

City of Chelsea

Overview of Taxes and Fiscal Year 2018 Interim valuation Update

Monday, October 30, 2017



1. Overview of Budget & Taxes

How Much Money Does the City Need to Operate?

\$184,732,717

Cost Factors:

- Appropriations
- Water & sewer costs,
- Overlay reserve,
- Charges from the Commonwealth.

How Do We Meet That Need?

Total Need:	\$184,732,717
<u>Three revenue sources</u>	
1- State Aid	\$83,542,113
2- Receipts (motor vehicle excise tax, room excise tax, meals tax, 40 U tickets, building permits, water & sewer fees)	\$45,855,190
3- Local Property Taxes	\$53,282,629
PLUS new tax growth (new buildings and additions)	\$1,595,544
TOTAL	\$184,275,478
Difference to be met from Free Cash	(\$457,239) *We actually appropriated \$674,154 in Free Cash to balance budget.

Proposition 2 ½

- ◆ We can only raise total property taxes by 2.5% each year. Last year maximum taxes that the City could raise was \$51,980,785. (plus amended growth of 2268)
- ◆ $\$51,983,053 \times 2.5\% = \$1,299,576$ (Prop 2 ½ limit)
- ◆ $\$51,983,053 + \$1,299,576 = \$53,282,629$. This is the total amount of taxes that Chelsea can raise, exclusive of New Growth. With New Growth of \$1,595,544 added, we can raise total taxes of \$54,878,173.
- ◆ How that approx. \$55 million is allocated among individual taxpayers depends upon valuation of individual properties.

How Much of the \$55 Million Do You Pay?

- ◆ Individual properties can have taxes that rise more than 2.5%.
- ◆ Your tax increase depends upon the changes in values from year to year.

2. The FY18 Interim Valuation Update

Why Did Chelsea Have an Interim Valuation Update for FY 2018?

- ◆ Valuation updates are mandatory. Without a valuation update approved by DOR, we would not be allowed to set a tax rate.
- ◆ Starting in FY 2005, the DOR required that all municipalities bring assessments to market level standards on an annual basis.
- ◆ Massachusetts law requires that the Department of Revenue “certify” that values are at the required “full and fair cash value” level every 5 years (new modernization law)
- ◆ Pursuant to state statute, every 9 years cities and towns must complete a full inspection of all properties.

What Are the Standards for Valuation Programs?

