



City of Medford Tax Classification Hearing

Fiscal Year 2022

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Chief Assessor

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December 14, 2021

Purpose of the Hearing

To adopt the City's Tax Policy by allocating or classifying the tax levy among the property types

Action Required by the City Council

1. Vote for a single tax rate or maintain the 175% shift of the tax levy from the Residential class to the Commercial/Industrial and Personal Property classes
2. Vote whether to adopt a residential exemption
3. Vote whether to adopt a small commercial exemption

Property Assessment Review

- The Massachusetts Department of Revenue certified Medford's assessed values for real property and personal property on November 17, 2021
- Arm's-length sales that occurred during Calendar Year 2020 were used to establish the Fiscal Year 2022 Assessment
- MGL requires that Assessors value properties at a median assessment to sales (ASR) ratio of 90% to 110%

Property Assessment Review (continued)

Interim Year Adjustment

Status: FORM APPROVED

MEDFORD - 176 2022

Jurisdiction Fiscal Year

Sales Ratio Study Time Period through

NON TIME-TRENDED SALES

Property Class	101	102	Misc 103,109	104	105	111-112
FY 2021 # of Parcels	7,863	3,304	25	3,948	468	115
ASR Statistics: Sale Prices/ FY 2022 Assessed Values						
Total # of Sales > \$1,000	325	237	3	105	24	11
# Arms-Length Sales	257	219	0	72	12	4
% AL Sales/Parcels	3.27%	6.63%	0%	1.82%	2.56%	3.48%
Median ASR*	0.95	0.95	0.00	0.97	0.96	0.91
C O D*	7.44	3.51	0.00	7.65	7.11	3.19

* Statistical Study results must conform to requirements as outlined in the "Certification Standards".

Property Assessment Review (continued)

Percentage Change in Average Assessments by Property Type

Property Type	FY 21 Average	FY 22 Average	Percentage Change
Single Family	\$612,964	\$654,409	6.76%
Condominium	\$472,743	\$491,892	4.05%
Two Family	\$748,356	\$833,827	11.42%
Three Family	\$891,832	\$959,792	7.62%
Commercial	\$1,426,065	\$1,482,164	3.93%
Apartments	\$5,147,443	\$5,966,041	15.9%
Industrial	\$1,517,829	\$1,635,237	7.74%
Personal Property	\$580,681	\$595,411	2.54%

*The percentage change is inclusive of new growth in each property type

Property Assessment Review (continued)

Property Class	FY 21 Valuation	FY 22 Valuation	Change FY 21 to FY 22	Percentage Change FY 21 to FY 22	FY 22 Percentage Share	FY 21 Percentage Share	FY 12 Percentage Share
Class 1 - Residential	10,665,994,170	11,690,697,675	1,024,703,505	9.6%	89.80	89.51	86.96
Class 2 - Open Space	0	0	0	0			
R/O Subtotal	10,665,994,170	11,690,697,675	1,024,703,505	9.6%	89.80	89.51	86.96
Class 3 - Commercial	916,724,973	964,578,525	47,853,552	5.2%	7.41	7.69	9.73
Class 4 - Industrial	122,944,200	132,944,200	4,769,100	7.7%	1.02	1.03	1.44
Class 5 - Personal Property	210,787,400	230,424,230	23,380,810	9.3%	1.77	1.77	1.87
C/I/P Subtotal	1,250,456,573	1,327,456,995	77,000,422	6.2%	10.20	10.49	13.04
Total Taxable Assessed Value	11,916,450,743	13,018,154,630	1,101,703,887	9.2%	100.00	100.00	100.00
Class 9 - Exempt	1,390,995,700	1,548,648,800	157,653,100	11.33%			

FY 2022 Average Assessed Values in Surrounding Communities

	<u>Medford</u>	<u>Everett</u>	<u>Malden</u>	<u>Arlington</u>	<u>Somerville</u>	<u>Cambridge</u>
Single Family	\$654,409	\$470,012	\$503,739	\$844,658	\$960,489	\$1,984,151
Condos	\$491,892	\$296,222	\$349,156	\$534,380	\$678,680	\$846,457
Two Family	\$833,827	\$623,494	\$655,945	\$984,016	\$1,029,739	\$1,508,715
Three Family	\$959,792	\$757,442	\$750,523	\$1,061,856	\$1,291,033	\$1,759,027
Apartments	\$5,966,041	\$2,257,300	\$4,812,454	\$3,669,846	\$3,235,954	\$7,907,492
Commercial	\$1,482,164	\$1,738,679	\$1,479,121	\$1,194,090	\$3,687,473	\$13,498,438
Industrial	\$1,635,237	\$7,929,116	\$2,069,742	\$1,212,171	\$4,763,782	\$71,904,777

