

Small Property Owners News

Small Property Owners Association

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Small Property Owners Testify Against Government Mandating When, How, and to Whom They Can Sell Their Buildings

by Amir Shahsavari

After testifying at two hearings focused on other housing issues before the Massachusetts State Legislature in August, SPOA members appeared before the Joint Committee on Housing once again on October 12, 2021 to oppose proposals enacting a mandatory restriction of eligible buyers for their properties. This is often called a “tenant right of first refusal,” but what it amounts to is the government pre-ordaining a small set of buyers, who extend beyond tenants themselves in some cases, while artificially blocking others from purchasing rental properties on the open market. This harms those looking to buy homes and invest in property, along with existing property owners. Furthermore, while it ostensibly helps tenants merge to buy apartment buildings, similar bills passed in Washington, D.C. have not had that effect, but have lowered property values and created a cottage industry of unscrupulous lawyers inserting themselves into the transfer of rental properties.

As numbered currently, Senate bill 890 and House bill 1426 would impose a tenant right of first refusal in the sale of rental properties. If passed, these bills would negatively impact the rental housing stock in Massachusetts, while restricting rental property owners from selling their properties at market value. These bills would also prevent those owners from selling their properties when they deem prudent to do so by creating a lengthy, government-driven process for each property sale. Currently, this proposal is only for apartment buildings, but the concept could potentially expand to single-family homes, where the government would grant preferred local buyers the privilege of purchasing a property before letting an owner sell to the broader market.

This violation of property rights for owners would also hurt tenants by leaving them vulnerable to predatory behavior from attorneys and speculators, who have used this situation elsewhere to create needlessly long and drawn-out processes that rarely result in tenants buying properties, while diverting their time from finding affordable places to live in the event of an owner’s attempt to sell. Mirroring the implementation of the Tenant Opportunity to Purchase Act (TOPA) in Washington, D.C., which will be addressed further below, a “for sale” sign there is a blinking neon ad to attorneys who have begun promising tenants large sums of money if they obstruct the owner’s rightful attempt to sell the property on the owner’s terms. The attorneys then extort money from the property owner by pushing the owner to pay off each tenant to forgo his or her TOPA “rights.” After delaying the sale of the property, often for a year or longer, the attorneys take the greater share of the property owner’s payoff, yielding little to no advantage to the tenant. Then the attorneys start this process of extortion all over again by hijacking the owner’s effort to sell, in the same way, each time the owner finds a new prospective buyer. Given that a long delay time for each sale would be multiplied for each tenant living at the property, executing a sale on terms favorable to an owner would be essentially impossible.

This deliberate and artificial devaluing of property would also negatively impact the property tax revenues for the cities and towns where the properties involved are located. Following estimates about TOPA generating a multi-million dollar industry, efforts have reportedly been initiated to eliminate this policy in Washington, D.C.

In her opening remarks, SPOA President Allison Drescher reminded the Committee, per previous testimony, that small rental housing providers supply over half the rental housing in Massachusetts. She added that many housing providers are small business owners who play an essential role in the Bay State’s housing infrastructure. Drescher said that these bills would create confusion, delay, and a series of unprecedented obstacles that will affect both buyers and sellers, while destabilizing the marketplace for multi-family homes at a time when this type of housing is most needed. Drescher emphasized that these bills are unworkable, given that “time is of the essence” for anyone wishing to buy or sell property in the real world.

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SPOA in the Media: A Historic First

by Amir Shahsavari

August and September of 2021 marked an exciting and highly productive time in which SPOA was covered in the news media, while generating media of its own. After receiving television news coverage in May, in a story by Jason Law of Boston 25 News about eviction moratorium challenges faced by rental housing providers, the coverage increased substantially after SPOA officers testified at two housing hearings before the Massachusetts State Legislature on August 3 and August 12 regarding eviction moratoriums, eviction sealing, free legal counsel for tenants exclusively, and rent escrow.

