

Tax Classification Hearing- FY2019

*Annual adoption of the Residential Factor and
other options per MGL Chapter 40 s.56*

presented by

William G. Naser, MAA - Chief Assessor

Board of Assessors

Arthur Holmes, Chair

Kathryn Pierce, Clerk

Elizabeth Fekete, Member

October 30, 2018



FY2019 – Certification Year

Value Assessment date is *January 1, 2018 for FY2019*

All values are analyzed by reviewing the following:

- **RESIDENTIAL VALUES** - Real estate sales from *Calendar Year 2017*, and if necessary, a portion of *Calendar Year 2018*; also information from Marshall & Swift residential cost manual.
- **COMMERCIAL & INDUSTRIAL VALUES** – Industry sources and use of written returns of information for real property, from *Calendar Year 2017* property income and expenses.
- **PERSONAL PROPERTY VALUES** – Cost tables and use of written returns of information on business assets from *Calendar Year 2017*.

City Wide Value Change - FY 2018 vs. FY 2019

	FY2018		FY2019 approved		OVERALL CHANGE	
PROPERTY CLASS	ASSESSED VALUATION	PERCENT OF TOTAL VALUATION	ASSESSED VALUATION	PERCENT OF TOTAL VALUATION	ASSESSED VALUATION	PERCENT CHANGE
RESIDENTIAL	6,918,934,746	76.4%	7,555,906,005	77.2%	636,971,259	9.2%
OPEN SPACE	-	-	-	-	-	-
TOTAL RES. & OS	6,918,934,746	76.4%	7,555,906,005	77.2%	636,971,259	9.2%
COMMERCIAL	1,563,224,925	17.3%	1,608,831,843	16.4%	45,606,918	2.9%
INDUSTRIAL	274,663,170	3.0%	312,394,780	3.2%	37,731,610	13.7%
PERSONAL	296,525,524	3.3%	310,683,627	3.2%	14,158,103	4.8%
TOTAL CIP	2,134,413,619	23.6%	2,231,910,250	22.8%	97,496,631	4.6%
TOTALS	9,053,348,365	100.0%	9,787,816,255	100.0%	734,467,890	8.1%
RE EXEMPT VALUE	1,081,565,335	-	1,139,448,010	-	-	5.4%

FY2019 Value Summary by Class

Overall percent adjustments

- RESIDENTIAL Class: Increased by 9.2%
Class 1 Residential (18,781 total parcels; 13,497 single family homes, 3,178 residential condominiums)
- COMMERCIAL Class: Increase by 2.9%
Class 3 Commercial (844 parcels)
- INDUSTRIAL Class: Increase by 13.7%
Class 4 Industrial (106 parcels)
- PERSONAL Class: Increase by 4.8%
Class 5 Personal (Business assets, 1209 accounts)

Value Trends/Comments

Residential

- Single family – parcel increase (+19) & value increase
- Condominiums – parcel increase (+20) & value increase....and will continue to grow with Northside Meadows & Clarks Hill Lane.
- Apartment complexes- Value will be added as these projects develop.

Commercial & Industrial

- Modest increase in the commercial and higher increase for industrial properties for current Fiscal Year. Appears to be a stable market with a balance between the desire to lease building space, and the availability of building space.

Personal Property - 2 Areas (State valued, locally valued):

- Our smallest value segment. First area is state valued business assets in Framingham, 15 accounts, 21.1% of total PP value. Accounts such as Verizon, AT&T, and Tennessee Pipeline. Second area is other taxable business assets from local shops, restaurants, retail, gas stations, etc. 1,194 accounts, 78.9% of total value.

