

Fiscal Year 2021 Classification Hearing  
November 24, 2020  
Hearing Room at 35 Central Street  
Stoneham, MA 02180



**Presented by**

**Stoneham Board of Assessors**

**Craig J. Celli** *Chairman*

**Eric Josephson** *Secretary*

**William J. Jordan**

**Brian C Macdonald** **Director of Assessing**

**Cheryl Kozlowski** **Assistant Assessor**

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

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

CLASS	Valuation by Class	% of Total Tax Levy
Residential	4,175,087,890	90.755%
Open Space	0	0.000%
Commercial	336,196,581	7.308%
Industrial	29,723,400	0.646%
Personal	59,383,925	1.291%
<b>TOTAL VALUE</b>	<b>4,600,391,796</b>	<b>100.000%</b>

**(\$53,893,181/ \$4,600,391,796) \* 1000 = \$11.71 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 \$11.71** (See previous page)

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

Selection of a residential factor other than 1 will shift the tax burden from the residential class to the C.I.P. property classes. The greater the CIP shift selected; the greater the percentage of the tax levy is shifted on to the C.I.P property classes. The average single-family property value for Fiscal Year 2021 is **\$577,195**. The average commercial property value for Fiscal Year 2021 is **\$1,089,048**.

The table below summarizes various shift options and their effect on the average annual single family and commercial property within the community.

Factor	CIP SHIFT	RO %	CIP %	RO TAX RATE	CIP Tax Rate	Avg SF Tax Bill	Avg CI Tax Bill
<b>1</b>	<b>1</b>	<b>90.76%</b>	<b>9.24%</b>	<b>\$11.71</b>	<b>\$11.71</b>	<b>\$6,762</b>	<b>\$12,758</b>
<b>0.974533</b>	<b>125</b>	<b>88.44%</b>	<b>11.56%</b>	<b>\$11.42</b>	<b>\$14.64</b>	<b>\$6,590</b>	<b>\$15,948</b>
<b>0.949066</b>	<b>150</b>	<b>86.13%</b>	<b>13.87%</b>	<b>\$11.12</b>	<b>\$17.57</b>	<b>\$6,417</b>	<b>\$19,137</b>
<b>0.93888</b>	<b>160</b>	<b>85.21%</b>	<b>14.79%</b>	<b>\$11.00</b>	<b>\$18.74</b>	<b>\$6,349</b>	<b>\$20,413</b>
<b>0.928693</b>	<b>170</b>	<b>84.28%</b>	<b>15.72%</b>	<b>\$10.88</b>	<b>\$19.92</b>	<b>\$6,280</b>	<b>\$21,689</b>
<b>0.927674</b>	<b>171</b>	<b>84.19%</b>	<b>15.81%</b>	<b>\$10.87</b>	<b>\$20.03</b>	<b>\$6,273</b>	<b>\$21,816</b>
<b>0.926656</b>	<b>172</b>	<b>84.10%</b>	<b>15.90%</b>	<b>\$10.86</b>	<b>\$20.15</b>	<b>\$6,266</b>	<b>\$21,944</b>
<b>0.925637</b>	<b>173</b>	<b>84.01%</b>	<b>15.99%</b>	<b>\$10.84</b>	<b>\$20.27</b>	<b>\$6,259</b>	<b>\$22,072</b>
<b>0.924618</b>	<b>174</b>	<b>83.91%</b>	<b>16.09%</b>	<b>\$10.83</b>	<b>\$20.38</b>	<b>\$6,252</b>	<b>\$22,199</b>
<b>0.9236</b>	<b>175</b>	<b>83.82%</b>	<b>16.18%</b>	<b>\$10.82</b>	<b>\$20.50</b>	<b>\$6,245</b>	<b>\$22,327</b>