The organization was featured in a segment of “Keller at Large” with television host Jon Keller of WBZ/CBS-4 News on August 3. The segment discussed the controversy surrounding Michelle Wu’s support of rent control. Amid a field of five candidates in the preliminary election, Wu was the only Boston mayoral candidate to support reinstating the policy after it was outlawed in 1994. The story included interviews with Wu, who supported rent control as a way of “protecting people in their homes,” and candidate John Barros, who opposed rent control by saying that it increases gentrification and throws “the baby out with the bath water” in harming tenants. The segment concluded with an interview featuring SPOA Vice President Amir Shahsavari, who also spoke against rent control by saying that it devastates both housing providers and tenants, while calling for a better way to address the housing crisis on a fair, level playing field for all parties.

SPOA was further covered by print media in publications that included The Boston Globe, The Boston Herald, State House News Service, The Star Ledger, and BisNow. Furthermore, State House News Service and The Star Ledger featured SPOA in multiple stories within each publication. The coverage by State House News Service was also carried by Banker & Tradesmen and The Dorchester Reporter, among other publications.

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SPOA was also featured in the medium of radio when SPOA President Allison Drescher was interviewed by WBUR on September 2.

In addition, SPOA generated its own visual media by hosting two mayoral forum webinars with Boston mayoral candidates in August and September. These productions were hosted by Allison Drescher and Amir Shahsavari. The guest speakers answered questions from small property owners and housing providers on subjects that included the eviction moratoriums, rent control, affordable housing, government policies hostile to housing providers, and improving the tone of tenant-housing provider relationships through policies that encourage homeownership and community development. On August 20, the first guest was candidate and City Counselor Annissa Essaibi George, whose strong showing in the September 14 preliminary election propelled her to the final round in the general election on November 2. This was followed by a second webinar featuring candidate John Barros on September 2. Barros had previously served as the Chief of Economic Development under former Boston Mayor Marty Walsh. The links to both one-hour webinars are available on the SPOA website, as well as YouTube and the SPOA Facebook page.

Meanwhile, on our Facebook page, SPOA member Bill Luther continues to diligently post articles and videos featuring our organization, as well as other interesting stories about housing. We thank Bill for his continued contributions and encourage everyone to visit us on Facebook regularly. The new SPOA website is also due to be unveiled in 2022.

SPOA is proud to have had its advocacy for housing providers covered in the media and to have interviewed influential Bostonians running for Mayor during August and September. The extensive frequency of this coverage was a historic first for our organization and we hope to continue our steady advocacy on behalf of housing providers and their tenants in the future. It is essential to inform others about the importance of our work as a prominent voice at the table, along with others who wish to see our housing stock, and thereby our communities, grow and flourish for the benefit of all.

SPOA Television Stories

Keller, Jon. (2021, August 3). With Rise in Evictions, Boston Mayoral Candidates Debate Over Rent Control. Keller @ Large. <https://boston.cbslocal.com/2021/08/03/boston-housing-crisis-evictions-prices-rising-jon-keller-at-large/>

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SPOA Print Stories

Goodman, Jasper. (2021, August 12). As federal eviction ban resumes, advocates pressure Beacon Hill to stiffen tenant protections in Mass. The Boston Globe. <https://www.google.com/amp/s/www.bostonglobe.com/2021/08/12/metro/federal-eviction-ban-resumes-advocates-pressure>

Guion, Payton. (2021, August 13). 'It's extortion.' Many N.J. landlords face drastic decisions as unpaid rent balloons. The Star Ledger. <https://www.nj.com/news/2021/08/its-extortion-with-most-eyes-on-renters-many-nj-landlords-are-hurting-too.html>

Guion, Payton. (2021, August 18). N.J. eviction ban possibly threatened after new Supreme Court ruling. The Star Ledger. <https://www.nj.com/news/2021/08/nj-eviction-ban-possibly-threatened-after-new-supreme-court-ruling.html>

Lisinski, Chris. (2021, August 12). State eviction moratorium bill gathers some momentum. State House News Service. <https://www.wvlp.com/news/state-politics/state-eviction-moratorium-bill-gathers-some-momentum/>

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Martinez, Andrew. (2021, September 2). Boston's new eviction moratorium throws confusion into apartment market's busiest week. BisNow. <https://www.bisnow.com/boston/news/multifamily/bostons-eviction-moratorium-throws-market-into-chaos-amid-move-in-cycle-110065>

