

Fiscal Year 2024 Tax Classification Hearing

PRESENTED BY
THE NORTHBOROUGH BOARD OF ASSESSORS



LEE KEOMANIVONG, MAA, PRINCIPAL ASSESSOR/BOARD CHAIR
CHRIS REIDY, MAA, BOARD MEMBER
PAUL CIBELLI, MAA, BOARD MEMBER

Overview of Tax Classification

Cities and towns that are certified by the state as assessing property at full fair cash value may elect to **Shift the Tax Burden** among the major property classes within certain limits established by law.

The **Purpose of this Hearing** is to provide all pertinent information to the Selectboard for them to make policy decisions in accordance with the requirements of **Massachusetts General Laws 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.”

At such hearing, the board of assessors shall provide all information and data relevant to making such determination and the fiscal effect of the available alternatives.

The Selectboard will vote to adopt a Residential Factor to determine the percentage of the Tax Levy as well as vote on additional exemption options available under Tax Classification.

Tax Allocation Components

Main components involved in the Tax Rate:

- 1) Town Valuation**
- 2) Property Tax Levy**

Tax Allocation Options

There are 4 options that need to be considered at the Classification Hearing:

- 1) Single Tax Rate or Split Tax Rate
- 2) Open Space Discount (**Does not apply to Northborough**)
- 3) Residential Exemption
- 4) Small Commercial Exemption

Important Terms to Remember

| | |
|--------------------------------|--|
| Property Tax Levy: | The revenue a community can raise through the taxation of real and personal property |
| Maximum Allowable Levy: | The maximum amount a community can levy in any given year, Equal to: last year's levy limit + 2.5% + new growth + debt exclusions or override, if applicable |
| New Growth: | The increase in the tax base over last year due to new construction, parcel subdivisions, condo conversions and property renovations; NOT due to revaluation or market changes |
| Debt Exclusion: | A temporary increase to the levy limit for the payment of a specific debt service item over a specific period of time |
| Override: | A permanent increase to the levy limit |
| Excess Levy Capacity: | The difference between the actual levy and the levy limit; also the amount a community could levy before needing an override |

Overview of Town Valuation

FY 2024 values are based on the value of property as of January 1, 2023 and were primarily developed from the following:

- **Sales from Calendar Year 2022** (per MGL Ch 59: *Assessors are required to assess property at 100% full and fair cash value*)
- **Commercial and Industrial Income & Expense Data**
- **Field Inspections for Sales/Permits/Cyclical Review**
- **Personal Property Forms of List**

The following **statistical averages** were observed after review and analysis:

- Single family properties increased in value by **7.7%**
- Condominiums increased in value by **8%**
- 2 and 3 Family properties increased in value by **3%**
- Apartments and Commercial properties increased in value by **10%**
- Industrial properties and large apartment complexes increased by **17%**
- Personal Property saw an overall increase of **10%**

Overall, the town saw an increase in total value of **367,388,369** or **(9.4%)**

Percentage of Values by Class

| FY2023 | | |
|---------------|---------------|--------|
| Residential | 2,880,725,430 | 74.09% |
| Commercial | 393,427,410 | 9.24% |
| Industrial | 498,684,179 | 11.72% |
| Personal Prop | 115,406,940 | 2.71% |
| C.I.P. | 1,007,518,529 | 25.91% |

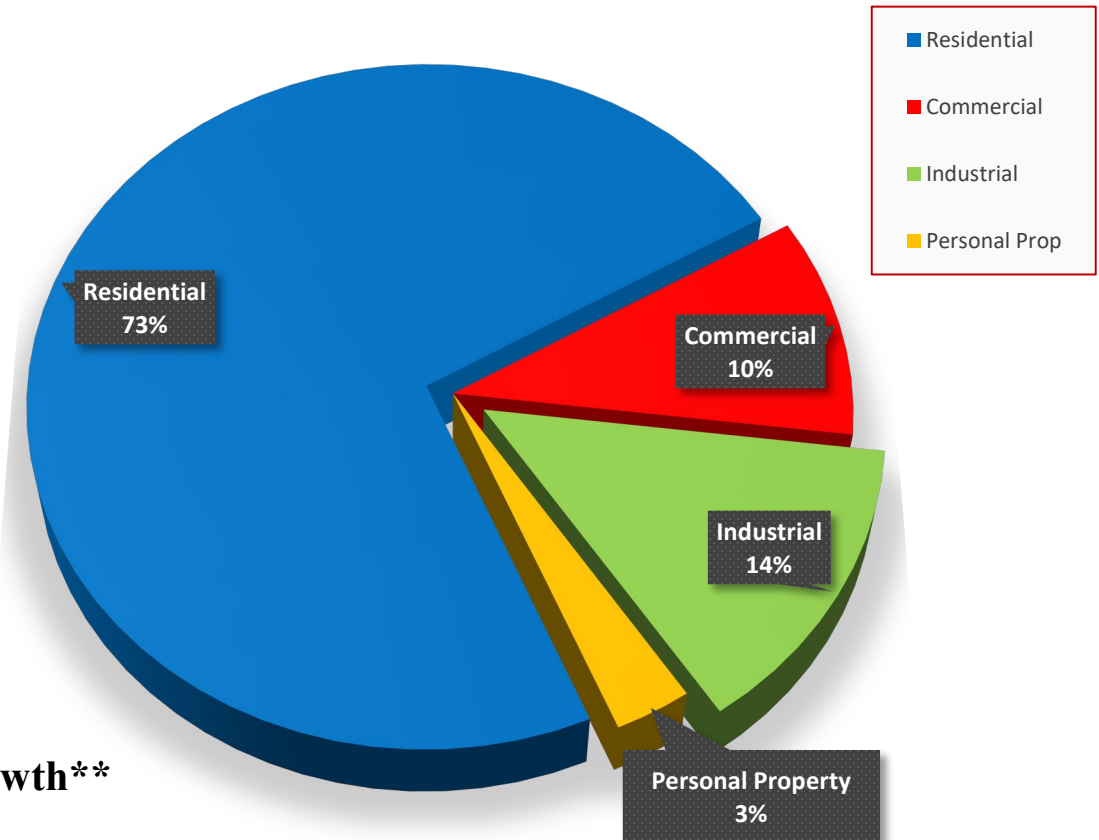
Total **3,888,243,959**

| FY2024 | | |
|---------------|---------------|--------|
| Residential | 3,104,019,303 | 72.94% |
| Commercial | 440,748,073 | 10.36% |
| Industrial | 583,896,022 | 13.72% |
| Personal Prop | 126,968,930 | 2.98% |
| C.I.P. | 1,151,613,025 | 27.06% |

