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Highlights

- Boston's average single-family tax bill for fiscal 2013 is \$3,481, a \$176 or 5.3% increase over fiscal 2012. The tax bill is lower than the average in most surrounding communities.
- If property were taxed without classification, businesses in Boston would pay \$439.1 million or 42.9% less in fiscal 2013.

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Boston's Tax Values Reach Highest Level in Four Years

After a time of value fluctuation, Boston has two years of stable growth

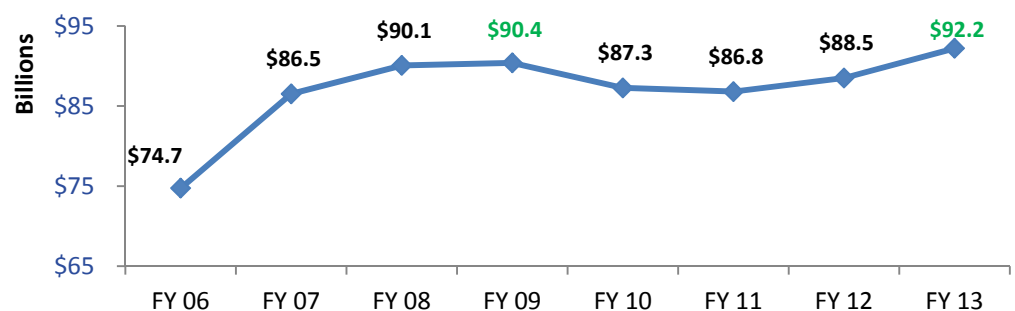
Boston's fiscal 2013 total taxable value as of January 1, 2012 has restored the value lost during the recession and has surpassed the previous high value mark of \$90.4 billion set in fiscal 2009. In this revaluation year, Boston's fiscal 2013 taxable values rose to \$92.2 billion, a \$3.7 billion or 4.2% increase over fiscal 2012. Residential value continues to drive growth with a 4.6% increase over fiscal 2012. Business value, which consists of commercial, industrial and personal property (CIP), increased by 3.5%. Fiscal 2013 is the second consecutive year that taxable values increased after the two previous years of value decline. This report describes the [factors](#) involved in the fiscal 2013 tax rate set in December 2012.

Boston's fiscal 2013 net tax levy is \$1.64 billion, a \$65.4 million or 4.1% increase over fiscal 2012. The property tax constitutes 66.5% of Boston's fiscal 2013 operating budget. Since fiscal 2007, the City's net tax levy has increased by \$418.5 million or 34.2%, while Boston's net state aid has decreased by \$137.6 million or 37.9% during the same period. Other highlights include:

- Multi-family or apartment property represents 11.5% of total residential value but produced the largest value increase of 9.3% due to increasing rents and new construction. Condominium value increased by 2.8%.
- Boston's office tower value increased by \$404.4 million or 3.8% over fiscal 2012, accounting for 37.8% of total commercial growth.
- New growth totals \$28.7 million in fiscal 2013, representing 41.6% of the total tax levy increase. This amount is the lowest increase in new growth since fiscal 2005.

Figure 1

City of Boston Total Taxable Property Value
FY06 to FY13



Property Tax Values

Boston's total taxable property value for fiscal 2013 is \$92.2 billion, a \$3.7 billion or 4.2% increase over last year's value. This growth as of January 1, 2012 is double the previous year's valuation growth due to a slowly improving economy and a full parcel-specific revaluation. At \$92.2 billion, Boston's taxable value is the highest since fiscal 2009, the last year that the total value peaked at \$90.4 billion.

