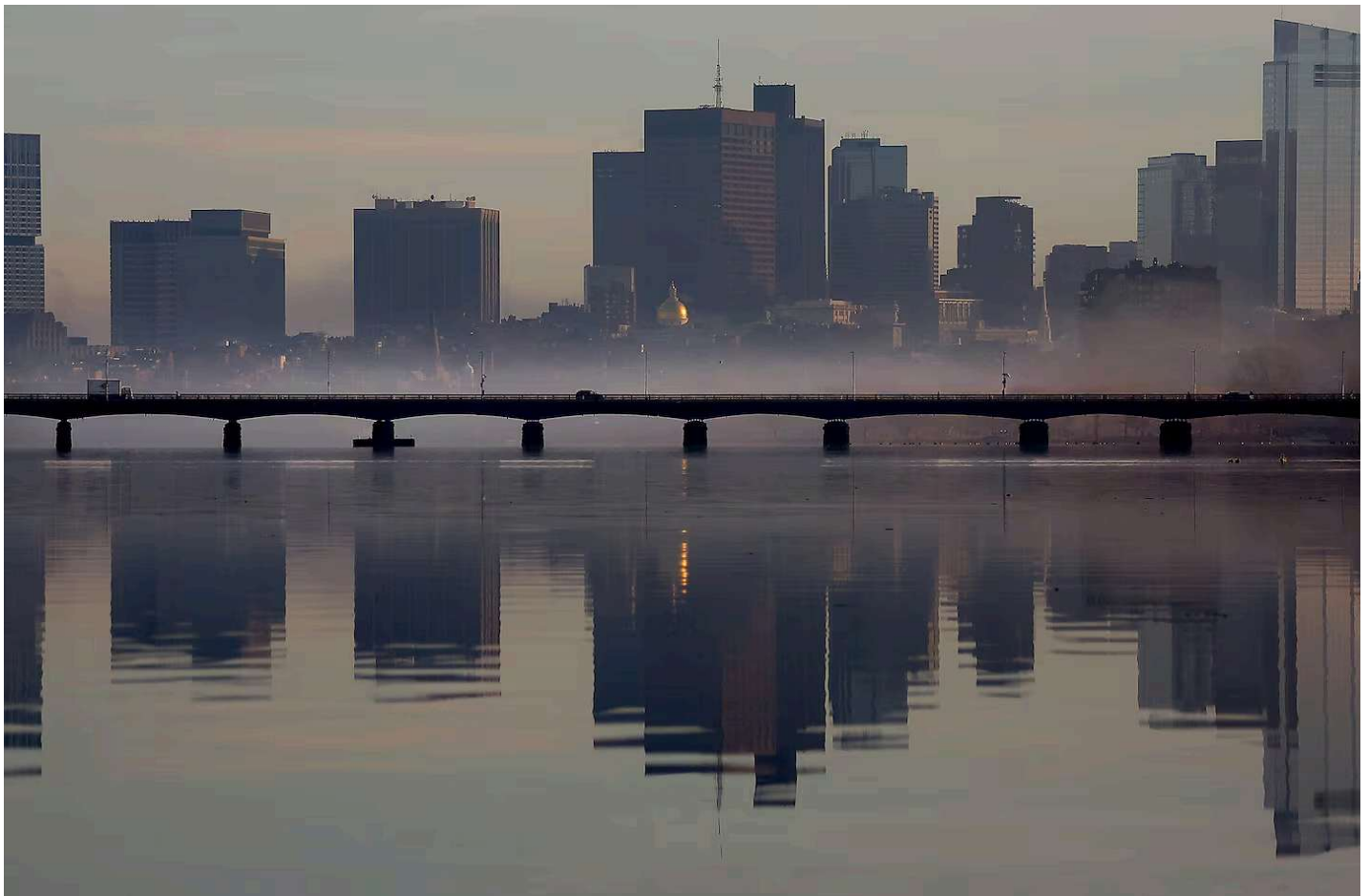


# How an elusive math problem killed Mayor Wu's tax plan

Minor swings in real estate assessments are fairly common, but one torpedoed Mayor Wu's high-profile push to boost commercial property tax rates

By [Catherine Carlock](#) Globe Staff, Updated December 11, 2024, 7:06 p.m.



Negotiations over Mayor Michelle Wu's effort to hike commercial property tax rates blew up this week when new estimates projected the value of office space is higher than anticipated. LANE TURNER/GLOBE STAFF

How much is a city like Boston worth? The answer is a moving target. And a narrow miss just [torpedoed Mayor Michelle Wu's contentious push](#) to boost tax rates on office buildings.

As it readied tax bills for next year, Boston's Assessing Department this fall updated the values of some 170,500 properties, determining what each is worth, and whether, together, the real estate taxes charged on those parcels will generate enough revenue to fund the bulk of Boston's \$4.6 billion budget. It's a dynamic process that's difficult, if not impossible, to perfect — particularly these days, when the long-term effects of the COVID-19 pandemic on the value of commercial real estate remain a major uncertainty.