Total **4,255,632,328**

| Difference from Last Year | |
|---------------------------|---------------------------|
| Residential | 223,293,873 |
| Commercial | 47,320,663 |
| Industrial | 85,211,843 |
| Personal Property | 11,561,990 |
| | |
| Total Increase | 367,388,369 (9.4%) |

FY2024 PERCENTAGE OF VALUES



****Increase in Value is a combination of Market Adjustments and New Growth****

| | | FY 2023 Mix | | | FY 2024 Mix | | | | | | |
|----------------------|----------------------------------|------------------|----------------------|------------------------|------------------|----------------------|------------------------|-------------|---------------|---------------------|-----------------------|
| Property Type | Description | Use Parcel Count | FY 2023 Parcel Count | FY 2023 Assessed Value | Use Parcel Count | FY 2024 Parcel Count | FY 2024 Assessed Value | Parcel Diff | Parcel % Diff | Assessed Value Diff | Assessed Value % Diff |
| 101 | Single Family | | 4,076 | 2,363,259,900 | | 4,077 | 2,545,954,550 | 1 | 0.0% | 182,694,650 | 7.7% |
| 102 | Condominiums | | 737 | 278,574,200 | | 737 | 300,982,980 | 0 | | 22,408,780 | 8.0% |
| MISC 103,109 | Miscellaneous Residential | | 15 | 7,776,700 | | 15 | 8,079,200 | 0 | | 302,500 | 3.9% |
| 104 | Two - Family | | 118 | 60,143,600 | | 118 | 61,895,500 | 0 | | 1,751,900 | 2.9% |
| 105 | Three - Family | | 13 | 6,861,800 | | 13 | 7,068,700 | 0 | | 206,900 | 3.0% |
| 111-125 | Apartment | | 23 | 119,100,200 | | 24 | 131,340,373 | 1 | 4.3% | 12,240,173 | 10.3% |
| 130-32,106 | Vacant / Accessory Land | | 277 | 19,725,000 | | 209 | 20,964,900 | -68 | -24.5% | 1,239,900 | 6.3% |
| 200-231 | Open Space | | 0 | 0 | | 0 | 0 | 0 | | 0 | |
| 300-393 | Commercial | | 200 | 356,855,700 | | 196 | 401,546,800 | -4 | -2.0% | 44,691,100 | 12.5% |
| 400-442 | Industrial | | 99 | 495,107,500 | | 94 | 579,681,900 | -5 | -5.1% | 84,574,400 | 17.1% |
| 450-452 | Industrial Power Plant | | 0 | 0 | | 0 | 0 | 0 | | 0 | |
| CH 61 LAND | Forest | 3 | 6 | 30,104 | 3 | 6 | 27,426 | 0 | | -2,678 | -8.9% |
| CH 61A LAND | Agriculture | 20 | 13 | 351,621 | 20 | 13 | 377,523 | 0 | | 25,902 | 7.4% |
| CH 61B LAND | Recreational | 3 | 7 | 4,888,068 | 3 | 7 | 4,898,178 | 0 | | 10,110 | 0.2% |
| 012-043 | Multi-use - Residential | | 41 | 25,284,030 | | 42 | 27,733,100 | 1 | 2.4% | 2,449,070 | 9.7% |
| 012-043 | Multi-use - Open Space | | 0 | 0 | | 0 | 0 | 0 | | 0 | |
| 012-043 | Multi-use - Commercial | | 0 | 31,301,917 | | 0 | 33,898,146 | 0 | | 2,596,229 | 8.3% |
| 012-043 | Multi-use - Industrial | | 0 | 3,576,679 | | 0 | 4,214,122 | 0 | | 637,443 | 17.8% |
| 501 | Individuals / Partnerships / LLC | | 321 | 31,702,750 | | 336 | 31,850,930 | 15 | 4.7% | 148,180 | 0.5% |
| 502 | Corporations | | 285 | 32,131,410 | | 289 | 34,604,630 | 4 | 1.4% | 2,473,220 | 7.7% |
| 503 | Manufacturing | | 1 | 5,100 | | 1 | 5,100 | 0 | | 0 | |
| 504 | Public Utilities | | 4 | 38,689,730 | | 4 | 46,366,900 | 0 | | 7,677,170 | 19.8% |
| 505 | Centrally Valued Telephone | | 6 | 11,062,000 | | 6 | 11,833,100 | 0 | | 771,100 | 7.0% |
| 506 | Centrally Valued Pipelines | | 0 | 0 | | 0 | 0 | 0 | | 0 | |
| 508 | Wireless Telephone | | 4 | 1,815,950 | | 3 | 2,308,270 | -1 | -25.0% | 492,320 | 27.1% |
| 550-552 | Electric Generating Plant | | 0 | 0 | | 0 | 0 | 0 | | 0 | |
| EXEMPT VALUE | Exempt Property | | 296 | 257,008,700 | | 297 | 286,917,500 | 1 | 0.3% | 29,908,800 | 11.6% |
| | | | | | | | | | | | |
| Total Class 1 | TOTAL RESIDENTIAL | | 5,300 | 2,880,725,430 | | 5,235 | 3,104,019,303 | -65 | -1.2% | 223,293,873 | 7.8% |
| Total Class 2 | TOTAL OPEN SPACE | | 0 | 0 | | 0 | 0 | 0 | | 0 | |
| Total Class 3 | TOTAL COMMERCIAL | | 252 | 393,427,410 | | 248 | 440,748,073 | -4 | -1.6% | 47,320,663 | 12.0% |
| Total Class 4 | TOTAL INDUSTRIAL | | 99 | 498,684,179 | | 94 | 583,896,022 | -5 | -5.1% | 85,211,843 | 17.1% |
| Total Class 5 | TOTAL PERSONAL PROPERTY | | 621 | 115,406,940 | | 639 | 126,968,930 | 18 | 2.9% | 11,561,990 | 10.0% |
| Total Taxable | TOTAL REAL & PERSONAL | | 6,272 | 3,888,243,959 | | 6,216 | 4,255,632,328 | -56 | -0.9% | 367,388,369 | 9.4% |

FY2024 New Growth

Throughout the year, the Assessing department reviews and captures “New Growth Value” due mostly to New Construction as well as parcels subject to taxation for the first time: subdivisions or condominium conversions, new personal property, and parcels that were previously exempt. New Growth was submitted to the Department of Revenue for review and certified on August 25, 2023.

