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Is Boston overtaxing the Back Bay area?

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Boston real estate is booming again. In its recent assessment for fiscal year 2015, the city valued taxable real estate holdings at more than \$110 billion, up 10% from 2014.

With the increase in assessments, of course, comes an increase in taxes. Fortunately for the taxpayers, Proposition 2 ½ caps any year-over-year increase at 2.5%. Unfortunately for some, the cap is not applied on a per-property basis, but to the city-wide tax levy as a whole. For FY 2015, the capped increase is \$44.5 million.

Many property owners in the Back Bay feel that the increased levy may have been applied disproportionately to them. Commercial and residential owners in the Back Bay are facing an average tax increase of 18.4% compared to a city-wide increase of only 5.7%.

A number of commercial property owners on Newbury and Boylston Sts. received letters from the city in January advising them that their taxes are increasing by more than 55% this year. For tenants required to pay their share of such increases, this news can be catastrophic. Smaller shops and restaurants, which often operate at thinner margins than the chain retailers, are especially hard-hit.

There are grave concerns that the character of the Back Bay, and of Newbury St. in particular, are threatened. While the Back Bay is home to many high-end retailers, most of which should be able to adjust to these increases, 65% of the neighborhood is comprised of small, independent businesses. Notwithstanding the outcry, there appears to be a general consensus among the property owners and brokers we polled that, although the tax increases are a contributing factor, the prime catalyst for change in the Back Bay has been the steady increase in base rents.

Nevertheless, the outcry may be justified if the Back Bay property owners have in fact been saddled with more of the tax increase than their counterparts in the Seaport, Downtown and Downtown Crossing.

Many of the landlords who filed applications for abatements in February are just now receiving the Assessor's decisions. Initial indications are that many of the applications have been denied. There is a ninety day appeal period, and it will be interesting to see if any owners, individually or together, will undertake the research and analysis to determine whether there is good cause for a claim that the Back Bay is overpaying.

For 2016 it is safe to assume that City will increase property taxes by the full amount permitted under the Proposition 2 ½, and many in the Back Bay will be watching to see whether its distribution among the main commercial neighborhoods will be the same as this year.

There is also increasing buzz about what might be the effect of an 18 to 55% tax increase in the Seaport, many parts of which are still under construction or just now stabilizing, or in Downtown Crossing, where the impact of the Millennium Tower and other projects is still hard to predict.

Valid though these concerns may be, these are boomtown problems and good problems to have. Though I have never known a property owner to be content with an increased assessment, I have

also never heard one complain about its property value continuing to rise.

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