

Fiscal Year 2017 Classification Hearing  
November 15, 2016  
Hearing Room at 35 Central Street  
Stoneham, MA 02180



**Presented by**  
**Stoneham Board of Assessors**

<b>Craig J. Celli</b>	<b><i>Chairman</i></b>
<b>William J. Jordan</b>	<b><i>Secretary</i></b>
<b>Anthony Kennedy</b>	<b><i>Member</i></b>
<b>Brian C Macdonald</b>	<b>Director of Assessing</b>
<b>Cheryl Kozlowski</b>	<b>Administrative Assistant</b>

The information contained in this handout is intended to provide the Board of Selectmen with the necessary information to conduct a public hearing and information session on the classification options available under Massachusetts General Law. This classification hearing allows the Board to consider several options that allow for the shift of the tax burden both **between and within** the Residential and Commercial/Industrial/Personal Property tax classes.

### **The 3 options to be presented for consideration are:**

1. Selection of a Minimum Residential Factor
2. Granting of a Residential Exemption
3. Granting of a Small Commercial Exemption

#### **Step #1) Calculation of a Single Tax Rate**

A	B	C
Class	Certified Full and Fair Cash Value Assessments	Percentage Full Value Shares of Total Tax Levy
1. Residential	3,153,620,615	89.7845%
2. Open Space	0	0.0000%
3. Commercial	281,613,213	8.0176%
4. Industrial	25,027,500	0.7125%
5. Personal Property	52,172,552	1.4854%
Totals	3,512,433,880	100.0000%

**(Tax Levy / Total Value) \* 1000 = Single Tax Rate per \$1000 in Value**

**(\$47,410,168/ \$3,512,433,880) \* 1000 = \$13.50 per \$1000 in Assessed Value**

## 1<sup>st</sup>- Selection of a Residential Factor

The Board of Selectmen must vote on the selection of a residential factor. The implication of this vote determines whether or not to establish a split tax rate.

### Option #1 – Establish a Single Tax Rate – Residential Factor of 1

The option of selecting a residential factor of ‘1’ would adopt a single tax rate for all Residential, Commercial, Industrial and Personal Property classes. **If a factor of ‘1’ were to be adopted, the single tax rate for all classes would be \$13.50** (See previous page)

### Option #2 – Establish a Split Tax Rate

Selection of a residential factor less than 1 will shift some of the tax burden from the residential class to the C.I.P. property classes.

The average single-family property value for Fiscal Year 2017 is **\$460,125**.  
The average commercial / industrial property value for Fiscal Year 2017 is **\$942,176**.

The table below summarizes various shift options and its effect on both the average annual single family and CI bills.

Factor	CIP SHIFT	RO %	CIP %	RO TAX RATE	CIP TAX RATE	Average SF	Average CI
						Tax Bill	Tax Bill
1	1	89.7800%	10.2200%	\$13.50	\$13.50	\$6,212	\$12,719
0.971542	125	87.2250%	12.7750%	\$13.11	\$16.88	\$6,032	\$15,899
0.943083	150	84.6700%	15.3300%	\$12.73	\$20.25	\$5,857	\$19,079
0.9317	160	83.6480%	16.3520%	\$12.58	\$21.60	\$5,788	\$20,351
0.927146	164	83.2392%	16.7608%	\$12.51	\$22.14	\$5,756	\$20,860
0.920316	170	82.6260%	17.3740%	\$12.42	\$22.95	\$5,715	\$21,623
0.91804	172	82.4216%	17.5784%	\$12.39	\$23.22	\$5,701	\$21,877
0.915763	174	82.2172%	17.7828%	\$12.36	\$23.49	\$5,687	\$22,132

The Board of Assessors recommends that a **Residential Factor of 0.91804** and the corresponding **CIP Shift of 172** to afford the residential tax payers nearly the maximum amount of real estate tax relief. This is consistent with both the recommendations provided in the past by the Board of Assessors as well as with the actions of the Board of Selectmen. (See page 11 Table #1 for Stoneham’s Residential Factor and C.I.P Shift).

