

Mayor Wu's proposed home rule petition: Change to classification

This statement may be attributed to Martha M. Walz, Interim President.

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Mayor Wu's proposal to temporarily change classification in Boston aims to address a potential increase in residential property taxes that may be caused by a shift in the overall tax levy from commercial property taxes to residential taxes due to a potential decline in commercial property values. The Boston Municipal Research Bureau appreciates the Mayor's proactive approach and her engagement with stakeholders about the issue.

The Boston Municipal Research Bureau will be reviewing this proposal, with several key issues likely to be addressed:

- Assessment of the 2004 classification shift
- Impact on commercial and residential taxpayers
- Budgetary impact (73% of Boston's operating revenue comes from property taxes)
- Impact on economic development, including new project starts
- City of Boston competitiveness
- Long-term recovery of the commercial real estate market

It is prudent to consider the impact of potential increases in residential property taxes on homeowners as well as renters who may face higher rents as landlords pass along higher costs to their tenants. It is equally important to consider the impact of this proposal on commercial property owners and to explore how the city could cushion that impact on commercial property owners who would be asked to pay more in taxes than they would otherwise pay. With the City of Boston's heavy dependence on commercial tax revenue to fund its operating budget, there is a risk of creating too great a burden on these taxpayers.

Boston homeowners benefit from the city's classification policy of allocating to the residential class the lowest allowable share of the property tax levy and businesses picking up the largest share. As a result, in fiscal year 2024, the city gets 58.3% of its property tax revenue from business properties and 41.7% from residential properties. Business property makes up 33.3% of the property values in the city and residential property makes up 66.7%.

The Boston Municipal Research Bureau supports a comprehensive and balanced approach as we adapt to pandemic-induced changes in the real estate market that may not reflect the traditional ebb and flow of past economic cycles but may, instead, be structural or permanent changes that require a variety of strategies to address.

We look forward to engaging in a close analysis of this proposal and being a thoughtful participant in ongoing discussions about how best to address shifts in the tax levy.