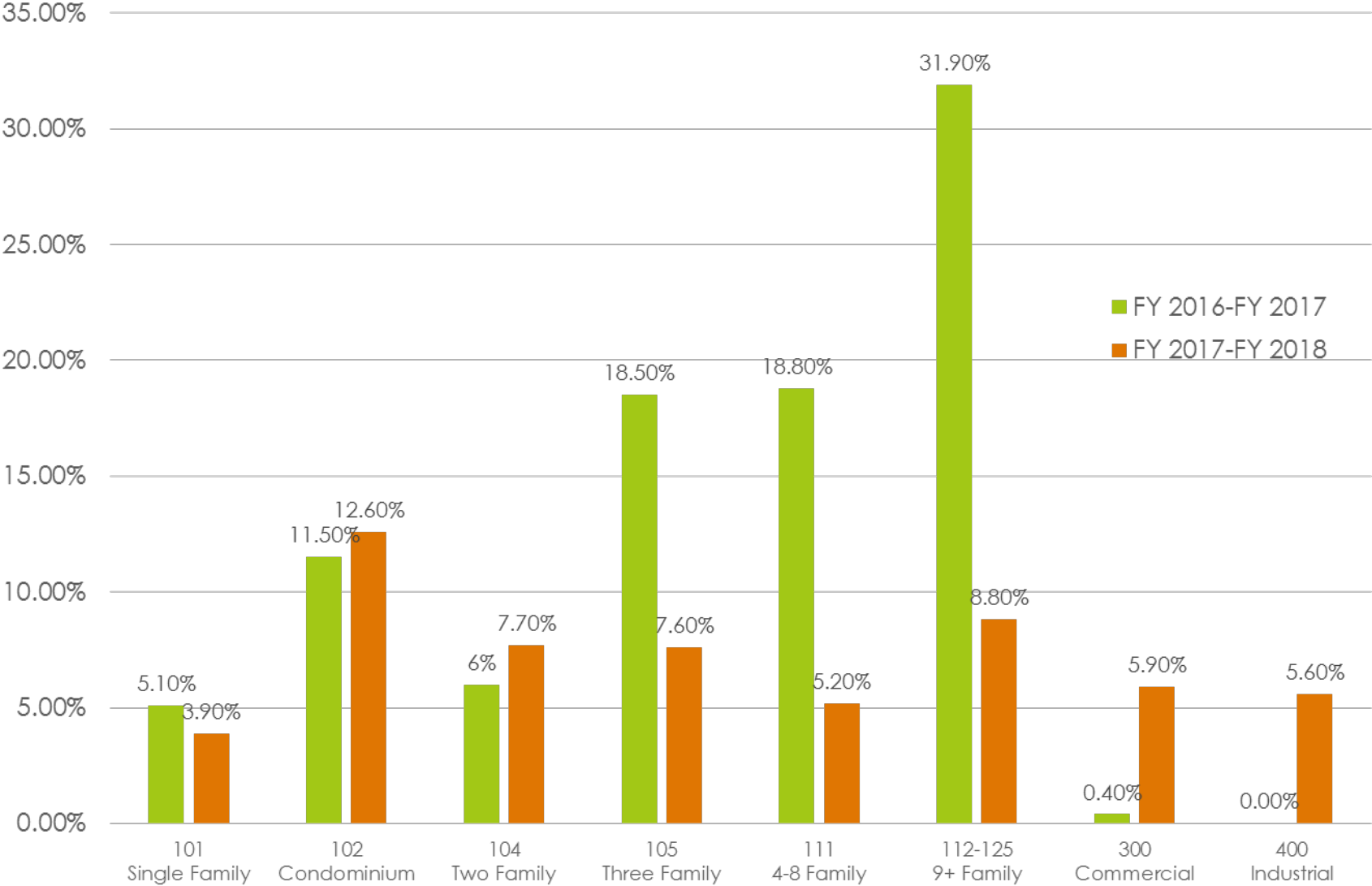
- ◆ Assessors are required to value property at “Full and Fair Cash Value”, often called “Fair Market Value”.
- ◆ Massachusetts General Laws defines full and fair cash value as: “fair market value, which is the price a willing buyer and a willing seller would settle upon in an open market transaction, i.e., they expended a reasonable effort to determine a price and there are no special circumstances involved.”
- ◆ For residential properties, Fair Market value is measured by the analysis of properties that have actually sold in the community.
- ◆ The “as-of” date for FY18 values is January 1, 2017.
- ◆ Sales figures are those from *calendar* year 2016.
- ◆ As a result, values are often 18 months behind the market.

How Much Have Property Values Changed?

The following table summarizes the median changes in Assessed Values:

101	Single Family	3.9%
102	Condominium	12.6%
104	Two Family	7.7%
105	Three Family	7.6%
111	4- 8 Family	5.2%
112-125	9+ Family	8.8%
300	Commercial	5.9%
400	Industrial	5.6%

Median Changes in Assessed Property Values



How to Help Residential Property Owners?

- ◆ We have a split tax rate and we shift burden from Residential Property Owners to Commercial and Industrial Owners.
- ◆ The maximum shift is 175%. Chelsea has historically adopted the maximum shift.
- ◆ C & I properties pay 1.75 times more than they would pay with a single tax rate for all.
- ◆ Council will be asked to vote on this before the tax rates are set.

How to Help Residential Property Owners?

- ◆ We provide a residential exemption to homeowners who live in Chelsea as their principal residence.
- ◆ The new state law allows for Chelsea to increase the current exemption from 25% to 35% of the average value of all residential parcels.
- ◆ In FY18, we estimate 25% of the average residential value will be approx. \$102,172 and 35% will be 143,041. This is the amount that will be exempt from taxation depending upon the City Council vote.

