

Fiscal Year 2021 Tax Classification Hearing


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Fiscal Year 2021 Tax Classification Hearing

- Purpose
 - Property Assessment & Levy Allocation
 - New Growth
 - Levy Limit, Maximum Levy, Excess Levy Capacity
 - Projected Tax Rate
 - Tax Options-Residential Factor/Split Tax Rate
 - Other Tax Options
 - Additional Information
 - Conclusion
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Fiscal Year 2021 Tax Classification Hearing


What is the purpose of a Classification Hearing?

Tonight I will be asking you to vote a Residential Factor, either splitting or maintaining a single tax rate.

Under MGL Chapter 40, Section 56

“the Selectmen must hold a public hearing annually to consider the tax rate options available to the Town under property tax classification” and “**shall adopt a residential factor** which shall be used by the assessors to determine the percentages of the local tax levy to be borne by each class of real estate and personal property.”

The assessors shall provide “information and data relevant to making such determination and the fiscal effect of the available alternatives.”



Fiscal Year 2021

Tax Classification Hearing

First, lets review some Commonly Used Terms:

NEW GROWTH: Additions to the tax base from new construction and property improvements

LEVY: Revenue raised through property taxes

LEVY LIMIT : Maximum dollar amount a Town can raise in a fiscal year.
(Prior years Levy + 2 ½% + New Growth + Debt Exclusion)

EXCESS LEVY CAPACITY: Difference between the levy and the levy limit

DEBT EXCLUSION: A temporary increase to the levy to pay for capital projects as voted

CIP: Class that includes Commercial, Industrial, & Personal Property


MRF: Minimum Residential Factor. This factor represents the minimum percentage the Residential Class Must Pay

Property Assessment Review

Why do we change the assessed values?

- ***We are required to.*** Under the guidelines of the Department of Revenue and Massachusetts General Laws, Chapter 59, we are required to assess property at 100% full and fair cash valuation.

What does this mean?

- Our assessed values have to reflect the market, i.e. what properties are selling for.
 - The Department of Revenue reviews and approves our values annually, completing a full audit or certification every 5 years. If our values are not “market value” they will not be approved.
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Total Assessed Values(LA4)- Fiscal Year 2021

Property Type	Parcel Count	Class1 Residential	Class2 Open Space	Class3 Commercial	Class4 Industrial	Class5 Pers Prop
101	8,519	5,444,908,200				
102	2,791	1,041,190,400				
MISC 103,109	38	35,213,700				
104	549	328,869,500				
105	83	51,475,300				
111-125	57	361,358,200				
130-32,106	882	65,644,500				
200-231	0		0			
300-393	531			1,653,648,800		
400-442	47				48,041,100	
450-452	0				0	
CH 61 LAND	5	0	0	25,060		
CH 61A LAND	8	11	0	196,550		
CH 61B LAND	0	17	0	1,333,400		
012-043	44	39,982,359	0	19,026,831	0	
501	1,036					31,384,500
502	685					25,660,990
503	1					311,420
504	3					88,857,360
505	12					24,132,900
506	0					0
508	4					5,055,590
550-552	2					670,770
TOTALS	15,325	7,368,642,159	0	1,674,230,641	48,041,100	176,073,530
Real and Personal Property Total Value						9,266,987,430
Exempt Parcel Count & Value					691	728,211,800