## **2<sup>nd</sup> - Granting a Residential Exemption**

The Board of Selectmen may grant a residential exemption for all residential properties in the town that are **owner occupied**. This exemption can range up to 20% of the average assessed value of all residential properties within the community. The average assessed value calculation does include all residential property but not all residential properties would be eligible for the exemption.

Granting a residential exemption does not reduce the residential percentage of the tax levy, as established with the selection of a Residential Factor. By granting this exemption, the tax burden would be shifted from lower valued residential properties to higher valued and non-owner occupied residential properties. The implementation of the Residential Exemption of any size would result in an increase to the residential tax rate to compensate for this form of tax relief. In Stoneham, the residential tax rate would rise from \$12.39 \* to an estimate of \$15.56. (See Stoneham Residential Exemption Impact Analysis on page 5 for details). (The residential rate of \$12.39 is contingent on the selectmen voting for the recommended factor of **0.91804** with the corresponding **CIP shift of 172**).

**The outcome of this exemption would result in an increased tax disparity between higher and lower valued residential properties. Those owner occupied properties below the residential average, \$460,125 would realize a tax savings while those properties valued above the average would realize a real estate tax increase.** Furthermore, this increase would also apply to all non-owner occupied residential properties and to vacant land.

The residential exemption has been adopted by few communities within the state of Massachusetts. The table below details the communities that have adopted a residential exemption. The majority of these locations have **either** a high percentage of investor owned residential property such apartments or mixed use property (Boston, Cambridge, Chelsea, Everett, Somerville, Waltham, Watertown) **or** a large number of vacation / second homes (Barnstable, Nantucket, Somerset, Tisbury). This exemption is intended to provide tax relief to property owner's domiciled within these communities.

<b>Residential Exemptions</b>	<b>Percent Granted</b>
<b>MALDEN</b>	<b>10%</b>
<b>SOMERSET</b>	<b>10%</b>
<b>BROOKLINE</b>	<b>20%</b>
<b>BARNSTABLE</b>	<b>20%</b>
<b>CHELSEA</b>	<b>20%</b>
<b>EVERETT</b>	<b>20%</b>
<b>NANTUCKET</b>	<b>20%</b>
<b>TISBURY</b>	<b>20%</b>
<b>WALTHAM</b>	<b>20%</b>
<b>WATERTOWN</b>	<b>20%</b>
<b>BOSTON</b>	<b>30%</b>
<b>CAMBRIDGE</b>	<b>30%</b>
<b>SOMERVILLE</b>	<b>35%</b>

## Stoneham Residential Exemption Impact Analysis

Percentage	Expt. Val / Parcel	Average Adjusted		Adjusted Tax Rate	Adjusted Single Family Tax Bill
		Single Family Value	Single Family Value		
0%	\$0	\$460,125	\$460,125	\$12.39	\$5,701
5%	\$21,568	\$438,557	\$438,557	\$12.99	\$5,697
10%	\$43,135	\$416,990	\$416,990	\$13.64	\$5,688
15%	\$64,703	\$395,422	\$395,422	\$14.37	\$5,682
20%	\$86,271	\$373,854	\$373,854	\$15.17	\$5,671

The table above demonstrates that an exemption of any percentage provides only minimal tax saving to the average single family home.

## Residential Tax Bill Impact Analysis

This table exhibits how properties priced significantly below the average single family value would see large decreases to their annual tax bill.

Exemption Percentage	Exempted Val / Parcel	Adjusted Tax Rate	Average Adjusted Single Family Value	Adjusted Single Family Tax Bill	Average Adjusted Condo. Value	Adjusted Condo Tax Bill
0%	0	\$12.39	\$460,125	\$5,701	\$237,556	\$2,943
5%	\$21,568	\$12.99	\$438,557	\$5,697	\$215,988	\$2,526
10%	\$43,135	\$13.64	\$416,990	\$5,688	\$194,421	\$2,064
15%	\$64,703	\$14.37	\$395,422	\$5,682	\$172,853	\$1,554
20%	\$86,271	\$15.17	\$373,854	\$5,671	\$151,285	\$986

