

May 30, 2024

Councilor Gabriela Coletta, Chair
Committee on Government Operations
1 City Hall Square Room 550
Boston, MA 02210

Councilor Benjamin Weber, Vice Chair
Committee on Government Operations
1 City Hall Square Room 550
Boston, MA 02210

Dear Councilor Coletta and Councilor Weber,

On behalf of the Greater Boston Chamber of Commerce and our 1,200 members, I write to further express the Chamber's opposition to docket #0642, a *Petition for a Special Law: An Act relative to Property Tax Classification in the City of Boston*. Since submitting previous comments in April outlining our concerns with the proposal, the Chamber has only received additional negative feedback and concerns from our membership. Adding additional tax burdens on commercial real estate, without reigning in spending increases, expediting proposals to provide clear paths to downtown commercial development, or withdrawing other tax increases such as transfer taxes or linkage fees, will only further drive down commercial real estate values, and hinder downtown vibrancy and recovery for years to come.

The City should instead turn to the several other options available to mitigate residential tax increases in coming years, if necessary. Refocusing on the City's competitiveness and ability to attract employers of all sizes to the main streets of Boston fortifies the City's long-term revenue projections instead of undermining it.

A recent report by Ryan LLC estimates that the petition, if adopted by the city and authorized by the state, will result in \$2.6 Billion in commercial property assessment loss just due to the resulting commercial tax rate increase alone, significantly adding to the ongoing problem of commercial property value decreases facing office space in an era of remote work.¹ At the same time, the effective tax rate would increase from \$25.77 to \$29.66 per \$1,000 of value, a 17.4% rate increase on commercial properties. While some Class B properties may pay less in real dollar value to the city, each individual property will be assessed differently and taxes **will** increase for many other types of commercial property owners in the city, particularly small businesses, retail establishments, and hotels.

This is before factoring the impacts of adopting the petition has to the City's competitiveness and ability to attract new tenants and commercial development to Boston. Already home to the highest commercial property tax rate in the state, a rebound from the diminished property value in the City is not guaranteed, as employers confront non-cyclical changes to the nature of work. Ultimately, by lowering commercial property values even further and discouraging new commercial development, the petition contributes to the very public policy problem the Administration seeks to solve – higher taxes on Boston's residents.

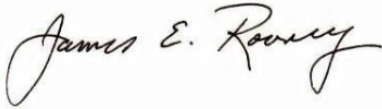
Boston already maximizes a shift of its tax burden onto commercial properties allowable by state law. Alternatives exist, such as curbing city budget spending increases, utilizing healthy fiscal reserves, increasing the residential exemption, incentivizing downtown employment, and removing barriers to commercial development. The petition does not solve the underlying circumstances facing the commercial property market, nor is it the sole option available to the City. Longer term, structural changes to the reliance on commercial property owners and new commercial development to boost City spending may be necessary – the petition, alone and without any other planning measures or proposals, does nothing to address the underlying disparity between residential property values increasing while commercial property value adjust to new circumstances.

¹ <https://ryan.com/about-ryan/articles/bostons-property-tax-levy-and-impacts/>

As previously discussed, Boston leans heavily on commercial property taxes for its strong revenue growth. Limited by Proposition 2 ½, new commercial sector growth is also necessary to support the high levels of increased spending in recent years. The petition is only one of a menu of mandates that make it harder to employ people in Boston and to locate a business here.

Thank you for your attention and please reach out with any questions.

Sincerely,

A handwritten signature in black ink that reads "James E. Rooney". The signature is written in a cursive, flowing style.

James E. Rooney
President & CEO

CC: Members of the City Council Committee on Government Operations