The date of value for FY2021 is January 1st 2020

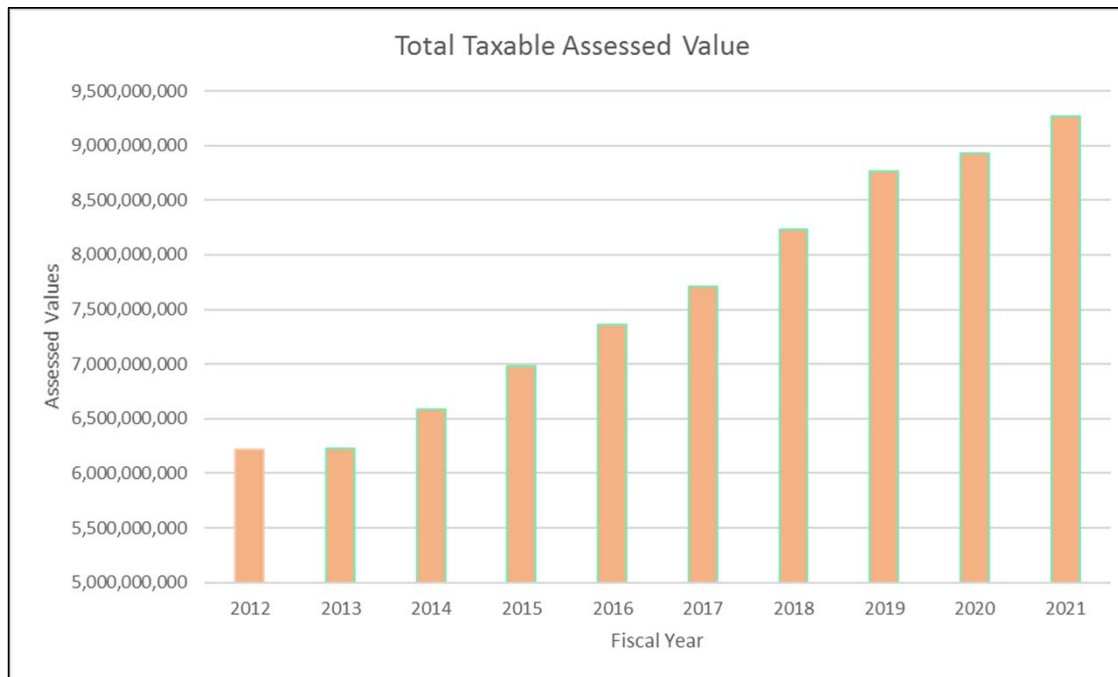
Total taxable value for FY2021 is \$9,266,987,430

The FY21 Average Single Family Value is \$639,149

This is an increase of \$21,189 from the FY2020 Average Single Family Value of \$617,960

The LA4 illustrates the number of parcels and value for each class of property

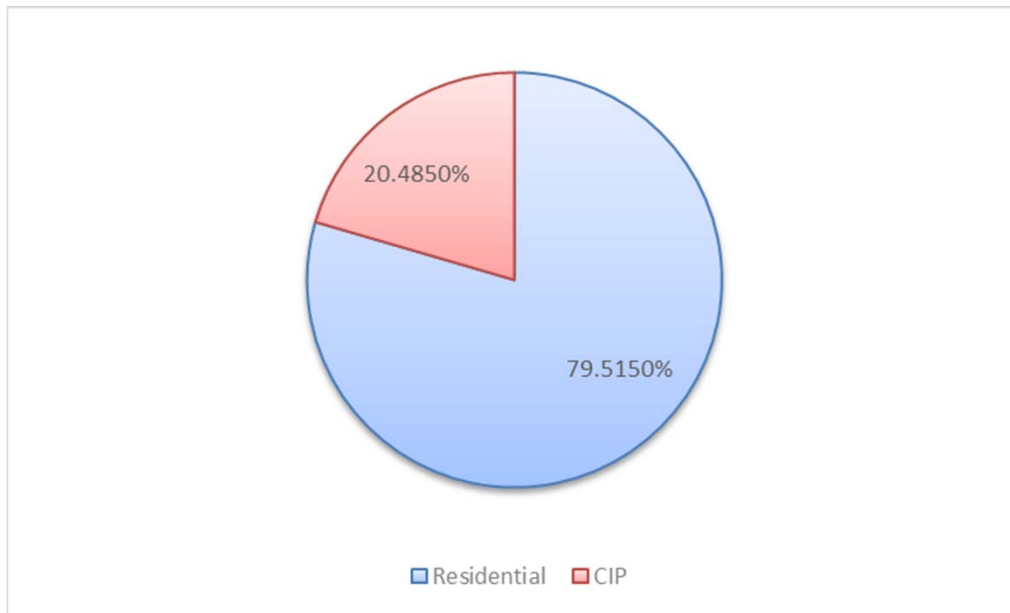
Historic Assessed Values – FY2012-2021



In 10 years we have seen a 49% increase in total taxable assessed values from \$6.2 billion in FY12 to \$9.26 billion in FY21

Levy Allocation

The chart illustrates what portion of the levy would be paid by the Residential class versus the Commercial, Industrial, and Personal Property classes with a single rate.