### Impact Summary and recommendation

The implementation of a Residential Exemption would greatly reduce the yearly tax burden of any property below the average residential value of \$431,353\*. Single family homes are largest single property class within Stoneham. Due to the large percentage of owner occupied residential property within Stoneham (92%\*), the average residential single family property in this community would not benefit from granting this exemption at any percentage rate. As detailed in the table immediately above, properties that fall below the average residential valuation, condominiums specifically, would benefit from a large tax savings while the average single family property would realize minimal tax relief. **The Board of Assessors does not recommend a Residential Tax Exemption of any percentage.**

\* Percentage of owner occupied properties have been estimated using the mailing address of the property's tax bill.

### **3<sup>rd</sup> - Granting a Small Commercial Exemption**

An exemption of up to 10% of the total property valuation can be granted to commercial properties that meet specific criteria. **Eligible properties must have met the following criteria:**

1. Occupied as of January 1, 2016 by a business or businesses classified only as either sole proprietorships or partnerships(s).
2. Business or businesses must have an average annual employment of no more than 10 employees during the previous calendar year (calendar year 2015). A multi-tenanted building would require every business located on this property to meet these requirements. **A report detailing businesses with an average employment of less than 10 employees for the calendar year 2015 is provided by the Department of Workforce Development. (This list is not a public document and not available for review.)**
3. Total property value, (both land and building) must have a valuation of less than **\$1,000,000**

Similar to the residential exemption, the total tax levy for the CIP tax class, as established by the Residential Factor (Option #1), does not change.

#### **Facts about the Small Commercial Business Exemption:**

- 1) **Applies to only commercially classified property (300 Class) not Industrial classified property (400 Class).**
- 2) **Tax burden is shifted within the commercial and industrial (300 and 400) classes only. It does not shift additional weight onto the Personal Property class (500). Hence two separate tax rates are created, 1 for both Commercial / Industrial Property and another for Personal Property.**

	<b><u>5% Exempted</u></b>	<b><u>10% Exempted</u></b>
<b>Number of Qualifying Parcels</b>	55	55
<b>Valuation Exempted</b>	\$885,665	\$1,771,330
<b>Tax Dollars Exempted</b>	\$20,565.14	\$41,130.28
<b>Revised Tax Rate</b>	\$23.28 / 1000 in Valuation	\$23.35 / 1000 in Valuation
<b>Increase in Tax Rate</b>	\$0.06	\$0.13

**Number of Qualifying Properties within Stoneham : 55**

**Total Valuation of Qualifying Properties : \$25,951,200**

**\*The CIP rate of \$23.22 is contingent on the selectmen accepting the recommended residential factor of 0.918079 with the corresponding CIP shift of 172.**

**\* The Personal Property Tax Rate would remain at \$23.22 and be unaffected**

#### **Impact Summary and recommendation**

The implementation of a Small Business Exemption would not benefit the many of the businesses operating located at the 55 qualifying parcels as many are not owner occupied business. **The Board of Assessors does not recommend a Small Business Exemption of any percentage.**

### **Additional Information**

Further attached are some additional exhibits which you may find of interest or helpful.

Exhibit 1 on page 8 defines the relevant terms pertinent to the establishment of the tax levy. Use these terms to interpret the Fiscal Year 2017 Levy Limit calculation found on the following page

Page 9 is the form used to calculate the town's levy limit for FY 2017. The levy limit uses the prior year's levy as a basis. FY 2016's levy limit calculation is in section one of the form. The formula for calculating FY 2017's limit is illustrated in section two which takes last year's limit plus 2.5% (per Proposition 2 ½ ) plus new growth and any overrides or debt exclusions. The total is the maximum allowable levy.

Tables #1 and #2 page 10 provide you with detailed tax data from Fiscal Year 2016 for both Stoneham and various surrounding communities. The reason for this data is for comparison purposes only.

Tables #3 11 detail the tax levy percentages before and after the selection of a Residential Factor / CIP shift tax rate history for the Town of Stoneham. Table #4 provides details regarding the valuation and average tax billing information for the 3 largest residential property classes.