Impact of New Values

- With adoption of the maximum 175% shift and the ability to increase the Residential Exemption, the City Council will be able to keep tax increases reasonably modest for all owner occupants.
- The DOR may make small modifications but the commercial tax rate should be approximately \$29.75 per \$1,000, and the residential rate will be between \$13.98 and \$14.77, depending upon the exemption amount approved by the City Council.
- My recommendation is to give a Residential Exemption of 27.5%, leaving room for further tax relief in subsequent years.

Tax Rate and Exemption Options

Class Code	Parcel Count	Average Assessed Value FY18	FY18 Proposed Tax Rate	25% Exemption Amount	FY18 Average Tax bill with 25% Exemption	FY17 Average Tax Bill with 25% Exemption	Difference in tax bill between FY17 - FY18		monthly	FY18 % Annual Increase
101	843	\$ 299,678	\$ 13.98	\$ 1,428.36	\$ 2,761	\$ 2,723	\$ 38	FY18 Increase	\$ 3.16	1.4%
102	1839	\$ 260,547	\$ 13.98	\$ 1,428.36	\$ 2,214	\$ 1,893	\$ 321	FY18 Increase	\$ 26.76	17.0%
104	1203	\$ 379,220	\$ 13.98	\$ 1,428.36	\$ 3,873	\$ 3,657	\$ 216	FY18 Increase	\$ 18.03	5.9%
105	951	\$ 473,289	\$ 13.98	\$ 1,428.36	\$ 5,188	\$ 4,927	\$ 261	FY18 Increase	\$ 21.74	5.3%
111 (4 only)	124	\$ 550,652	\$ 13.98	\$ 1,428.36	\$ 6,270	\$ 6,083	\$ 187	FY18 Increase	\$ 15.56	3.1%
Class Code	Parcel Count	Average Assessed Value FY18	FY18 Proposed Tax Rate	27.5% Exemption Amount	FY18 Average Tax bill with 27.5% Exemption	FY17 Average Tax Bill with 25% Exemption	Difference in tax bill between FY17 - FY18			
101	843	\$ 299,678	\$ 14.17	\$ 1,592.25	\$ 2,654	\$ 2,723	\$ (69)	FY18 Decrease	\$ (5.76)	-2.5%
102	1839	\$ 260,547	\$ 14.17	\$ 1,592.25	\$ 2,100	\$ 1,893	\$ 207	FY18 Increase	\$ 17.23	10.9%
104	1203	\$ 379,220	\$ 14.17	\$ 1,592.25	\$ 3,781	\$ 3,657	\$ 125	FY18 Increase	\$ 10.38	3.4%
105	951	\$ 473,289	\$ 14.17	\$ 1,592.25	\$ 5,114	\$ 4,927	\$ 187	FY18 Increase	\$ 15.58	3.8%
111 (4 only)	124	\$ 550,652	\$ 14.17	\$ 1,592.25	\$ 6,210	\$ 6,083	\$ 127	FY18 Increase	\$ 10.62	2.1%
Class Code	Parcel Count	Average Assessed Value FY18	FY18 Proposed Tax Rate	30% Exemption Amount	FY18 Average Tax bill with 30% Exemption	FY17 Average Tax Bill with 25% Exemption	Difference in tax bill between FY17 - FY18			
101	843	\$ 299,678	\$ 14.36	\$ 1,760.64	\$ 2,543	\$ 2,723	\$ (181)	FY18 Decrease	\$ (15.04)	-6.6%
102	1839	\$ 260,547	\$ 14.36	\$ 1,760.64	\$ 1,981	\$ 1,893	\$ 88	FY18 Increase	\$ 7.32	4.6%
104	1203	\$ 379,220	\$ 14.36	\$ 1,760.64	\$ 3,685	\$ 3,657	\$ 28	FY18 Increase	\$ 2.35	0.8%
105	951	\$ 473,289	\$ 14.36	\$ 1,760.64	\$ 5,036	\$ 4,927	\$ 108	FY18 Increase	\$ 9.04	2.2%
111 (4 only)	124	\$ 550,652	\$ 14.36	\$ 1,760.64	\$ 6,147	\$ 6,083	\$ 64	FY18 Increase	\$ 5.31	1.0%