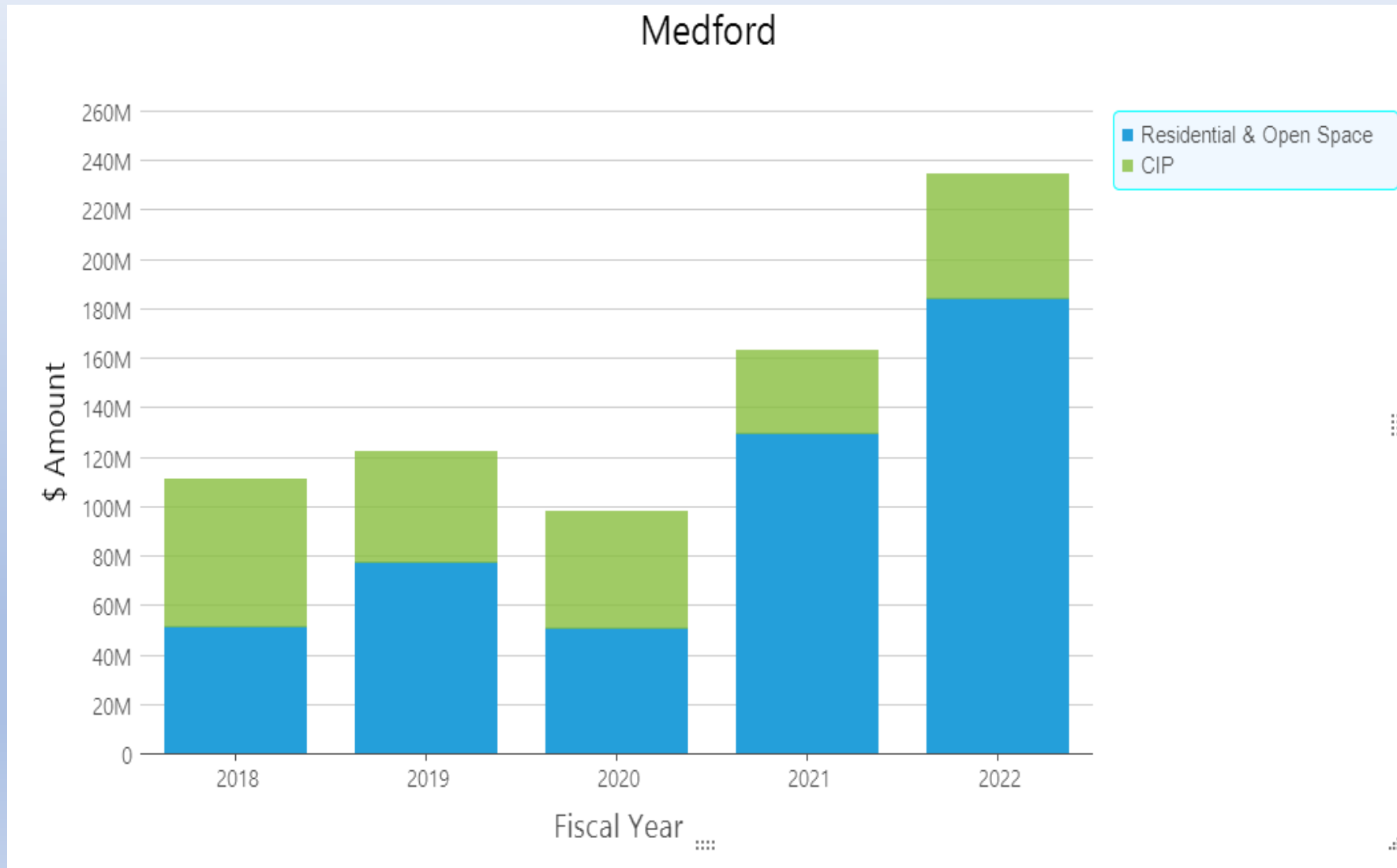
Percent Change Fiscal Year 2021 to Fiscal Year 2022 of Assessed Values in Surrounding Communities

	<u>Medford</u>	<u>Everett</u>	<u>Malden</u>	<u>Arlington</u>	<u>Somerville</u>	<u>Cambridge</u>
Single Family	6.76%	7.94%	3.95%	1.85%	6.15%	5.64%
Condos	4.05%	6.39%	2.99%	3.87%	3.85%	2.48%
Two Family	11.42%	5.88%	1.01%	2.62%	4.81%	3.65%
Three Family	7.62%	5.04%	0.81%	2.86%	6.05%	3.60%
Apartments	15.90%	3.68%	6.42%	3.20%	15.79%	2.26%
Commercial	4.01%	3.56%	0.46%	0.56%	14.95%	7.47%
Industrial	7.74%	-4.00%	3.61%	4.54%	8.89%	31.77%

