



# BOSTON CITY COUNCIL

Committee on Government Operations  
Gabriela Coletta Zapata, Chair

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## REPORT OF COMMITTEE CHAIR

June 05, 2024

Dear Councilors,

*Docket #0642, Message and order for your approval a home rule petition to the General Court entitled "Petition for a Special Law Re: An Act Relative to Property Tax Classification in the City of Boston." Filed in Office of the City Clerk on April 1, 2024. This matter was sponsored by the Administration and referred to the Committee on April 3, 2024.*

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### **Summary of Legislation:**

*Docket #0642* is a Home Rule Petition that seeks permission to request that the Commissioner of Revenue, if and when necessary, temporarily divert from the General Laws (M.G.L. c. 58 § 1A) when setting the minimum residential factor for the City of Boston, allowing for an increase in the tax burden shifted from residential to commercial properties. The proposal states that the temporary diversion would only be necessary if the standard and current minimum residential factor would result in residential class properties bearing a higher percentage of the total property tax levy than the year prior. The temporary diversion would follow a five-year schedule starting in FY25, FY26, or FY27 and allow for an increase of up to 200% in the first year, followed by a gradual decrease before returning to the currently utilized classification system provided for in the General Laws.

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### **Information Gathered at the Hearing:**

The Committee held two hearings and one working session on Docket #0642. At the first hearing held on April 16, 2024, the Chair was joined by Council President Louijeune; Councilor Flynn; Councilor Murphy; Councilor Mejia; Councilor Santana; Councilor Durkan; Councilor Worrell; Councilor FitzGerald; Councilor Breadon; and Councilor Weber. At the second hearing held on May 30, 2024, the Chair was joined by Council President Louijeune; Councilor Pepen; Councilor Santana; Councilor Breadon; Councilor FitzGerald; Councilor Mejia; Councilor Fernandes Anderson; Councilor Flynn; Councilor Murphy; Councilor Weber; and Councilor Worrell. At the working session held on June 4, 2024, the Chair was joined by Council President Louijeune; Councilor Murphy; Councilor Mejia; Councilor Santana; Councilor Flynn; Councilor FitzGerald; Councilor Worrell; Councilor Pepén; Councilor Weber; Councilor Fernandes Anderson; and Councilor Breadon. Ashley Groffenberger, Chief Financial Officer and Nicholas Ariniello Commissioner of Assessing testified on behalf of the Administration.

The Administration testified that the proposal is designed to be revenue-neutral, time-limited, and optional. It was noted that the proposal is based on a similar approach used successfully in 2004 to stabilize residential taxes during economic uncertainty. It was explained that the goal of the proposal is to moderate the impact of potentially reduced commercial property valuations on residential taxpayers. The

Administration assured that they have been conducting outreach to explain the proposal to various stakeholders, including neighborhood associations and business groups.

Councilors sought clarification on various aspects of the proposal, including its impact on different types of property owners and the city's budget. Councilors also highlighted the need for revenue diversification and inquired about alternative solutions to the tax classification changes, such as an exception for small businesses detailed in **M.G.L. c. 59 § 5I**.

Regarding the impact on residential property taxes, the Administration explained that should circumstances necessitate the implementation of the proposed classification schedule, although residential property owners would still see an increase in their taxes, the proposal aims to provide a soft landing for residents. While stressing the temporary and optional nature of the proposal, the Administration emphasized the importance of having this tool in place proactively rather than reacting during a crisis.

In response to concerns raised about the potential impact of increased commercial property taxes on the business community, including small businesses and the workforce, the Administration highlighted the City's efforts to support the vibrancy of Boston's commercial sector through initiatives like offering building conversion incentives, working with the Downtown Boston Business Improvement District on downtown activation, leveraging ARPA funds for Space Grants, improving transportation and childcare and revitalizing Quincy Market.

In discussing how the proposed tool was utilized successfully in the past, Councilors noted the potential long-term effects of the pandemic on work patterns and the overall business environment/commercial real estate market and questioned whether a temporary tool could solve a problem that does not seem to mirror the temporary nature of past real estate market changes. The Administration stated that the proposal is just one of many different tools the City could use alongside earlier stated initiatives as part of a broader strategy to adapt to the changing economic landscape and ensure that Boston remains a vibrant and attractive place to live, work, and visit.

As for the impact on the City budget, the Administration highlighted the stable source of revenue gained from property taxes and the importance of maintaining a stable financial outlook. Alternatives, such as using reserves for a tax rebate fund, were discussed, but the Administration cautioned about potentially depleting the city's financial safety net and reiterated that the proposal is not a response to a revenue problem.

It was explained that the property tax revenue is statutorily capped, and that changes in valuation alone do not necessarily impact the revenue the city collects from property taxes; but rather, it impacts how the tax burden is distributed between residential and commercial taxpayers.

The Administration stated that the city is seeing indicators of reduced commercial valuations and, by filing the proposal, is trying to be proactive to avoid sudden tax rate increases for residents.

With further regard to data, when asked about potential predictions should the proposal not pass, it was explained that the Assessing department updates values every year and that the process is backward-looking, based on market activity from the previous calendar year. It was stated that the City is currently working closely with experts and looking at leading indicators to understand trends in commercial property values and will have more information by the end of the year.

With respect to adoption of the local option exemption detailed in **M.G.L. c. 59 § 5I**, the Administration noted the lack of oversight in ensuring the exemption would successfully be passed on to the small business tenant by their landlord and expressed the need for more data to better understand the impact such an exemption would have.

The Committee heard testimony from Boston residents, members of UNITE-HERE Local 26, Boston Teachers' Union, AFSCME Council 93, and SEIU Local 888; the Boston Municipal Research Bureau; The Greater Boston Real Estate Board; Ryan LLC.; Back Bay Association; Eastern Bank; Boston Communities; Urban Edge; and Massachusetts Affordable Housing Alliance. Supporters of the proposal highlighted the need to protect homeowners, especially seniors and those with fixed incomes, from significant tax increases, while opponents raised concerns about the impact on small businesses and the potential for increased vacancies and economic downturns. Finally, testimony highlighted the impact of potential property tax increases on city workers and the broader community and emphasized the importance of maintaining affordable housing and preventing displacement of families and workers.

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**Recommended Action:**

The Chair of the Committee on Government Operations, to which the following was referred:

*Docket #0642, Message and order for your approval a home rule petition to the General Court entitled "Petition for a Special Law Re: An Act Relative to Property Tax Classification in the City of Boston." Filed in Office of the City Clerk on April 1, 2024,*

submits a report recommending that this docket **ought to pass**.



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