The Town of Northborough saw a total of **40,989,527** in **New Growth Value** that included:

- **10** New Single Family Homes
- **2** New Townhouse Condos
- **3** New Warehouse Buildings
- **2** New Retail Buildings
- **8** New Vacant Lots
- Several major renovation/addition projects

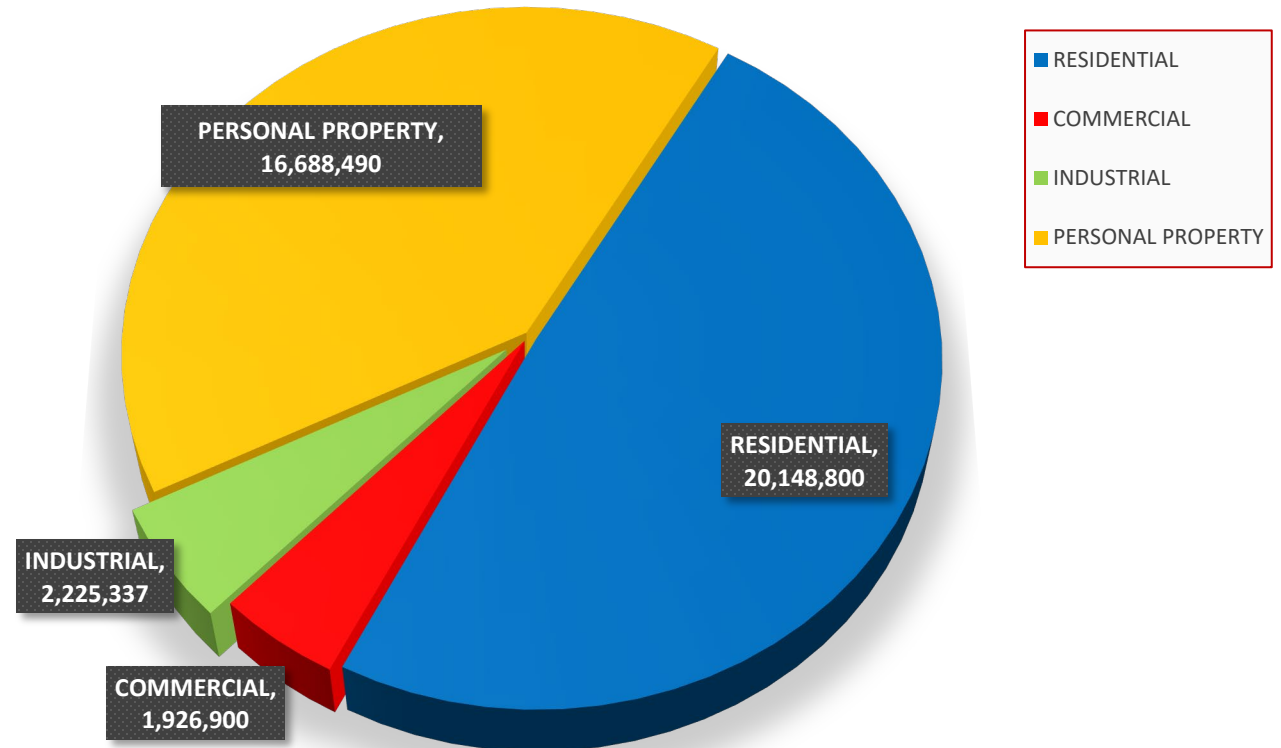
The approved New Growth Value resulted in **\$606,236** dollars in allowable **Tax Levy Growth**. This amount is used in calculating the **Levy Limit** for FY2024.

FY2024 NEW GROWTH

| RESIDENTIAL | VALUE | TAX DOLLARS |
|------------------------------|-------------------|------------------|
| Single Family (101) | 16,377,100 | \$242,217 |
| Condominium (102) | 1,212,000 | \$17,925 |
| Two & Three Fam (104,105) | 356,000 | \$5,265 |
| Multi-fam (111,112) | 75,000 | \$1,109 |
| Mix-use-Residential | | \$0 |
| Multi-Blg (109) | | \$0 |
| Vacant-Res (130,131,132,106) | 2,128,700 | \$31,483 |
| TOTAL RESIDENTIAL | 20,148,800 | \$298,001 |

| | VALUE | TAX DOLLARS |
|-------------------------|-------------------|------------------|
| RESIDENTIAL | 20,148,800 | \$298,001 |
| COMMERCIAL | 1,926,900 | \$28,499 |
| INDUSTRIAL | 2,225,337 | \$32,913 |
| PERSONAL PROPERTY | 16,688,490 | \$246,823 |
| TOTAL NEW GROWTH | 40,989,527 | \$606,236 |

| COMMERCIAL | VALUE | TAX DOLLARS |
|---------------------|-------------------|------------------|
| Commercial | 1,926,900 | \$28,499 |
| Mix-use-Commercial | | \$0 |
| Industrial | 2,225,337 | \$32,913 |
| Personal Property | 16,688,490 | \$246,823 |
| TOTAL C.I.P. | 20,840,727 | \$308,234 |