New Growth

- New Growth is defined by the DOR as a dollar increase in the annual levy limit that reflects additions to the community's tax base since the last fiscal year
- New Growth was certified on November 17, 2021 at \$234,591,472 in Assessed Value, or \$2,639,893 in Tax Levy Growth (based on the FY21 tax rates)
- Residential New growth made up \$1.7m while commercial, industrial and personal property new growth totaled \$0.9m
- New Growth increased 48.8% in Fiscal Year 2021. The increase is a result of building activity during calendar year 2020 and continued personal property audits.

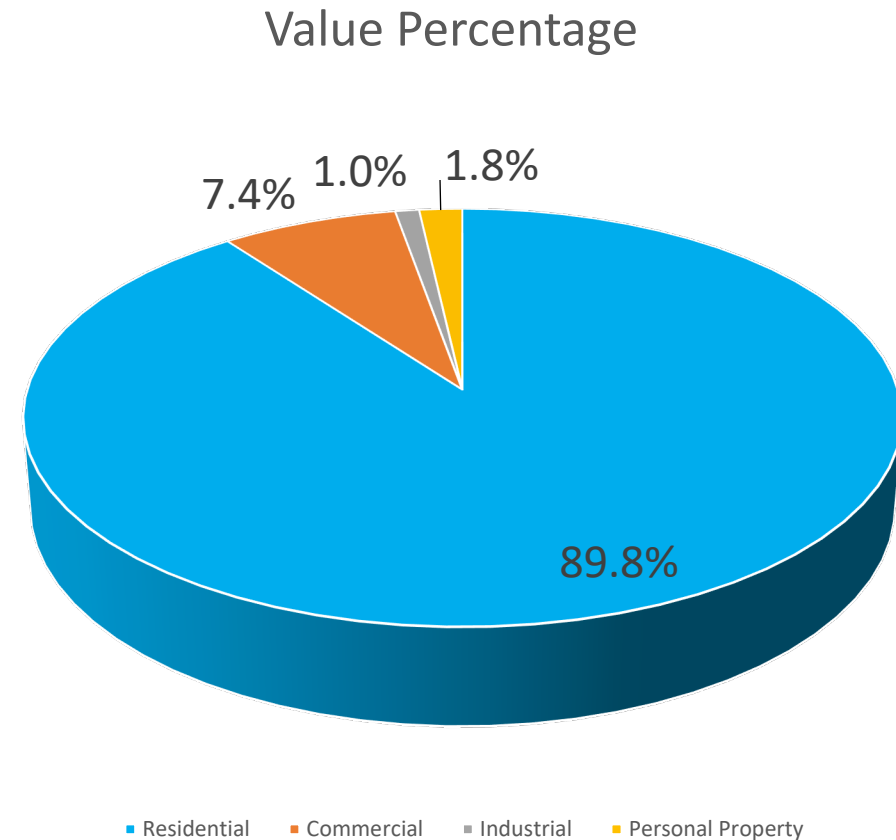
New Growth Value



Source: DOR Databank Reports

Fiscal 2022 Value by Class

Fiscal 2022		
	Value	% of Value
Residential	\$ 11,690,697,675	89.8%
Commercial	\$ 964,578,525	7.4%
Industrial	\$ 132,454,200	1.0%
Personal Property	\$ 230,424,230	1.8%
Total Value	\$13,018,538,658	100.00%



9.25% increase in total value from FY 2021

FY 2022 Peer Community % Residential to CIP

Municipality	CIP Value	Total Value	Residential % of Total Value	CIP % of Total Value
Arlington	\$711,556,043	\$12,517,357,831	94.3%	5.7%
Cambridge	\$28,834,891,962	\$63,952,953,737	54.9%	45.1%
Everett	\$2,228,472,105	\$7,283,018,750	69.4%	30.6%
Malden	\$1,072,832,777	\$9,283,128,544	88.4%	11.6%
Medford	\$1,327,456,955	\$13,018,154,630	89.8%	10.2%
Somerville	\$3,272,796,196	\$20,853,025,605	84.3%	15.7%