“Assessors treat it like it's science, but everybody acknowledges it's more art,” said David N. Schleicher, a professor at Yale Law School who studies local government. “It's gotten harder to do than it once was. In periods of flux, property valuation is harder. The projections are just inherently more difficult.”

Boston currently taxes commercial property at 2½ times the rate of residential property, the most allowed under state law, exploiting a valuable tax base that has long powered the city budget. But with office values slumping amid high vacancy rates since COVID-19, [that tax base was poised to shrink](#), and the Wu administration feared it would be forced to compensate by hiking residential property taxes. Instead, Wu [asked the Legislature to raise the cap on commercial rates](#) for several years, much as her predecessor Thomas M. Menino did in 2004.

When they began making their case earlier this year, Wu [had warned the change in property values could result in residents](#) facing a 33 percent hike on their tax bills should the Legislature not pass her home-rule petition.

Shortly before reaching an agreement with business leaders in the fall, Wu administration officials forecast property values that ultimately ended up off by 1 to 2 percentage points. Values of commercial properties were expected to decline by up to 7 percent, while residential values were projected to rise by up to 4 percent. When the final numbers were revealed last week, commercial values had fallen just 5 percent, while residential values grew by 3 percent. That ultimately translated to residential tax bills

climbing 10.4 percent — just a bit higher than last year’s increase, and a far cry from the initial number.

That shift drew swift outrage from business leaders and lawmakers who’d been skeptical of Wu’s plan. Their tentative support evaporated, and the effort died in the Senate on Monday. By Tuesday night, City Councilor Ed Flynn — the lone member to oppose Wu’s tax shift — was urging the state inspector general to open an investigation into the projections.



Boston Mayor Michelle Wu. JOHN TLUMACKI/GLOBE STAFF

“I believe it is necessary to look into how and why there are such discrepancies in the data that was provided by the Assessing Department to ensure that this confusion does not occur in the future,” he wrote in an email to Inspector General Jeffrey Shapiro. “It is critical that Boston residents and their elected officials are informed with the most accurate data to make informed decisions on these matters.”

But it's not surprising preliminary estimates would differ from final numbers, said Ron Rakow, who was the longtime commissioner of assessing under previous Boston mayors and is now a fellow at the Lincoln Institute of Land Policy in Cambridge.

There's much fine-tuning in the final months of the valuation process, he said. Valuations are fluid and based on a number of factors — whether a building has been sold, had significant improvements, or even damages such as a fire. Complicating matters, every five years the city revalues all property, creating a new statistical model for building valuations. And this is one of those years.

“The city's basically starting from scratch,” Rakow said. “That can also add a lot of unpredictability in terms of how it's going to come out in the end.”

And it's always harder to measure in a slow market, when there are fewer leases and property sales to compare.

“At a time when you have a lot of vacancy and you don't have a lot of transactions, that valuation process becomes all the more difficult,” Rakow said. “In the context of Boston doing a revaluation, and the fact that Boston's tax situation is a very dynamic one, the fact that these numbers changed by a percent or two is hardly surprising.”

Indeed, just since September, the city made “thousands of data changes” to the value of properties, Wu said in a letter this week to business groups, a mix of various revisions and fixing errors.

But those updated projections were enough to derail the progress of Wu's home-rule petition. Key senators [withdrew their support](#). Business groups [urged a pause](#). A nearly year-long effort ended in nothing. On Wednesday, the City Council approved next year's tax rates, as projected, to \$11.58 per \$1,000 of value for residential properties and \$25.96 per \$1,000 of value for commercial properties.

Boston Mayor Michelle Wu pushed for the ability to hike property tax rates to cushion the city's tax base against falling values of office buildings that are less full amid a post-COVID rise of remote work. Her push did not succeed. CRAIG F. WALKER/GLOBE

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When Wu first filed the bill earlier this year, she acknowledged it would be December before the final valuations were known. But she wasn't just thinking about this year.

Her measure gave the city the option to hike commercial rates each of the next three years, should it need to, if office building values continue to fall.

“Most of all,” Wu wrote to business leaders over the weekend, “this bill is needed to guarantee stability for the next three years in a period of continued uncertainty.”

But uncertainty, and stability, cut both ways. The flexibility to raise tax rates in the future may be reassuring to a mayor, but it can be unnerving to the owners of large office buildings who crave certainty themselves, especially over what their tax bill might be.

They were willing to go along in a crisis. But when the numbers finally came, and a crisis didn't materialize, support for Wu's plan crumbled.

Still, some question why the debate is over property taxes, and not over the size of the city budget they fund. Boston's annual budget increased by 8 percent this year — more than double the rate of inflation, said Jim Rooney, CEO of the Greater Boston Chamber of Commerce.

That jump “comes up again, and again, and again,” both in boardrooms and neighborhoods, Rooney said. The Wu administration has said the increase is primarily driven by the cost of recently ratified union contracts.

“There shouldn't be this talk of division between business and residents and commercial property taxpayers and residential property owners,” Rooney said. “We're all taxpayers, and we all have an interest in government acting with fiscal accountability, so that we're not faced with a situation in which government has to turn to the taxpayer and say, ‘We need more.’ ”