

Fiscal Year 2019 Classification Hearing
November 20, 2018
Hearing Room at 35 Central Street
Stoneham, MA 02180



Presented by

Stoneham Board of Assessors

Craig J. Celli *Chairman*

William J. Jordan *Secretary*

Eric Josephson

Brian C Macdonald **Director of Assessing**

Cheryl Kozlowski **Administrative 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

	LA4 VALUES		FFCV PERCENTS
Residential	3,777,171,255	Res %	90.4301
Open Space	0	OS %	0.0000
Commercial	316,750,323	Com %	7.5834
Industrial	26,543,300	Ind %	0.6355
Pers Prop	56,429,868	P P %	1.3510
Total	4,176,894,746	Total %	100.0000

(\$50,687,418/ \$4,176,894,746) * 1000 = \$12.13 per \$1000 in Assessed Value

1st- 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 \$12.19** (See previous page)

Option #2 – Establish a Split Tax Rate

Selection of a residential factor other 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 2019 is **\$537,287**. The average commercial property value for Fiscal Year 2019 is **\$1,088,855**.

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	Average SF Tax Bill	Average CI Tax Bill
1	1	90.4301%	9.5699%	\$12.19	\$12.19	\$6,550	\$13,273
0.973543	125	88.0376%	11.9624%	\$11.87	\$15.24	\$6,378	\$16,591
0.947087	150	85.6452%	14.3549%	\$11.54	\$18.29	\$6,200	\$19,910
0.936504	160	84.6882%	15.3118%	\$11.41	\$19.50	\$6,130	\$21,237
0.925921	170	83.7312%	16.2688%	\$11.28	\$20.72	\$6,061	\$22,564
0.924863	171	83.6355%	16.3645%	\$11.27	\$20.84	\$6,055	\$22,697
0.923805	172	83.5398%	16.4602%	\$11.26	\$20.97	\$6,050	\$22,830
0.922747	173	83.4441%	16.5559%	\$11.25	\$21.09	\$6,044	\$22,963
0.921688	174	83.3484%	16.6516%	\$11.23	\$21.21	\$6,034	\$23,095
0.92063	175	83.2527%	16.7473%	\$11.22	\$21.33	\$6,028	\$23,228

The Board of Assessors recommends that a **Residential Factor of 0.92063** and the corresponding **CIP Shift of 175** 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).

2nd - 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 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 \$11.17 * to an estimate of \$13.70. (See Stoneham Residential Exemption Impact Analysis on page 5 for details). (The residential rate of \$11.17 is contingent on the selectmen voting for the recommended factor of **0.92063** 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, \$537,287 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.

Residential Exemptions	Percent Granted
BARNSTABLE	20%
BOSTON*	35%
BROOKLINE	20%
CAMBRIDGE*	30%
CHELSEA	25%
EVERETT	25%
MALDEN*	30%
NANTUCKET	20%
SOMERSET	10%
SOMERVILLE*	35%
TISBURY	18%
WALTHAM	20%
WATERTOWN	20%

Stoneham Residential Exemption Impact Analysis

<u>Percentage</u>	<u>Average Adjusted SF Value</u>	<u>Adjusted Single Family Tax Bill</u>	<u>Percentage of Decrease</u>	<u>Average Adjusted Condo. Value</u>	<u>Adjusted Condo Tax Bill</u>	<u>Percentage of Decrease</u>
0.00%	\$537,287	\$6,028	0.00%	\$292,054	\$3,276.85	0.00%
5.00%	\$511,596	\$6,018	0.17%	\$266,363	\$2,831.07	0.17%
10.00%	\$485,904	\$6,006	0.36%	\$240,671	\$2,339.88	0.36%
15.00%	\$460,212	\$5,994	0.57%	\$214,980	\$1,796.06	0.57%
20.00%	\$434,521	\$5,980	0.81%	\$189,288	\$1,190.65	0.81%

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 **\$537,287***. 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 single family, the largest property class in Stoneham, would not benefit from granting this exemption. As detailed in the table immediately above, properties that fall below the average residential valuation, condominiums in particular, 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 real estate tax bill.**

3rd - 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, 2018 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 2017). 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 2017 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.**