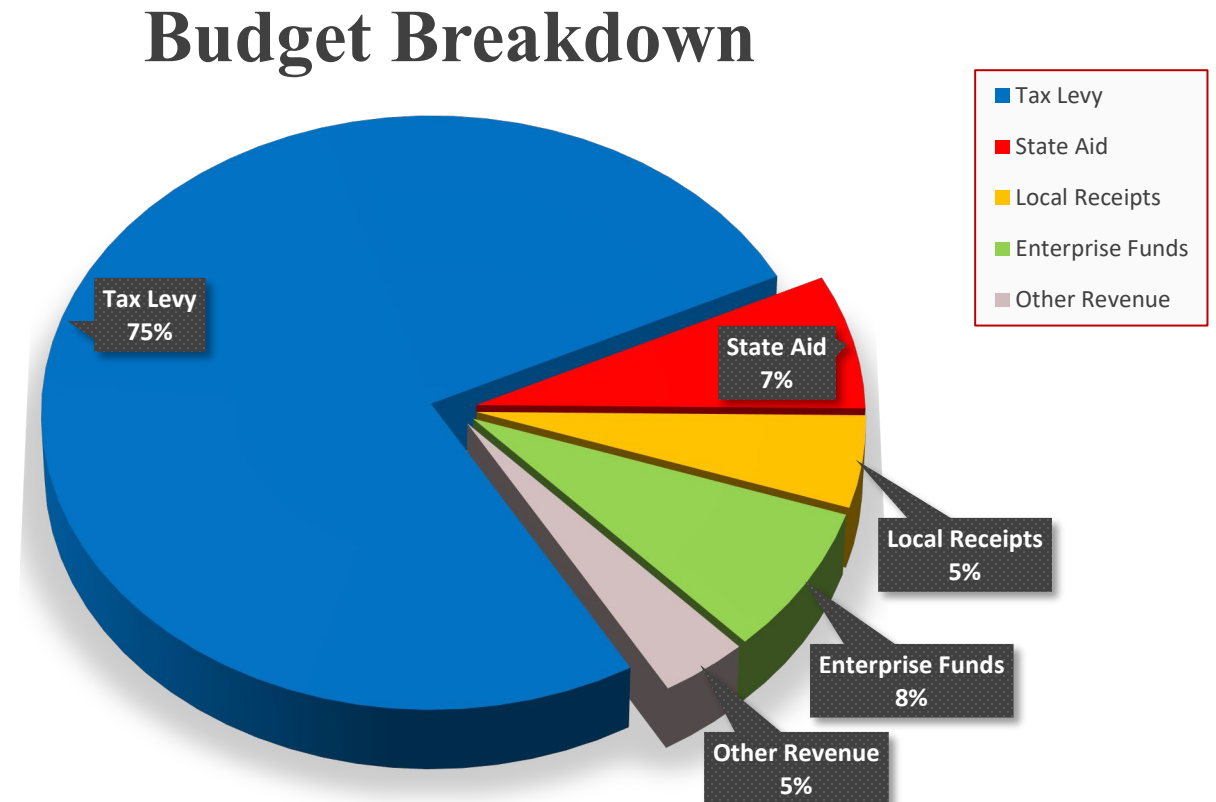


Determining the Property Tax Levy

The **Property Tax Levy** is the revenue a community can raise through real and personal property taxes. In Massachusetts, municipal revenues to support local spending for schools, public safety and other public services are raised through the property tax levy, state aid, local receipts and other sources. The property tax levy is the largest source of revenue for most cities and towns.

| | |
|--|-------------------|
| Total Town Budget | 81,128,074 |
| State Aid | 5,929,537 |
| Local Receipts | 4,096,299 |
| Enterprise Funds | 6,326,800 |
| Other Revenue (including Free Cash) | 4,005,009 |
| Amount remaining to be collected from Property Taxes (Tax Levy) | 60,770,429 |

| | |
|-------------------------------|-----|
| Tax Levy as % of Budget | 75% |
| State Aid as % of Budget | 7% |
| Local Receipts as % of Budget | 5% |
| Enterprise Funds | 8% |
| Other Revenue | 5% |



What is the Levy Limit for FY2024?

CALCULATING THE FY2024 LEVY LIMIT

| | |
|-------------------------------|--------------------------|
| FY 2023 Levy Limit | <u>60,232,198</u> |
| Amended FY 2023 Growth | _____ |
| ADD: 2.5% | <u>1,505,805</u> |
| FY 2024 New Growth | <u>606,236</u> |
| FY 2024 New Growth Adjustment | _____ |
| FY 2024 Override | _____ |
| | |
| FY 2024 Subtotal | <u>62,344,239</u> |
| | FY24 Levy Limit |

FY 2024 MAXIMUM ALLOWABLE LEVY

| | |
|--|--------------------------|
| FY 2024 Levy Limit from II. | <u>62,344,239</u> |
| FY 2024 Debt Exclusion(s) | <u>2,472,690</u> |
| FY 2024 Capital Expenditure Exclusion(s) | _____ |
| FY 2024 Stabilization Fund Override | _____ |
| FY 2024 Other Adjustment | _____ |
| FY 2024 Water/Sewer | _____ |
| | |
| FY 2024 Maximum Allowable Levy | <u>64,816,929</u> |
| | |
| FY 2024 Levy Ceiling | <u>106,390,808</u> |

Proposition 2 ½ contains two limitations on the amount of property taxes a city or town can raise: **Tax Levy Limit** and **Tax Levy Ceiling**

Levy Limit: The maximum amount a community can levy (**in total**) in any given year. **It does not apply to an individual tax bill.** Under Proposition 2 ½, a community's Levy Limit increases automatically by two factors:

- 1) An incremental increase of **2.5%** of the prior year's levy limit
- 2) A dollar amount derived from the value of new construction and other growth in the local tax base since the previous year (**New Growth**).

A community can also assess **additional taxes to pay the debt service** (principal and interest costs) for a specific capital project (New School). This additional amount (**Debt Exclusion**) is added to the Levy Limit for the life of the debt. The combined total is referred to as the **Maximum Allowable Levy**.

- **\$64,816,929** - FY2024 Maximum Allowable Levy
- **\$60,770,429** - FY2024 Estimated Levy
- **\$4,046,500** - FY2024 Excess Levy Capacity

Levy Ceiling: 2 1/2% of the full cash value of all taxable property in the city or town. The Tax Levy can **NEVER** go above this amount.

Adopting Residential Factor

The Selectboard must vote to determine the percentage of the Tax Levy to be paid by each class of real and personal property. In determining these percentages, they must first **Adopt a Residential Factor** that must be an amount **not less than the Minimum Residential Factor (MRF)** calculated by the Commissioner of Revenue.

The Residential Factor adopted governs the percentage of the tax levy to be borne by Residential property owners.

2 Options:

- 1) Adopt a Residential Factor of “1”. Result: All classes of property taxed at same rate. **(Single Tax Rate)**
- 2) Adopt a Residential Factor of “less than 1”. Result: Residential share of Levy decreases while Commercial, Industrial and Personal Property (CIP) share of Levy increases. **(Split Tax Rate)**

Residential Factor of “1”-option

| TAX LEVY CALCULATION | |
|-------------------------------------|------------|
| Total Town Budget | 81,128,074 |
| State Aid | 5,929,537 |
| Local Receipts | 4,096,299 |
| Enterprise Funds | 6,326,800 |
| Other Revenue (including Free Cash) | 4,005,009 |
| Collected from Property Taxes | 60,770,429 |

Tax Levy

| CLASS | VALUE | % of TOWN |
|-------------------|---------------|-----------|
| Residential | 3,104,019,303 | 72.9391% |
| Commercial | 440,748,073 | 10.3568% |
| Industrial | 583,896,022 | 13.7205% |
| Personal Property | 126,968,930 | 2.9836% |
| CIP sub-Total | 1,151,613,025 | 27.0609% |
| Total Town Value | 4,255,632,328 | 100.00% |

Estimated Levy: 60,770,429

Value of Town: 4,255,632,328

$(0.0142799) \times 1000 = \text{\$14.28 (Rounded) Single Tax Rate}$

| CIP Shift | Res Factor | Share Percentages | | | Levy Amounts | | | Estimated Tax Rates | |
|-----------|------------|-------------------|----------|-------|--------------|------------|------------|---------------------|-------|
| | | Res | CIP | Total | Res | CIP | Total | Res | CIP |
| 1 | 1 | 72.9391% | 27.0609% | 100% | 44,325,395 | 16,445,034 | 60,770,429 | 14.28 | 14.28 |

Residential Factor of “1”-option

Should the Selectboard vote to adopt a Residential Factor of “1”, then the Estimated Tax Rate for Fiscal 2024 will be **\$14.28** for ALL classes.