Levy Allocation	Residential	CIP
Fiscal Year 2021	79.5150%	20.4850%

Classification Percentages

There has been a shift to residential properties in comparison with last year. This increase is roughly 1/4 of a percent (0.2451%)

Levy Allocation	Residential	CIP
Fiscal Year 2020	79.2699%	20.7301%
Fiscal Year 2021	79.5150%	20.4850%
Shift	0.2451%	-0.2451%

New Growth

New Growth valuation was certified by the Dept. of Revenue on October 8th 2020 at one hundred sixty six million ninety nine thousand eight hundred and thirty seven dollars.

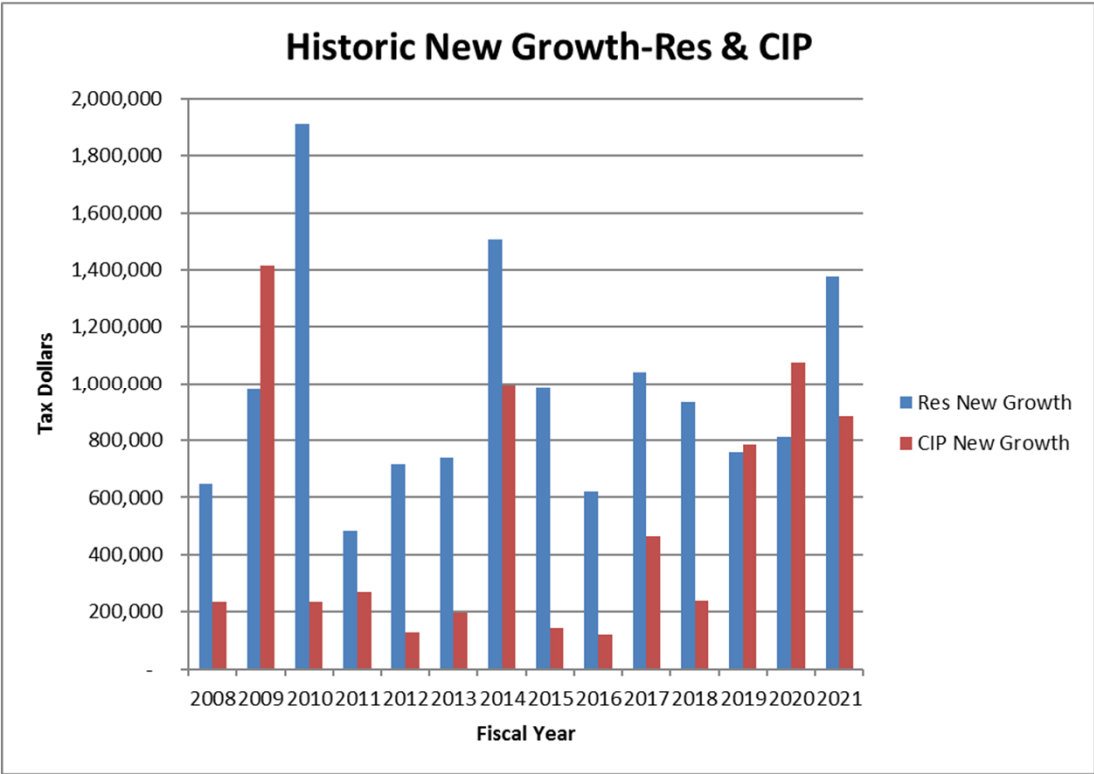
\$166,099,837

This resulted in **\$2,260,619** dollars in Tax Levy Growth.

