

**FISCAL YEAR 2023
TAX CLASSIFICATION HEARING**

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Director of Assessing
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FISCAL YEAR 2023

TAX CLASSIFICATION HEARING

- Purpose
- Property Assessment, New Growth & Levy Allocation
- Levy Limit, Maximum Levy, Excess Levy Capacity
- Projected Tax Rate
- Tax Options-Residential Factor aka Split Tax Rate Impacts
- Other Tax Options- Residential & Small Commercial Exemptions
- Additional Information
- Conclusion & Vote

Fiscal Year 2023

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.”

ASSESSED VALUES & NEW GROWTH FY2023

Total taxable value for FY2023 is **\$10,690,612,010**

This is a 9% increase from the total taxable value in FY2022 of \$9,805,966,670

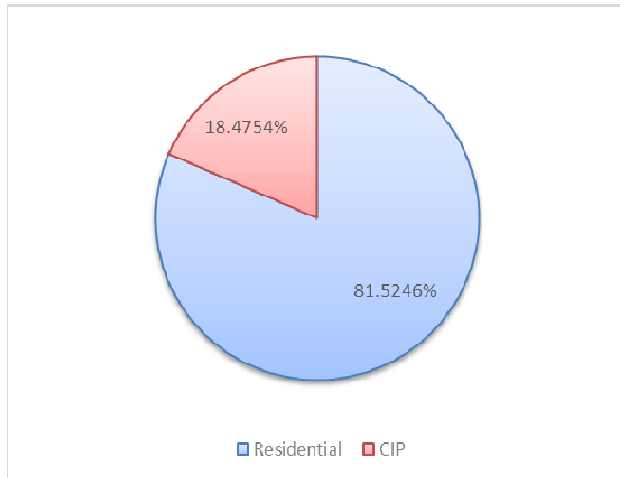
The **AVERAGE** single family home value increased to **\$759,250** from the FY2022 AVERAGE of \$686,449

The **MEDIAN** single family home value increased to **\$685,600** from the FY2022 MEDIAN of \$621,500

NEW GROWTH was certified at \$138,021,126 in assessed value correlating to **\$1,841,203** in tax dollars

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. It also illustrates the allocation of the tax base from FY22 and the valuation shift.



Levy Allocation	Residential	CIP
Fiscal Year 2023	81.5246%	18.4754%

Levy Allocation	Residential	CIP
Fiscal Year 2022	80.4729%	19.5271%
Shift	1.0517%	-1.0517%

LEVY LIMIT CALCULATION

TO CALCULATE THE FY2023 LEVY LIMIT		
A. FY2022 Levy Limit	121,689,407	
A1. ADD Amended FY2022 Growth	0	
B. ADD (IIA + IIA1) X 2.5%	3,042,235	
C. ADD FY2023 New Growth	1,841,203	
C1. ADD FY2023 New Growth Adjustment		
D. ADD FY2023 Override		
E. FY2023 Subtotal	126,572,845	
		\$ 126,572,845
F. FY2023 Levy Ceiling	267,268,653	FY2023 Levy Limit
TO CALCULATE THE FY2023 MAXIMUM ALLOWABLE LEVY		
A. FY2023 Levy Limit from II.	126,572,845	
B. FY2023 Debt Exclusion(s)	9,072,317	
C. FY2023 Capital Expenditure Exclusion(s)		
D. FY2023 Stabilization Fund Override		
E. FY2023 Other Adjustment		
F. FY2023 Water / Sewer		
G. FY2023 Maximum Allowable Levy		\$ 135,645,162
		Maximum Allowable Levy

MAXIMUM ALLOWABLE LEVY & EXCESS LEVY CAPACITY

- Maximum Allowable Levy- \$135,645,162
(includes the debt exclusion of \$9,072,317)
- Excess Levy Capacity:
Maximum Levy - Actual Levy = Excess Levy
\$135,645,162 - \$135,129,335.81 = \$515,826.19

The FY23 Excess Levy capacity is \$515,826.19

PROJECTED TAX RATE - FISCAL YEAR 2023

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

$$\begin{array}{rcl} \text{Actual Levy} & / & \text{Total Assessed Value} = \text{Tax Rate} \\ \$ 135,129,335.81 & / & \$10,690,746,110 = 0.01264 \end{array}$$

or

$$\$12.64 / \$1,000 \text{ of value}$$

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

TAX OPTIONS- RESIDENTIAL FACTOR

The minimum residential factor is 88.6688%.