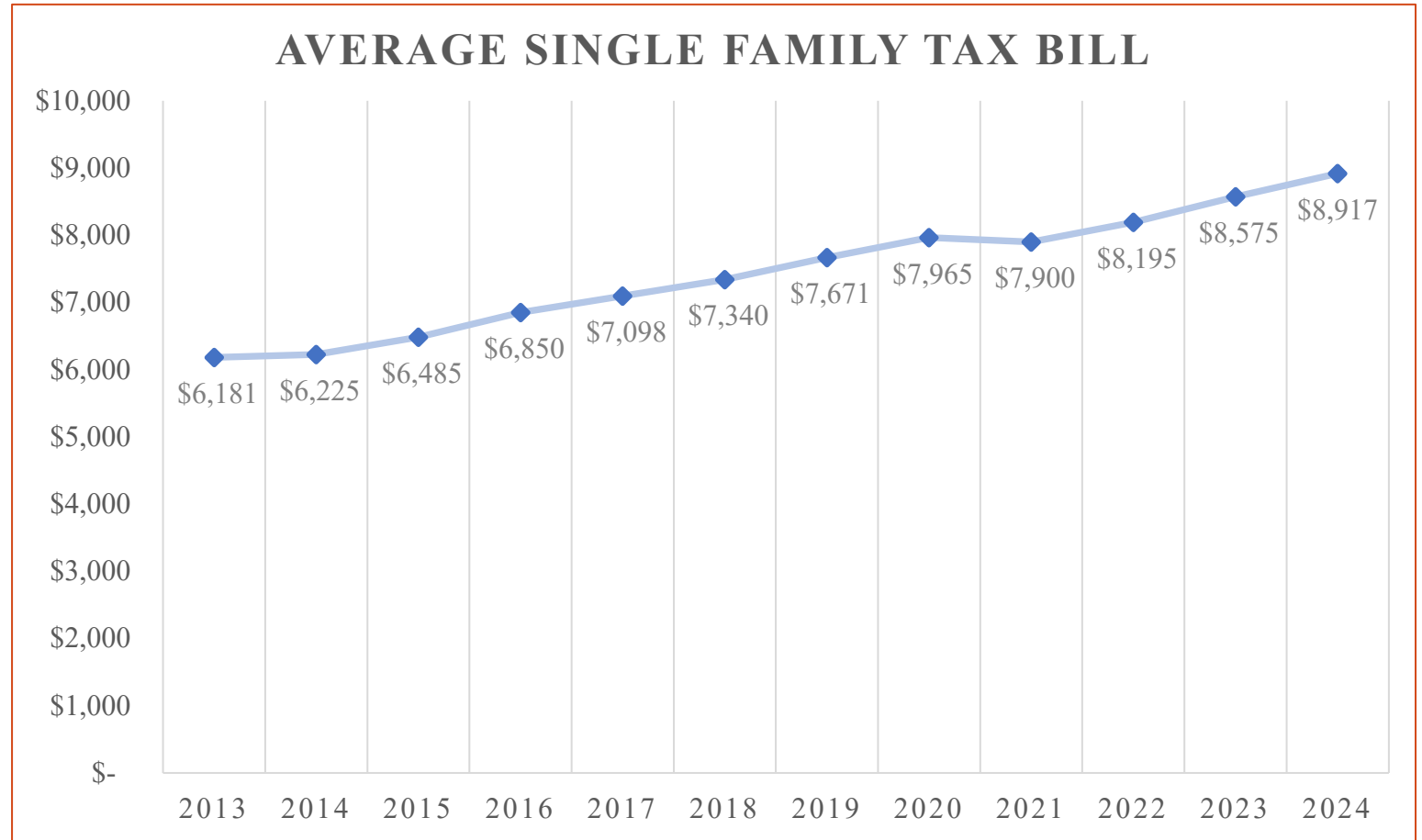
Tax on Average Single-Family property: \$8,917 – Increase of \$342 or (4%) from FY2023 (\$8,575)
Based on Average Single Family Value (624,468)

Tax on Average Commercial Property: \$22,701 - Increase of \$4,040 or (18%) from FY2023 (\$18,661)
Based on Average Commercial Value (1,589,758)
Excluding value of the mall

Historically, the Selectboard (Board of Selectmen) has voted a Residential Factor of “1” resulting in a Single Tax Rate.