Options continued

Class Code	Parcel Count	Average Assessed Value FY18	FY18 Proposed Tax Rate	32.5% Exemption Amount	FY18 Average Tax bill with 32.5% Exemption	FY17 Average Tax Bill with 25% Exemption	Difference in tax bill between FY17 - FY18			
101	843	\$ 299,678	\$ 14.57	\$ 1,935.25	\$ 2,431	\$ 2,723	\$ (292)	FY18 Decrease	\$ (24.35)	-10.7%
102	1839	\$ 260,547	\$ 14.57	\$ 1,935.25	\$ 1,861	\$ 1,893	\$ (32)	FY18 Decrease	\$ (2.67)	-1.7%
104	1203	\$ 379,220	\$ 14.57	\$ 1,935.25	\$ 3,590	\$ 3,657	\$ (67)	FY18 Decrease	\$ (5.57)	-1.8%
105	951	\$ 473,289	\$ 14.57	\$ 1,935.25	\$ 4,961	\$ 4,927	\$ 33	FY18 Increase	\$ 2.77	0.7%
111 (4 only)	124	\$ 550,652	\$ 14.57	\$ 1,935.25	\$ 6,088	\$ 6,083	\$ 5	FY18 Increase	\$ 0.40	0.1%
Class Code	Parcel Count	Average Assessed Value FY17	Tax Rate	35% Exemption Amount	FY18 Average Tax bill with 35% Exemption	FY17 Average Tax Bill with 25% Exemption	Difference in tax bill between FY17 - FY18			
101	843	\$ 299,678	\$ 14.77	\$ 2,112.72	\$ 2,314	\$ 2,723	\$ (410)	FY18 Decrease	\$ (34.14)	-15.0%
102	1839	\$ 260,547	\$ 14.77	\$ 2,112.72	\$ 1,736	\$ 1,893	\$ (157)	FY18 Decrease	\$ (13.12)	-8.3%
104	1203	\$ 379,220	\$ 14.77	\$ 2,112.72	\$ 3,488	\$ 3,657	\$ (168)	FY18 Decrease	\$ (14.04)	-4.6%
105	951	\$ 473,289	\$ 14.77	\$ 2,112.72	\$ 4,878	\$ 4,927	\$ (50)	FY18 Decrease	\$ (4.13)	-1.0%
111 (4 only)	124	\$ 550,652	\$ 14.77	\$ 2,112.72	\$ 6,020	\$ 6,083	\$ (63)	FY18 Decrease	\$ (5.22)	-1.0%

Review of Other Assistance

Clause 17E:

- ☑ 70 years or older.
- ☑ Own and occupy home for 5 years.
- ☑ No income limits.
- ☑ Asset limit \$41,497 (adjusted for inflation each year).
- ☑ Value of exemption is \$182.00 (adjusted for inflation each year).

Review of Other Assistance

Clause 41D:

- 65 years or older
- Income limits: \$20,749 single/\$31,123 married (adjusted for inflation each year).
- Asset limits: \$41,497 single/\$57,059 married (adjusted for inflation each year).
- Value: \$1,000 annually.

Review of Other Assistance

- ◆ Homeowners:

Double the statutory exemptions (M.G.L. c. 59, Section 5C½). Already Voted by the City Council.

- ◆ Small Commercial Owners:

If Personal Property valued at under \$10,000, fully exempt. (M.G.L. c. 59, Section 5, Clause 54). Already voted by the Council.

What Happens Next?

On November 13, the annual Tax Rate Classification hearing is scheduled. At that meeting, we will recommend 2 votes for the City Council:

1. The percentage of the tax burden that will be shifted from the residential properties to the commercial, industrial, and personal property classes. Recommend the maximum shift of 175% allowed state law. Council has adopted this every year in the past.
2. The amount of the residential exemption. My recommendation is 27.5%. The maximum is 35%.