

Special Report



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Highlights

- The average single-family tax bill in FY12 is \$3,305, an increase of \$150 or 4.8% over FY11.
- The tax levy increase in FY12 due to new growth is \$36.5M or 49% of the total levy increase. New growth is not expected to increase the levy by more than \$20M in FY13.
- If property were taxed without classification using a single tax rate, business property would pay \$423.9M or 43% less in fiscal 2012.

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Boston's Taxable Values Increase in FY12

Growth achieved after two years of total taxable value decreases

After two consecutive years of decreases in Boston's taxable property values, total taxable value increased by \$1.7 billion, or 2% in fiscal 2012 for a total value of \$88.5 billion. Property values declined by 0.5% in fiscal 2011 and 3.5% in fiscal 2010. For the second year in a row, residential property values are up, with an increase of \$954.6 million or 1.7% over fiscal 2011. Business property value (commercial, industrial, personal) increased for the first time since fiscal 2009 by \$745.3 million, or 2.5% over fiscal 2011. The fiscal 2012 values and tax rates were announced in December 2011 with the values set as of January 2011, reflecting market conditions for 2010.

Boston's fiscal 2012 net property tax levy of \$1.575 billion represents a growth of \$70.8 million, or 4.7% over fiscal 2011. Since fiscal 2007, net property tax revenues have increased by \$351.2 million, or 28.7%. The property tax is by far the City's largest revenue source representing 65.8% of the City's fiscal 2012 budget of \$2.4 billion. The property tax now comprises a larger share of the City's total operating revenues than it did in fiscal 1981, the first year of Proposition 2½, when the levy was 60.9% of the total.

This report reviews the [trends and components](#) of Boston's taxable values, tax levy and tax rates. Key findings include:

- Of the \$954.6 million increase in residential value, apartments account for 28.2% of the growth, single family homes 26.5%, residential-commercial units 18.8% and condominiums 16.9%. However, the rate of increase in condominium values was the lowest in ten years, showing growth of only 0.7% over fiscal 2011.
- The increase in business values by 2.5% is primarily due to the growth of commercial value by 1.5% from appreciation and new growth, and personal property values increasing by 3.0%.
- Office tower values increased by \$44.8 million, or 0.4%, but the value trends differed in the downtown and Back Bay. In general, tower values in the Back Bay increased while values in the downtown financial area decreased.
- Tax rates by class continued to increase to meet the 2.5% levy increase over fiscal 2011. The residential tax rate is \$13.04 per thousand dollars of value, a rise of 2% and the business tax rate is \$31.92, an increase of 2.8%.

Property Tax Values - Boston's total taxable property value is \$88.5 billion, \$1.7 billion or 2% over the prior year. Despite the sluggish economy, Boston's total taxable property values have grown by \$1.98 billion or 2.3% since fiscal 2007.

Table 1
City of Boston Value Summary

Values in Billions

Class	FY07	FY11	FY12	% Change FY11-FY12	% Change FY07-FY12
Residential					
Condominiums	\$20.6	\$23.9	\$24.1	0.7%	17.0%
Single Family	12.7	11.3	11.6	2.2%	-8.7%
Two/Three Family	16.7	12.1	12.1	0.4%	-27.5%
All others	3.0	3.2	3.4	5.5%	13.3%
Multi-Family	6.3	6.0	6.3	5.2%	0.0%
Total Residential	\$59.3	\$56.6	\$57.5	1.7%	-3.0%
Business					
Commercial	\$22.3	\$25.3	\$25.9	1.5%	16.1%
Industrial	1.4	0.6	0.6	-0.8%	-57.1%
Personal	3.5	4.4	4.5	3.0%	28.6%
Total Business	\$27.2	\$30.2	\$31.0	2.5%	14.0%
Total Value	\$86.5	\$86.8	\$88.5	2.0%	2.3%

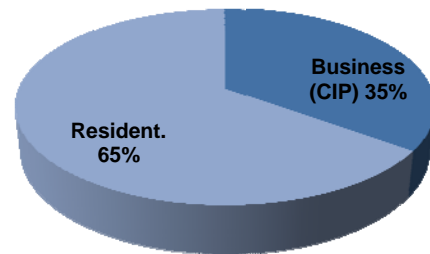
Over the last year, residential values have grown by 1.7%. For the first time since fiscal 2009, business values, which include commercial, industrial, and personal property, grew by 2.5% over 2011.

By Ward, Brighton South, South Boston (North), and Dorchester South experienced the largest percentage growth over last year. Looking back five years, the Back Bay is the overall leader with values up 19.9% in 2012 over fiscal 2007 due to value appreciation and new construction. Dorchester, North Central, experienced the largest drop in values (-29%) reflecting the high rate of foreclosures in this neighborhood.