	5% Exempted	10% Exempted
Number of Qualifying Parcels	125	125
Valuation Exempted	\$1,783,890	\$3,567,780
Tax Dollars Exempted	\$39,869.94	\$79,739.88
Revised Tax Rate / 1000	\$21.35	\$21.46
Increase in Tax Rate	\$0.11	\$0.22

Number of Qualifying Properties within Stoneham : 125

Total Valuation of Qualifying Properties : \$35,677,800

***The CIP rate of \$21.23 is contingent on the selectmen accepting the recommended residential factor of 0.92063 with the corresponding CIP shift of 175.**

*** The Personal Property Tax Rate would remain at \$21.33 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 125 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 2019 Levy Limit calculation found on the following page

Page 9 is the form used to calculate the town's levy limit for FY 2019. The levy limit uses the prior year's levy as a basis, FY 2018's levy limit calculation is in section one of the form. The formula for calculating FY 2019'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 on page 10 provide you with detailed tax data from Fiscal Year 2018 for both Stoneham and various surrounding communities. The reason for this data is for comparison purposes only.

Tables #2 on page 10 details the tax levy percentages before and after the selection of a Residential Factor / CIP shift. tax rate history for the Town of Stoneham.

Table #3, on page 11, provides details regarding the valuation and average tax billing information for the 3 largest residential property classes.

Table #4, on page 11, details the maximum shift and actual selected shifts over the past 12 years

On page 12 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 Accounts. 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

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.

MASSACHUSETTS DEPARTMENT OF REVENUE
 DIVISION OF LOCAL SERVICES
 BUREAU OF ACCOUNTS

Stone
 TO

Levy Limit
 Fiscal Year 2019

FOR BUDGET PLANNING PURPOSES

I. TO CALCULATE THE FY 2018 LEVY LIMIT

A. FY 2017 Levy Limit	45,117,658	
A1. ADD Amended FY 2017 Growth	6,300	
B. ADD (IA + IA1)*2.5%	1,128,099	
C. ADD FY 2018 New Growth	596,929	
C1. ADD FY 2018 New Growth Adjustment	0	
D. ADD FY 2018 Override	0	
E. FY 2018 Subtotal	<u>46,848,986</u>	
F. FY 2018 Levy Ceiling	96,067,897	I. <u>46,848,986</u>
		FY 2018 Levy Limit

II. TO CALCULATE THE FY 2019 LEVY LIMIT

A. FY 2018 Levy Limit from I	46,848,986	
A1. ADD Amended FY 2018 Growth	0	
B. ADD (IIA + IIA1)*2.5%	1,171,225	
C. ADD FY 2019 New Growth	755,634	
C1. ADD FY 2019 New Growth Adjustment	0	
D. ADD FY 2019 Override	0	
E. ADD FY 2019 Subtotal	<u>48,775,845</u>	
F. FY 2019 Levy Ceiling	104,422,369	II. <u>48,775,845</u>
		FY 2019 Levy Limit

III. TO CALCULATE THE FY 2019 MAXIMUM ALLOWABLE LEVY

A. FY 2019 Levy Limit from II.	48,775,845
B. FY 2019 Debt Exclusion(s)	2,132,162
C. FY 2019 Capital Expenditure Exclusion(s)	0
D. FY 2019 Stabilization Fund Override	0
E. FY 2019 Other Adjustment :	0
F. FY 2019 Water/Sewer	0
G. FY 2019 Maximum Allowable Levy	<u>50,908,007</u>

Table #1 - FISCAL YEAR 2017
Community CIP Tax Shift Comparison

Municipality	Maximum Allowable	FY 2015	% of Tax Base Residential	% of Tax Base CIP	% of Tax Base Residential	% of Tax Base CIP
	Shift	Shift	(Unshifted)	(Unshifted)	(With Shift)	(With Shift)
MELROSE	1.5	1.5	94.70%	5.30%	91.97%	8.03%
READING	1.5	1	94.05%	5.95%	94.05%	5.95%
NORTH READING	1.5	1	87.75%	12.25%	87.75%	12.25%
LYNNFIELD	1.5	1.19	86.51%	13.49%	83.91%	16.09%
STONEHAM	1.75	1.72	90.35%	9.65%	83.40%	16.60%
WAKEFIELD	1.75	1.75	84.90%	13.28%	76.76%	23.24%
WILMINGTON	1.75	1.75	77.25%	22.75%	60.19%	39.81%

