

The Honorable Lydia Edwards, Chair
Joint Committee on Housing
Room 413C
State House
Boston, MA 02133

The Honorable James Arciero, Chair
Joint Committee on Housing
Room 146
State House
Boston, MA 02133

Dear Chairpersons Edwards, Arciero, and distinguished members of the Joint Committee on Housing:

Thank you for the opportunity to submit written testimony in support of several aspects of H4138, An Act known as the Affordable Homes Act, which proposes funding strategies to increase the supply of housing, rehabilitate and modernize public housing, support affordable housing opportunity efforts, and authorize cities and towns to raise revenue to address their unique affordable housing needs across the Commonwealth.

Massachusetts Budget and Policy Center (MassBudget) is a public policy think tank researching and advocating for racial and economic justice. MassBudget has conducted research relevant to this bill, including: the generation of revenue via the enabling of a local transfer fee option for cities and towns, and the capital authorization of funds for the Affordable Housing Trust Fund and Housing Stabilization and Investment Trust Fund. We urge you to support several items in this Act to revive the affordable housing market across the state of Massachusetts.

A Transfer Fee on Expensive Real Estate

Housing supply and cost are both at a crisis point in Massachusetts, and we must use all available tools to raise revenue for affordable housing across the Commonwealth, especially where we can give choice and flexibility to local communities. Local options are especially important now given recent tax and spending cuts at the state level. We appreciate the inclusion of Real Estate Transfer Fee (RETF) in this Act, and urge you to empower local communities to address their needs by allowing them to enact RETFs to unlock badly needed revenue for affordable housing. The RETF included in this legislation is a solid start, and you can improve it further by increasing flexibility and making it relevant to more communities.

Our analysis of data on sales of residential real estate¹ suggests that many Massachusetts cities and towns could benefit from the RETF as proposed in the Act, and both the number of communities potentially benefiting and the size of the benefit to each community could be increased with a few improvements to the proposed fee. According to our analysis, nearly 250 towns would have the option to receive some additional revenue for affordable housing under the RETF proposed in this legislation, and 65 communities would see at least \$500,000 in new

revenue each year by utilizing that option.² This figure does not include commercial real estate, which is allowed under the RETF proposed in this Act.

Under the current proposal, the price threshold over which the fee applies cannot be set below \$1 million. Many cities and towns have few home sale prices over \$1 million, especially in less wealthy communities including many in Central and Western Massachusetts. These communities would have very limited, or zero, opportunity to benefit from the RETF, as drafted in this Act. Allowing municipalities to choose a threshold depending on community need and context would improve access to this revenue source across geography and economic status. Likewise, allowing communities the option to levy the fee on the entire sale price for sales above the threshold instead of just the amount exceeding the threshold would greatly enhance the local revenue potential.

Critical Trust Fund Investment

Housing trust funds which further the goals of producing and maintaining affordable housing help to reduce the Commonwealth's housing crisis effectively by targeting those most impacted. The availability of affordable housing units for those most in need is severely limited. Analysis of Census data by the National Low Income Housing Coalition shows that for extremely low income renters in the Commonwealth, there is a shortage of 175,367 rental units with rents they can afford.³

Under the current proposal, \$425 million would be authorized for the Housing Stabilization and Investment Trust Fund to support preservation and rehabilitation projects. Additionally, \$800 million would be authorized for the Affordable Housing Trust Fund to support private affordable housing development.

As stated above, Massachusetts is lacking affordable and available rental units for its community members. The funds proposed to be authorized for preservation and development of affordable housing present an opportunity to maintain structures as well as develop new ones.

Our budget analysis shows that housing trust funds focused on creating more affordable housing for those most in need have been severely underfunded. For example, the Affordable Housing Trust Fund has received only sparse and sporadic infusions of funds over the past two decades of \$2 million, \$12 million and \$10 million in FY05, FY07, and FY21 respectively. This sparse and intermittent funding has resulted in less than \$30 million to support private affordable housing development since 2002.⁴ We appreciate the inclusion of \$425 million in new capital authorization for the Housing Stabilization and Investment Trust Fund and \$800 million for the Affordable Housing Trust Fund, both of which focus on creating affordable housing for low- and moderate-income households.

A Bond Bill with Lasting Impact

The components of the Act discussed above are indicative of the strong measures which need to be taken to address the housing affordability and accessibility crisis across the Commonwealth. Another element of the Act stipulates that the Executive Office of Housing and

Livable Communities (EOHLC) will be responsible for preparing a statewide housing plan every five years. The culmination of our data, analysis, and community engagement suggest that ongoing high level housing planning could help to mitigate the need for large structural Acts which must rectify and remedy so many differing housing issues at once. We appreciate the inclusion of this stipulation and encourage the Committee's support of it as well.

We urge you to pass a bond bill that enables cities and towns to enact a transfer fee if they choose, that supports trust funds that focus on creating affordable housing for those most in need, and affirms the goal to develop and implement housing plans on a consistent basis. We appreciate your time and consideration of this written testimony.

With appreciation,

La-Brina Almeida, LCSW

¹ MassBudget. Real Estate Transfer Fee Dashboard. Retrieved from <https://massbudget.org/2023/11/27/real-estate-transfer-fee-city-town/>

² Calculated using a 2 percent RETF. The current proposal allows communities to select a rate between 0.5 percent and 2 percent.

³ National Low-Income Housing Coalition (NLIHC). Housing Needs by State. Retrieved from <https://nlihc.org/housing-needs-by-state/massachusetts>.

⁴ Budget Browser, Affordable Housing Trust Fund: [1595-0198](#) and [1595-0508](#).