



City of Boston, Massachusetts
Office of the Mayor
Michelle Wu

December 5, 2024

Dear Senators,

Thank you for the time and diligence that your chamber is devoting to our local home-rule petition in Boston regarding tax classification, especially as we enter the busy holiday season. For the last eight months, we have been working through public processes at the municipal and state levels for temporary authority to stabilize property taxes across the residential and commercial sectors in the wake of economic shifts related to remote work and its impact on commercial office valuations. Yesterday the Department of Revenue certified Boston's 2024 property valuations, so I wanted to share an update with you as you head into today's legislative session.

Although final tax rates are still subject to City Council approval of the specific level of tax shift and residential exemption percentage, the certified valuations show a 3% market value increase in year-over-year residential values and a 5% commercial value decrease. This is within the range of our earlier preliminary estimates and confirms that our proposed legislation is necessary to stabilize tax bills across both sectors and prevent potential worst case scenarios over the next three years. Without this home-rule authorization, the average single-family homeowner receiving a residential exemption will see a 21% increase in their tax bill in January over their last quarterly bill, or an annual increase of 10.5% compared to 2024. With the legislation, at the maximum allowed shift, the average single-family homeowner would see a 10.4% bill-to-bill increase and 5.2% annual increase. An example \$5 million commercial property whose valuation has dropped by 7% would see a 4.5% tax decrease with no legislation and a 1.0% decrease with the maximum allowable shift level under the legislation.

Our administration has worked in good faith to understand and engage with the State Legislature's processes and expectations. We filed this matter before the Boston City Council in April as soon as we had indications that commercial values would decrease, received a favorable Council vote in June, then filed with the State House immediately afterwards, and advanced a compromise proposal through the House in July.

After formal sessions ended without action from the State Senate, we gratefully accepted the Senate President's invitation to meet in her office on September 26th with the six Boston delegation Senators and leaders of the Greater Boston Chamber of Commerce,

Boston Municipal Research Bureau, NAIOP, and Mass. Taxpayers Foundation. At that meeting, we shared preliminary estimates that residential values would increase by a likely range of 3-5%, and commercial values would likely decrease by somewhere within 4-7%, translating into a potential worst case scenario of a 28% bill-to-bill increase or 14% annual increase for the average single-family home.

During the meeting, the Boston Senators, the business representatives, the City's finance leadership, and I heard the Senate President's clear instruction that the City needed to reach a consensus with the four business groups in order to advance the legislation. We left that meeting understanding the Senate's directive to find compromise between impacted stakeholders, and we took that charge seriously.

After several intense weeks of negotiations and constant communication, on October 23rd, these four business groups and the City announced that we reached a compromise including more modest levels of tax shift over the next three years, which the City agreed to codify in a new amended home-rule petition. We have since worked quickly to secure a second round of approvals for the amended legislation through the City Council and House. In doing so, we have now testified at two separate State House hearings before the joint committee, hosted town halls across the city, shared information publicly as it has been finalized, and reached out to each Senator multiple times to ask for feedback and concerns, briefing as many colleagues as have been willing to meet. We have taken every action and run to every goalpost requested by Senate leadership and Senators to reach consensus and share new information as the valuation process moved forward along standard annual timelines.

On behalf of the residents of Boston, I respectfully ask for the Senate to pass this home rule petition, honoring the results of the process we have engaged in so comprehensively to establish these adjusted limits for the next three years.

Finally, I wish to address new concerns expressed about the finalized valuation data—that a 10.5% annual tax increase (21% bill-to-bill increase) without legislation is close enough to recent averages for residents to absorb, and that if the City availed itself of the maximum shift allowed in the first year of the compromise petition, the resulting 5.2% average annual residential tax increase (10.4% bill-to-bill increase) in 2025 would be unfairly low for residents to pay.

- First, as mentioned above, we negotiated a consensus deal with business groups understanding that the data could continue to shift in either direction as valuations were certified. Business community representatives set the maximum shift limit that they would accept, and the newly certified valuations will result in an even lower total shift than the preliminary estimates represented: the worst case scenario from preliminary estimates represented a \$215 million total shift from residential to commercial under the compromise legislation, and the certified valuations will result in a \$150 million shift.
- Moreover, although the business groups requested that maximum based on the statistic that Boston's average annual tax increase for a single-family home was 9% over the last five years, these years represent a significantly higher level than those prior. The average annual tax increase for a single family home in Boston over the last decade was 5%, so even at the maximum shift, a 5.2% increase cannot be

described as far lower than average. Residents in other Greater Boston municipalities have averaged tax increases at or less than 5%, including Salem which has seen an average 3% increase and Newton which has seen an average 5% increase.

- After the State Legislature approved a similar tax shift home-rule petition for Watertown in 2023, their residential taxes went down year-over-year.
- Without this legislation, the share of Boston's tax levy borne by residential taxpayers would jump from 40% to 44%—the biggest single year increase since 2007. Moreover, as housing costs have risen across the region and the city over the last several years, it is even greater of a threat for Boston residents to bear what would be the second-highest tax increase over the last decade if forced to pay the 10.5% jump without legislation. Rental listing prices have increased nearly 25% between 2019-2023 in Boston, and home sale prices have increased by 13%.
- Most importantly, this legislation would provide Boston residents and businesses with the stability of being able to prevent worst case scenarios over the next several years even as the forecast for continued valuation shifts remains uncertain.

Our administration has been proud to work so hard in coming to a thoughtful, reasonable balance to serve the interests of all impacted stakeholders. This compromise proposal would protect residents and stabilize taxes for the residential and commercial sectors over a critical period of time in our economy. We are grateful for the improvements to this legislation that have come from a thorough process, and we ask for your action to allow us to incorporate this compromise and results of thorough vetting into the City's upcoming tax bills with impending deadlines. Thank you again for your engagement and thorough consideration.

Respectfully,

A handwritten signature in cursive script that reads "Michelle Wu".

Michelle Wu
Mayor of Boston