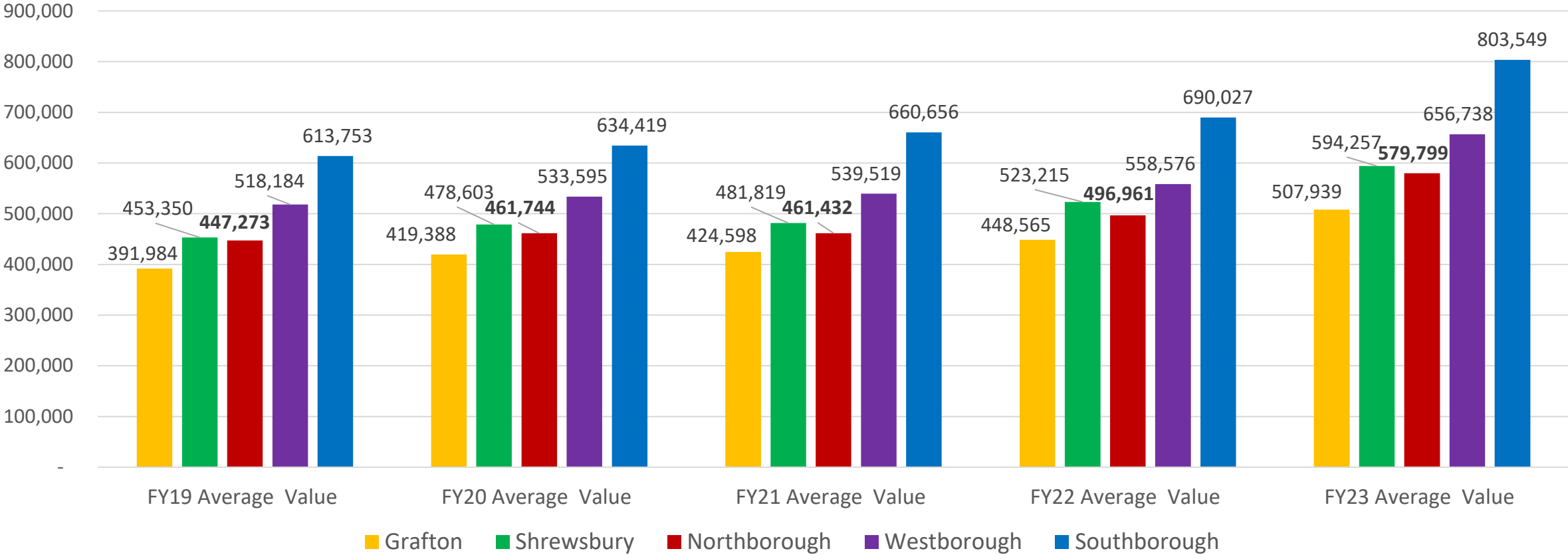
Average Single Family Tax Bill-Historical Trend

| Fiscal Year | Average Single Family Value | Single Family Tax Bill | Net Diff | State Rank |
|-------------|-----------------------------|------------------------|--------------|------------|
| 2013 | 383,646 | \$6,181 | | 59 |
| 2014 | 375,222 | \$6,225 | \$44 | 63 |
| 2015 | 387,617 | \$6,485 | \$260 | 63 |
| 2016 | 398,961 | \$6,850 | \$365 | 63 |
| 2017 | 408,144 | \$7,098 | \$248 | 62 |
| 2018 | 422,078 | \$7,340 | \$242 | 62 |
| 2019 | 447,273 | \$7,671 | \$331 | 59 |
| 2020 | 461,744 | \$7,965 | \$294 | 55 |
| 2021 | 461,432 | \$7,900 | -\$65 | 59 |
| 2022 | 496,961 | \$8,195 | \$295 | 68 |
| 2023 | 579,799 | \$8,575 | \$380 | 70 |
| 2024 | 624,468 | \$8,917 | \$342 | |



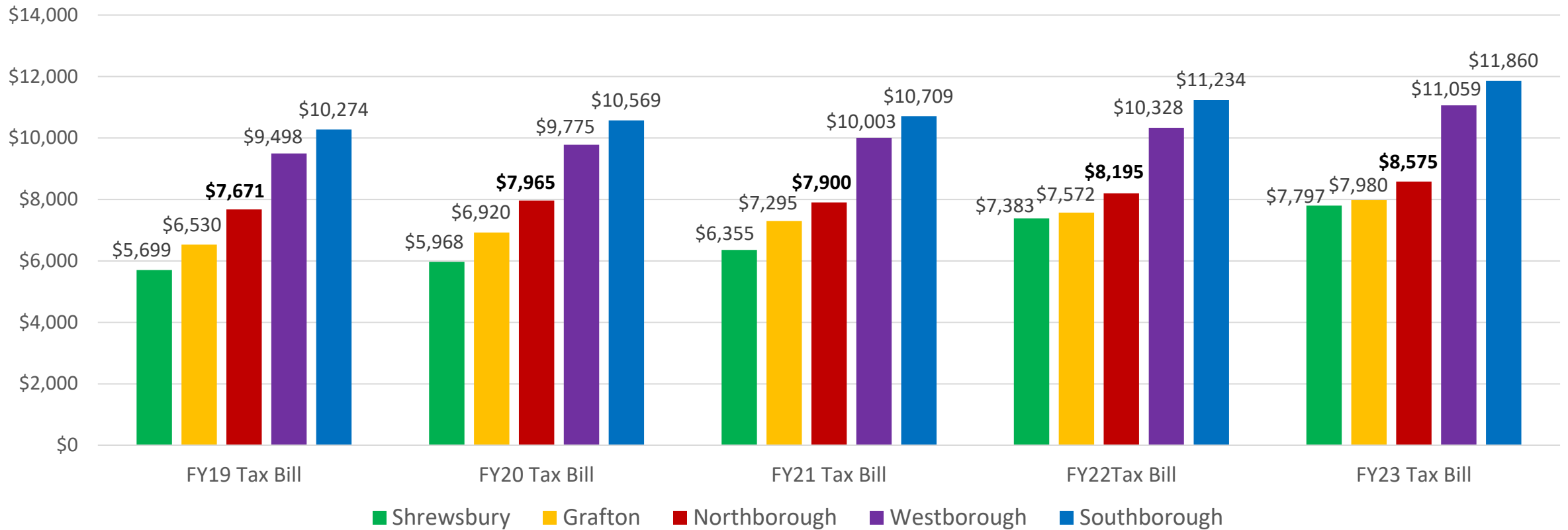
****FY2024 Estimate based on Single Tax Rate****

Average Single Family Value Comparison



****FY24 Average Value = 624,468****

Average Single Family Tax Bill Comparison



****FY24 Average Tax Bill = \$8,917****

Residential Factor of “less than “1”-option (Split Rate)

Example of 10% Shift in the Levy Share

1.10 X 27.0609% = **29.7670%** **New CIP Share**

100% - 27.0609% = **70.2330%** **New RES Share**

70.2330 / 72.9391 = **.96289** **Residential Factor**

| Avg Res Value | Avg Comm Value |
|---------------|----------------|
| 624,468 | 1,589,758 |

Tax Rates

| CIP Shift | Res Factor | Res | CIP | Total | Res | CIP |
|-----------|------------|----------|----------|-------|-------|-------|
| No Shift | 1 | 72.9391% | 27.0609% | 100% | 14.28 | 14.28 |

Estimated Tax Bills

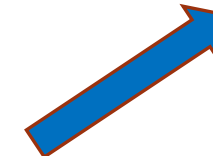
| Res | CIP |
|------------|-------------|
| \$8,917.40 | \$22,701.74 |

| Res Tax Bill | Comm Tax Bill |
|--------------|---------------|
| -\$330.96 | +\$2,270.17 |