Murphy, Matt. (2021, August 3). Connolly urges Dems to back up Biden on evictions. State House News Service. <https://whdh.com/news/connolly-urges-dems-to-back-up-biden-on-evictions/>

Sokolow, Amy. (2021, September 1). Kim Janey's eviction moratorium in Boston slammed. The Boston Herald. <https://www.bostonherald.com/2021/09/01/kim-janeys-eviction-moratorium-in-boston-slammed/>

Solis, Steph. (2020, July 17). Gov. Charlie Baker announces \$19.6 million for homelessness prevention, food assistance, as he weighs eviction moratorium deadline. MassLive. <https://www.masslive.com/coronavirus/2020/07/gov-charlie-baker-announces-196-million-for-homelessness-prevention-food-assistance-as-he-weighs-eviction-moratorium-deadline.html>

SPOA Webinars

SPOA (2021, August 20). SPOA Candidate Forum with Annissa Essaibi George. Small Property Owners Association. <https://www.youtube.com/watch?v=4nOOgnu4NLs>

SPOA (2021, September 2). SPOA Candidate Forum with John Barros. Small Property Owners Association. <https://www.youtube.com/watch?v=1Y5X99Z53yM>

Help SPOA finish 2021 strong with a year-end gift.

We are facing unprecedented pressure from post-pandemic conditions and landlord-hostile legislation, along with the threat of rent control in Boston. To do the important work we do, we rely on the generosity of housing providers like you. Please consider giving today!

At Housing Hearing, SPOA Voices Support For Rent Escrow and Opposition to Eviction Sealing and Free Attorneys for All Tenants

by Amir Shahsavari

SPOA President Allison Drescher and SPOA Vice President Amir Shahsavari testified before the Joint Committee on Housing within the Massachusetts State Legislature on August 3, 2021 regarding different bills under consideration that affect property rights. Drescher and Shahsavari testified in support of **rent escrow**, while opposing **the sealing of eviction records** and the provision of **free legal representation for all tenants** in the Commonwealth at tax payer expense.

Rent Escrow

On the issue of rent escrow, SPOA supported House bill 1784, “An Act to Promote Housing Stability,” which was filed by Representative Paul McMurtry on SPOA’s behalf. This bill creates a level playing field in cases where Massachusetts law allows for the withholding of rent by a tenant alleging breach of duty or contract by a property owner. In these circumstances, rent payments are too often spent on other items by the time a final verdict is reached in each case. However, by virtue of setting the funds aside, a rent escrow requirement would guarantee that the funds will be available to whichever party the court decides should receive them based on the final outcome of each case. Moreover, a rent escrow requirement would guard against the withholding of rent payments based upon artificial pretenses or excuses that are inappropriate. This is therefore a simple fix to make the system work as intended. SPOA also supported similar House bills, including 1533, 1546, and 1677.

Sealing of Eviction Records

With respect to the sealing of eviction records, as well as the other aspects of a potential tenant’s legal history, SPOA strongly opposed House bill 1808, in addition to Senate bill 921. These bills would require court records in any eviction action, or other civil action, to be sealed under certain conditions. As small property owners and small business owners, we need to know the business risks that we are taking when we consider potential tenants. A tenant with a history of evictions poses a financial risk, not only to the property owner, but to the other tenants in a building who could face rent increases themselves to cover the costs of a delinquent tenant. It is imperative to avoid placing blindfolds on property owners as they enter into rental agreements. This would have an unjust and negative effect on those who consider renting their properties at a time when we need to encourage more property owners to offer affordable rental housing options, rather than

discouraging them from doing so, as would happen with the passage of these bills.

Free Attorneys for All Tenants

Finally, SPOA opposed House bill 1911, which would establish a universal — and unreciprocated — right to legal counsel for all tenants into state law at the expense of the taxpayer. We think that this bill arises from a false narrative that most, if not all, eviction cases are brought by wealthy property owners against wronged tenants. In reality, many small property owners face the same financial challenges as their tenants and have been forced to engage in the eviction process as a last resort to recover lost income. SPOA informed the Committee that if it decides to provide free legal counsel to tenants, then it must consider House bill 1782, which would give the same rights to property owners. Providing universal right to counsel for both tenants and property owners is the only way to ensure a level playing field for both small property owners and tenants alike.

