

TOWN OF STONEHAM

FISCAL YEAR 2023 CLASSIFICATION PRESENTATION

November 29, 2022



Presented by
Stoneham Board of Assessors

William J. Jordan, Chairman

Craig J. Celli, Secretary

Eric Josephson, Member

Cheryl Kozlowski, Director of Assessing

Carly Manion, Administrative Assistant

TAX CLASSIFICATION HEARING - PURPOSE

We are here in accordance with Mass General Law Ch. 40 Sec. 56, to present information to the Select Board so that they may determine the percentages of the tax levy to be paid by each class of real and personal property and whether to allow a residential exemption and/or a small commercial exemption for FY23.

The Select Board must vote a Residential Factor, which will determine the percentage of the tax levy to be allocated and paid by the residential property owners.

Votes Required by the Select Board

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

Note: FY23 Includes portion of High School Debt Exclusion for the first time

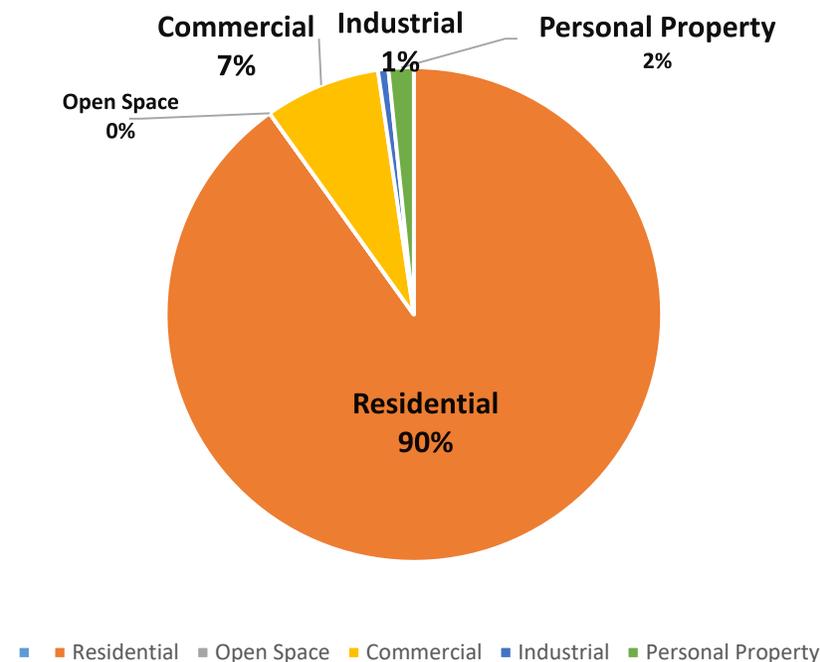
IMPORTANT TERMS

TERM	DEFINITION
Levy	The property tax levy is the revenue a community can raise through real and personal property taxes.
Levy Limit	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.
Levy Ceiling	Equal to 2.5% of the total full and fair cash value of all taxable real and personal property in the community.
New Growth	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.
Override	A permanent increase to a community's levy limit.
Override Capacity	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.
Debt Exclusion	A temporary increase over the levy limit for the payment of a specific debt service item over a specific period of time.
Capital Outlay Expenditure	A temporary exclusion for the purpose of raising funds for capital project costs.
Excess Levy Capacity	The difference between the actual levy and the levy limit.

Selection of a Residential Factor

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 **\$12.09**

CLASS	Valuation by Class	% of Shares of Total Tax Levy No Shift
Residential	4,748,058,022	90.1273%
Open Space	0	0.000%
Commercial	397,959,679	7.5540%
Industrial	35,696,900	0.6776%
Personal	86,452,268	1.6410%
TOTAL VALUE	5,268,166,869	100.000%



Selecting a Residential Factor

Selection of a residential factor less than “1” will shift the tax burden from the Residential / Open Space (RO) class to the Commercial, Industrial, and Personal Property class (CIP). The greater the shift selected (see chart below) the greater the percentage of the tax levy is shifted to the CIP property class. The average single-family property value for Fiscal Year 2023 is **\$655,918** and the average commercial property value is **\$1,432,916**.