With residential property valuations far outpacing the C.I.P property classes in recent year, maintaining the levy born by the Residential Property class and the C.I.P classes is no longer possible as it was between 2008 to 2018. With that said, Board of Assessors recommends the Select Board adopt the minimum **Residential Factor of 0.9236** with corresponding **CIP Shift of 175** to afford the residential tax payers the maximum amount of real estate tax relief. (See page 10 Table #2 for Stoneham’s historical record pertaining to the selection of a 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 35% of the average assessed value of all residential properties within the community. The average assessed value calculation is determined by dividing the total value of the Residential Property class by the residential property count. **(4,175,087,890 / 7,428 = \$562,074)**

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 both residential properties valued higher than average (see below) **and** to non-owner-occupied residential properties. The implementation of a 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 \$10.82 \* to an estimate of \$13.24. (See Stoneham Residential Exemption Impact Analysis on page 5 for details). (The residential rate of \$10.82 is contingent on the selectmen voting for the recommended factor of **0.9236** with the corresponding **CIP shift of 175**).

**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, \$562,074 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 who would not be eligible for the exemption valuation credit

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, Provincetown, Truro, Wellfleet). This exemption is intended to provide tax relief to property owner's domiciled within these communities.

<b>Municipality</b>	<b>Ex Percentage</b>
<b>Boston</b>	<b>35%</b>
<b>Cambridge</b>	<b>30%</b>
<b>Chelsea</b>	<b>31%</b>
<b>Everett</b>	<b>25%</b>
<b>Malden</b>	<b>30%</b>
<b>Somerville</b>	<b>35%</b>
<b>Waltham</b>	<b>35%</b>
<b>Watertown</b>	<b>24%</b>
<b>Barnstable</b>	<b>20%</b>
<b>Brookline</b>	<b>21%</b>
<b>Provincetown</b>	<b>25%</b>
<b>Tisbury</b>	<b>18%</b>
<b>Truro</b>	<b>20%</b>
<b>Nantucket</b>	<b>25%</b>
<b>Wellfleet</b>	<b>20%</b>

## Stoneham Residential Exemption Impact Analysis

Percentage	Average Adjusted SF Value	Adjusted Single Family Tax Bill	Percentage Decrease	Average Adjusted Condo. Value	Adjusted Condo Tax Bill	Percentage Decrease
0.00%	\$577,195	\$6,245.18	0.00%	\$336,150	\$3,637.10	0.00%
5.00%	\$549,091	\$6,236.04	0.15%	\$308,046	\$3,498.48	3.81%
10.00%	\$520,987	\$6,211.27	0.54%	\$279,942	\$3,337.51	8.24%
15.00%	\$492,884	\$6,183.92	0.98%	\$251,839	\$3,159.67	13.13%
20.00%	\$464,780	\$6,153.54	1.47%	\$223,735	\$2,962.18	18.56%

\*52% of all Single-Family homes are valued below the Average Residential Value

\* 95% of all Condominiums are valued below the Average Residential Value

### 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 **\$562,074** \*. Single family homes are largest single property class within Stoneham. Due to the large percentage of owner-occupied residential property within Stoneham (91%\*), in conjunction with the valuation of the average single-family home in Fiscal Year 2021 is greater than the average residential property as calculated by this exemption methodology, the adoption of this exemption at any percentage is unsound. As detailed in the table above, residential properties that fall below the average residential valuation calculation, condominiums in particular, with an average assessed valuation of \$336,150, would benefit from the 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 real estate 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, 2020 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 2020). 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 2020 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 adoption of a Residential Factor, 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 property classes only (300 and 400). It does not shift additional weight onto the Personal Property class (500). Therefore, two separate tax rates would be created, 1 for both Commercial / Industrial Property and another for Personal Property.**

	5% Exempted	10% Exempted
<b>Number of Qualifying Parcels</b>	<b>72</b>	<b>72</b>
<b>Valuation Exempted</b>	<b>\$887,330</b>	<b>\$1,774,660</b>
<b>Tax Dollars Exempted</b>	<b>\$18,191.24</b>	<b>\$36,382.47</b>
<b>Revised CI Tax Rate / 1000</b>	<b>\$20.60</b>	<b>\$20.70</b>
<b>Increase in Tax Rate</b>	<b>\$0.10</b>	<b>\$0.20</b>