As stated by one housing provider and SPOA member, “I feel that the scales of justice should be balanced. That means free legal aid to both sides, which is not happening today. I feel it’s quite unfair to see our taxes go to support legal aid which is fighting us. And then there is IOLTA which also funds one side.”

Moreover, there is another school of thought indicating that a tenant right to counsel leads to higher rents, while increasing the rate of homelessness as well, per Boaz Abramson, a Ph.D student of economics at Stanford University. In his 2021 research study entitled “The Welfare Effects of Eviction and Homelessness Policies,” Abramson verifies that one-sided policies intended to benefit tenants only harm the tenants themselves, in addition to the property owners. Thus, tenant right to counsel only benefits the attorneys to the detriment of the tenants, the housing providers, and the taxpayers.

All these bills are still under consideration by the Housing Committee — so there is still time to make your voices heard. For the reasons stated above, we respectfully ask our members and all those who care about maintaining affordable rental housing to join us in supporting rent escrow and opposing eviction sealing and free legal representation for all tenants in the Commonwealth, regardless of a tenant’s ability to pay. Please contact your representatives to express your views.

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Considering that small housing providers have already been asked to shoulder the burden of providing housing to tenants without income during the pandemic — regardless of the tenants' ability to pay or their efforts to seek readily available government assistance — Drescher said that placing arbitrary restrictions on how and when owners can sell their properties would only make a bad situation worse.

SPOA Vice President Amir Shahsavari testified next. Shahsavari said that the bills would cause a burdensome process of notification and delay, lasting up to eight months or longer, during which time financing opportunities can be lost, while market values can significantly change. Shahsavari added that the bills would not work as intended if they were to pass. Tenants would rarely end up buying the properties that they rent, while those who provide rental units will withdraw their properties from the market for fear of losing on their investment. Moreover, it remains unclear what financial disclosures owners must make to their tenants during this process. Shahsavari drew attention to the failure of TOPA in Washington, D.C., where only 5 percent of renters actually ended up buying their rental properties under this policy. In fact, tenants were found to be assigning their rights to speculators for large sums of money, while delaying the closing process. This resulted in the law being significantly changed and contracted.

“Think of the adverse and chilling effect that this experience has on those folks in the D.C. area who consider becoming rental housing providers. We cannot import this poorly conceived and failed policy into Massachusetts—especially now when we desperately need more rental housing providers,” Shahsavari said.

Then a SPOA member, who wishes to remain anonymous, concluded the panel's testimony. He informed the Committee that, similar to many other housing providers, he is an older property owner whose rental income is his “life-line,” as he has no retirement funds. “My rental properties are my investment. They represent all that I have worked for over the course of my life. To pass a bill that would devalue them overnight would be devastating and wholly unfair,” he said. “Small rental housing providers like me have the responsibility to maintain their properties and provide safe, clean rental spaces for their tenants. To suggest, however, that tenant rights extend to the ultimate control and disposition of the property is simply unjustifiable in any free society.”

The housing provider added that tenants share no risk if mortgages or property taxes go unpaid, and that they bear no responsibility for properties beyond the basic standards of good tenancy.

“(Tenants) have no right to interfere with an owner's right to receive a fair and full price for his or her real estate should (an owner) decide to sell,” said the housing provider, who closed his remarks by adding that these bills would allow for speculators to use tenants and tenant associations to buy properties for less than market value, with no assurance that the properties will become, or be maintained as, affordable. This proposal is no less invasive than giving restaurant patrons the ability to prevent an owner from selling the business to a new operator.

Although SPOA members are dedicated to increasing rental housing stock and to promoting the supply of maintained and affordable housing, the policies defined in these bills fail to promote homeownership, while punishing rental housing providers and free market buyers, as well as tenants and the Commonwealth, by (1) causing delays and complications that extort money from property owners while devaluing their properties, (2) using tenants as pawns in a game where only lawyers and speculators emerge victorious, and (3) decreasing the availability of rental housing.