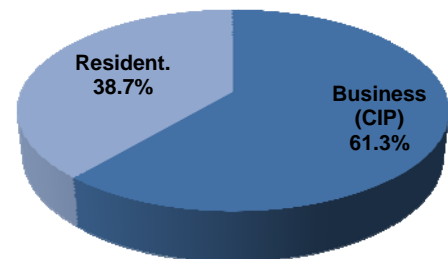
Classification - In fiscal 2012, based on the City's application of the classification law, business property (CIP) represents 35% of the City's taxable value and pays 61.3% of the property tax levy. Residential property represents 65% of the taxable

value and pays 38.7% of the levy. In practice, this means that business property is subsidizing residential property. If property were taxed without classification using a single tax rate, business would pay \$423.9 million or 42.9% less in taxes in fiscal 2012. The business share of the levy increased by 0.3% from fiscal 2011 and the residential share decreased by the same percent.

Figure 1
Property Value Distribution FY12



Property Tax Levy Distribution FY12

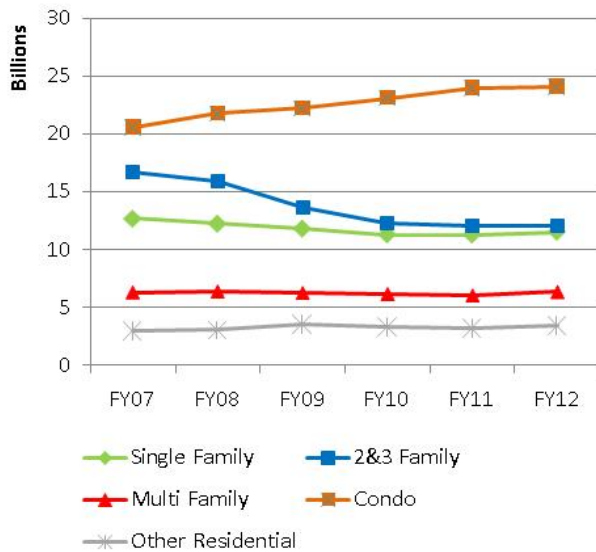


Classification allows cities and towns to determine, within limits, the share of the annual levy to be borne by each class of property. Under Massachusetts law, the share borne by residential property may not be less than 50% of what the share would be without classification and the share paid by commercial, industrial, personal property (CIP) cannot exceed 175% of its full value share.

Residential Property - Residential property is valued at \$57.5 billion in fiscal 2012, a growth of \$954.6 million, or 1.7% over fiscal 2011. Increased values of single family homes and apartments comprise 54.7% of this growth over fiscal 2011. The City has added 770 residential condominium units for the current fiscal year. The total number of new

and renovated units added \$125.1 million in value and generated \$1.6 million in new taxes. However, fiscal 2012 marks the lowest rate of increase in residential condominium values in 10 years. This is due largely to the fact that, in contrast to years past, no large condominium projects were added to the tax rolls for fiscal 2012. Apartment values experienced its highest rate of increase since fiscal 2004, with the transfer of St. Joseph's Community Development and the Savin Hill Apartments out of 121A status and onto the tax rolls. New apartment projects include the second phase of the Peninsula development in Dorchester.

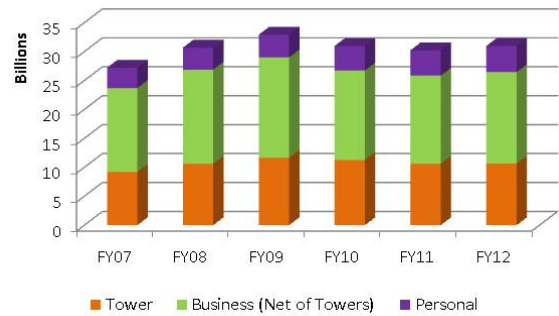
**Figure 2
Residential Property Value Trends
FY07-FY12**



If condominiums are excluded from the residential total, the value for the category would increase by an even larger margin, showing a gain of \$793.1 million, or 2.4% over fiscal 2011.

Commercial and Industrial Properties - Business property, excluding personal property, is valued at \$26.5 billion, an increase of \$615.5 million, or 2.4% over fiscal 2011. This is the first time since fiscal 2009 that commercial and industrial properties have experienced an increase in values. The largest contributor to this growth is Steward Healthcare's purchase of Saint Elizabeth's Medical Center and Carney Hospital. Adding these two hospitals to the tax rolls increased total commercial valuations by