Taxable Value Summary – Current Year and Previous 9 Years

FISCAL YEAR	TOTAL TAXABLE VALUE	PERCENT CHANGE FROM PREVIOUS YEAR
2019	9,787,816,255	8.11%
2018	9,053,348,365	6.61%
2017	8,491,991,206	6.88%
2016	7,945,015,743	4.41%
2015	7,609,478,571	5.08%
2014	7,241,593,787	-0.37%
2013	7,268,634,368	-3.47%
2012	7,529,736,477	0.94%
2011	7,459,613,764	-5.98%
2010	7,934,481,314	-

Tax Levy (New Growth)

The tax levy growth is new construction value increase or items not previously assessed, which is added to increase value in either real or personal property areas. Then converted to a tax amount as part of the Proposition 2.5% calculation.

New Growth Valuation is **121,166,939** which translates to tax levy growth of **\$3,224,492 for FY2019.**

TAX LEVY GROWTH – current year and previous 4 years

Fiscal Year		NEW GROWTH VALUATION	PRIOR YEAR TAX RATE	TAX LEVY GROWTH	TOTAL TAX LEVY GROWTH
2019	RES	55,773,820	0.01632	\$ 910,229	\$ 3,224,491
	CIP	65,393,119	0.03539	\$ 2,314,262	
	TOTAL	121,166,939			
2018	Total	132,686,808	-	-	\$ 3,202,597
2017	Total	129,726,449	-	-	\$ 3,155,119
2016	Total	70,004,390	-	-	\$ 2,073,552
2015	Total	32,777,665	-	-	\$ 951,488

Converting Value to Tax

◆ Tax Rate setting process ◆

- Work throughout the fiscal year to adjust and refine personal & real property values.
- Submit and receive approvals from DOR, Division of Local Services (value and new growth).
- Along with CFO, Accountant, and Tax Collector, complete state recap documents.
- Hold hearing, local officials choose tax burdens for taxpayers.
- Submit City Council choices to state for tax rate approval.

Development of Tax Rate

STEP 1:

Establish Property Values

• Residential/Open Space	7,555,906,005 (77%)
• Comm/Ind/Per Property	<u>2,231,910,250 (23%)</u>
TOTAL TAXABLE VALUE	9,787,816,255

(Exempt real property value is 1,139,448,010)

Development of Tax Rate

STEP 2:

Determine Single Tax Rate for All Property Classes

• Residential/Open Space	7,555,906,005
• Comm/Ind/PersProp	<u>2,231,910,250</u>
• TOTAL TAXABLE VALUE	9,787,816,255

Tax Levy divided by Total Taxable Value

$$\text{\$190,925,000} / \text{9,787,816,255} = \text{0.01951}$$

OR

\\$19.51/1000 value

Average Single Family Value 416,650. RE Tax Bill would be \\$8,129.

Development of Tax Rate

STEP 3:

Determine Split Tax Rate for Property Classes

- A residential factor of less than 1, reduces the share of the tax levy paid by the Residential & Open Space classes and increases the share paid by the Commercial, Industrial, and Personal Property properties.
- CIP taxpayers cannot pay more than 150% of full fair cash value; RO must pay at least 65% of FFCV.
- However, with Chapter 200, parameters can be expanded so CIP taxpayers pay a maximum of 175%, and RO taxpayers pay the greater of 50% of FFCV or lowest percentage share of the levy they have paid since classification began.
- Framingham meets this threshold, therefore the 175% shift is available.

Development of Tax Rate

STEP 4:

Determine Split Tax Rate for Property Classes

▪ **FY2018 Chosen Residential Factor 0.784058**

(lowest possible 0.7686)

▪ FY2018 Natural Full value shares:	RES 76.4241%	CIP 23.5759%
▪ FY2018 BOS Chosen value shares:	RES 59.9209%	CIP 40.0791%
▪ <u>TAX RATES</u>	<u>RES 0.01632</u>	<u>CIP 0.03539</u>

▪ **FY2019 Residential Factor TBD**

(lowest possible is 0.7785)

▪ FY2019 Natural Full value shares:	RES 77.1970%	CIP 22.8030%
▪ FY2019 CC Chosen value shares:	RES TBD	CIP TBD
▪ <u>TAX RATES</u>	<u>RES TBD</u>	<u>CIP TBD</u>