Table 1

City of Boston Value Summary

Values in Billions

Class	FY12	FY13	Change FY12- FY13	% Change FY12- FY13
Residential				
Condominiums	\$24.1	\$24.8	\$0.7	2.8%
Single-family	\$11.6	\$12.1	\$0.5	4.5%
2/3 Family	\$12.1	\$12.5	\$0.4	3.5%
All others	\$3.4	\$3.8	\$0.4	12.6%
Multi-Family	\$6.3	\$6.9	\$0.6	9.3%
Total Residential	\$57.5	\$60.1	\$2.6	4.6%
Business				
Commercial	\$25.9	\$26.8	\$1.0	3.8%
Industrial	\$0.6	\$0.6	\$0.03	4.8%
Personal	\$4.5	\$4.6	\$0.1	1.5%
Total Business	\$31.0	\$32.1	\$1.1	3.5%
Total Value	\$88.5	\$92.2	\$3.7	4.2%

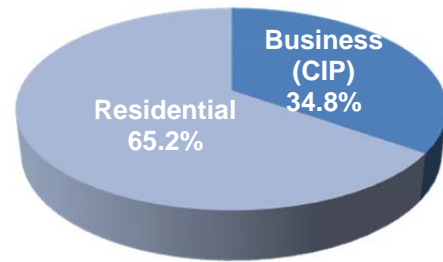
Residential value grew by \$2.6 billion or 4.6% to a total of \$60.1 billion in fiscal 2013. Business value increased by \$1.1 billion or 3.5% to a total of \$32.1 billion.

Classification – Based on Boston's application of the classification law in fiscal 2013, business property represents 34.8% of the total taxable value, but will pay 60.8% of the tax levy. Residential property represents 65.2% of the total value, but 39.2% of the total tax levy. The business share of the total levy declined slightly from 61.3% to 60.8% from the prior year. The extent that business property subsidizes residential property owners is

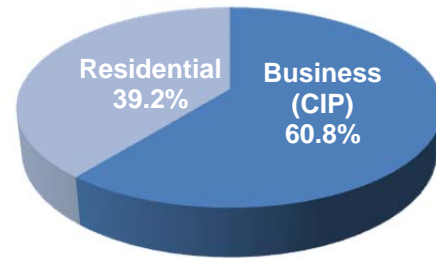
demonstrated by the fact that if taxes were determined at 100% of value using a single tax rate, business taxes would decrease by \$439.1 million or 42.9% and be shifted to residential property.

Figure 2

Property Value Distribution FY13



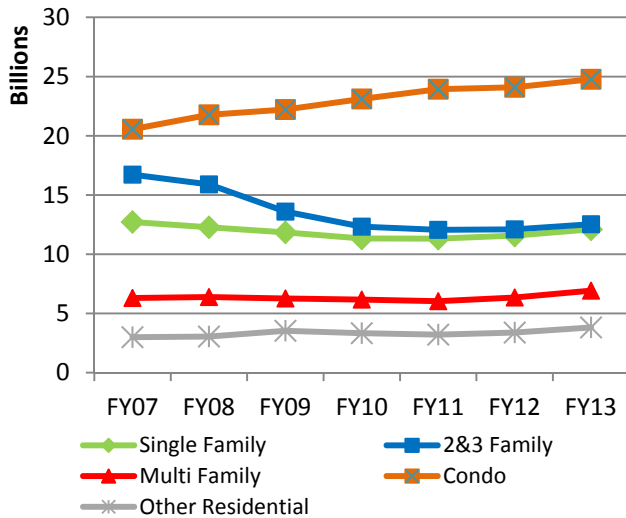
Property Tax Levy Distribution FY13



Residential Property – Residential value increased by the appreciation of existing value and new growth at a slightly faster pace than business value over last year, representing 71.1% of the total growth. For the second consecutive year, all categories of residential value increased, and in fiscal 2013 posted stronger, but moderate, growth rates. Condominium and apartment values, which represent 52.7% of total residential value, constituted 47.7% of residential growth. Multi-family or apartment property produced the largest value increase of 9.3% or \$587.4 million due to increasing rents and new construction. Condominium value grew by \$667.2M or 2.8%, up from an increase of 0.7% in fiscal 2012. Excluding condominiums, residential value would have increased by \$1.96 billion or 5.9%.