**Figure 3
Business Property Value Trends
FY07-FY12**

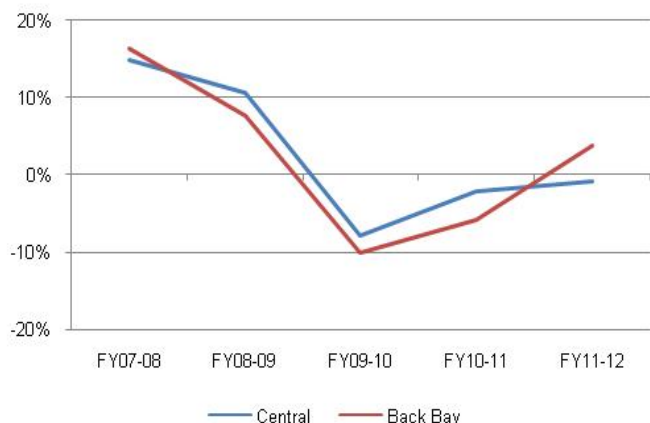


\$287.3 million. Additional drivers of commercial growth include the transfer of the Westin Hotel at the Convention Center from 121A status to taxable status and the construction of new office space at Atlantic Wharf. Within the commercial category, mixed residential-commercial value is up 14.4% over fiscal 2011 and commercial condominium values are up 6.3%.

Towers - The total value of office towers grew by \$44.8 million over fiscal 2011 to \$10.7 billion, an increase of 0.4%. However, fiscal 2012 marks the third consecutive year that tower values in the downtown area declined.

Overall tower values in the financial district were down by \$59.1 million or 0.8% in fiscal 2012. Tower values in the Back Bay grew by \$99.0 million or 3.8%, the first value increase in two years.

**Figure 4
Percentage Change in Tower Valuation
FY07-FY12**



This gap in valuation between the two largest office districts is due primarily to higher vacancy rates for downtown. The financial district, which includes nearly three times more square footage than the Back Bay, had a total vacancy rate of 19.2% in the first quarter of 2012 according to Colliers International. That compares with a vacancy rate of 6.1% in the Back Bay. Current valuations are based on 2010 data and do not reflect the recent sales of Exchange Place and 33 Arch Street in the financial district.

Personal Property - Largely comprised of utility equipment, machinery, and office furnishings, personal property is valued at \$4.5 billion, an increase of \$129.8 million, or 3.0%, over 2011. The increase is mostly due to growth in the top 100 personal property taxpayers, which represent \$382.5 million or 83% of the total personal property value increase of \$460.4 million. The most significant contributors are: NSTAR and Keyspan, personal property now taxable at St. Elizabeth's Medical Center and Carney Hospital, and the Westin Hotel at the Convention Center.

Property Tax Levy - The net property tax levy is \$1.575 billion in fiscal 2012, an increase of \$70.8 million, or 4.7% over fiscal 2011. The net property tax levy is the gross tax levy less the overlay set aside for abatements and uncollected taxes. Under Proposition 2½, Boston has the authority to increase its tax levy by 2.5% over the previous year's levy limit, as long as it is below the levy ceiling (2.5% of the taxable value). The tax levy can also be increased through growth from new development or the conversion of property from tax-exempt to taxable status.

Boston relies on the net property tax for 65.8% of its fiscal 2012 recurring revenue. The gross levy of \$1.614 billion includes the overlay reserve of \$38.7 million for abatements and uncollected taxes which represents 2.5% of the net property tax levy.

New Growth - Comprising 49.1% of the fiscal 2012 property tax levy increase, new growth totaled \$36.5 million. This is a decrease of \$1.3 million, or

3.4% from fiscal 2011. The majority of new growth is attributed to the sale of St. Elizabeth's Medical Center and Carney Hospital to for-profit Steward Health Care System and the addition of the Westin Hotel at the Convention Center to the tax rolls from 121A status, which together represent \$13.4 million in new tax revenue, or 36.7% of new growth. In fiscal 2013, new growth is expected to decline to approximately \$20 million.

Table 2
Tax Levy Growth
Figures in Millions

	FY11	FY12
Prior Year Levy Limit	\$1,465	\$1,540
2 1/2% Levy Growth	37	38
New Growth	38	37
Total Levy Limit	\$1,540	\$1,615
Net Tax Levy	\$1,502	\$1,575
Levy Ceiling	\$2,170	\$2,213

Property Tax Rates - In fiscal 2012, tax rates by class continued to increase to meet the 2.5% levy increase over fiscal 2011. The residential tax rate is \$13.04 per thousand dollars of value, which reflects an increase of \$0.25, or 2% over fiscal 2011. The business tax rate is \$31.92 per thousand dollars of value, an increase of \$0.88 or 2.8% over fiscal 2011. This is the third consecutive year of growth in the residential tax rate and the fourth straight year of increase in the business tax rate.

In Boston, an average single-family residential tax bill is \$3,305, which is an increase of \$150 or 4.8% over fiscal 2011. This is the third straight year the average single-family residential tax bill has risen. Boston's application of classification and its utilization of the residential exemption has enabled it to achieve the third lowest average single-family tax bill in fiscal 2012 in a [comparison](#) of nineteen surrounding communities.