



Fiscal Year 2024 Tax Classification Hearing

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Tax Classification Hearing

- Purpose
- Process
- Property Assessment, New Growth, Levy Allocation
- Levy Limit, Excess Levy Capacity
- Projected Tax Rate
- Taxation Options
- Additional Information
- Vote a Minimum Residential Factor

Purpose

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

Under MGL Chapter 40, Section 56

“the Select Board 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.”



Process

1. Assessors work throughout year to value real and personal property and calculate growth
2. Submit and receive approvals from the Bureau of Local Assessment of the DOR's Division of Local Services
3. Work with finance team to complete the Recapitalization Sheet- aka the "Recap"
4. 7 business day waiting period after Town Meeting close
5. Hold hearing where local officials vote on minimum residential factor (aka split tax rate)
6. Submit the Recap and supporting documents for tax rate approval by the DOR
7. Mail tax bills before January 1st.

Assessed Values

The Town's total taxable value is \$11,482,754,740

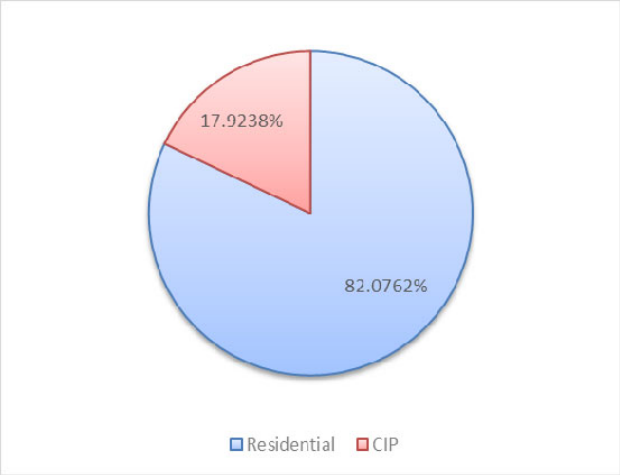
This is a 7.41% increase from last year's value of 10,690,612,010

The Average Single Family value has increased to \$817,385 from \$759,250.

The Median Single Family value has increased to \$728,700 from \$685,600.

New Growth was certified at \$167,837,944 in assessed value correlating to \$2,121,472 in tax dollars.

Levy Allocation



Levy Allocation	Residential	CIP
Fiscal Year 2024	82.0762%	17.9238%

Levy Allocation	Residential	CIP
Fiscal Year 2023	81.5246%	18.4754%
Shift	0.5516%	-0.5516%

Levy Limit and Max Allowable Levy Calculation

TO CALCULATE THE FY2024 LEVY LIMIT		
A. FY2023 Levy Limit	126,572,845	
A1. ADD Amended FY2023 Growth	0	
B. ADD (IIA + IIA1) X 2.5%	3,164,321	
C. ADD FY2024 New Growth	2,121,472	
C1. ADD FY2024 New Growth Adjustment		
D. ADD FY2024 Override		
E. FY2024 Subtotal	131,858,638	
		\$ 131,858,638
F. FY2024 Levy Ceiling	287,068,869	FY2024 Levy Limit
TO CALCULATE THE FY2024 MAXIMUM ALLOWABLE LEVY		
A. FY2024 Levy Limit from II.	131,858,638	
B. FY2024 Debt Exclusion(s)	8,982,221	
C. FY2024 Capital Expenditure Exclusion(s)		
D. FY2024 Stabilization Fund Override		
E. FY2024 Other Adjustment		
F. FY2024 Water / Sewer		
G. FY2024 Maximum Allowable Levy		\$ 140,840,859
		Maximum Allowable Levy

* Note this includes previously voted debt exclusions →

Excess Levy Capacity

There will always be some excess levy capacity because the tax rate needs to be a round number (and you need to round down):

$$\begin{array}{rclcl} \text{Assessed Values} & / & \text{Max Allowable Levy} & = & \text{Tax Rate} \\ \$11,482,754,740 & / & 140,840,859 & = & \$12.2654243 \end{array}$$

If rounded up to \$12.27- then the actual levy would be higher than the Max Allowable

$$\begin{array}{rclcl} \text{Assessed Values} & \times & \text{Tax Rate} & = & \text{Actual Levy} \\ \$11,482,754,740 & \times & \$12.27 & = & \$140,893,400.66 \text{ (Too high, over Max Allowable)} \end{array}$$