Table #5 on page 12 details the potential and actual selected shifts since the year 2000

On page 13 is the LA 4 form that gives a breakdown of the various classes of property and their respective total valuations and parcel counts. This form must be reviewed and approved on an annual basis by the Department of Revenue. Stoneham property values were approved in September of this year.

The column entitled "Property Type" on the LA 4 contains the various classes of properties. The properties in the 100-series are the various types of residential properties in the community. The 300-series are commercial properties and the 400-series are industrial properties. The 012-043 represent mixed use properties that contain both commercial / residential uses and the 500-series are Business Personal Property classes. All properties in the 100-series are taxed at the residential tax rate; all others are taxed at the CIP rate.

## Exhibit 1

**IMPORTANT TERMS**

<b>TERM</b>	<b>DEFINITION</b>
<b>Levy</b>	The property tax levy is the revenue a community can raise through real and personal property taxes.
<b>Levy Limit</b>	The maximum a community can levy in a given year equal to last year's levy plus 2.5% plus new growth plus override / exclusion if applicable.
<b>Levy Ceiling</b>	Equal to 2.5% of the total full and fair cash value of all taxable real and personal property in the community.
<b>New Growth</b>	Increase in the tax base due to new construction, parcel subdivisions, condominium conversions and property renovations but not due to revaluation. It is calculated by multiplying the increased assessed valuation by the prior year's tax rate for the appropriate class of property.
<b>Override</b>	A permanent increase to a community's levy limit.
<b>Override Capacity</b>	The difference between a community's levy ceiling and its levy limit. It is the maximum amount by which a community may override its levy limit.
<b>Debt Exclusion</b>	A temporary increase over the levy limit for the payment of a specific debt service item over a specific period of time.
<b>Capital Outlay Expenditure</b>	A temporary exclusion for the purpose of raising funds for capital project costs.
<b>Excess Levy Capacity</b>	The difference between the actual levy and the levy limit.



**TO CALCULATE THE FY2016 LEVY LIMIT**

A. FY2015 Levy Limit	<u>42,148,283</u>
A1. ADD Amended FY2015 Growth	<u>0</u>
B. ADD ( IA + IA1 ) X 2.5%	<u>1,053,707</u>
C. ADD FY2016 New Growth	<u>443,245</u>
C1. ADD FY2016 New Growth Adjustment	<u>0</u>
D. ADD FY2016 Override	<u>0</u>
E. FY2016 Subtotal	<u>43,645,235</u>
F. FY2016 Levy Ceiling	<u>83,617,560</u>

I. \$  
43,645,235  
FY2016 Levy Limit

**TO CALCULATE THE FY2017 LEVY LIMIT**

A. FY2016 Levy Limit from I.	<u>43,645,235</u>
A1. ADD Amended FY2016 Growth	<u>0</u>
B. ADD ( IIA + IIA1 ) X 2.5%	<u>1,091,131</u>
C. ADD FY2017 New Growth	<u>381,292</u>
C1. ADD FY2017 New Growth Adjustment	<u>                    </u>
D. ADD FY2017 Override	<u>                    </u>
E. FY2017 Subtotal	<u>45,117,658</u>
F. FY2017 Levy Ceiling	<u>87,810,847</u>

II. \$  
45,117,658  
FY2017 Levy Limit

**TO CALCULATE THE FY2017  
MAXIMUM ALLOWABLE LEVY**

A. FY2017 Levy Limit from II.	<u>45,117,658</u>
B. FY2017 Debt Exclusion(s)	<u>2,292,510</u>
C. FY2017 Capital Expenditure Exclusion(s)	<u>                    </u>
D. FY2017 Stabilization Fund Override	<u>                    </u>
E. FY2017 Other Adjustment	<u>                    </u>
F. FY2017 Water / Sewer	<u>                    </u>
G. FY2017 Maximum Allowable Levy	<span style="border: 1px solid black; padding: 2px;">\$ 47,410,168</span>

