April 2019. A 1% tax on a sale of our house would ***all by itself*** far exceed the federal cap on SALT deductions: in light of this punitive tax burden the Republican Congress has chosen to put disproportionately on residents in Blue State urban areas, this is precisely the worst possible time to add yet another local tax burden, and we would like to hope that our elected representatives would be looking for ways to ease this unjust targeting of Blue States, not worsen it.

This tax does not seem to make any provision for the scenario of financially distressed homeowners who have to make a sudden quick sale? There are many reasons why someone has no choice to sell, such as the death of a partner or spouse, a medical crisis, a divorce, and job loss or transfer. This act will escalate stresses for people who are going through a difficult time.

We believe that instead of a blanket targeting of homeowners, any steps the city takes should target speculators, short-term owners, or “flippers” and find other sources of revenue. There are many available alternatives the board of aldermen should consider:

- The City of Cambridge currently funds its affordable housing trust fund by linkage fees: commercial developers pay \$15 per square foot to build in Cambridge. (Imagine if such a fee had been enacted in Somerville before the Assembly Square development project, which many residents at the time—including ourselves—felt should have had more space set aside for affordable housing and less space set aside for high-end condominiums or commercial space.) Please reference <http://www.cambridgema.gov/CDD/housing/housingtrust>).
- The City of Cambridge has recently discussed the possibility of using minibonds (<https://minibonds.cambridgema.gov/faqs>) to pay for affordable housing.
- Members of the City of Cambridge City Council are actively working with State Representative Mike Connolly at the state level to enact a foreign buyers tax of 15% on buyers who are not going to live in the building they purchased (our friend City Councilman Quinton Zondervan is involved).
- There is also an existing Statewide Condominium Conversion Law (Chapter 527) that has *extremely* stringent protections for tenants (so long as the building in question is four or more units), but which can and has been overridden by local municipal bylaws, in some cases to be more stringent. We have read that Somerville is one of the cities that has its own bylaw—has any consideration been given to making that bylaw more stringent than the state one (e.g., can the exclusion on number of units be reduced?).
- More effective enforcement of zoning board decisions and more effective inspectional services by the city: in the past several years, we have witnessed in our immediate neighborhood developers gut old houses to convert into condominiums by hiring the cheapest labor to use the cheapest products possible so that the developer’s profit margin at final sale is even wider and the end product are condos that begin to fall apart within a few years—or less. City inspectors seem to be missing many examples of shoddy construction. We have also seen developers add dormers or square footage in excess of what the zoning board approved, without any enforcement or follow-up by the zoning board to ensure that the condominium conversions adhered to the plans originally presented to the zoning board. And we have seen developers fail to build things they promised the zoning board to do (e.g., installing a porous driveway instead of asphalt). Perhaps one source of funding for an affordable housing trust fund could be fines that these types of developers should pay when violating zoning agreements and other ordinances during their renovation?

However you may feel about this issue, the Act as it is written should not be rushed through for the state approval without more time provided for input from Somerville residents. This is a measure that will have a far-reaching impact on the future of this city and its residents and very well may become a road to hell that was paved with good intention files.

Thank you for your consideration.

Sincerely,

Justin Grunau and Lisa McFarren

196 Willow Ave.

Somerville, MA 02144

PS We have attached a copy of this email message in PDF format.

John Long

From: junicmena@rcn.com
Sent: Thursday, April 12, 2018 6:48 PM
To: City Clerk Contact
Subject: Transfer tax- letter
Attachments: Somerville tax letter.odt

Please see my letter attached.

Thank you!

Ana Macedo

April 10, 2018
33 Highland Road
Somerville, MA 02144

Dear Alderman and Selectmen,

Re: Transfer Tax

I have lived in Somerville as a homeowner for almost 4 decades. Over the years I have watched the city grow, and with it also my home owner's property taxes. For many of us the property taxes are such that remaining in Somerville has become very difficult to afford. This proposed added transfer tax is yet another burden that property owners are being asked to shoulder. While I understand and support the need for affordable housing in our city, I think that it is unfair to continuously place the burden of the cost of any initiative on the property owners. Other alternatives need to also be explored such as issuing bonds, as many cities do, or look into uses for any current city properties.

In the quest for providing affordable housing to some, the city should not be penalizing other residents who own property and have lived and paid ever increasing taxes and water/sewage in Somerville for decades.

Sincerely,

Ana Macedo

John Long

From: cawkey2@rcn.com
Sent: Friday, April 13, 2018 8:07 PM
To: City Clerk Contact
Subject: Transfer Tax - Against

April 9, 2018
33 Highland Road
Somerville, MA 02144

Dear Alderman and Selectmen
Against

Re: Transfer Tax -

For thirty seven years I have chosen to be a resident of Somerville and I am in favor of affordable housing, but not at the expense of the homeowner, which I have been for thirty four years, the first twenty two in East Somerville and now in West Somerville. When we chose to move from East Somerville to West Somerville twelve years ago, we were seriously considering moving out of the city, but chose to stay.