Moreover, these policies will reduce property tax revenues for communities and likely trigger tax increases on the general public to compensate for those lost revenues. It sets a chilling precedent to allow the government to decide who has the right to buy properties, whether they are commercial units, single-family homes, or any other type of asset. If the goal of policy makers is to increase housing stability for tenants, there are other ways to achieve this goal, including vouchers, that do not come solely at the expense of property owners.

The SPOA officers, therefore, implored the Committee to resist making permanent and arduous changes to the laws governing rental property, tenants, and property owners, in order not to discourage small housing providers from entering the business, given the important work that we do, now more than ever.

Please join us in opposing these dangerous bills by contacting the Governor and your local representatives to voice your concerns. Considering that a previous version of TOPA would have become law, if Governor Charlie Baker had not vetoed it at the end of a legislative session, thereby averting a potential override of his veto, it is quite clear that this threat is very real and imminent. Thus, we urge you to contact your representatives with heightened urgency.

Defending the Dignity of Housing Providers: SPOA Opposes Continued Eviction Moratoriums

by Amir Shahsavari

On August 12, 2021, SPOA provided oral and written testimony against continued eviction moratoriums before the Massachusetts State Legislature, which is considering bills that would prolong eviction moratoria in the forms of House bill 1434 and Senate bill 891, as numbered currently. President Allison Drescher and Vice President Amir Shahsavari spoke to the Joint Committee on Housing regarding the concerns of many housing providers, who have continued to shoulder the burdens of providing safe and maintained housing to their tenants without the ability to collect their hard earned rental income, as a result of eviction moratoria imposed by the state and federal governments since the beginning of the COVID-19 pandemic.

Introducing SPOA as an organization advocating for small rental housing providers, who supply over half the rental housing in Massachusetts, President Allison Drescher informed the Committee that SPOA's members are both small business owners and housing providers, who continue to play an integral role in the Commonwealth's housing infrastructure. Drescher added that SPOA wants to work with both elected officials and tenant organizations to strengthen and stabilize the rental housing market for all income levels of both property owners and tenants in Massachusetts.

During her prepared remarks, Drescher said, "During the pandemic, rental housing providers, especially small property owners, have been asked to provide essential housing to renters regardless of their ability to pay rent. There have been assistance programs to be sure, but they are almost all tenant-based, meaning we cannot apply for assistance ourselves like so many other small businesses owners. And despite best efforts, these programs have been relatively slow to ramp-up due to the size of the problem they are now being asked to address. Small property owners have continued to pay mortgages, taxes, insurance, and maintain the safety of their properties for tenants with less or, in many cases, no rental income."

Continuing from Drescher's comments about working together to create a stronger private rental property market that provides stable and affordable housing, Vice President Amir Shahsavari asked the Committee to consider the way in which relief dollars have failed to reach small property owners during the pandemic. Nation-wide, of the \$47 billion allocated to housing assistance, only \$3 billion had been dispersed as of the date of the hearing. Shahsavari said that this national data mirrors the situation in Massachusetts, where high application-rejection rates and complicated application procedures have slowed the process down significantly. "We implore the Committee to take notice of the fact that the dollars have been allocated, but they are not reaching property owners," said Shahsavari, who stated further that House bill 1434 and Senate bill 891 would exacerbate this issue by continuing the eviction moratorium without addressing the fundamental problem at hand.

"No small rental property owners want to be in a situation where they are forced to commence eviction proceedings. However, the eviction process must be maintained as a last resort where no State-of-Emergency exists," said Shahsavari. "Moreover, it is not enough to require, as these bills do, that tenants have an active application pending for rental assistance. Small property owners are small business owners—women, minority, and family owned businesses—who provide an essential service to the community. In addition to providing stable and affordable housing, they also contribute significantly to municipal tax bases. However, they cannot pay their taxes, utilities, or

upkeep their properties—let alone make any income—if their tenants do not pay rent," Shahsavari continued.