Figure 3

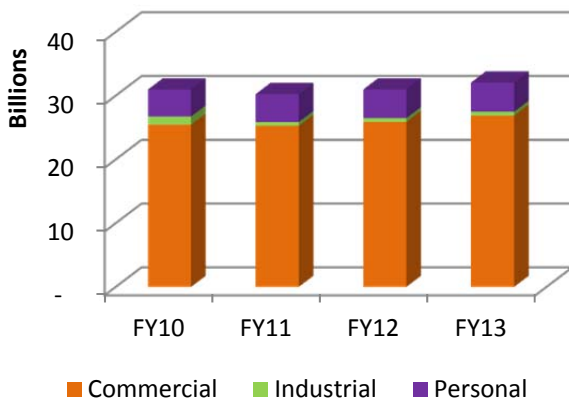
**Residential Property Value Trends
FY07-FY13**



For the first time since fiscal 2006, all Boston neighborhoods generated a positive increase in residential value. Single-family values increased by \$521.9 million or 4.5% over fiscal 2012 which is double the increase experienced in the prior year. The Seaport District, Roxbury Central and the South End posted the highest residential gains over fiscal 2012.

Figure 4

**Business Property (CIP) Value Trends
FY10-FY13**

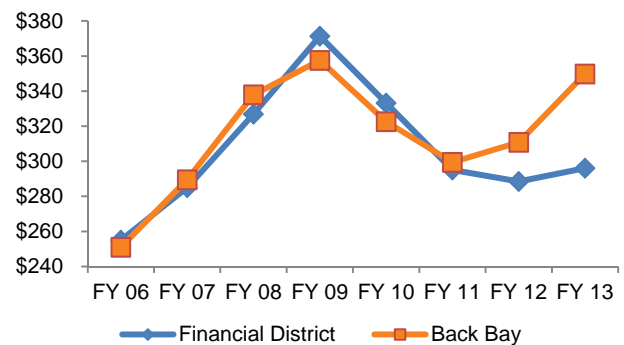


Business (CIP) Property – Commercial Industrial and Personal property is valued at \$32.1 billion, a \$1.1 billion or 3.5% increase over fiscal 2012. Commercial properties drove the CIP value growth with its increase of \$834.6 million or 3.8% over fiscal 2012 values. Industrial values increased over the prior year by \$28.6 million or 4.8% after four consecutive years of value losses. Personal property, consisting mainly of the equipment and machinery of the utilities and also office equipment, is valued at \$4.6 billion or 14.3% of total business value in fiscal 2013. From the past year, personal property value increased by \$65 million or 1.5%.

Towers – Boston’s A and A- commercial office tower value is \$11.1 billion in fiscal 2013, a \$404.3 million or 3.8% increase over the prior year. Tower values represent 37.8% of the overall growth in commercial value for fiscal 2013.

Figure 5

**Class A/ A- Tower Average Value Per Sq. Ft.
FY06-FY13**



Since the recession, values of Class A and A- office towers have diverged, with the Back Bay experiencing more robust value growth per square foot than the Financial District. In the seven years between fiscal 2006 and fiscal 2013, the average value per square foot grew by \$98.84 or 39.4% in the Back Bay and \$41.02 or 16.1% in the Financial District. The Back Bay has continued strong value growth due to the tight Class A market with an average value per square foot of \$350 or a 12.5%

increase over fiscal 2012. The Financial District began to improve, but slowly, with a \$311 average value per square foot in fiscal 2013 or a 2.6% increase. Slow value growth in the Financial District is due to a large supply of vacant space in the lower floors of towers in that district. The gap in value per square foot between the Financial District and the Back Bay should narrow over the next couple of years due to greater supply coming online in the Back Bay and a more active market in the Financial District.