Historical Percent of Levy by Class

Fiscal Year	Residential Percentage of Levy	CIP Percentage of Levy
2013	77.08	22.92
2014	78.11	21.89
2015	79.27	20.73
2016	78.95	21.05
2017	80.01	19.99
2018	80.68	19.32
2019	81.52	18.48
2020	81.98	18.02
2021	81.64	18.36
2022	82.16	17.84

How the Tax Rate is Calculated

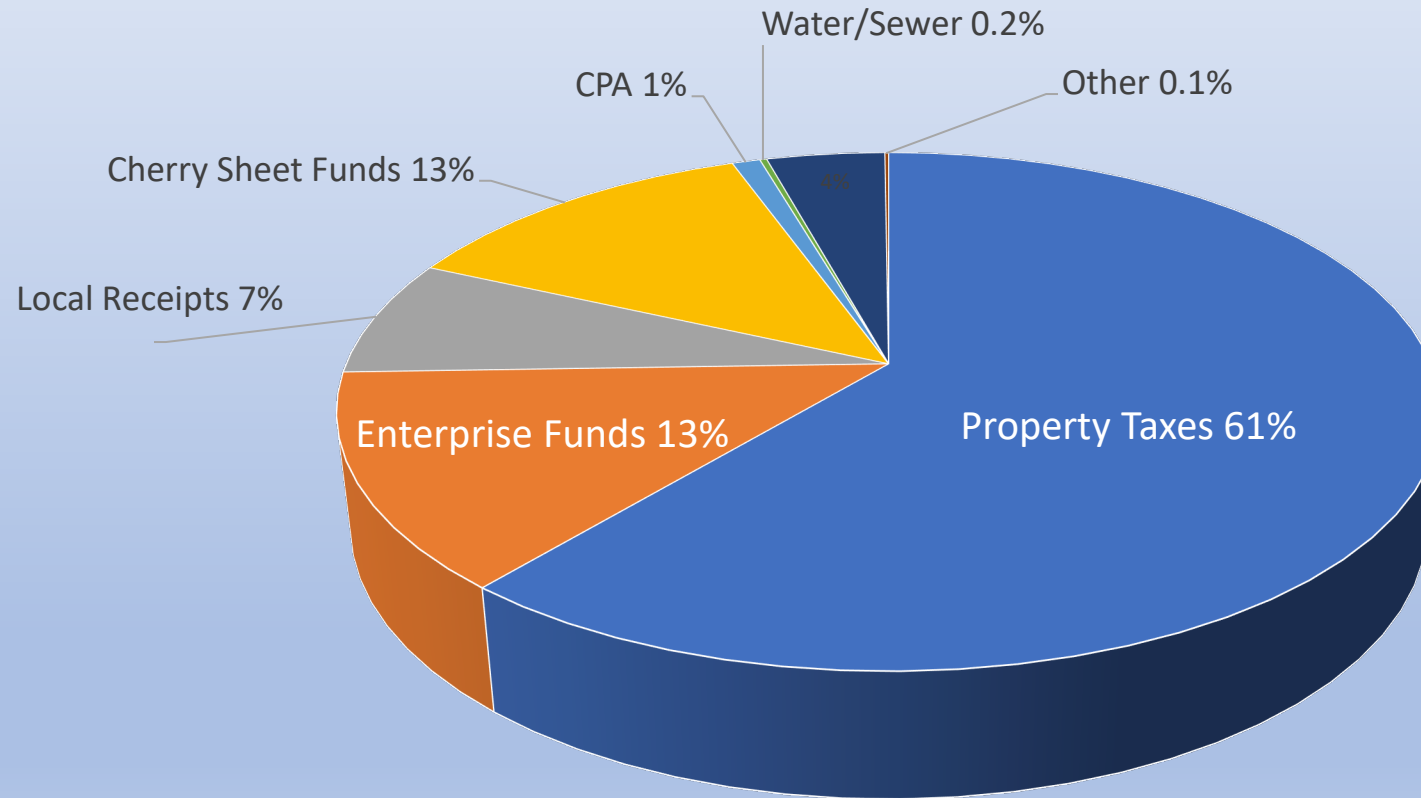
FY 2022 Property Tax Levy	\$128,409,819	
<hr/>	<hr/>	= 0.00986
FY 2022 City Taxable Valuation	\$13,018,154,630	

or

\$9.86 per thousand dollars of assessed value if a uniform rate is selected tonight

The Full Shift of 175% = a \$9.02 residential tax rate and a \$17.26 Commercial/Industrial/Personal Property Tax Rate