**Number of Qualifying Properties within Stoneham: 72**

**Total Valuation of Qualifying Properties: \$17,746,600**

**\*The CIP rate of \$20.50 is contingent on the selectmen accepting the recommended residential factor of 0.9236 with the corresponding CIP shift of 175.**

**\* The Personal Property Tax Rate would remain at \$20.50 and be unaffected**

### **Impact Summary and recommendation**

The implementation of a Small Business Exemption would not necessarily benefit the many 72 qualifying parcels as many are not owner-occupied real estate parcels. **The Board of Assessors does not recommend a Small Business Exemption of any percentage.**

## **Exhibit Table of Contents**

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 2020 Levy Limit calculation found on the following page

Page 9 is the demonstrates the method by which the town's levy limit for FY 2021 is calculated. The formula for calculating FY 2021's levy limit is illustrated in this section which begins with Fiscal Year 2020's limit plus 2.5% (a maximum increase as dictated by Proposition 2 ½ ) plus the current fiscal year's new growth, overrides or debt exclusions. This total is the maximum allowable levy for the current fiscal year.

Table #1 on page 10 provides with total valuation percentages of Residential and C.I.P property classes for Fiscal Year 2020 for both Stoneham and various surrounding communities. It also provides the maximum C.I.P. shift allowable, the shift selected and the effect of the adoption of the shift selected.

Tables #2 on page 11 details the history of Stoneham's C.I.P shifts selected as well as tax levy percentages before and after the selection of a Residential Factor.

Table #3, on page 11, provides the historical valuation and the corresponding annual tax bill for the average property within the 3 largest residential property classes in Stoneham. (Single Family Homes, Condominium, and 2 / 3 Family Homes)

Page 12 contains the Fiscal Year 2021 LA-4 form which details the parcel count and property class valuation for all property classes. This form must be reviewed and approved on an annual basis by the Department of Revenue. Stoneham property values were approved in October of this year.

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

Page 13 contains a Community Comparison Table with information pertaining Fiscal Year 2020. The table includes average single-family value, average single family tax bill and percentage the average single family tax bill is of the average single family value.

## 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.

MASSACHUSETTS DEPARTMENT OF REVENUE  
 DIVISION OF LOCAL SERVICES  
 BUREAU OF ACCOUNTS

**Stoneham**  
 TOWN

**Levy Limit**  
**Fiscal Year 2021**

FOR BUDGET PLANNING PURPOSES

**I. TO CALCULATE THE FY 2020 LEVY LIMIT**

A. FY 2019 Levy Limit	48,775,845	
A1. Amended FY 2019 Growth	0	
B. ADD (IA + IA1)*2.5%	1,219,396	
C. ADD FY 2020 New Growth	507,950	
C1. ADD FY 2020 New Growth Adjustment	0	
D. ADD FY 2020 Override	0	
E. FY 2020 Subtotal	<b>50,503,191</b>	
F. FY 2020 Levy Ceiling	112,085,592	I. <b>50,503,191</b>
		<b>FY 2020 Levy Limit</b>

**II. TO CALCULATE THE FY 2021 LEVY LIMIT**

A. FY 2020 Levy Limit from I	50,503,191	
A1. Amended FY 2020 Growth	0	
B. ADD (IIA + IIA1)*2.5%	1,262,580	
C. ADD FY 2021 New Growth	596,416	
C1. ADD FY 2021 New Growth Adjustment	0	
D. ADD FY 2021 Override	0	
E. ADD FY 2021 Subtotal	<b>52,362,187</b>	
F. FY 2021 Levy Ceiling	115,009,795	II. <b>52,362,187</b>
		<b>FY 2021 Levy Limit</b>

**III. TO CALCULATE THE FY 2021 MAXIMUM ALLOWABLE LEVY**

A. FY 2021 Levy Limit from II.	52,362,187
B. FY 2021 Debt Exclusion(s)	1,914,125
C. FY 2021 Capital Expenditure Exclusion(s)	0
D. FY 2021 Stabilization Fund Override	0
E. FY 2021 Other Adjustment :	0
F. FY 2021 Water/Sewer	0
G. FY 2021 Maximum Allowable Levy	<b>54,276,312</b>