The major factors contributing to this total are:

Single Family Homes	\$46,154,500
Residential Condominiums	\$12,678,000
Multi Family (Apartments)	\$37,053,300
Commercial/Industrial	\$37,621,400
Personal Property	\$27,366,937


Historical New Growth- Residential & CIP



Levy Limit Calculation

TO CALCULATE THE FY2021 LEVY LIMIT		
A. FY2020 Levy Limit	111,851,327	
A1. ADD Amended FY2020 Growth	0	
B. ADD (IIA + IIA1) X 2.5%	2,796,283	
C. ADD FY2021 New Growth	2,260,619	
C1. ADD FY2021 New Growth Adjustment		
D. ADD FY2021 Override		
E. FY2021 Subtotal	116,908,229	
		\$ 116,908,229
F. FY2021 Levy Ceiling	231,674,686	FY2021 Levy Limit
TO CALCULATE THE FY2021 MAXIMUM ALLOWABLE LEVY		
A. FY2021 Levy Limit from II.	116,908,229	
B. FY2021 Debt Exclusion(s)	9,262,380	
C. FY2021 Capital Expenditure Exclusion(s)		
D. FY2021 Stabilization Fund Override		
E. FY2021 Other Adjustment		
F. FY2021 Water / Sewer		
G. FY2021 Maximum Allowable Levy		\$ 126,170,609
		MAXIMUM LEVY

Maximum Allowable Levy

- The maximum levy allowed for fiscal year 2021 is \$126,170,609
 - This includes the debt exclusion of \$9,262,380
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Excess Levy Capacity

$$\begin{array}{rcl} \text{(Levy Limit + Debt Exclusion)} - \text{(Levy)} & = & \text{(Excess Levy)} \\ \$126,170,609 & - & \$126,123,698.91 & = & \$46,910.09 \\ \text{(Maximum Levy)} & \text{(Levy)} & & = & \text{(Excess Levy)} \end{array}$$

The FY21 Excess Levy capacity is \$46,910.09



Excess Levy Capacity

Note that there will always be excess levy capacity based on the need to round down to the nearest whole dollar.

It needs to be rounded down to stay below the maximum allowable levy


In other words, if one more cent was added to the tax rate, we would be over our maximum allowable levy

Projected Tax Rate - Fiscal Year 2021

The tax rate will be calculated by dividing the actual levy by the total assessed value.

$$\begin{array}{rcl} \text{Actual Levy} & / & \text{Total Assessed Value} = \text{Tax Rate} \\ \$ 126,123,698.91 & / & \$9,266,987,430 = \$13.61 \end{array}$$

*If a residential factor of 1.00 is adopted (single tax rate)




Same Tax Rate as Last Year?

Yes, the tax rate remains the same. This is because the Actual Levy and the Assessed Values both increased at the same percentage.

$$\begin{array}{rclcl} \text{FY21 Actual Levy} & / & \text{FY20 Actual Levy} & = & \text{Percent Change} \\ \$ 126,123,698.91 & / & \$121,562,585.47 & = & 3.75207011\% \end{array}$$

$$\begin{array}{rclcl} \text{FY21 Assessed Values} & / & \text{FY20 Assessed Values} & & \\ \$9,266,987,430 & / & \$8,931,857,860 & = & 3.75207012\% \end{array}$$

*Note that this was purely coincidental



Tax Options- Residential Factor

The minimum residential factor is 87.1188%.

This is the factor that would allow a split tax rate toward the CIP class up to 150%.

A residential factor of 1.00 will maintain a single tax rate.

A residential factor below 1.00 will result in a split tax rate.

A 150% shift would increase the commercial tax rate by \$6.80 per thousand and reduce the residential rate by \$1.75 per thousand.

In FY2020, 108 of 351 communities elected to split the tax rate.

Classification Impact

Based on the proportions of our tax base, a 1% decrease in residential taxes equates to a 4% increase in commercial taxes.

For example, at a 110% shift; residential taxes decrease roughly 2.5% while commercial taxes increase 10%

Any shift chosen will follow this 1:4 ratio.

Classification Impact Examples

The chart shows the impact on different properties if the tax burden was shifted towards the CIP classes.