Tax Rates

| CIP Shift | Res Factor | Res | CIP | Total | Res | CIP |
|-----------|------------|----------|----------|-------|-------|-------|
| 10% | .96289 | 70.2330% | 29.7670% | 100% | 13.75 | 15.71 |

| New Res | New CIP |
|------------|-------------|
| \$8,586.44 | \$24,971.92 |



FY 2024 Minimum Residential Factor (Maximum C.I.P. Shift)

| (a) | (b) | (c) | (d) |
|-----|-------------------|--------------------------|------------------|
| | CLASS | Full and Fair Cash Value | Percentage Share |
| 1 | Residential | 3,104,019,303 | 72.9391% |
| 2 | Open Space | 0 | 0.0000% |
| 3 | Commercial | 440,748,073 | 10.3568% |
| 4 | Industrial | 583,896,022 | 13.7205% |
| 5 | Personal Property | 126,968,930 | 2.9836% |
| | C-I-P Sub-Total | 1,151,613,025 | 27.0609% |
| | TOTAL | \$4,255,632,328 | 100.0000% |

Maximum Share of the Levy for Classes Three, Four, and Personal Property:

$$150\% \times \frac{27.0609\% \text{ Lines } 3D + 4D + 5D}{100\%} = \boxed{40.5914\%}$$

Maximum Share (C.I.P.)

Minimum Share of the Levy for Classes One and Two:

$$100\% - 40.5914\% \text{ Maximum Share} = \boxed{59.4086\%}$$

Minimum Share (RES)

Minimum Residential Factor (MRF):

$$\frac{59.4086\% \text{ Minimum Share}}{72.9391\% \text{ Lines } 1D + 2D} = \boxed{.814496}$$

Minimum Residential Factor

Changes to Average Tax Bills (Single vs Split Rate)

| | | |
|--------------------|-----------|---------------------------|
| FY24 | 624,468 | Average Residential Value |
| FY24 | 1,589,758 | Average Commercial Value |
| **excluding Mall** | | |

| CIP Shift | Res Factor | Share Percentages | | Levy Amounts | | | Estimated Tax Rates | | Avg Res Bill | Avg Comm Bill | Diff-Res | Diff-Comm |
|-----------------|-----------------|-------------------|--------|--------------|------------|------------|---------------------|--------------|-------------------|--------------------|------------------------|---------------------|
| | | Res | CIP | Res | CIP | Total | Res | CIP | | | | |
| No Shift | 1 | 72.94% | 27.06% | 44,325,395 | 16,445,034 | 60,770,429 | 14.28 | 14.28 | \$8,917.46 | \$22,701.74 | Single Tax Rate | |
| 5% | 0.981450 | 71.59% | 28.41% | 43,503,143 | 17,267,286 | 60,770,429 | 14.02 | 14.99 | \$8,752.04 | \$23,836.83 | -\$165.42 | +\$1,135.09 |
| 10% | 0.962899 | 70.23% | 29.77% | 42,680,892 | 18,089,537 | 60,770,429 | 13.75 | 15.71 | \$8,586.62 | \$24,971.92 | -\$330.84 | +\$2,270.17 |
| 15% | 0.944349 | 68.88% | 31.12% | 41,858,640 | 18,911,789 | 60,770,429 | 13.49 | 16.42 | \$8,421.19 | \$26,107.01 | -\$496.27 | +\$3,405.26 |
| 20% | 0.925799 | 67.53% | 32.47% | 41,036,388 | 19,734,041 | 60,770,429 | 13.22 | 17.14 | \$8,255.77 | \$27,242.09 | -\$661.69 | +\$4,540.35 |
| 25% | 0.907248 | 66.17% | 33.83% | 40,214,137 | 20,556,292 | 60,770,429 | 12.96 | 17.85 | \$8,090.35 | \$28,377.18 | -\$827.11 | +\$5,675.44 |
| 30% | 0.888698 | 64.82% | 35.18% | 39,391,885 | 21,378,544 | 60,770,429 | 12.69 | 18.56 | \$7,924.93 | \$29,512.27 | -\$992.53 | +\$6,810.52 |
| 35% | 0.870148 | 63.47% | 36.53% | 38,569,633 | 22,200,796 | 60,770,429 | 12.43 | 19.28 | \$7,759.51 | \$30,647.35 | -\$1,157.95 | +\$7,945.61 |
| 40% | 0.851597 | 62.11% | 37.89% | 37,747,382 | 23,023,047 | 60,770,429 | 12.16 | 19.99 | \$7,594.08 | \$31,782.44 | -\$1,323.38 | +\$9,080.70 |
| 45% | 0.833047 | 60.76% | 39.24% | 36,925,130 | 23,845,299 | 60,770,429 | 11.90 | 20.71 | \$7,428.66 | \$32,917.53 | -\$1,488.80 | +\$10,215.78 |
| 50%(Max) | 0.814496 | 59.41% | 40.59% | 36,102,878 | 24,667,551 | 60,770,429 | 11.63 | 21.42 | \$7,263.24 | \$34,052.62 | -\$1,654.22 | +\$11,350.87 |

Residential Factor of “less than 1” - (Pros and Cons)

The Classification amendment allows cities and towns to shift a greater share of the tax burden to the Commercial, Industrial, Personal Property classes (**CIP**). The impact from this shift on the various classes will vary due to their percentage of the total value.

Pros:

- Offers Residential property owners some tax relief.

Cons:

- Would shift a greater burden onto the higher valued **CIP** properties who already pay a large portion of the Total Tax Levy.
- Not seen as “business friendly”. Could hinder the prospect of attracting new businesses and can cause new and existing businesses to seek other areas to conduct operations.
- Property expenses (including taxes) are typically passed on the tenants either directly or by higher asking rents.
- Higher commercial taxes can reduce commercial values by increasing expenses-the result of reduced commercial value increases the Residential Levy Percentage.

Additional Tax Rate Options

Additional Tax rate options may also be adopted by communities that have been certified as assessing at full fair cash value by the Department of Revenue:

- *Open Space Discount*
- *Residential Exemption*
- *Small Commercial Exemption*

The choice of either or both of the first two affects whether a community chooses to shift the tax burden within the Residential class. The third option affects the tax rate within the Commercial and Industrial classes.

Open Space Discount

The **Open Space Discount** is a process which allows cities and towns to grant a tax break to those properties that are classified as “open space”. The Department of Revenue has described open space as *“land which is not held for income but is maintained in an open or natural condition and which contributes significantly to the benefit and enjoyment of the public”*.

An exemption of up to **25%** could be adopted for property classified as Class 2 Open Space.