**Table #1 - FISCAL YEAR 2016 Community  
Comparison  
Comparative Community Assessment Data**

<u>Municipality</u>	<u>Single Family Residential Parcels</u>	<u>Average Single Family Value</u>	<u>Tax Rate</u>	<u>Single Family Tax Bill</u>
STONEHAM	5,111	435,095	\$12.70	\$5,526
WILMINGTON	6,980	380,374	\$14.37	\$5,466
MELROSE	6,343	428,146	\$12.96	\$5,549
WAKEFIELD	6,243	416,013	\$13.48	\$5,608
READING*	6,528	464,251	\$14.70	\$6,824
LYNNFIELD	3,835	553,557	\$14.49	\$8,021
NORTH READING	4,241	482,670	\$16.62	\$8,022

**Table #2 - FISCAL YEAR 2016  
Community CIP Tax Shift Comparison**

<u>Municipality</u>	<u>Maximum Allowable Shift</u>	<u>FY 2016 Shift</u>	<u>% of Tax Base Residential (Unshifted)</u>	<u>% of Tax Base CIP (Unshifted)</u>	<u>% of Tax Base Residential (With Shift)</u>	<u>% of Tax Base CIP (With Shift)</u>
MELROSE	1.5	1.18	86.20%	13.80%	83.68%	16.32%
READING	1.5	1	91.70%	8.30%	91.70%	8.30%
NORTH READING	1.5	1	87.40%	12.60%	87.40%	12.60%
LYNNFIELD	1.5	1.16	86.20%	13.80%	83.70%	16.30%
STONEHAM	1.67	1.64	89.30%	10.70%	82.50%	17.50%
WAKEFIELD	1.75	1.75	85.60%	14.40%	74.70%	25.30%
WILMINGTON	1.75	1.75	76.70%	23.30%	59.19%	40.81%

### Table #3

## Stoneham's CIP Shift and Tax Rate History

Fiscal Year	Single Tax Rate	Maximum	CIP Shift	Residential	CIP
	per \$1000	CIP Shift	Selected	Tax Rate	Tax Rate
2000	\$14.79	150	112	\$14.51	\$16.57
2001	\$15.71	150	112	\$15.38	\$17.60
2002	\$16.57	150	112	\$16.21	\$18.56
2003	\$12.33	150	135	\$11.70	\$16.65
2004	\$12.83	150	135	\$12.16	\$17.32
2005	\$11.16	155	150	\$10.16	\$16.75
2006	\$10.42	163	160	\$9.67	\$16.68
2007	\$11.16	165	163	\$9.74	\$17.36
2008	\$11.00	162	161	\$10.19	\$17.70
2009	\$11.70	155	155	\$10.88	\$18.13
2010	\$12.33	153	153	\$11.49	\$18.87
2011	\$13.09	150	150	\$12.21	\$19.63
2012	\$13.50	152	150	\$12.61	\$20.25
2013	\$13.99	150	150	\$13.06	\$21.00
2014	\$14.47	154	152	\$13.49	\$22.00
2015	\$13.97	160	158	\$12.96	\$22.08
2016	\$13.75	166	164	\$12.70	\$22.55
<b>2017*</b>	<b>\$13.50</b>	<b>174</b>	<b>172</b>	<b>\$12.39</b>	<b>\$23.22</b>

The Fiscal Year 2017 data above and below assumes that the Board of Selectman adopt the recommended 0.91804 Residential Factor with 172 C.I.P Shift