Type	Typical Property	Assessment	Tax Levy Shift					
			100%	110%	120%	130%	140%	150%
Res	Condo @ Natick Village	207,100	\$ 2,819	\$ 2,746	\$ 2,674	\$ 2,601	\$ 2,529	\$ 2,456
Res	Single Family-Average Value	639,149	\$ 8,699	\$ 8,475	\$ 8,251	\$ 8,028	\$ 7,804	\$ 7,580
Res	Single Family-New Construction	1,200,000	\$ 16,332	\$ 15,912	\$ 15,492	\$ 15,072	\$ 14,652	\$ 14,232
Res	Sm. Apartment	1,500,000	\$ 20,415	\$ 19,890	\$ 19,365	\$ 18,840	\$ 18,315	\$ 17,790
Res	Lg. Apartment	42,500,000	\$ 578,425	\$ 563,550	\$ 548,675	\$ 533,800	\$ 518,925	\$ 504,050
Com	Gas Station	750,000	\$ 10,208	\$ 11,228	\$ 12,248	\$ 13,268	\$ 14,288	\$ 15,308
Com	Small Retail	1,000,000	\$ 13,610	\$ 14,970	\$ 16,330	\$ 17,690	\$ 19,050	\$ 20,410
Com	Office Bldg	40,000,000	\$ 544,400	\$ 598,800	\$ 653,200	\$ 707,600	\$ 762,000	\$ 816,400
Com	Retail Mall	340,000,000	\$ 4,627,400	\$ 5,089,800	\$ 5,552,200	\$ 6,014,600	\$ 6,477,000	\$ 6,939,400
Residential Change				-2.57%	-5.14%	-7.71%	-10.29%	-12.86%
Commercial Change				9.99%	19.99%	29.98%	39.97%	49.96%

Classification Impact Examples

Modera



Type	Property	Assessment	Tax Levy Shift					
			100%	110%	120%	130%	140%	150%
Res	Modera	38,680,900	\$ 526,447	\$ 512,909	\$ 499,370	\$ 485,832	\$ 472,294	\$ 458,755
Percent Change				-2.57%	-5.14%	-7.71%	-10.29%	-12.86%

Classification Impact Examples

Mathworks



Type	Property	Assessment	Tax Levy Shift					
			100%	110%	120%	130%	140%	150%
Comm	Mathworks	212,943,100	\$ 2,898,156	\$3,187,758	\$3,477,361	\$3,766,963	\$4,056,566	\$4,346,169
Percent Change				9.99%	19.99%	29.98%	39.97%	49.96%

Other Tax Policy Options

- Residential Exemption
 - Small Commercial Exemption
- 

Residential Exemption

- The board may choose to adopt a residential exemption of up to 35% of the average value of all residential properties.
- Benefits owner-occupied properties
- Shifts the tax burden within the residential class and results in a higher tax rate
- Provides greater benefit to lower-valued properties
- Is a break-even point, where an eligible property pays higher taxes because of the adjusted (higher) tax rate.
- Implementing a residential exemption without classifying (splitting) the tax rate results in a higher tax rate for some residential properties than CIP

Residential Exemption Examples

Selected Exemption		0%	5%	10%	20%	35%	
Residential Exemption Amt		\$0	\$28,520	\$57,040	\$114,080	\$199,640	
Residential Tax Rate		13.61	14.21	14.87	16.39	19.35	
	Qualifies for Exemption	Assess	Tax	Tax	Tax	Tax	Tax
Owner Occupied Condo	YES	207,100	2,819	2,538	2,231	1,525	144
Owner Occupied Home (Average Value)	YES	639,149	8,699	8,677	8,656	8,606	8,504
Non-Owner Occupied Home (Average Value)	NO	639,149	8,699	9,082	9,504	10,476	12,368
Owner Occupied Home	YES	800,000	10,888	10,963	11,048	11,242	11,617
Owner Occupied Home	YES	1,200,000	16,332	16,647	16,996	17,798	19,357
Large Apartment	NO	38,000,000	517,180	539,980	565,060	622,820	735,300


Residential Exemption

Fifteen communities adopted a residential exemption in FY2020.

The communities that utilize this tax option generally have a large percentage of rental units (Boston, Brookline, Cambridge, etc.) or seasonal/tourist housing (Nantucket, Provincetown, Tisbury, etc.)