**Table #1 - FISCAL YEAR 2020**  
**Community CIP Tax Shift Comparison**

Municipality	Fiscal Year	R/O % of Total Value	CIP % of Total Value	Max CIP Shift Allowed	CIP Shift Selected	R/O % After Shift	CIP % After Shift
Andover	2020	81.55	18.45	1.75	1.58	29.06	70.94
Bedford	2020	78.69	21.31	1.75	1.75	37.29	62.71
Billerica	2020	75.53	24.47	1.75	1.75	42.82	57.18
Boxford	2020	97.17	2.83	1.50	1.00	2.83	97.17
Burlington	2020	61.56	38.44	1.71	1.62	62.33	37.67
Chelmsford	2020	82.63	17.37	1.50	1.22	21.18	78.82
Danvers	2020	76.96	23.04	1.50	1.40	32.26	67.74
Lexington	2020	88.58	11.42	1.75	1.75	19.98	80.02
Lynnfield	2020	85.79	14.21	1.50	1.29	18.33	81.67
Melrose	2020	95.31	4.69	1.75	1.63	7.65	92.35
Middleton	2020	81.60	18.40	1.50	1.00	18.40	81.60
North Andover	2020	86.84	13.16	1.50	1.29	16.97	83.03
North Reading	2020	87.55	12.45	1.50	1.00	12.45	87.55
Peabody	2020	80.75	19.25	1.75	1.75	33.69	66.31
Reading	2020	92.64	7.36	1.50	1.02	7.51	92.49
Saugus	2020	81.62	18.38	1.75	1.75	32.17	67.83
Stoneham	2020	90.48	9.52	1.75	1.75	16.66	83.34
Tewksbury	2020	83.54	16.46	1.75	1.56	25.67	74.33
Wakefield	2020	87.90	12.10	1.75	1.75	21.18	78.82
Westford	2020	88.14	11.86	1.50	1.00	11.86	88.14
Wilmington	2020	77.07	22.93	1.75	1.75	40.13	59.87
Winchester	2020	95.65	4.35	1.50	1.00	4.35	95.65
Woburn	2020	71.63	28.37	1.75	1.75	49.65	50.35

**Table #2**  
**Stoneham's Classification History**

Fiscal Year	% of Tax Base	% of Tax Base	Maximum		% of Tax Base	% of Tax Base
	Residential (Unshifted)	CIP (Unshifted)	Allowable Shift	Shift Selected	Residential (With Shift)	CIP (With Shift)
2008	89.27%	10.73%	162	161	82.72%	17.28%
2009	88.78%	11.22%	155	155	82.61%	17.39%
2010	88.65%	11.35%	153	153	82.63%	17.37%
2011	88.22%	11.78%	150	150	82.35%	17.65%
2012	88.36%	11.64%	152	150	82.54%	17.46%
2013	88.13%	11.87%	150	150	82.19%	17.81%
2014	88.47%	11.87%	154	152	82.47%	17.53%
2015	88.89%	11.10%	160	158	82.45%	17.55%
2016	88.47%	11.87%	154	152	82.47%	17.53%
2017	89.78%	10.22%	174	172	82.45%	17.55%
2018	90.02%	9.98%	175	175	82.53%	17.47%
2019	90.43%	9.57%	175	175	83.25%	16.75%
2020	90.48%	9.52%	175	175	83.34%	16.66%
*2021	90.76%	9.24%	175	175	83.83%	16.17%