Shahsavari concluded his testimony by asking the Committee to work with all stakeholders to develop an owner-based relief program that allows rental property owners to apply directly for assistance, as was not the case on the date of the hearing. "The creation of such a program is vital under any circumstances, but especially if present restrictions on property owners are to continue," he said.

Rental property owners not only lack access to relief in the same way that other small businesses do, but they are also the only ones who rely on their customers, in this case the tenants, to apply for that relief. This is essentially the same as asking the customers in restaurants to apply for financial assistance on behalf of the restaurant owners. While many tenants are genuine in their attempts to pay their rent, non-paying tenants have little incentive to assist their housing providers with obtaining relief because the eviction process, while technically still available under these circumstances, is too costly and arduous, in reality, to be a viable option for financially stressed property owners. Moreover, in many cases, tenants are afraid to provide the personal information necessary to complete RAFT or other program applications.

The solution is to remove the middleman. If the system works as intended, rental assistance eventually flows to the rental housing provider anyway, which strengthens the practicality of allowing the rental housing provider to apply directly for assistance. If government, rental property owners, and tenants all agree to tackle the whole problem together, rather than with stopgap, piecemeal solutions that only address one side of the issue, we can get relief to those who need it and move quicker towards a return to normalcy.

Owners, for their part, have been playing their role. We have not witnessed a so-called "tsunami of evictions" in large measure because owners have worked with tenants on rent reductions, discounts, and payments plans. Empty units do not help meet financial obligations. It is therefore in the interest of rental property owners to work with their tenants. Furthermore, housing providers have been flexible with tenants to keep them in their units if at all possible. But we cannot keep doing this forever. This situation, if left unaddressed, will eventually drive down rental housing stock in Massachusetts at a time when we should be doing everything possible to preserve as much rental housing as possible.

SPOA used the above comments to sum up its testimony, while asking the Committee to take this opportunity to address the issue properly in helping both small rental property owners and their tenants alike.

As these bills remain under consideration by the Housing Committee, you still have an opportunity to make your voices heard. For the reasons stated in our testimony, as covered in this narrative, we respectfully ask our members and all those who care about maintaining affordable rental housing to join us in opposing continued eviction moratoriums. We also ask that you support direct assistance for housing providers, in order to expedite a return to normalcy following the pandemic and to create fair solutions that respect the dignity and survival of housing providers, as they continue to shelter their tenants and serve the community. Please contact your representatives as soon as possible to support these efforts.

Stable Housing is a Key Tool for Economic Stability

by Chris Lehman

Boston¹ is a phenomenal city. Not only has it played an integral role in the political and intellectual development of the United States, it has reinvented itself commercially time and again, staying abreast of changing trends in the global economy by virtue of its educated, adaptable workforce.

Today, it has an incredible concentration of knowledge industries, especially in healthcare and biotechnology. Their output is invaluable for the world; Cambridge-based Moderna's COVID vaccine is the most famous recent example, but countless other inventions and innovations are produced here and applied globally every year. The revenue generated by this output allows the firms that produce it to pay high salaries that attract highly skilled workers from across the world to keep the innovation going. In addition to this economic pull, Boston's growing cultural attractions help make the city a desirable place to live.

But this economic pull doesn't exist in a vacuum. Housing supply and prices play a major role in people's decisions on where to live, and Boston and many other large, expensive metros are currently performing well below their potential on this front. The populations of the Boston, New York, and San Francisco metro areas, each of which is anchored by one of the country's five most expensive cities², grew by 8.5%, 6.6%, and 9.5%³ respectively between 2010 and 2020, despite the benefits that all three received from the concurrent tech boom. Meanwhile, Dallas, Houston, and Orlando all grew by over 20%, and Austin, which also has a thriving tech sector, grew by 33%.

The key differentiating factor between these two groups of cities is the cost of living. Average one-bedroom rental prices in Boston, SF, and NY are \$2,530, \$2,800, and \$3100, compared to \$1,470 in Austin and Orlando, \$1,410 in Dallas, and \$1,220 in Houston⁴. Differences in rental prices have a huge impact on overall quality of life for all but the richest individuals and families, which creates a strong incentive for people to move to cheaper areas.