So, we round down to \$12.26

$$\begin{array}{rclcl} \text{Assessed Values} & \times & \text{Tax Rate} & = & \text{Actual Levy} \\ \$11,482,754,740 & \times & \$12.26 & = & \$140,778,573.11 \text{ (OK-below Max Allowable)} \end{array}$$

Excess Levy Capacity

Thus, our Excess Levy Capacity is: **\$62,285.89**

Assessed Values	x	Tax Rate	=	Actual Levy
\$11,482,754,740	x	\$12.26	=	\$140,778,573.11

Max Allowable Levy	-	Actual Levy	=	Excess Levy Capacity
\$140,840,859	-	\$ 140,778,573.11	=	\$62,285.89

Projected Tax Rate FY2024 = \$12.26

This is down \$0.38 from last years rate of \$12.64



Tax Options-Residential Factor

The minimum residential factor is 89.0810%

This is the factor that would allow a split tax rate toward the CIP (Commercial, Industrial, and Personal) property class up to 150%

A residential factor of 1.00 will maintain a single tax rate of \$12.26
A residential factor below 1.00 will result in a split tax rate.

In FY2023, 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

<u>FY</u>	<u>Single Rate</u>	<u>Split Rate</u>
2023	243	108
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



Tax Options-Residential Factor

We have had a slight shift in our tax base, roughly half a % to residential property.

Our overall tax base proportions, “the pie”, remain similar. In general, a 1% decrease in residential taxes equates to a 4% increase in commercial taxes.

For example, a 110% shift results in a decrease to residential taxes of 2.2% and an increase in CIP taxes of 10.03%

Tax Options-Residential Factor

Type	Typical Property	Assessment	Tax Levy Shift					
			100%	110%	120%	130%	140%	150%
Res	Condo @ Natick Village	248,200	\$ 3,043	\$ 2,976	\$ 2,909	\$ 2,844	\$ 2,777	\$ 2,710
Res	Single Family-Average Value	817,385	\$ 10,021	\$ 9,800	\$ 9,580	\$ 9,367	\$ 9,147	\$ 8,926
Res	Single Family-New Construction	1,600,000	\$ 19,616	\$ 19,184	\$ 18,752	\$ 18,336	\$ 17,904	\$ 17,472
Res	Sm. Apartment	1,500,000	\$ 18,390	\$ 17,985	\$ 17,580	\$ 17,190	\$ 16,785	\$ 16,380
Res	Lg. Apartment	100,000,000	\$ 1,226,000	\$ 1,199,000	\$ 1,172,000	\$ 1,146,000	\$ 1,119,000	\$ 1,092,000
Com	Gas Station	750,000	\$ 9,195	\$ 10,118	\$ 11,033	\$ 11,955	\$ 12,870	\$ 13,793
Com	Small Retail	1,000,000	\$ 12,260	\$ 13,490	\$ 14,710	\$ 15,940	\$ 17,160	\$ 18,390
Com	Office Bldg	40,000,000	\$ 490,400	\$ 539,600	\$ 588,400	\$ 637,600	\$ 686,400	\$ 735,600
Com	Retail Mall	350,000,000	\$ 4,291,000	\$ 4,721,500	\$ 5,148,500	\$ 5,579,000	\$ 6,006,000	\$ 6,436,500
Residential Change				-2.20%	-4.40%	-6.53%	-8.73%	-10.93%
Commercial Change				10.03%	19.98%	30.02%	39.97%	50.00%



Tax Options-Residential Factor

While we need to vote on a residential factor tonight, we can also discuss two other taxation options, the Residential Exemption and Small Commercial Exemption.

Other Tax Options-Residential Exemption

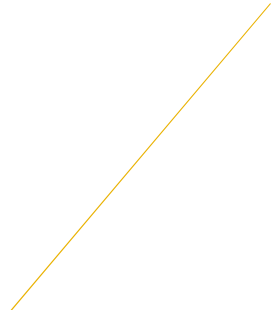
The board may adopt a residential exemption of up to 35% of the average value of all residential properties.