Property Tax Levy

Boston’s net property tax levy in fiscal 2013 totals \$1.64 billion which is a \$65.4 million or 4.1% increase over the prior year. The net property tax levy is the gross tax levy of \$1.68 billion less the overlay of \$41.1 million set aside for abatements and uncollected taxes. Because Boston’s property tax levy is below 2.5% of the City’s total taxable value (levy ceiling), the tax levy was able to increase by \$40.4 million or 2.5% over the prior year’s levy limit. Each year the City raises the tax levy to the maximum level possible without seeking an override. New growth from development or the conversion of tax-exempt property to taxable status also increased the tax levy by \$28.7 million.

Table 2
Tax Levy Growth

Figures in millions

	FY12	FY13
Prior Year Levy Limit	\$1,540	\$1,615
2 1/2% Levy Growth	38.5	40.4
New Growth	36.5	28.7
Total Levy Limit	\$1,615	\$1,684
Net Tax Levy	\$1,577	\$1,643
Levy Ceiling	\$2,213	\$2,305

The property tax is the City’s largest revenue source, representing 66.5% of its operating revenue in fiscal 2013. Boston relies more on the property tax now than it did in 1981, the last full year before the implementation of Proposition 2½ when the

property tax represented 61% of all General Fund revenues.

New Growth – Boston experienced less new growth in fiscal 2013 partly due to Boston being in between construction cycles in 2011. New growth totals \$28.7 million which is a decrease of \$7.8 million or 21.4% from fiscal 2012. New growth represents 41.6% of the total tax levy increase in fiscal 2013, the lowest new growth level since fiscal 2005. Personal property accounts for \$15.6 million or 54.4% of this year’s increase in new growth. New development in the Seaport District and the purchase of an MBTA garage by Delaware North also contributed to the total. In fiscal 2013, unlike in fiscal 2011 and fiscal 2012, no major properties made a transition from exempt to taxable status similar to Steward’s acquisition of Caritas or the expiration of One Beacon’s 121A exempt status.

Property Tax Rates

Both the business (CIP) and residential tax rates increased for the fourth consecutive year in fiscal 2013 to ensure the levy increase of 2.5%. The residential tax rate for fiscal 2013 is \$13.14 per \$1,000 of value, a \$0.10 or 0.8% increase over the prior year. The business tax rate is \$31.96 per 1,000 of value, a \$0.04 or 0.1% increase. Boston must adjust its two tax rates based on the changes in residential and business values so that the tax levy does not exceed 2.5% over the prior year’s levy limit.

Boston’s average single-family tax bill is \$3,481 in fiscal 2013, an increase of \$176 or 5.3% over the fiscal 2012 average. This is the fourth consecutive year that the average single-family tax bill has risen in Boston.

However, Boston’s application of classification and the utilization of the residential exemption have enabled the City to have the 3rd lowest average single-family tax bill in fiscal 2013 in a [comparison](#) of Boston and 19 other surrounding communities. The City’s tax bill this year is also below the statewide average single-family tax bill of \$4,926.

In fiscal 2013, the 30% residential exemption, for residential property used as the principal residence, represented a tax cut of \$1,724, an increase of \$80 over fiscal 2012. The \$1,724 exemption is equivalent to a property value reduction of \$131,238. Also, the application of classification saves homeowners on average \$2,029 on a single-family home.

The City's effective tax rate, taxes as a percent of value, is 1.83%. Under the provisions of Proposition 2½, the property tax cannot exceed 2.5% of the value of all taxable property. With a levy ceiling of

\$2.3 billion and the gross tax levy of \$1.68 billion in fiscal 2013, Boston's property tax levy is \$621.3 million below the levy ceiling.

Outlook

Boston's total taxable values are expected to continue steady growth for fiscal 2014, as the markets for residential and commercial real estate turned the corner in calendar 2012. New growth is expected to rebound due to construction activity that began in 2012 and Boston's healthy development pipeline for 2013 and 2014.