Why is Boston so expensive, and why does the cost of living here keep increasing⁵? High demand generated by the city's world-beating industries play a role, but so does the supply of housing. It's here where Boston's policy shortcomings become obvious, especially relative to its high-growth competitors elsewhere in the country. Zoning and other land use regulations have a major impact on a city or region's ability to build new housing--in general, the stricter the regulations, the harder it is to increase the housing supply. A 2006 Wharton study⁶ found Boston to be the second most regulated metro area in the country, and while its regulatory ranking has improved⁷ since then, it still lags far behind other large metros⁸ in terms of new housing construction.

If Boston continues to fail to build enough new housing to meet growing demand, prices will only continue to rise, making Boston a less attractive place to live for both new and existing residents. More and more people will choose to move to more affordable cities or decide to embrace remote work and eschew cities altogether.

So, what can Boston do to reduce (or even reverse) this unsustainable housing price trend? Well, first we build more housing. Then, we build more housing. After that, we build some more housing. This may sound overly simplistic, but it's genuinely the best solution. Economists agree that overly restrictive zoning rules are the primary factor holding back cities from growing--it's estimated that if just New York, San Francisco, and San Jose were to bring their housing regulations in line with those of the median US city, national GDP would increase by 8.9%⁹. If we don't address this problem, the market price of housing in high-demand cities will continue to rise, either forcing middle- and low-income people out or necessitating increasingly high government spending to subsidize the cost of housing (an approach that, in addition to resulting in increased taxes or deficits, exacerbates the underlying prices by increasing the total pool of money spent on housing).

Changing these policies isn't just important for the long-term economic health of the Boston area; it would also have significant positive implications for geographic inequality and for the environmental sustainability of the country as a whole.

An important element of the US's increasing economic inequality over the past few decades is its geographical component. The US's largest cities have been growing dramatically in terms of population, economic output, and cost of living, while the economies of many smaller cities and rural areas have shrunk, leading to poverty and declining populations. Ideally, more workers in these areas would be able to pursue economic opportunities by moving to high-growth cities and finding jobs there. In practice, the artificially high cost of living in these cities keeps millions of potential residents locked out, suppressing both their individual earning potential and the country's overall productivity (again, see the Hsieh and Moretti paper).¹⁰

With regard to environmental sustainability, consider the relative carbon output of urban versus suburban or rural living. Urban residents typically commute shorter distances, use lower-carbon transportation methods like walking, biking, or public transit, and have smaller living spaces that require less energy to heat or cool. These factors collectively amount to considerably lower carbon output in cities than elsewhere. Additionally, after controlling for income, households in the low-density, high-growth metro areas in the southern US have much higher carbon footprints than those in California or the northeast. This means that, despite opposition to new construction in cities like Boston, New York, or San Francisco frequently citing environmental factors, such opposition actually tends to push construction to other, less environmentally friendly parts of the country, increasing total carbon pollution.^{11 12}

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1 This term is used flexibly in this essay. Many of our points apply more to Boston proper than to its surroundings, but Boston has always been inextricably linked both culturally and economically with its surrounding towns and cities. Policies implemented in Boston have significant effects on its neighbors, and vice versa. Additionally, the cost of living in central cities tends to be a good proxy for costs in their respective metro areas.

2 <https://www.investopedia.com/articles/personal-finance/080916/top-10-most-expensive-cities-us.asp>

3 <https://www.businessinsider.com/2020-census-fastest-growing-and-shrinking-metro-areas-2021-8>

4 <https://www.zumper.com/blog/rental-price-data/>

5 <https://fred.stlouisfed.org/series/CUURA103SEHA>

6 <https://realestate.wharton.upenn.edu/wp-content/uploads/2017/03/558.pdf>

7 https://www.nber.org/system/files/working_papers/w26573/w26573.pdf

8 <https://constructioncoverage.com/research/cities-investing-the-most-in-new-housing-2020>

9 https://www.nber.org/system/files/working_papers/w21154/w21154.pdf

10 https://www.nber.org/system/files/working_papers/w21154/w21154.pdf

11 <http://www.hawaiihousingalliance.org/docs/pubs/Other%20Housing%20Reports/Inclusionary%20Zoning/Housing%20Prices,%20Externalities,%20and%20Regulation%20in%20US%20Metropolitan%20Areas.pdf>

12 Households in the least dense census tracts use 69% more gasoline than households in the densest census tracts, and suburban households use 27% more electricity than urban households. For a more thorough treatment of this argument, see chapter 8 of Ed Glaeser's *Triumph of the City*.