But our taxes are ridiculously high and continue to increase yearly in spite of the expansion of businesses in the city which we expected and hoped would help relieve the homeowner's growing tax burden, obviously a vain hope.

In discussing the solution for affordable housing with the many home owners we know from the decades of living in both ends of this city, not one is in favor of our taking on more taxation in order to address the problem. We all think there are other more reasonable and fair solutions such as for the city to issue bonds.

Sincerely,
M. A. Cromer, MD

John Long

From: Drew Flanagan <dflanaga@brandeis.edu>
Sent: Sunday, April 15, 2018 7:25 PM
To: Board of Aldermen
Cc: City Clerk Contact
Subject: In favor of the Real Estate Transfer fee with as few carve-outs as possible

Dear aldermen,

I am a tenant at 789 Somerville Avenue in Ward 5, and I am writing in support of the proposed 1 percent real estate transfer fee to fund affordable housing in Somerville. This measure, together with other much-needed measures such as Tenants' Right of First Refusal, will help to keep our city the kind of place that ordinary people can live. The massive appreciation of housing in this city over the last few decades has left renters farther and farther behind without the silver lining of increased home equity enjoyed by homeowners. I hope to see a robust version of the transfer fee enacted soon. Thank you for all of your hard work on this issue!

Yours sincerely,

--
Drew Flanagan, Ph.D
Lecturer, University Writing Program
Brandeis University

<http://brandeis.academia.edu/DrewFlanagan>

John Long

Subject: FW: Transfer Tax #204954

From: Stephen Mackey [<mailto:smackey@somervillechamber.org>]

Sent: Friday, April 06, 2018 4:39 PM

To: mniedergang@somervillema.gov

Cc: boardofaldermen@somervillema.gov; Katjana Ballantyne; mfeloney@somervillema.gov; cityclerk@somervillema.gov

Subject: Transfer Tax #204954

April 6, 2018

Hon. Alderman Mark Niedergang, Chair
Legislative Matters Committee
Somerville Board of Aldermen
City Hall
93 Highland Avenue
Somerville, MA 02143

RE: [204954](#)

Dear Alderman Niedergang:

The Mayor of Somerville has “requested the approval of a Home Rule Petition to authorize the City to impose a Real Estate Transfer Fee.” The draft proposal states “The purpose of this Act is to establish a sustainable revenue source for the Somerville Affordable Housing Trust Fund.” If enacted, the Home Rule Petition would direct millions of taxpayer dollars per year to the Housing Trust Fund.

The Housing Trust Fund is a worthy cause and should be a central participant in our community’s dialogue around and actions on affordable housing.

But both Chapter 491 of the Acts of 2004 and city ordinance (which created and govern the Housing Trust Fund) state that funds “shall be paid directly to the trust, and need not be appropriated or accepted into the trust...” and so “The books and records of the trust shall be audited annually by an independent auditor in accordance with accepted accounting practices.”

Therefore -- in the interest of fair play toward taxpayers, public transparency and compliance with city ordinance and state law -- I hereby request that before the Board of Aldermen considers such a Home Rule Petition, that the Trustees of the Housing Trust Fund appear before the Board of Aldermen to discuss said audits.

Sincerely,
Stephen V. Mackey, President/CEO
Somerville Chamber of Commerce
2 Alpine Street, P.O. Box 440343
Somerville, MA 02144
smackey@somervillechamber.org
O 617-776-4100
M 617-413-5071
www.somervillechamber.org

Sources:
Massachusetts law <https://malegislature.gov/Laws/SessionLaws/Acts/2004/Chapter491>

Somerville ordinance

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Proposed transfer fee home rule petition <https://www.somervillema.gov/departments/proposed-transfer-fee-home-rule-petition>

CC:

Members, Board of Aldermen boardofaldermen@somervillema.gov

Katjana Ballantyne, President, Board of Aldermen katjana@katjana.org

John Long, City Clerk cityclerk@somervillema.gov

Michael Feloney, Director of Housing, Mayor's Office of Strategic Planning and Community Development mfeloney@somervillema.gov

I SUPPORT INCREASED FUNDING FOR AFFORDABLE HOUSING!

100 HOMES INITIATIVE

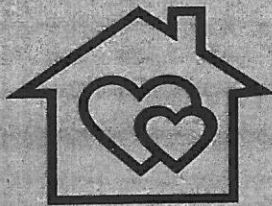
WORKFORCE HOUSING

DEED RESTRICTED AFFORDABLE HOUSING

HOME OWNERSHIP OPPORTUNITIES

EVICITION PREVENTION

I WANT SOMERVILLE TO REMAIN AN INCLUSIVE AND DIVERSE CITY!!



I SUPPORT THE REAL ESTATE TRANSFER FEE!

Name and Address: BOSTON MA 021

Judy Eisenberg
84 Packard Ave
Somerville MA
02144



Somerville Board of Aldermen

93 Highland Ave.
Somerville, MA 02143

I support the real estate transfer fee because...

there needs to
be increased funding
for affordable housing
in Somerville,
because the real estate
transfer fee needs
to be initiated