FY 2022 City Budget



Selection of Minimum Residential Factor

- A residential factor of 1 will result in the taxation of all property at the same rate (single tax rate)
- A residential factor of less than 1 increases the share of the levy raised by Commercial, Industrial and Personal Property (CIP) owners and reduces the share paid by residential property owners (split tax rate)
- The minimum residential factor for the City of Medford for Fiscal Year 2021 is 91.48, as determined by the Massachusetts Department of Revenue

Residential Factor/Split Rate

- MGL Ch. 40 § 56 allows a shift of up to 1.75 of the tax burden between the classes of property
- Adoption of a Residential Factor(RF) of 1.0 results in a single tax rate
- Adoption of a RF of 91.48 results in a maximum split tax rate
- The impact on the Property Class Rate is as follows:

CIP Factor	Residential	CIP	Residential	Comm/Ind/PP
1.00	\$9.86	\$9.86	\$115,270,279	\$13,088,725
1.50	\$9.30	\$14.80	\$108,723,488	\$19,646,363
1.75	\$9.02	\$17.26	\$105,450,093	\$22,911,907

Average Property Examples

Single Tax Rate:

Avg. Single Family House Value = \$654,409 x \$9.86/1000 = \$6,452

Avg. Commercial Value = \$1,482,164 x \$9.86/1000 = \$14,614

Split Rate with CIP 150%:

Avg. Single Family House Value = \$654,409 x \$9.30/1000 = \$6,086

Avg. Commercial Value = \$1,482,164 x \$14.80/1000 = \$21,936

Split Rate with CIP 175%:

Avg. Single Family House Value = \$654,409 x \$9.02/1000 = \$5,903

Avg. Commercial Value = \$1,482,164 x \$17.26/1000 = \$25,582

*Average Values are rounded

Historical Recap of Average Single-Family Tax Bill

Fiscal Year	Average Single-Family Value	Percentage Value Change YOY	Average Single Family Tax Bill	\$ Change YOY	% Change YOY
2013	\$348,506		\$4,308	\$129	
2014	\$366,328	5.11%	\$4,488	\$180	4.18%
2015	\$394,473	7.68%	\$4,615	\$127	2.83%
2016	\$424,189	7.53%	\$4,747	\$132	2.86%
2017	\$475,910	12.19%	\$5,026	\$279	5.88%
2018	\$508,238	6.79%	\$5,204	\$178	3.54%
2019	\$565,215	11.21%	\$5,426	\$222	4.27%
2020	\$615,010	8.81%	\$5,646	\$220	4.05%
2021	\$612,965	-0.33%	\$5,768	\$122	2.16%
2022	\$654,409	6.76%	\$5,903	\$135	2.34%

Residential Exemption

This option must be established early in the fiscal year so that residents can apply prior to the setting of the tax rate

- Must be owner-occupied, primary residence to qualify and **must apply annually prior to the Classification Hearing**
- The reduced value remains within the residential levy percent resulting in a higher residential rate
- All residential properties above a “break-point” value would see an increase in taxes. The approximate breakeven assessment is \$705,400 for FY22
- There are over 6,500 properties above the breakeven with an estimated 2,150 owned by elderly residents
- Would require additional staff members to process approximately 13,600 applications
- Only 16 of 351 communities adopt a residential exemption:
 - Barnstable, Boston, Brookline, Cambridge, Chelsea, Everett, Malden, Nantucket, Provincetown, Somerset, Somerville, Tisbury, Truro, Waltham, Watertown, Wellfleet

Granting a Small Commercial Exemption

- The City Council may adopt a small commercial exemption
- This exemption is for commercial parcels (property class three) occupied by businesses with an average annual employment of not more than (10) people during the previous calendar year and with assessed values of less than \$1,000,000
- The intent of the exemption is to give a tax reduction to small commercial property owners at the expense of the larger commercial and industrial parcels
- Council can choose an exemption that reduces the taxable valuation of each eligible parcel by a percentage of up to 10%

Classification Vote Summary

1. Selection of a Minimum Residential Factor
 - A Factor of 1 yields a single rate and would result in a \$9.86 rate
 - A Factor of 91.48 yields a split tax rate of \$9.02 for residential and \$17.26 for Commercial/Industrial/Personal Property
2. Vote on whether to adopt a Residential Exemption
 - With a low number of non-owner-occupied properties, this shifts a portion of the residential levy from lower-valued residential properties to higher valued properties
 - This decision must be made early in the fiscal year to allow for applications and tax rate setting
3. Vote on whether to adopt a Small Commercial Exemption
 - This exemption is for commercial properties valued under \$1 million and occupied by business(s) with less than ten employees
 - This exemption benefits property owners, typically not small business tenants
 - This shifts up to 10% of the value of those properties to other commercial and industrial properties