Development of Tax Rate

STEP 5:

Determine Split Tax Rate for Property Classes

Estimated Tax Rates (DOR approves tax rates)							
CIP SHIFT	RES FACTOR	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	PERSONAL PROPERTY	RES SHARE PERCENTAGE	CIP SHARE PERCENTAGE
1.66	80.50	15.70	32.38	32.38	32.38	62.1471	37.8529
1.67	80.21	15.65	32.58	32.58	32.58	61.9190	38.0810
1.68	79.91	15.59	32.77	32.77	32.77	61.6910	38.3090
1.69	79.62	15.53	32.97	32.97	32.97	61.4630	38.5370
1.70	79.32	15.47	33.16	33.16	33.16	61.2350	38.7650
1.71	79.03	15.42	33.36	33.36	33.36	61.0069	38.9931
1.72	78.73	15.36	33.55	33.55	33.55	60.7789	39.2211
1.73	78.44	15.30	33.75	33.75	33.75	60.5509	39.4491
1.74	78.14	15.24	33.94	33.94	33.94	60.3228	39.6772
1.75	77.85	15.18	34.14	34.14	34.14	60.0948	39.9052
1.00	100.00	19.51	19.51	19.51	19.51	77.1970	22.8030

****All tax rates will change if the open space discount or the residential exemption or the small commercial exemption are chosen.***

Average Single Family Home Tax Bill

Estimated RE Tax - Average SF Dwelling using factors from 1.66 -1.75			
CIP Shift Factor	RESIDENTIAL RATE	AVERAGE SINGLE FAMILY VALUE - FY2019	FY19 Tax Amount
1.66	\$ 15.70	416,650	\$6,541
1.67	\$ 15.65	416,650	\$6,521
1.68	\$ 15.59	416,650	\$6,496
1.69	\$ 15.53	416,650	\$6,471
1.70	\$ 15.47	416,650	\$6,446
1.71	\$ 15.42	416,650	\$6,425
1.72	\$ 15.36	416,650	\$6,400
1.73	\$ 15.30	416,650	\$6,375
1.74	\$ 15.24	416,650	\$6,350
1.75	\$ 15.18	416,650	\$6,325
1.00	\$19.51	416,650	\$8,129

SINGLE FAMILY: Value, Tax bill, and Percent increases from previous year

				value	percent	tax dollars	tax dollars	percent
FISCAL YEAR	TOTAL VALUE-SINGLE FAMILY PARCELS	NUMBER OF SINGLE FAMILY PARCELS	RES. TAX RATE	<u>AVERAGE SINGLE FAMILY VALUE</u>	<u>AVG SF VALUE ADJUSTMENT FROM PREVIOUS YEAR</u>	<u>AVERAGE SF TAX BILL</u>	<u>DOLLAR AMOUNT CHANGE FROM PREVIOUS YEAR</u>	<u>TAX BILL AMOUNT PERCENT INCREASE FROM PREVIOUS YEAR</u>
*2019	5,623,443,775	13,497	\$ 15.36	416,650	7.86%	\$ 6,400	\$ 95	1.51%
2018	5,206,444,500	13,478	\$ 16.32	386,300	5.17%	\$ 6,304	\$ 167	2.72%
2017	4,941,939,800	13,454	\$ 16.71	367,300	5.27%	\$ 6,138	\$ 74	1.22%
2016	4,688,782,300	13,437	\$ 17.38	348,900	4.46%	\$ 6,064	\$ 112	1.88%
2015	4,479,042,600	13,409	\$ 17.82	334,000	3.15%	\$ 5,952	\$ 30	0.50%
2014	4,336,780,200	13,394	\$ 18.29	323,800	-	\$ 5,922	-	-
average dollar amount change & average tax bill percent adjustment							\$ 95	1.57%
*FY2019 Res. rate based upon <u>1.72 CIP shift</u> and tax levy amount of <u>\$190,925,000.</u>								

