October 18, 2024

Senator Karen Spilka, President
Massachusetts Senate
State House, Room 332
Boston, MA 02133

Representative Ron Mariano, Speaker
Massachusetts House of Representatives
State House, Room 356
Boston, MA 02133

Dear Senate President Spilka and House Speaker Mariano,

On behalf of the Greater Boston Chamber of Commerce, the Massachusetts Taxpayers Foundation, NAIOP Massachusetts, and the Boston Municipal Research Bureau, we write regarding H.4942, *An Act relative to property tax classification in the city of Boston*. Our organizations want to extend our gratitude to both the House and Senate for the collaborative approach and sincere attempts to find a reasonable balance between significant tax increases for Boston homeowners and struggling businesses facing property devaluations and a permanent shift towards remote work flexibility. We appreciate how leadership in both branches sought to bring stakeholders together to have an honest exchange on policy options.

As you know, due to the significant increases in budgetary spending by City government, Boston residents face a significant annual increase in their property tax bills early next year. To mitigate these increases, the City proposes shifting more of the tax burden than allowed by current state law onto commercial properties – negatively impacting a struggling sector of the economy. We believe this is the wrong approach. Instead, we collectively have encouraged the City to utilize other tools available to assist residents and embraced by previous City administrations: reduced spending growth, short term use of a portion of the City's ample reserve funds, and direct assistance to vulnerable residents. The new market dynamic for commercial properties is not a temporary or cyclical change, and the City will need to grapple with the budget implications over the long-term through responsible approaches to budgeting.

The City is proposing this property tax shift while putting forward a fiscal year (FY) 2025 budget that increases spending by 8 percent – more than double the rate of spending growth in the state budget. The City asserts that its approach to FY25 is responsible and that its $4.64 billion budget has no discretionary spending that can be reduced. To support this spending, the City must increase its tax levy to the full extent allowed under state law. However, City officials should have anticipated how this budget approach would impact both residential and commercial taxpayers in light of the downward trajectory of commercial property values.

We believe that managing resident property tax growth could best have been avoided with a FY25 City budget increase in line with inflation at 3.0-4.0% mirroring the discipline shown by the State in its own budget process. Instead, the City is focused solely on an increase in the commercial real estate tax burden during an industry crisis, including many local small businesses, and uncompromisingly threatening residents with double digit property tax increases.

To date, the City's has not offered any compromise proposals that reflect the complexity of the problem it faces by reducing the rate of spending growth or otherwise limiting the increase in the FY 2025 tax levy. Leaders of the business community and public policy experts believe that a viable solution lies in shared sacrifice. In the spirit of collaboration and following the example of the Legislature, we worked diligently to find a path forward to mitigate a problem not of our making. In that spirit, we acknowledge the City's publicly stated goal targeting a 9% growth in the average single family homeowner's residential property tax bill, in line with the average increase over the last 5 years. With that goal in mind, the business community is willing to withdraw our objections for a modest, 3-year increase in the property tax classification burden shift.

Our proposal, which we have shared with the Mayor, is based on the City's calculation that a commercial property tax rate increase of 181.5% in FY25 would enable a residential property tax bill in line with the historical average increase of approximately 9%.[1] If this approach is adopted, the City would not have to make any spending reductions in FY25. Of course, the City could choose to have a smaller residential property tax increase by exercising our recommended spending restraint.

As proposed by the Mayor, this rate should be stepped down over 3 years as follows:

FY25 181.5%
FY26 179.5%
FY27 177.5%
FY28 175%

Further, any compromise must be formalized in a new home rule petition processed through the Boston City Council and offered to the Legislature. A new home rule, reflecting the step down proposed above, is not a solution to the complex public finance and economic development challenges the City faces because of reduced commercial property values, but it would represent a meaningful compromise to immediate residential property tax concerns.

Given the shortness of time to resolve this issue, the business community and public policy experts of Boston are once again demonstrating the ability to provide practical solutions to complex problems and move this City forward. The outcome of this petition will not solve the underlying structural changes to Boston's property tax shift burdens, and ongoing vigilance and fiscal discipline – with a clear understanding of spending impacts – must be demonstrated by the City as it approaches future budgets.

[1] Based on the 5-year average of the increase in the Average Single Family Tax Bill as reported by the City of Boston Assessing Department

Sincerely,

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CC: Members of Boston Delegation of the House and Senate, House and Senate Chairs of Ways & Means