### Table #4

## Stoneham Tax Rate and Billing History

	FY2017*	FY2016	FY2015	FY2014
<b>Avg. single family value</b>	<b>\$460,125</b>	<b>\$435,095</b>	<b>\$417,488</b>	<b>\$392,691</b>
<b>Value Adj. (as % yr over yr)</b>	<b>5.75%</b>	<b>4.22%</b>	<b>6.31%</b>	<b>3.18%</b>
<b>Avg. Single Family Tax Bill</b>	<b>\$5,700.95</b>	<b>\$5,525.71</b>	<b>\$5,410.64</b>	<b>\$5,297.40</b>
<b>Average Condominium Value</b>	<b>\$237,556</b>	<b>\$229,903</b>	<b>\$210,039</b>	<b>\$199,001</b>
<b>Value Adj. (as % yr over yr)</b>	<b>3.33%</b>	<b>9.46%</b>	<b>5.55%</b>	<b>-0.91%</b>
<b>Avg. Condo. Tax Bill</b>	<b>\$2,943.32</b>	<b>\$2,919.77</b>	<b>\$2,722.11</b>	<b>\$2,684.52</b>
<b>Avg 2 / 3 Family Value</b>	<b>\$441,005</b>	<b>\$416,052</b>	<b>\$402,632</b>	<b>\$364,037</b>
<b>Value Adj. (as % yr over yr)</b>	<b>6.00%</b>	<b>3.33%</b>	<b>10.60%</b>	<b>0.26%</b>
<b>Avg. 2/3 Family Tax Bill</b>	<b>\$5,464.05</b>	<b>\$5,283.86</b>	<b>\$5,218.12</b>	<b>\$4,910.86</b>

## Table #5 - Stoneham Tax Rate History

Fiscal Year	Single Tax Rate	Maximum	CIP Shift	Residential	CIP
	per \$1000	CIP Shift	Selected	Tax Rate	Tax Rate
2000	\$14.79	150	112	\$14.51	\$16.57
2001	\$15.71	150	112	\$15.38	\$17.60
2002	\$16.57	150	112	\$16.21	\$18.56
2003	\$12.33	150	135	\$11.70	\$16.65
2004	\$12.83	150	135	\$12.16	\$17.32
2005	\$11.16	155	150	\$10.16	\$16.75
2006	\$10.42	163	160	\$9.67	\$16.68
2007	\$11.16	165	163	\$9.74	\$17.36
2008	\$11.00	162	161	\$10.19	\$17.70
2009	\$11.70	155	155	\$10.88	\$18.13
2010	\$12.33	153	153	\$11.49	\$18.87
2011	\$13.09	150	150	\$12.21	\$19.63
2012	\$13.50	152	150	\$12.61	\$20.25
2013	\$13.99	150	150	\$13.06	\$21.00
2014	\$14.47	154	152	\$13.49	\$22.00
2015	\$13.97	160	158	\$12.96	\$22.08
2016	\$13.75	166	164	\$12.70	\$22.55
2017	\$13.50	174	172	\$12.39	\$23.22

**MASSACHUSETTS DEPARTMENT OF REVENUE**  
**DIVISION OF LOCAL SERVICES**  
**ASSESSMENT/CLASSIFICATION REPORT FY2017**

**STONEHAM**

as of January 1, 2016

City/Town/District

PROPERTY TYPE	ACCT/ PARCEL COUNT	CLASS 1 Residential Assessed Value	CLASS 2 Open Space Assessed Value	CLASS 3 Commercial Assessed Value	CLASS 4 Industrial Assessed Value	CLASS 5 Personal Property Assessed Value
101	5,121	2,356,299,900				
102	1,465	348,019,800				
Misc 103,109	18	9,875,000				
104	450	193,778,700				
105	54	28,487,800				
111-125	46	190,057,700				
130-132, 106	157	8,416,200				
200-231	0		0			
300-393	282			265,693,700		
400-442	18				25,027,500	
450-452	0				0	
CH 61 Land	0	0	0	0		
CH 61A Land	0	0	0	0		
CH 61B Land	1	0	0	598,650		
012-043	49	18,685,515	0	15,320,863	0	
501	223					3,581,261
502	326					9,922,311
503	0					0
504	2					28,674,850
505	5					8,318,400
506	0					0
508	4					1,675,730
550-552	0					0
<b>TOTALS</b>	<b>8,221</b>	<b>3,153,620,615</b>	<b>0</b>	<b>281,613,213</b>	<b>25,027,500</b>	<b>52,172,552</b>
<b>REAL AND PERSONAL PROPERTY TOTAL VALUE</b>						<b>3,512,433,880</b>
<b>EXEMPT PARCEL COUNT &amp; VALUE</b>					<b>221</b>	<b>389,631,022</b>