- Benefits owner-occupied properties
- Increases taxes on apartment complexes
- 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 FY23, 18 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	20%
Cambridge	30%
Chelsea	35%
Concord	10%
Everett	25%
Malden	30%
Mashpee	5%
Nantucket	25%
Oak Bluffs	8%
Provincetown	35%
Somerville	35%
Tisbury	22%
Truro	30%
Waltham	35%
Watertown	33%
Wellfleet	30%



Other Tax Options-Residential Exemption

- Last year, a change was made in reporting and recalculating tax rates based on optional exemptions, including the Residential Exemption.
 - Theoretically, to implement this year, we would have been taking applications last January 1st to be able to accurately know exactly which properties qualified to set an accurate tax rate.
 - Prior to this, in the first year, estimates were used.
 - Verifying residency for this program involves reviewing property ownership status and tax returns, likely for roughly 10,000 homes.
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Other Tax Options-Residential Exemption

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		\$ 12.26	\$ 12.75	\$ 13.28	\$ 14.50	\$ 16.79	
	Qualifies for Exemption	Assess	Tax	Tax	Tax	Tax	Tax
Owner Occupied Condo	YES	234,400	2,874	2,560	2,220	1,450	*498
Owner Occupied Home (Median Value)	YES	685,600	8,405	8,313	8,212	7,992	7,562
Owner Occupied Home (Average Value)	YES	817,385	10,021	9,993	9,962	9,903	9,774
Non-Owner Occupied Home (Average Value)	NO	817,385	10,021	10,422	10,855	11,852	13,724
Owner Occupied Home	YES	875,000	10,728	10,728	10,727	10,738	10,742
Owner Occupied Home	YES	1,200,000	14,712	14,872	15,043	15,451	16,198
Large Apartment	NO	50,000,000	613,000	637,500	664,000	725,000	839,500

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

Other Tax Options- Small Commercial Exemption

- The board may adopt a small commercial exemption of up to 10%
- Benefits Businesses that employ less than 10 people annually (per the Department of Labor and Workforce Development) and are in a building that is valued less than \$1m.
- All businesses at a property must qualify
- In Natick, approximately 53 properties may be eligible.
- Tax break goes to the property owner, which may or may not own the business.
- Fourteen communities adopted this exemption in FY23, twelve of which have a split tax rate.

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

Taxes

Lets talk Taxes..

If a single rate is maintained, we are projecting the average single family home valued at \$817,385 to have an annual tax bill of \$10,021.14.

This is an increase of \$424.22 from last year.

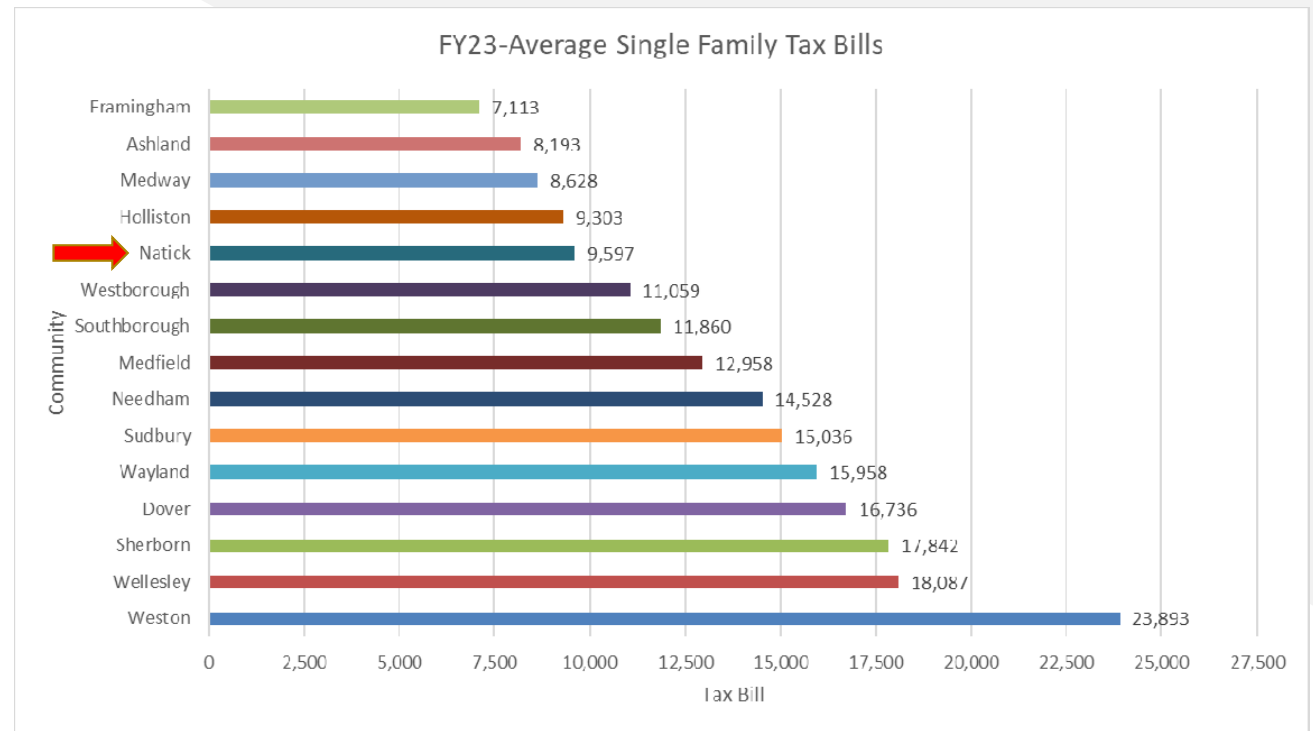
The median single family home valued at \$728,700 is projected to have an annual tax bill of \$8,934.