From Preti Strategies

by Jim Eisenberg

On Wednesday, November 17th, the Massachusetts Legislature held its last formal session for 2021. Formal sessions are when larger, sometimes controversial matters are taken up, debate occurs and roll call votes are cast and recorded. From November 18th until January, only “informal” sessions, where generally non-controversial matters are addressed and done through voice-votes occur. Formal sessions will resume in January and continue through to July 31st, after which it’s back to informal sessions for the remainder of the year.

Left unfinished as of early December is the \$3.82 billion “ARPA” bill, which may be signed by Governor Charlie Baker before 2022. This would allocate money from a combination of federal ARPA (American Rescue Plan Act) and state surplus tax funds to stimulate the economy, support workers and businesses, and invest in infrastructure projects, public health, and other priorities including rental housing production and preservation.

The “preservation” component was added thanks to the efforts of SPOA which successfully pushed for an amendment in the House. The Senate bill follows the House’s lead and also includes the “preservation” language. Assuming it is included in the final bill, SPOA will be working with Administration officials on its implementation. It’s SPOA’s hope that these funds can be used to help small property owners who have been impacted by the pandemic.

This bill is the first of at least two legislative vehicles needed to spend the federal dollars because in June, the Legislature rejected Governor Baker’s plan to immediately spend \$2.8 billion of the federal COVID-19 relief money and instead voted to sweep \$4.89 billion into a COVID-19 relief “holding” fund. A second, transportation-related bill has been suggested for action in 2022. Under federal law, the funds must be committed by the end of 2024 and spent by the end of 2026. Negotiations continue between the House and Senate on the present bill and a compromise could, if everyone were to agree to doing so, be passed either in informal session or early in 2022 if an agreement is reached.

As for the other legislation and policy matters SPOA is tracking and working on, there will be a six-month sprint to July 31st to support those bills that would make a positive impact—such as rental owner-tax credits and requiring rental escrow accounts during eviction proceedings—and oppose the bills that have the potential to cause the most harm to small rental housing providers such as right-of first refusal, eviction record sealing, tenant right to counsel, rent control, and eviction moratoria.

One date to keep in mind is February 2, 2022. This is the so-called “Joint Rule 10 Day;” the day by which committees need to decide whether to report bills “ought-to-pass,” “ought-not-to-pass,” place them in a legislative “study” or ask for more time. It’s on February 2nd that the fate of most of the SPOA bills will be decided. That said, any time of the year can yield surprises, especially during budget debate where some of the most dangerous, anti-small rental property owner policy has surfaced—so remaining vigilant is key to a successful 2021-2022 legislative session.

Stable Housing is a Key Tool for Economic Stability *from page 6*

The net takeaway here is that advocacy for reforming zoning restrictions and building more housing in cities like Boston isn’t just about growth for its own sake. It’s about removing artificial barriers to economic growth. It’s about making it easier for people across the country to pursue economic opportunities by living where they want. And it’s about abandoning the misguided idea that we can protect the environment by preventing construction in the greenest parts of the country. Boston’s recent elections saw considerable debate over how to make the city’s housing more affordable, with many candidates supporting policies like rent control and an eviction moratorium that benefit one group (tenants) at the expense of another (landlords). This kind of zero-sum thinking is inevitable when the total amount of housing resources available is stagnant, but it doesn’t have to be this way. When the housing supply expands at an appropriate rate, everyone can benefit; unit prices decrease for tenants, and property owners can derive income from a higher total number of units.

Implementing these policy changes will be a complex process with many different interests to balance, but many organizations in Boston are committed to working together with policy makers, business leaders, and community members to ensure that Boston can be a place where anyone can live, work, and enjoy all of the attractions our city has to offer.

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