Comparison: FY2018 vs. FY2019. CIP Shift and Average SF Tax Bill

Estimated FY2019 Tax Rates - Recommended CIP Shift 1.72								
FY2019	CIP SHIFT	RES FACTOR	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	PERSONAL PROPERTY	RES SHARE PERCENTAGE	CIP SHARE PERCENTAGE
	1.70	79.32	15.47	33.16	33.16	33.16	61.2350	38.7650
	1.71	79.03	15.42	33.36	33.36	33.36	61.0069	38.9931
	1.72	78.73	15.36	33.55	33.55	33.55	60.7789	39.2211
	1.73	78.44	15.30	33.75	33.75	33.75	60.5509	39.4491
	1.74	78.14	15.24	33.94	33.94	33.94	60.3228	39.6772
	1.75	77.85	15.18	34.14	34.14	34.14	60.0948	39.9052
	1.00	100.00	19.51	19.51	19.51	19.51	77.1970	22.8030
Average SF property 416,640 x 0.01632 = \$6,400/year								
TAX RATES - FY2018 chosen CIP Shift 1.70								
FY2018	CIP SHIFT	RES FACTOR	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	PERSONAL PROPERTY	RES SHARE PERCENTAGE	CIP SHARE PERCENTAGE
	1.70	78.41	16.32	35.39	35.39	35.39	59.9209	40.0791
	1.71	78.10	16.26	35.60	35.60	35.60	59.6852	40.3148
	1.72	77.79	16.19	35.80	35.80	35.80	59.4494	40.5506
	1.73	77.48	16.13	36.01	36.01	36.01	59.2136	40.7864
	1.74	77.17	16.06	36.22	36.22	36.22	58.9779	41.0221
	1.75	76.86	16.00	36.43	36.43	36.43	58.7421	41.2579
	1.00	100.00	20.82	20.82	20.82	20.82	76.4241	23.5759
Average SF property 386,300 x 0.01632 = \$6,239/year								

Median Commercial Values & Property Tax Bill

Estimated RE Tax - Median <u>COMMERCIAL</u> Value Property using factors from 1.66-1.75			
CIP Shift Factor	CIP RATE	Median Value	<u>FY2019</u> Tax Amount
1.66	\$32.38	443,100	\$14,348
1.67	\$32.58	443,100	\$14,436
1.68	\$32.77	443,100	\$14,520
1.69	\$32.97	443,100	\$14,609
1.70	\$33.16	443,100	\$14,693
1.71	\$33.36	443,100	\$14,782
1.72 (rec.)	\$33.55	443,100	\$14,866
1.73	\$33.75	443,100	\$14,955
1.74	\$33.94	443,100	\$15,039
1.75	\$34.14	443,100	\$15,127

Estimated RE Tax - Median <u>COMMERCIAL</u> Value Property using factors from 1.66-1.75			
CIP Shift Factor	CIP RATE	Median Value	<u>FY2018</u> Tax Amount
1.66	\$34.55	425,380	\$14,697
1.67	\$34.76	425,380	\$14,786
1.68	\$34.97	425,380	\$14,876
1.69	\$35.18	425,380	\$14,965
1.70(chosen)	\$35.39	425,380	\$15,054
1.71	\$35.60	425,380	\$15,144
1.72	\$35.80	425,380	\$15,229
1.73	\$36.01	425,380	\$15,318
1.74	\$36.22	425,380	\$15,407
1.75	\$36.43	425,380	\$15,497