	CIP			RO	CIP	Avg SF	Avg CI
Factor	SHIFT	RO%	CIP%	TAX RATE	Tax Rate	Tax Bill	Tax Bill
1	100	90.1273	9.8727	\$12.09	\$12.09	\$7,930	\$17,324
0.945229	150	85.1910	14.8091	\$11.43	\$18.14	\$7,498	\$25,986
0.934275	160	84.2037	15.7964	\$11.30	\$19.35	\$7,411	\$27,727
0.923321	170	83.2164	16.7836	\$11.17	\$20.56	\$7,324	\$29,461
0.917844	175	82.7228	17.2773	\$11.10	\$21.16	\$7,280	\$30,317

This table summarizes various shift options and their effect on the average SF tax bill and the average commercial tax bill

Board of Assessors recommends the Select Board adopt the minimum **Residential Factor of 0.917844** with corresponding **CIP Shift of 175** to afford the residential **tax payers the maximum amount of real estate tax relief**. The adoption of this recommendation allows the Town to assess and collect an equitable amount of taxes from the residential, industrial and personal property sectors.

Granting a Residential Exemption

The Select Board may grant a residential exemption for all residential properties that are **owner occupied** and can range up to **35%** of the average assessed value of all residential properties within the community.

The amount of the tax levy paid by the residential class remains the same, however because the residential portion of the levy is distributed over less assessed value, this results in a **higher tax rate for the entire residential class**.

By granting this exemption **Those owner-occupied properties below the residential average of \$ 636,896 would realize a tax savings while those properties valued above the average would realize a tax increase**. The residential tax rate would rise from \$11.10 to an estimate of \$16.21. This increase would also apply to all non-owner-occupied residential properties and to vacant land who would not be eligible for the exemption.

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 communities are rental properties, apartment building, and vacation homes.

Municipality	Residential Exemption Percentage
Barnstable	20%
Boston	35%
Brookline	21%
Cambridge	30%
Chelsea	35%
Everett	25%
Malden	30%
Nantucket	25%
Oak Bluffs	4%
Provincetown	25%
Somerville	35%
Tisbury	18%
Truro	25%
Waltham	35%
Watertown	30%
Wellfleet	25%

Percentage	Average Adjusted SF Value	Adjusted Single Family Tax Bill	Percentage of Decrease
0%	\$655,918	\$7,280	0.00%
5%	\$624,073	\$7,254	0.37%
10%	\$592,228	\$7,224	0.77%
15%	\$560,384	\$7,192	1.22%
20%	\$528,539	\$7,156	1.71%
30%	\$464,849	\$7,071	2.88%
35%	\$433,004	\$7,020	3.58%

Recommendation

Granting a residential exemption benefits those communities that have a substantial number of non-owner occupied properties such as rental property, apartment buildings and vacation homes. In Stoneham, most all residential parcels are the principal residences of the tax payer, there is little or no benefit in adopting a residential exemption in Stoneham.

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 real estate tax bill.

Granting a Small Commercial Exemption

The Select Board may grant a Small Commercial Exemption up to **10%** of the total property valuation to commercial properties (300 class) that have an average annual employment of not more than **10 people** and an assessed valuation of **less than \$1,000,000**.

Every business occupying the parcel must qualify.

Granting a small commercial exemption will increase the tax rate and will shift the tax burden within the CIP Classes from small commercial properties to larger commercial and industrial taxpayers.

	5% Exempted	10% Exempted
Number of Qualifying Parcels	54	54
Valuation Exempted	\$1,188,765	\$2,377,530
Tax Dollars Exempted	\$25,154.27	\$50,308.53
Revised CI Tax Rate / 1000	\$21.22	\$21.28
Increase in Tax Rate	\$0.06	\$0.12

Impact Summary and recommendation: Granting a Small Business Exemption would not necessarily benefit qualifying businesses as many are not owner-occupied real estate parcels.

The Board of Assessors does not recommend a Small Business Exemption of any percentage.