Municipality	Res Ex Pct
Barnstable	20%
Boston	35%
Brookline	21%
Cambridge	30%
Chelsea	31%
Everett	25%
Malden	30%
Nantucket	25%
Provincetown	25%
Somerville	35%
Tisbury	18%
Truro	20%
Waltham	35%
Watertown	24%
Wellfleet	20%

Small Commercial Exemption


- The board may choose to adopt a small commercial exemption of up to 10%.
 - Available to businesses that employ less than 10 people annually (as certified by the Department of Labor and Workforce Development) and are situated in a building that is valued less than \$1,000,000.
 - All businesses at the property must qualify.
 - In Natick, approximately 41 properties may be eligible.
 - Benefit goes to the property owner rather than the business itself.
 - Adopting a small commercial exemption without classifying (split) taxes, could result in a tax rate for some commercial properties less than the residential rate.
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Small Commercial Exemption

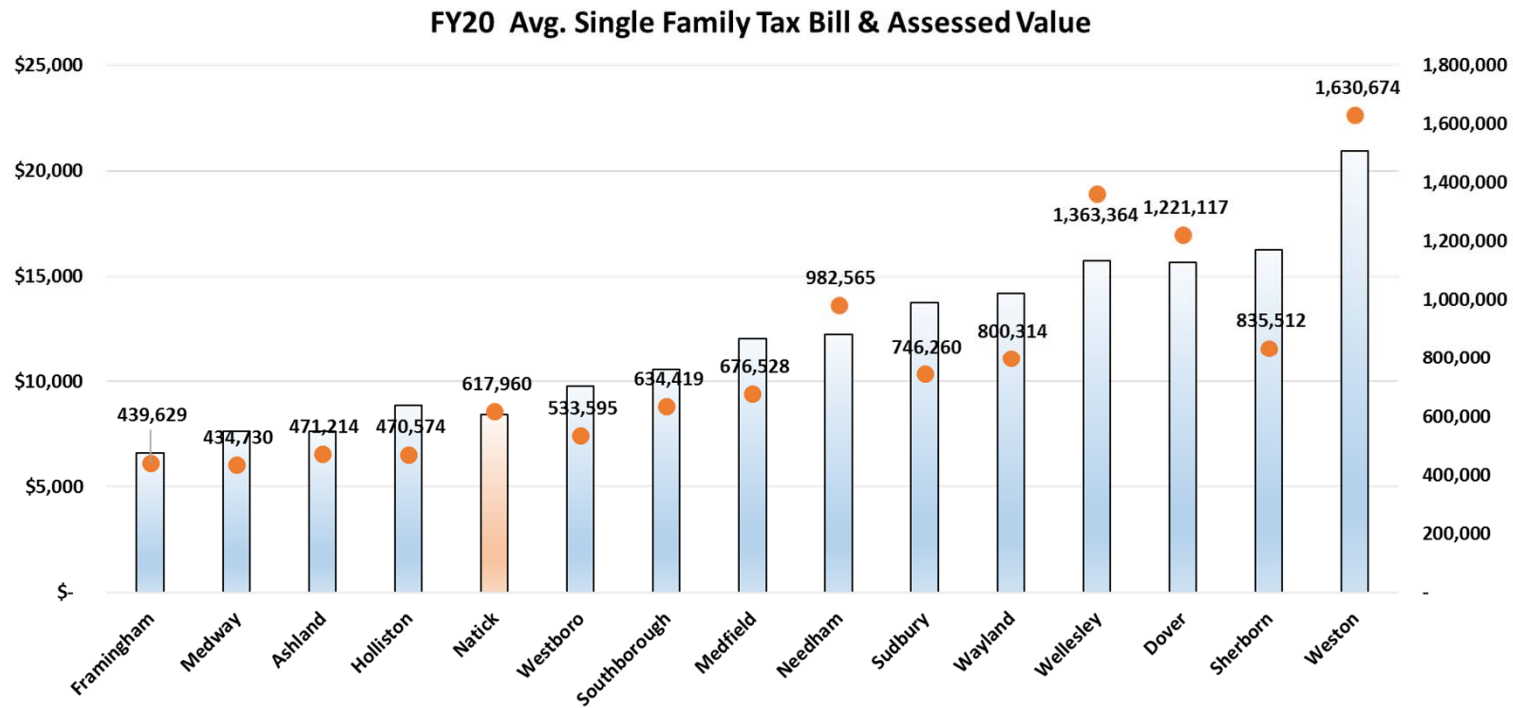
Fourteen communities adopted a small commercial exemption in 2020. Twelve also have a split tax rate.