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 of \$12.64.

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

A 150% shift would increase the commercial tax rate by \$6.32 per thousand to \$18.96 and reduce the residential rate by \$1.43 per thousand to \$11.21.

In FY2022, 108 of 351 communities elected to split the tax rate.

TAX OPTIONS- RESIDENTIAL FACTOR

The number of communities utilizing a split rate has historically remained consistent with an occasional move to “split” or “un-split.”

<u>Municipality</u>	<u>Direction</u>	<u>Reclassification Year</u>
North Attleborough	Single -> Split	2016-2017
Reading	Single -> Split	2017-2018
Truro	Single -> Split	2017-2018
Chelmsford	Single -> Split	2018-2019
Wellfleet	Single -> Split	2018-2019
Harvard	Single -> Split	2019-2020
Hadley	Single -> Split	2021-2022
Oak Bluffs	Split -> Single	2021-2022
New Ashford	Split -> Single	2017-2018
New Salem	Split -> Single	2017-2018
Webster	Split -> Single	2018-2019
Westford	Split -> Single	2018-2019
Fitchburg	Split -> Single	2019-2020
Russell	Split -> Single	2019-2020

Split Rate Due to Shift		
Fiscal Year	Single Rate	Split Rate
2022	243	108
2021	243	108
2020	243	108
2019	241	110
2018	243	108
2017	242	109
2016	242	109
2015	241	110
2014	241	110
2013	241	110
2012	243	108
2011	244	107
2010	245	106
2009	244	107
2008	243	108
2007	243	108
2006	243	108
2005	244	107
2004	248	103
2003	252	99

CLASSIFICATION IMPACT

While we have had a slight shift in our tax base, the proportions remain similar. In general, a 1% decrease in residential taxes equates to a 4% increase in commercial taxes when looking at shift options.

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	234,400	\$ 2,963	\$ 2,895	\$ 2,829	\$ 2,761	\$ 2,693	\$ 2,628
Res	Single Family-Average Value	759,250	\$ 9,597	\$ 9,377	\$ 9,164	\$ 8,944	\$ 8,724	\$ 8,511
Res	Single Family-New Construction	1,400,000	\$ 17,696	\$ 17,290	\$ 16,898	\$ 16,492	\$ 16,086	\$ 15,694
Res	Sm. Apartment	1,500,000	\$ 18,960	\$ 18,525	\$ 18,105	\$ 17,670	\$ 17,235	\$ 16,815
Res	Lg. Apartment	100,000,000	\$ 1,264,000	\$ 1,235,000	\$ 1,207,000	\$ 1,178,000	\$ 1,149,000	\$ 1,121,000
Com	Gas Station	750,000	\$ 9,480	\$ 10,425	\$ 11,378	\$ 12,323	\$ 13,275	\$ 14,220
Com	Small Retail	1,000,000	\$ 12,640	\$ 13,900	\$ 15,170	\$ 16,430	\$ 17,700	\$ 18,960
Com	Office Bldg	40,000,000	\$ 505,600	\$ 556,000	\$ 606,800	\$ 657,200	\$ 708,000	\$ 758,400
Com	Retail Mall	350,000,000	\$ 4,424,000	\$ 4,865,000	\$ 5,309,500	\$ 5,750,500	\$ 6,195,000	\$ 6,636,000
Residential Change				-2.29%	-4.51%	-6.80%	-9.10%	-11.31%
Commercial Change				9.97%	20.02%	29.98%	40.03%	50.00%

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. There is a break-even point, where an eligible owner-occupied property pays higher taxes because of the adjusted (higher) tax rate.
- Implementing a residential exemption without splitting the tax rate results in a tax rate for some residential properties higher than the CIP rate.
- In FY22, 15 communities utilized this exemption
- Most of these have a large number of rental units (Boston, Brookline) or non-owner occupied/seasonal housing (Nantucket, Provincetown)

Municipality	Res Ex Pct
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%

RESIDENTIAL EXEMPTION

The DOR has made a change on the LA5 form to report and recalculate tax rates based on optional exemptions including the Residential Exemption.

“You must upload your local exemption calculation worksheet to the LA-5 form. This worksheet should include the following required fields: parcel location/address, class, total value, exempted value and net value after exemption.”

To adopt this exemption, we need to know the residential properties that qualify. This would have meant accepting applications in July. If the SB would like to implement this policy, it would be for FY24 and really can't be implemented based on a vote this evening.