5 YEAR VALUATION – AVERAGE TAX BILL

	FY2023	FY2022	FY2021	FY2020	FY2019
Avg. Single Family Value	655,919	610,402	577,195	565,130	537,287
% Adj. in Value from Previous Year	7.46%	5.75%	2.13%	5.18%	7.72%
Avg. Single Family Tax Bill	\$7,930	\$6,354	\$6,245	\$6,098	\$6,028
Avg. Condominium Value	366,869	349,255	336,150	328,548	292,054
% Adj. in Value from Previous Year	5.04%	3.90%	2.31%	12.50%	11.51%
Avg. Condominium Tax Bill	\$4,435	\$3,636	\$3,637	\$3,545	\$3,277
Avg. 2/3 Family Value	698,344	662,859	633,261	610,051	557,407
% Adj. in Value from Previous Year	5.35%	4.67%	3.80%	9.44%	8.90%
Avg. 2/3 Family Tax Bill	\$7,752	6,900	6,852	6,582	6,254

STONEHAM TAX RATE SHIFT HISTORY

Fiscal Year	% of Tax Base	% of Tax Base	Single Tax Rate	Maximum	Shift	% of Tax Base	% of Tax Base
	Residential	CIP	Per \$1000	Allowable	Selected	Residential	CIP
	(Unshifted)	(Unshifted)	(Unshifted)	Shift		(With Shift)	(With Shift)
2023	90.13%	9.87%	\$12.09	175	175	82.72%	17.28%
2022	90.33%	9.67%	\$11.32	175	175	83.08%	16.92%
2021	90.75%	9.25%	\$11.71	175	175	83.81%	16.19%
2020	90.48%	9.52%	\$11.71	175	175	83.34%	16.66%
2019	90.43%	9.57%	\$12.19	175	175	83.25%	16.75%
2018	90.02%	9.98%	\$11.74	175	175	82.53%	17.47%
2017	89.78%	10.22%	\$13.50	174	172	82.45%	17.55%
2016	88.47%	11.87%	\$13.75	154	152	82.47%	17.53%
2015	88.89%	11.10%	\$13.97	160	158	82.45%	17.55%
2014	88.47%	11.87%	\$14.47	154	152	82.47%	17.53%
2013	88.13%	11.87%	\$13.99	150	150	82.19%	17.81%
2012	88.36%	11.64%	\$13.50	152	150	82.54%	17.46%

**Levy Limit
Fiscal Year 2023**

FOR BUDGET PLANNING PURPOSES

I. TO CALCULATE THE FY 2022 LEVY LIMIT

A. FY 2021 Levy Limit	52,362,187	
A1. Amended FY 2021 Growth	0	
B. ADD (IA + IA1)*2.5%	1,309,055	
C. ADD FY 2022 New Growth	649,313	
C1. ADD FY 2022 New Growth Adjustment	0	
D. ADD FY 2022 Override	0	
E. FY 2022 Subtotal	54,320,555	
F. FY 2022 Levy Ceiling	123,109,664	I. 54,320,555
		FY 2022 Levy Limit

II. TO CALCULATE THE FY 2023 LEVY LIMIT

A. FY 2022 Levy Limit from I	54,320,555	
A1. Amended FY 2022 Growth	0	
B. ADD (IIA + IIA1)*2.5%	1,358,014	
C. ADD FY 2023 New Growth	413,194	
C1. ADD FY 2023 New Growth Adjustment	0	
D. ADD FY 2023 Override	0	
E. ADD FY 2023 Subtotal	56,091,763	
F. FY 2023 Levy Ceiling	131,704,172	II. 56,091,763
		FY 2023 Levy Limit

III. TO CALCULATE THE FY 2023 MAXIMUM ALLOWABLE LEVY

A. FY 2023 Levy Limit from II.	56,091,763	
B. FY 2023 Debt Exclusion(s)	7,750,628	
C. FY 2023 Capital Expenditure Exclusion(s)	0	
D. FY 2023 Stabilization Fund Override	0	
E. FY 2023 Other Adjustment :	0	
F. FY 2023 Water/Sewer	0	
G. FY 2023 Maximum Allowable Levy	63,842,391	