Median Industrial Values & Property Tax Bill

Estimated RE Tax - Median <u>INDUSTRIAL</u> Value Property using factors from 1.66-1.75			
CIP Shift Factor	CIP RATE	Median Value	FY2019 Tax Amount
1.66	\$32.38	623,300	\$20,182
1.67	\$32.58	623,300	\$20,307
1.68	\$32.77	623,300	\$20,426
1.69	\$32.97	623,300	\$20,550
1.70	\$33.16	623,300	\$20,669
1.71	\$33.36	623,300	\$20,793
1.72 (rec.)	\$33.55	623,300	\$20,912
1.73	\$33.75	623,300	\$21,036
1.74	\$33.94	623,300	\$21,155
1.75	\$34.14	623,300	\$21,279

Estimated RE Tax - Median <u>INDUSTRIAL</u> Value Property using factors from 1.66-1.75			
CIP Shift Factor	CIP RATE	Median Value	FY2018 Tax Amount
1.66	\$34.55	544,140	\$18,800
1.67	\$34.76	544,140	\$18,914
1.68	\$34.97	544,140	\$19,029
1.69	\$35.18	544,140	\$19,143
1.70(chosen)	\$35.39	544,140	\$19,257
1.71	\$35.60	544,140	\$19,371
1.72	\$35.80	544,140	\$19,480
1.73	\$36.01	544,140	\$19,594
1.74	\$36.22	544,140	\$19,709
1.75	\$36.43	544,140	\$19,823

ANNUAL OPTIONS (1 of 3)

▪ ***Open Space Discount***

Class 2 property is property which is not otherwise classified and which is not taxable under the provisions of Chapter 61, 61A, or 61B, or taxable under a permanent conservation restriction, and which land is not held for the production of income but is maintained in an open or natural condition and which contributes significantly to the benefit and enjoyment of the public.

The Open Space Discount allows for designated land to receive up to 25% reduction or 75% of the residential factor. This discount increases the Residential Tax Rate.

(THIS OPTION HAS LESS BENEFIT THAN CHAPTER LAND DESIGNATION; IT IS INFREQUENTLY ENACTED BY COMMUNITIES)

Previously adopted by: Nantucket

ANNUAL OPTIONS (2 of 3)

▪ ***Small Commercial Exemption***

*The Small Commercial Exemption grants an exemption amount **up to 10% of Class Three**, Commercial properties that are occupied by businesses with an average annual employment of no more than 10 people and an assessed valuation of less than 1,000,000.*

TAX RATE IMPACT: *Adopting a Small Commercial exemption **increases the commercial and industrial tax rates**. The amount of the tax levy paid by those two classes remains the same, but because of the exempted valuation, it is distributed over less assessed value. This higher rate creates a shift that reduces the taxes paid by owners of properties occupied by small businesses and shifts them to larger commercial and industrial taxpayers.*

Previously adopted by: Auburn, Avon, Bellingham, Braintree, Dartmouth, New Ashford, Seekonk, Somerset, Westford, Wrentham

ANNUAL OPTIONS (3 of 3)

▪ ***Residential Exemption***

Adopting the residential exemption increases the residential tax rate. The amount of the tax levy paid by the Class remains the same, but because of the exempted valuation, it is distributed over less assessed value. This higher rate creates a shift within the class that reduces the taxes paid by homeowners with moderately valued properties. Those taxes are paid by owners of rental properties, vacation homes and higher valued homes.

Previously adopted by: Barnstable, Boston, Brookline, Cambridge, Chelsea, Everett, Malden, Nantucket, Provincetown, Somerset, Somerville, Waltham, Watertown

Hearing Protocol

- *Tax burden choices and options made by City Council; majority vote*
- *Mayor has power to veto the city council's chosen percentages within 10 days, or decline sooner.*
- *City Council may override Mayor's veto with a 2/3^{rds} of the members vote*

Required Hearing Decisions by City Council

REQUIRED to choose

- *Choose Residential Factor/CIP shift for FY2019 (amount of tax burden shift)*

OPTIONS:

- **Open Space Discount; if yes, percentage amount, up to 25%**
- **Small Commercial Exemption; if yes, percentage amount, up to 10%**
- **Residential Exemption; if yes, percentage amount, up to 35%**



Thank You

