TOWN OF WESTBOROUGH
MASSACHUSETTS

OFFICE OF THE BOARD OF ASSESSORS
34 WEST MAIN STREET
WESTBOROUGH, MA 01581-1998

TELEPHONE: (508) 366-3010
FAX: (508) 366-3012

Date: November 28, 2017

To: Board of Selectmen

From: Board of Assessors

Re: Tax Classification - FY2018

Our Fiscal 2018 values have been approved by the Department of Revenue as follows:

	Valuation by Class	Levy Percentage
1. Residential	$2,568,746,172	67.781%
2. Commercial	$608,575,661	16.058%
3. Industrial	$383,476,675	10.119%
4. Personal Property	$228,963,860	6.042%
Total	$3,789,762,368	100.00%

Fiscal 2017 values were:

1. Residential	$ 2,500,487,432	65.6681%
2. Commercial	$603,714,001	15.8548%
3. Industrial	$374,153,875	9.8261%
4. Personal Property	$329,412,650	8.6511%
Total	$ 3,807,767,958	100.00%

Fiscal 2018 was an interim year with our next triennial recertification of values coming in Fiscal 2019. Prior to January 1, 2017 AstraZeneca, the Town's number one tax payer, closed and vacated their facility. Their Fiscal 2017 personal property value was over $106,000,000 which was $1,886,000 in tax dollars and 2.7% of the total levy. While the, now vacant, real estate remains; the loss of the personal property has a material impact on the total value of the Town. This, in turn, impacts the tax burden of the taxpayers for Fiscal 2018.

For Fiscal 2018, interim adjustments were completed using guidelines established by the Department of Revenue. The Fiscal 2018 values are as of January 1, 2017 utilizing analysis of calendar 2016 sales and data. This analysis resulted in an increase of $68 million in the residential valuation, an increase of $14 million in the commercial/industrial valuation, and a decrease of $101 million in the personal property valuation, for a net decrease of $18.87 million in the total valuation of the Town. We had $95 million in total new growth valuation, with $44 million in real property and $41 million in personal property growth. Using last year's tax rate of $17.80/thousand, this, new growth, translates into an additional $1,695,230 in tax dollars to be added to the tax levy.

The FY2018 levy limit, or amount of money the Town is allowed to raise through taxation, is $**81,268,153**. This includes 2 1/2% of last year's levy limit plus new growth. To this number we have added **$1,392,288** which is the amount of gross debt service excludable from the levy per the debt exclusion approved by the Town for school construction. This brings us to a maximum allowable levy of **$82,660,441.** The levy for FY2018 is $69,959,013.32 leaving an excess levy capacity of **$12,701,427.68**. The 2018 levy is an increase of $2,180,743.66 from the FY2017 levy of $67,778,269.66.

The levy divided by the total valuation of the Town X 1,000 gives a tax rate of $18.46/thousand should the Board of Selectmen vote to maintain the present system of adopting a single tax rate. You will note that this rate represents an increase of .66 (sixty-six cents) above last year's rate of $17.80.

Tax classification allows communities to have different tax rates for different classes of property, and allows the Board of Selectmen to make the decision as to whether or not to shift the tax burden from one class of property to another. The statute provides a maximum allowable portion of the tax levy (up to 150%) to be borne by the commercial, industrial, and personal property classes (CIP), and a minimum allowable portion to be borne by the residential class.

Classification also allows the Board of Selectmen to grant an exemption of up to 20% of the average residential value on all property categorized as the principal residence of the owner. Communities taking advantage of this exemption typically have a large percentage of second homes or rental properties, as it allows the Selectmen to shift more of the tax burden off the year round residents and property owners. The residential tax rate would be higher, as the residential properties still need to contribute the residential share of the levy. The taxpayers who would realize any substantial benefit would be those with lower assessments, as demonstrated on the worksheet on page 5.

The final option is the small commercial exemption. This option allows the Board of Selectmen to exempt up to 10% of the value of commercial parcels which are assessed at less than $1 million and occupied by businesses with less than ten (10) employees. As with the residential exemption, the small commercial exemption is a reduction in the taxable valuation of the property which is applied by the Assessors prior to setting the tax rate. If adopted, it has the effect of reducing property taxes on some commercial properties and shifting those taxes onto all other commercial/industrial properties. Unlike the residential exemption, however, which is a fixed dollar amount applied to all qualifying parcels, the small commercial exemption is based on a percentage of an eligible parcel's valuation. This means that a qualifying parcel with an assessed value of $200,000 would receive a value reduction of up to $20,000, while a qualifying parcel with an assessed value of $995,000 would receive a value reduction of up to $99,500 - i.e., each qualifying parcel would need to be calculated separately before the tax rate is set. Please see the worksheet on page 6, which demonstrates the effect of adopting the small commercial exemption.

For the purpose of this presentation we are using an <u>average</u> single family residential value and an <u>average</u> commercial/industrial value. These averages simply represent the total value of the class of property divided by the number of parcels within the class. We would point out that averages are not accurate indicators for an entire class of property, as a small ranch is not comparable to a large colonial any more than a large commercial/industrial property is comparable to a small one. However, an average value is useful for the purpose of this presentation, which is to demonstrate the impact on tax dollars if a tax rate shift is adopted. We would also point out that to in order to calculate the residential exemption; we are required to use the average value of the entire residential class, not just the single family homes. This is why the average value is lower than for the tax rate shift for this exemption compared to the average single family home utilized for the CIP shift.