Municipality	Comm Ex Pct
Auburn	10%
Avon	10%
Bellingham	10%
Berlin	10%
Braintree	10%
Chelmsford	10%
Dartmouth	10%
Erving	10%
New Ashford	10%
North Attleborough	5%
Seekonk	10%
Swampscott	10%
Westford	10%
Wrentham	10%

Additional Information

- How does Natick compare with surrounding communities
 - Top Ten Taxpayers
- 

Average Single Family Tax Bill Comparison FY2020



Top Ten Taxpayers- Fiscal Year 2021

OWNER	PROPERTY CLASS	REAL ESTATE VALUE	REAL ESTATE TAXES	PERSONAL PROPERTY VALUE	PERSONAL PROPERTY TAXES	FY2021 ASSESSED TOTAL	TOTAL TAXES (RE & PP)
GGP/BROOKFIELD (NATICK MALL)	CIP	\$ 337,286,800	\$ 4,590,473	\$ 2,187,600	\$ 29,773	\$ 339,474,400	\$ 4,620,247
MATHWORKS INC	CIP	\$ 212,943,100	\$ 2,898,156	311,420.00	\$ 4,238	\$ 213,254,520	\$ 2,902,394
AVALON NATICK LLC	RES	\$ 88,256,700	\$ 1,201,174	42,320.00	\$ 576	\$ 88,299,020	\$ 1,201,750
HC ATLANTIC DEVELOPMENT LP	CIP	\$ 83,705,700	\$ 1,139,235			\$ 83,705,700	\$ 1,139,235
FRANCHI PASQUALE	RES	\$ 48,731,800	\$ 663,240			\$ 48,731,800	\$ 663,240
NATICK VILLAGE INVESTMENT LTD PTRN	RES	\$ 47,700,800	\$ 649,208			\$ 47,700,800	\$ 649,208
COGNEX/VISION DRIVE	CIP	\$ 43,421,500	\$ 590,967			\$ 43,421,500	\$ 590,967
NATICK AVENU OWNER LLC	RES	\$ 42,258,800	\$ 575,142			\$ 42,258,800	\$ 575,142
DDH HOTEL LLC	CIP	\$ 39,884,600	\$ 542,829	\$ 974,200	\$ 13,259	\$ 40,858,800	\$ 556,088
EGMR 30 SUPERIOR (FED EX)	CIP	\$ 39,931,600	\$ 543,469			\$ 39,931,600	\$ 543,469
TOTALS:		\$ 984,121,400	\$ 13,393,892	\$ 3,515,540	\$ 47,846	\$ 987,636,940	\$ 13,441,739

TOP 10 TAXPAYER PERCENT OF LEVY = 10.66%

TOP 2 TAXPAYER PERCENT OF LEVY = 5.96%

Conclusion.....


If Natick maintains a single tax rate, we can expect the following:

- We have projected the average single family home valued at \$639,149 to have an annual tax bill of \$8,698.82
 - In FY20, the average single family home value was \$617,960 with an annual tax bill of \$8,410.44
 - This is an increase to the average single family tax bill of \$288.38.
- The Top 10 Taxpayers pay 10.66% to Natick's Total Tax Levy.
- Last years debt exclusion vote for KMS and Fire Station are part of this tax rate
- FY2021 date of value is January 1st 2020. Any effects of Covid-19 on market values are not yet known and will not be reflected in assessments until FY2022.

In conclusion, the board may consider:

1. A residential exemption
and/or
2. A small commercial exemption

Typically these exemptions are found in communities that have a large percentage of rental or non-resident owners and have a split tax rate.



I am asking the board to vote:

The board must adopt a residential factor.

A residential factor of 1.00 will result in a single tax rate

A residential factor of less than 1.00 will result in a split tax rate