As part of this process, the Assessors need to verify “principal residence” with a federal tax return. Based on our estimated percentage of owner occupancy, roughly 11,000 tax returns would need to be verified for year one. Temporary staffing would need to be utilized.

RESIDENTIAL EXEMPTION EXAMPLES

Selected Exemption			0%	5.00%	10.00%	20.00%	35.00%
Residential Exemption			\$0	\$33,605	\$67,210	\$134,420	\$235,235
Residential Tax Rate			\$ 12.64	\$ 13.20	\$ 13.81	\$ 15.23	\$ 18.00
	Qualifies for Exemption	Assess	Tax	Tax	Tax	Tax	Tax
Owner Occupied Condo	YES	234,400	2,963	2,650	2,309	1,523	*296
Owner Occupied Home (Median Value)	YES	685,600	8,666	8,606	8,540	8,394	8,107
Owner Occupied Home (Average Value)	YES	759,250	9,597	9,579	9,557	9,516	9,432
Non-Owner Occupied Home (Average Value)	NO	759,250	9,597	10,022	10,485	11,563	13,667
Owner Occupied Home	YES	850,000	10,744	10,776	10,810	10,898	11,066
Owner Occupied Home	YES	1,200,000	15,168	15,396	15,644	16,229	17,366
Large Apartment	NO	50,000,000	632,000	660,000	690,500	761,500	900,000

* Note a parcel cannot be taxed for less than 10% of market value in this scenario

SMALL COMMERCIAL EXEMPTION

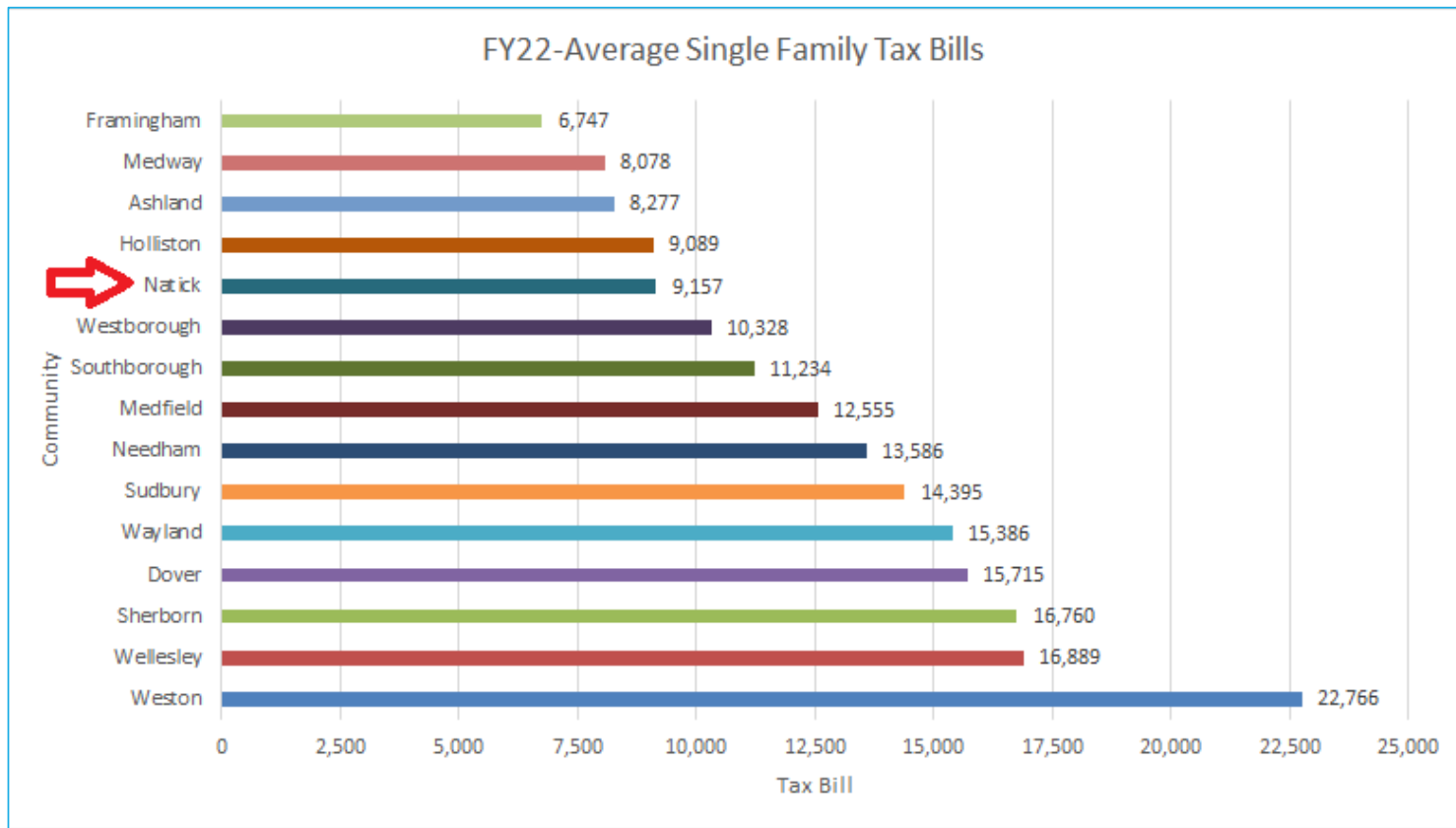
- The board may choose to adopt a small commercial exemption of up to 10%.
- Available to businesses that employ less than 10 people annually (as certified by the Department of Labor and Workforce Development) and are situated in a building that is valued less than \$1,000,000.
- All businesses at the property must qualify.
- In Natick, approximately 83 properties may be eligible.
- Benefit goes to the property owner rather than the business itself.
- Fourteen communities adopted a small commercial exemption in FY2022. Twelve also have a split tax rate.