Table #2
Stoneham's CIP Shift and Tax Rate History

Fiscal Year	CIP Shift Selected	% of Tax Base Residential (With Shift)	% of Tax Base CIP (With Shift)	Average Single Family Tax Bill
2008	161	82.72%	17.28%	\$4,294.20
2009	155	82.61%	17.39%	\$4,455.95
2010	153	82.63%	17.37%	\$4,607.49
2011	150	82.35%	17.65%	\$4,723.82
2012	150	82.54%	17.46%	\$4,908.00
2013	150	82.19%	17.81%	\$4,966.44
2014	152	82.47%	17.53%	\$5,297.40
2015	158	82.45%	17.55%	\$5,410.64
2016	152	82.47%	17.53%	\$5,525.71
2017	172	82.45%	17.55%	\$5,700.95
2018	175	82.53%	17.47%	\$5,840.71
2019*	175	83.25%	16.75%	\$6,001.50

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

Table #3

Stoneham Tax Rate and Billing History

	<u>FY2019</u>	<u>FY2018</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>
Avg. single family value	\$537,287	\$498,780	\$460,125	\$435,095	\$417,488
Percentage Adj in Value	7.72%	8.40%	5.75%	4.22%	6.31%
Avg. Single Family Tax Bill	\$6,028.36	\$5,840.71	\$5,700.95	\$5,525.71	\$5,410.64
Average Condominium Value	\$292,054	\$261,919	\$237,556	\$229,903	\$210,039
Percentage Adj in Value	11.51%	10.26%	3.33%	9.46%	5.55%
Avg. Condo. Tax Bill	\$3,419.95	\$3,067.08	\$2,943.32	\$2,919.77	\$2,722.11
Avg 2 / 3 Family Value	\$557,407	\$511,851	\$441,005	\$416,052	\$402,632
Percentage Adj in Value from Prev Yr	8.90%	16.06%	6.00%	3.33%	10.60%
Avg. 2/3 Family Tax Bill	\$6,527.23	\$5,993.78	\$5,464.05	\$5,283.86	\$5,218.12

- The table above assumes that the Board of Selectman adopt the recommended 175 C.I.P Shift

Table #4 - Stoneham Tax Rate History

Fiscal Year	CIP Shift Selected	% of Tax Base Residential (With Shift)	% of Tax Base CIP (With Shift)	Average Single Family Tax Bill
2008	161	82.72%	17.28%	\$4,294.20
2009	155	82.61%	17.39%	\$4,455.95
2010	153	82.63%	17.37%	\$4,607.49
2011	150	82.35%	17.65%	\$4,723.82
2012	150	82.54%	17.46%	\$4,908.00
2013	150	82.19%	17.81%	\$4,966.44
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2016	152	82.47%	17.53%	\$5,525.71
2017	172	82.45%	17.55%	\$5,700.95
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2019*	175	83.25%	16.75%	\$6,028.36

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

Stoneham

TOWN

ASSESSMENT/CLASSIFICATION REPORT as of January 1, 2018

Fiscal Year 2019

Property Type	Parcel Count	Class1 Residential	Class2 Open Space	Class3 Commercial	Class4 Industrial	Class5 Pers Prop
101	5,133	2,757,894,700				
102	1,482	432,824,300				
MISC 103,109	19	12,160,100				
104	441	238,171,000				
105	54	37,745,300				
111-125	46	270,954,700				
130-32,106	130	7,826,300				
200-231	0		0			
300-393	276			300,524,060		
400-442	17				26,543,300	
450-452	0				0	
CH 61 LAND	0	0	0	0		
CH 61A LAND	0	0	0	0		
CH 61B LAND	1	0	0	635,650		
012-043	46	19,594,855	0	15,590,613	0	
501	225					3,293,473
502	314					10,789,735
503	0					0
504	2					31,676,330
505	5					9,251,300
506	0					0
508	4					1,419,030
550-552	0					0
TOTALS	8,195	3,777,171,255	0	316,750,323	26,543,300	56,429,868
Real and Personal Property Total Value						4,176,894,746
Exempt Parcel Count & Value					244	325,757,532