



CITY OF SOMERVILLE, MASSACHUSETTS
MAYOR'S OFFICE OF STRATEGIC PLANNING & COMMUNITY DEVELOPMENT

JOSEPH A. CURTATONE
MAYOR

MICHAEL F. GLAVIN
EXECUTIVE DIRECTOR

MEMORANDUM

TO: Board of Aldermen, Legislative Matters Committee of the Whole
FROM: Mike Feloney, Director and Hannah Carrillo, Sustainable Neighborhoods Initiative Program Coordinator, OSPCD Housing Division
CC: Michael F. Glavin, OSPCD Executive Director; Tim Snyder, Director of Intergovernmental Affairs and Annie Connor, Legislative Liaison, Office of the Mayor; Jason Grossfield, Assistant City Solicitor, Law Department
DATE: March 28, 2018
RE: Real Estate Transfer Charge -- Financing of Transfer Charge payment and Responsible Party

This memorandum responds to a request by the Legislative Matters Committee members for additional information on whether a real estate transfer charge payment could be included in financing prospective home buyers secure in purchasing a home. We have also included relevant information shared by lenders, regarding the impact such a charge may have on the respective parties (buyer and seller), in the event one or the other was responsible for payment.

Financing of a Transfer Charge Payment

City staff ultimately reached representatives from five local banks: Naveo Credit Union, Winter Hill Bank, Eastern Bank, East Cambridge Savings Bank, and Middlesex Federal Savings. All five individuals reached provided similar feedback, with each reporting that such a charge could not be financed as it is a discrete charge payable to the City. The only scenario identified as one under which a transfer charge could be financed would be if the charge is incorporated into the purchase price. Under such a scenario, the amount of the charge incorporated into the price would be negotiated between the buyer and the seller, with the seller making payment to the City.

Representatives from each bank also indicated that a charge of this nature could pose a barrier to purchase for some homebuyers, if it is to be paid by the buyer as a discrete closing cost due upon closing. Regarding which party should be responsible for such a payment, the consensus among lenders contacted was that the actual cost of the charge likely would be determined through negotiation of individual sales.

All those contacted suggested the option of including the charge in the purchase price as a reasonable method for mitigating the impact of such a charge on prospective purchasers.

Payment Responsibility Options

As noted, there was consensus among the banking professionals reached that the economic cost of a transfer charge should ultimately be determined by the parties involved in each individual transaction. All contacted lenders suggested an approach reflecting this reality. Bill H 4196 sponsored by Representative Michael Connolly, which has been reported favorably by the committee considering it, utilized an approach that does not include language specifying a party responsible for payment. Instead, the bill as drafted calls for the seller and the buyer to provide an affidavit attesting to the purchase price of the home and the basis for any possible exemptions from a transfer charge, if applicable.