Municipality	SmCom 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 FY2022



TOP TEN TAXPAYERS- FISCAL YEAR 2023

OWNER	PROPERTY CLASS	REAL ESTATE VALUE	REAL ESTATE TAXES	PERSONAL PROPERTY VALUE	PERSONAL PROPERTY TAXES	FY2023 ASSESSED TOTAL	TOTAL TAXES (RE & PP)
BROOKFIELD (NATICK MALL)	CIP	\$ 349,652,700	\$ 4,419,610	\$ 3,240,640	\$ 40,962	\$ 352,893,340	\$ 4,460,572
MATHWORKS INC	CIP	\$ 227,985,900	\$ 2,881,742	\$ 288,460	\$ 3,646	\$ 228,274,360	\$ 2,885,388
NSTAR ELECTRIC & GAS	CIP			\$ 146,246,590	\$ 1,848,557	\$ 146,246,590	\$ 1,848,557
AVALON NATICK LLC	RES	\$ 100,442,000	\$ 1,269,587	\$ 36,240	\$ 458	\$ 100,478,240	\$ 1,270,045
HC ATLANTIC DEVELOPMENT LP	CIP	\$ 79,553,300	\$ 1,005,554	\$ -	\$ -	\$ 79,553,300	\$ 1,005,554
FRANCHI PASQUALE	RES	\$ 60,909,100	\$ 769,891	\$ -	\$ -	\$ 60,909,100	\$ 769,891
GSAA AVENU NATICK OWNER LLC	RES	\$ 54,161,800	\$ 684,605	\$ -	\$ -	\$ 54,161,800	\$ 684,605
NATICK VILLAGE INVESTMENT LTD PTRN	RES	\$ 53,987,300	\$ 682,399	\$ -	\$ -	\$ 53,987,300	\$ 682,399
MCREF NATICK DEVELOPMENT LLC (MODERA)	RES	\$ 43,638,100	\$ 551,586	\$ -	\$ -	\$ 43,638,100	\$ 551,586
EGMR 30 SUPERIOR (FED EX)	CIP	\$ 42,783,900	\$ 540,788	\$ -	\$ -	\$ 42,783,900	\$ 540,788
TOTALS:		\$ 1,013,114,100	\$ 12,805,762	\$ 149,811,930	\$ 1,893,623	\$ 1,162,926,030	\$ 14,699,385

TOP 10 TAXPAYER PERCENT OF LEVY = 10.90%

TOP 2 TAXPAYER PERCENT OF LEVY = 5.44%

CONCLUSION.....

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

- We have projected the average single family home valued at \$759,250 to have an annual tax bill of \$9,596.92
 - In FY21, the average single family home value was \$686,449 with an annual tax bill of \$9,157.23
 - This is an increase to the average single family tax bill of \$439.69.

- As always, those that need assistance, please reach out to the Assessors office and/or website to review our exemption programs.



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