

**Testimony on  
SB890 and HB1426, also HB4208 (for Somerville only)**

## **OPPOSE: Tenant right to purchase (“right of first refusal”)**

### **Delays and devaluation, lost property tax revenue**

We oppose these bills, which would allow every city and town in Massachusetts (or only Somerville) to adopt a **tenant right to purchase** (“tenant right of first refusal”).

Such a right endangers the fiscal health of any municipality that adopts it. It will seldom lead to an actual tenant purchase. But the complications it introduces into **every sale of many rental properties** in a city or town are very costly – which will reduce property values widely and reduce municipal property tax revenues proportionately.

#### **How it works**

This new tenant right would allow tenants as a group to buy the property they live in **at every time** that an owner decides to sell and has already got a signed contract and deposit from a willing private buyer. The tenants then get a right to buy it at the same price as the willing buyer.

But the delays involved **total over seven (7) months** whenever certain owners sell a rental property. Each time the owner lowers the price, it is **another seven (7) months delay**.

The affected owners do **not** include owners of up to six rental units in the city or town, if owned by “natural persons” who live anywhere in Massachusetts. Is your property set up as an LLC for liability purposes? Sorry, it’s not a “natural person.”

And once adopted, the Legislature may decide to expand the number of affected owners. Get this tenant right in a limited form, then expand it.

### **All forms of devaluation that reduce municipal tax revenues**

- **Required** to delay the sale of all affected properties.  
**Devaluation**
- **Decide** to set a safe **low** selling price to avoid a second round of delays.  
**Devaluation**
- **Required** to do burdensome owner actions on behalf of the tenants.  
**Devaluation**
- **Decide** to pay off tenants to give up their right and be able to sell quickly.  
**Another devaluation**
- **Need** to cash out quickly? No luck.  
**Yet another devaluation**
- **Organized** as an LLC, regardless of property size.  
**Yet more devaluation**
- **Tenants**, counseled by advocates, can and will give their right to purchase to a nonprofit for affordable housing, for yet another round of delays – and nonprofits do not pay property taxes  
**Further devaluation & direct loss of property tax revenue**
- **Once in place**, the Legislature can be pressured to expand the owners who must delay their sales and sell at a loss.  
**Potentially more devaluation**

**All these devaluations will reduce municipal tax revenues significantly.**

### **Devaluations with a purpose**

The purpose is obvious: To lower the price of rental properties to the benefit of tenants or nonprofits, paid for by the owners.

As soon as the right to purchase is adopted and the first devalued sale happens, then devaluations will happen almost immediately on the city assessor's books for all comparable properties.

### **Those payoffs will happen, no matter what**

The bill language says that tenants "shall not solicit or accept" payoffs to give up their rights. Who is going to sue a tenant for taking a payoff? No one. Is it illegal to diminish a tenant right? No, and legal services lawyers, at no cost to the tenant, will defend the full power of the tenant right. No matter what, these payoffs will happen.

### **For all this, who wins?**

All this effort and devaluation will benefit only the scant few tenants who will actually buy the building they live in. Almost none. Less than 5%. But all affected properties will be devalued – and tax revenues broadly reduced – just for these few. It's crazy.