Historically the Town of Northborough has not recognized the classification of “open space” and to date, **there are no parcels in town** with this classification for FY2024.

The Board of Assessors has consistently encouraged classification under Chapter 61A (Agricultural and Horticultural) or Chapter 61 (Forestry) which enables the property owner greater discount of taxes and gives the Town the benefit of at least a five (Ch. 61A) or ten (Ch. 61) acre minimum lot size that is actively devoted to the type of classification. In addition to these benefits the Town has the right of first refusal to purchase any lands classified under these acts.

Residential Exemption

The Residential Exemption reduces the taxable valuation of each residential parcel that is a taxpayer's principal residence. Granting this exemption **Raises the Residential Tax Rate** and shifts the residential tax burden from low valued and owner-occupied homes to higher valued and non-owner-occupied homes. This is a shift **only** in the Residential Class.

Municipal Modernization Act - the exemption amount increased from 20% to 35% of the average assessed valuation of all Class One properties.

Adoption of a Residential Exemption is of benefit only in those communities that have a substantial number of non-primary residences. **Nearly all** of Northborough's residential properties (**90%**) are owner-occupied.

18 out of 351 communities in the Commonwealth adopted a residential exemption in FY2023. Cities and towns that utilize this tax option generally have a large percentage of rental units (Boston, Brookline, Cambridge, etc.) or a large amount of seasonal/tourist housing (Nantucket, Provincetown, Tisbury, etc.)

Communities w/ Res Exemption

- Barnstable-20%
- Boston-35%
- Brookline-20%
- Cambridge-30%
- Chelsea-35%
- Concord-10%
- Everett-25%
- Malden-30%
- Mashpee-5%
- Nantucket-25%
- Oak Bluffs-8%
- Provincetown-25%
- Somerville-35%
- Tisbury-22%
- Truro-25%
- Waltham-35%
- Watertown-33%
- Wellfleet-25%

Example of 10% Residential Exemption

| Property Type | Parcels | Total Assessed Values | Average Value per Parcel | Tax Rate | Tax Levy by Residential Class |
|---------------------------|---------|-----------------------|--------------------------|--------------|-------------------------------|
| Single Family 101 | 4,077 | 2,545,954,550 | 624,467.64 | 14.28 | 36,356,230.97 |
| Condominiums 102 | 737 | 300,982,980 | 408,389.39 | 14.28 | 4,298,036.95 |
| Two Family 104 | 118 | 61,895,500 | 524,538.14 | 14.28 | 883,867.74 |
| Three Family 105 | 13 | 7,068,700 | 543,746.15 | 14.28 | 100,941.04 |
| Apartment 111-125 | 24 | 131,340,373 | 5,472,515.54 | 14.28 | 1,875,540.53 |
| Vacant Land 130-132,106 | 209 | 20,964,900 | 100,310.53 | 14.28 | 299,378.77 |
| Miscellaneous Res 103,109 | 15 | 8,079,200 | 538,613.33 | 14.28 | 115,370.98 |
| Mixed Use 012-043 | 42 | 27,733,100 | 660,311.90 | 14.28 | 396,028.67 |
| Total | 5,235 | 3,104,019,303 | 592,935.87 | | 44,325,395.65 |

| Exemption Percent | Residential Exemption Amount | Value Reduction in Residential Properties | New Taxable Value | New Tax Rate | Residential Levy |
|-------------------|------------------------------|---|----------------------|--------------|----------------------|
| 10% | 59,293.50 | 266,821,144 | 2,837,198,159 | 15.62 | 44,325,395.65 |

Small Commercial Exemption

An exemption of up to **10%** of the property valuation may be adopted for eligible commercial properties. Granting this exemption raises the Commercial tax rate and shifts the Commercial tax burden from qualifying properties to ineligible commercial properties. This is a shift **only** in the Commercial Class.

Exemption Guidelines

- Eligible Commercial business (Not Industrial) cannot have more than 10 employees as certified by the Department of Employment & Training.
- Building value cannot exceed \$1,000,000 in assessed value.
- Exemption goes to the building owner, **not** the business owner.

Reasons **Against** adopting this Exemption

- Most businesses in town rent/lease their workspace
- Exemption would shift a greater burden onto the higher valued properties who already pay a large portion of the Total Tax Levy (**14%**).

This exemption is applicable in those communities that have a substantial commercial/industrial base, with a sufficient number of large employers. 14 out of 351 communities adopted a small commercial exemption in FY2023. Twelve of those communities also have a split tax rate.

Towns w/ Comm Exemption

- 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%

Top 10 Tax Payers

| <u>Taxpayer</u> | <u>Nature of Business</u> | <u>Total Assessment</u> | <u>Tax Amount</u> | <u>% of Levy</u> |
|--|---|-------------------------|-------------------|------------------|
| AVB Northborough Inc | Large Apartments | \$107,154,370 | \$1,530,164 | 2.52% |
| Bcore Hillside LLC | Distribution Warehouses (Amazon) | \$92,588,000 | \$1,322,157 | 2.18% |
| LBA NCC_Company XXXII LLC | Distribution Warehouses | \$68,423,600 | \$977,089 | 1.61% |
| G&I IX Forbes Whitney LLC | Manufacturing Warehouses | \$52,296,400 | \$746,793 | 1.23% |
| Iron Mountain Information Management LLC | Warehouse-Data Center | \$63,560,750 | \$907,648 | 1.49% |
| RGMZ Northborough OP 1 WE LLC | Part of Mall | \$49,099,800 | \$701,145 | 1.15% |
| RPT Northborough LLC | Part of Mall | \$48,152,600 | \$687,619 | 1.13% |
| Massachusetts Electric Company | Utility Company | \$45,057,280 | \$643,418 | 1.06% |
| TREA One Beeman Road LLC | Distribution Warehouse (Fedex) | \$40,669,500 | \$580,760 | 0.96% |
| Reep-Ind Lyman MA LLC | Distribution Warehouse (McKesson Medical) | <u>\$35,136,700</u> | <u>\$501,752</u> | <u>0.83%</u> |
| | | \$602,139,000 | \$8,598,545 | 14% |

****Total Assessments include combined Real and Personal Property****

Board of Assessors' Recommendations

- Single Tax Rate or Split Tax Rate

The Board of Assessors recommends a Residential Factor of “1” and the continued use of a Single Tax Rate.

- Open Space Discount (Not Applicable)

No Parcels in town with this classification

- Residential Exemption
- Small Commercial Exemption

The Board of Assessors has determined that these options do not pertain to Northborough and such options should not be considered by the Selectboard.