Fiscal Year 2023 LA – 4 Assessment / Classification Report

Property Type	Parcel Count	Class1 Residential	Class2 Open Space	Class3 Commercial	Class4 Industrial	Class5 Pers Prop
101	5,133	3,366,830,400				
102	1,577	578,552,600				
MISC 103,109	16	13,826,800				
104	438	301,214,300				
105	47	37,482,300				
111-125	46	411,348,100				
130-32,106	151	14,236,900				
200-231	0		0			
300-393	268			376,982,864		
400-442	20				35,696,900	
450-452	0				0	
CH 61 LAND	0	0	0	0		
CH 61A LAND	0	0	0	0		
CH 61B LAND	1	0	0	136,225		
012-043	47	24,566,622	0	20,840,590	0	
501	191					3,893,284
502	279					10,103,011
503	0					0
504	2					60,732,849
505	6					9,614,200
506	0					0
508	4					2,108,924
550-552	0					0
TOTALS	8,226	4,748,058,022	0	397,959,679	35,696,900	86,452,268
Real and Personal Property Total Value						5,268,166,869
Exempt Parcel Count & Value					267	393,376,588

FISCAL YEAR 2022

Community CIP Tax Shift Comparison

Municipality	Fiscal Year	R/O % of Total Value before shift	CIP % of Total Value before shift	CIP Shift	RO % After Shift	CIP % After Shift
Andover	2022	82.69	17.31	1.71	70.41	29.59
Bedford	2022	78.44	21.56	1.75	62.28	37.72
Billerica	2022	76.42	23.58	1.75	58.73	41.27
Boxford	2022	96.80	3.20	1.00	96.80	3.20
Burlington	2022	61.79	38.21	1.63	37.66	62.34
Chelmsford	2022	83.42	16.58	1.20	80.11	19.89
Danvers	2022	77.38	22.62	1.42	67.83	32.17
Lexington	2022	87.04	12.96	1.75	77.32	22.68
Lynnfield	2022	87.76	12.24	1.50	81.65	18.35
Melrose	2022	95.11	4.89	1.65	91.93	8.07
Middleton	2022	81.75	18.25	1.00	81.75	18.25
North Andover	2022	87.34	12.66	1.32	83.29	16.71
North Reading	2022	87.24	12.76	1.00	87.24	12.76
Peabody	2022	82.08	17.92	1.75	68.63	31.37
Reading	2022	92.96	7.04	1.02	92.82	7.18
Saugus	2022	82.88	17.12	1.75	70.04	29.96
Stoneham	2022	90.33	9.67	1.75	83.07	16.93
Tewksbury	2022	83.92	16.08	1.59	74.44	25.56
Wakefield	2022	88.63	11.37	1.75	80.10	19.90
Westford	2022	88.63	11.37	1.00	88.63	11.37
Wilmington	2022	75.66	24.34	1.75	57.40	42.60
Winchester	2022	95.57	4.43	1.00	95.78	4.22
Woburn	2022	72.67	27.33	1.75	52.17	47.83

Fiscal Year 2022 Community Tax Bill Comparison Table

Municipality	Fiscal Year	Average Single Family Value	Single Family Tax Bill*
Andover	2022	758,570	11,075
Bedford	2022	774,096	10,512
Billerica	2022	469,999	5,941
Boxford	2022	738,641	11,242
Burlington	2022	600,512	5,975
Chelmsford	2022	496,467	7,829
Danvers	2022	547,634	6,933
Lexington	2022	1,203,847	16,613
Lynnfield	2022	818,833	9,818
Melrose	2022	703,389	7,435
Middleton	2022	689,086	9,130
North Andover	2022	607,436	8,219
North Reading	2022	659,180	9,888
Peabody	2022	496,587	5,016
Reading	2022	698,675	9,313
Saugus	2022	509,308	6,117
Stoneham	2022	610,402	6,354
Tewksbury	2022	489,065	7,434
Wakefield	2022	630,286	7,765
Westford	2022	600,396	9,678
Wilmington	2022	543,440	7,081
Winchester	2022	1,264,001	15,813
Woburn	2022	552,426	5,160