This is an increase of \$267.88 from last years median bill of \$8,666

CPA funding will be approximately \$1,217,615 less any applicable exemptions.

Taxes

How does Natick compare?



Taxes

Top Ten Taxpayers
Pay 11.24% of Levy

Top Two Taxpayers
Pay 5.17% of Levy

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	\$ 358,191,600	\$ 4,391,429	\$ 4,242,980	\$ 52,019	\$ 362,434,580	\$ 4,443,448
MATHWORKS INC	CIP	\$ 230,311,800	\$ 2,823,623	\$ 765,810	\$ 9,389	\$ 231,077,610	\$ 2,833,011
NSTAR ELECTRIC & GAS	CIP			\$ 151,012,530	\$ 1,851,414	\$ 151,012,530	\$ 1,851,414
GSAA AVENU NATICK OWNER LLC	RES	\$ 60,598,000	\$ 742,931	\$ -	\$ 910,000	\$ 60,598,000	\$ 1,652,931
AVALON NATICK LLC	RES	\$ 111,474,900	\$ 1,366,682	\$ 40,520	\$ 497	\$ 111,515,420	\$ 1,367,179
HC ATLANTIC DEVELOPMENT LP	CIP	\$ 81,573,300	\$ 1,000,089	\$ -	\$ -	\$ 81,573,300	\$ 1,000,089
FRANCHI PASQUALE	RES	\$ 67,896,700	\$ 832,414	\$ -	\$ -	\$ 67,896,700	\$ 832,414
NATICK VILLAGE INVESTMENT LTD PTRN	RES	\$ 57,137,800	\$ 700,509	\$ -	\$ -	\$ 57,137,800	\$ 700,509
MCREF NATICK DEVELOPMENT LLC (MODERA)	RES	\$ 48,626,900	\$ 596,166	\$ -	\$ -	\$ 48,626,900	\$ 596,166
CLOVERLEAF APARTMENTS LLC	RES	\$ 45,016,700	\$ 551,905	\$ -	\$ -	\$ 45,016,700	\$ 551,905
TOTALS:		\$ 1,060,827,700	\$ 13,005,748	\$ 156,061,840	\$ 2,823,318	\$ 1,216,889,540	\$ 15,829,066

Tax Assistance

We ask those that need assistance or know of others in need of assistance to please reach out to our office via our website, phone, email, or in-person. We have an open door policy and are always available to discuss both taxes and property values to ensure that residents are being taxed equitably.

Programs include:

- Statutory exemptions: low income/asset seniors, surviving spouses, minor children, disabled veterans, blind individuals
- Deferral program for moderate income seniors
- Senior/Veteran tax work-off program
- Elderly and Disabled Fund

- Assistance programs through COA, Human Services, and Veterans Services

- Note that we are happy to come before the board another time to dive into further details of both our tax assistance programs and taxation options in greater detail.

Conclusion

In conclusion, I ask the Board vote and adopt a the Minimum Residential Factor.

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

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

After this vote is completed, all schedules will be submitted to the Department of Revenue for approval of our tax rate.

Thank you