\*assumes that the Board of Selectman adopt the recommended 175 C.I.P Shift

**Table #3**

	FY2021	FY2020	FY2019	FY2018	FY2017
Avg. Single Family value	\$577,195	\$565,130	\$537,287	\$498,780	\$460,125
Percentage Adj in Value	7.43%	5.18%	7.72%	8.40%	5.75%
Avg. Single Family Tax Bill	\$6,228	\$6,098	\$6,028	\$5,841	\$5,701
Average Condo. Value	\$336,150	\$328,548	\$292,054	\$261,919	\$237,556
Percentage Adj in Value	15.10%	12.50%	11.51%	10.26%	3.33%
Avg. Condo. Tax Bill	\$3,627	\$3,545	\$3,420	\$3,067	\$2,943
Avg 2 / 3 Family Value	\$633,261	\$610,051	\$557,407	\$511,851	\$441,005
Percentage Adj in Value	13.61%	9.44%	8.90%	16.06%	6.00%
Avg. 2/3 Family Tax Bill	\$6,833	\$6,582	\$6,527	\$5,994	\$5,464

Table above assume the adoption of the recommended Residential Factor of 0.9236

## Fiscal Year 2021 LA-4

MASSACHUSETTS DEPARTMENT OF REVENUE  
DIVISION OF LOCAL SERVICES  
BUREAU OF LOCAL ASSESSMENT

Stoneham

TOWN

### ASSESSMENT/CLASSIFICATION REPORT as of January 1, 2020

#### Fiscal Year 2021

Property Type	Parcel Count	Class1 Residential	Class2 Open Space	Class3 Commercial	Class4 Industrial	Class5 Pers Prop
101	5,141	2,967,359,100				
102	1,573	528,763,700				
MISC 103,109	15	11,549,300				
104	442	275,016,900				
105	49	35,914,300				
111-125	45	326,438,500				
130-32,106	117	7,619,700				
200-231	0		0			
300-393	271			318,204,900		
400-442	19				29,723,400	
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	46	22,426,390	0	17,855,456	0	
501	217					4,325,212
502	301					9,686,132
503	0					0
504	2					33,651,640
505	4					9,740,100
506	0					0
508	4					1,980,841
550-552	0					0
<b>TOTALS</b>	<b>8,247</b>	<b>4,175,087,890</b>	<b>0</b>	<b>336,196,581</b>	<b>29,723,400</b>	<b>59,383,925</b>
<b>Real and Personal Property Total Value</b>						4,600,391,796
<b>Exempt Parcel Count &amp; Value</b>					255	340,328,454

For CH 61, 61A and 61B Land: enter the mixed use parcel count in the left-hand box, and enter the 100% Chapter land parcel count in the right-hand box.

## Fiscal Year 2020 Community Tax Bill Comparison Table

Municipality	Year	Avg Single Family Value	Avg SF Tax Bill	SF Tax Bill as % of Value*
Lexington	2020	1,106,526	\$15,547	1.41%
Winchester	2020	1,153,972	\$14,298	1.24%
Boxford	2020	668,394	\$10,808	1.62%
Andover	2020	681,094	\$10,223	1.50%
Bedford	2020	741,167	\$9,769	1.32%
North Reading	2020	601,334	\$9,381	1.56%
Westford	2020	565,694	\$9,238	1.63%
Lynnfield	2020	650,497	\$9,055	1.39%
Reading	2020	627,107	\$8,748	1.40%
Middleton	2020	630,292	\$8,585	1.36%
North Andover	2020	553,731	\$7,608	1.37%
Chelmsford	2020	447,553	\$7,362	1.64%
Wakefield	2020	555,928	\$7,099	1.28%
Melrose	2020	634,884	\$7,015	1.10%
Tewksbury	2020	433,362	\$6,921	1.60%
Wilmington	2020	506,113	\$6,873	1.36%
Danvers	2020	493,913	\$6,451	1.31%
<b>Stoneham</b>	<b>2020</b>	<b>565,130</b>	<b>\$6,098</b>	<b>1.08%</b>
Billerica	2020	425,081	\$5,522	1.30%
Burlington	2020	566,991	\$5,466	0.96%
Saugus	2020	450,316	\$5,368	1.19%
Peabody	2020	442,351	\$4,751	1.07%
Woburn	2020	501,809	\$4,677	0.93%