Please see attached worksheets...

TAX DOLLAR IMPACT WITH CIP INCREASE

Avg. Single Family House Value =	\$473,000 x \$18.46 /1000 = \$8,731.58
Avg. Commercial Value =	\$2,283,000 x \$18.46 /1000 = \$42,144.18

2 Rates With CIP Increase of 105%:

Avg. Single Family House Value =	\$473,000 x \$18.02 /1000 = \$8,523.46
Avg. Commercial Value =	\$2,283,000 x \$19.38 /1000 = \$44,244.54
	Avg. Residential Savings = \$208.12
	Avg. Commercial Increase = \$2,100.36

2 Rates With CIP Increase of 110%:

Avg. Single Family House Value =	\$473,000 x \$17.58 /1000 = \$8,315.34
Avg. Commercial Value =	\$2,283,000 x \$20.31 /1000 = \$46,367.73
	Avg. Residential Savings = \$416.24
	Avg. Commercial Increase = \$4,223.55

2 Rates With CIP Increase of 115%:

Avg. Single Family House Value =	\$473,000 x \$17.14 /1000 = \$8,107.22
Avg. Commercial Value =	\$2,283,000 x \$21.23 /1000 = \$48,468.09
	Avg. Residential Savings = \$624.36
	Avg. Commercial Increase = \$6,323.91

2 Rates With CIP Increase of 150%: *

Avg. Single Family House Value =	\$473,000 x \$14.07 /1000 = \$6,655.11
Avg. Commercial Value =	\$2,283,000 x \$27.69 /1000 = \$63,216.27
	Avg. Residential Savings = \$2,076.47
	Avg. Commercial Increase = \$21,072.09

Again, please note that these numbers are averages. For example, with a 150% shift, a residential property valued at \$1,000,000 would save \$4,390.00. With the same 150%, a commercial property valued at \$20,000,000 would increase by \$184,600.00.

RESIDENTIAL EXEMPTION
(owner occupied properties only)

A residential exemption is a fixed dollar amount excluded from the valuation of each owner-occupied property for real estate tax purposes. Of the total residential class valuation of $2,568,746,172, it is estimated that 4,698 properties would be eligible for the residential exemption. The highest possible exemption which may be granted is 20% of the average residential property value. The average residential property value is $470,380, so the highest reduction in taxable value per property would be $94,076. Since the tax dollars lost by granting the residential exemption must still be made up by the residential class, the balance of the residential portion of the levy is raised by increasing the tax rate for the entire residential class. The effect is basically to shift some of the tax burden from lower valued to higher valued property, as demonstrated below.

- Average residential value = $470,380 x 20% = $94,076 value reduction per property.
- Eligible properties = 4,698 x $94,076= $441,969,219 value lost from residential class.
- Total residential value = $2,568,746,172- $441,969,219 = $2,126,776,953 which is the remaining value in the residential class.
- $47,419,054 = levy to be borne by residential class.
- $47,419,054 / $2,126,776,953 x 1000 = $22.30, which would be the residential tax rate if the exemption is adopted.

An example of the impact of the exemption is as follows:

Average Value Single Family Property:	
With One Rate:	$473,000 x $18.46 / 1000 = $8,731.58
With Residential Exemption:	$473,000 - $94,076 = $378,924
Adjusted Value w/Residential Rate:	$378,924 x $22.30 / 1000 = $8,450.00
Tax Savings:	$281.58

Higher Value Single Family Property:	
With One Rate:	$900,000 x $18.46 / 1000 = $16,614.00
With Residential Exemption:	$900,000 - $94,076 = $805,924
Adjusted Value w/Residential Rate:	$805,924 x $22.30 / 1000 = $17,972.10
Tax Increase:	$1,358.10

Lower Value Single Family Property:	
With One Rate:	$350,000 x $18.46 / 1000 = $6,461.00
With Residential Exemption:	$350,000 - $94,076 = $255,924
Adjusted Value w/Residential Rate:	$255,924 x $22.30 / 1000 = $5,707.10
Tax Savings:	$753.90

We have calculated the "break-even" valuation for FY 2018 to be $546,327. In other words, if the residential exemption is adopted, residential properties assessed higher than this will experience a tax increase while residential properties assessed lower will experience a decrease. For FY 2018 there are an estimated 1,914 residential properties out of 5,461 that will see an actual increase in taxes if the exemption were adopted.

TAX DOLLAR IMPACT OF SMALL COMMERCIAL EXEMPTION

We have calculated the number of qualifying parcels to be 63 out of 256 with a total valuation of $32,391,471. Therefore, if the exemption were adopted with a 10% reduction in value to all qualifying parcels, the total Class 3 valuation would be reduced by $3,239,147. As Class 3 and Class 4 are required to carry the same percentage of the levy with or without classification, the adoption of this exemption would increase the tax rate for Class 3 and Class 4 properties to $18.52/1000. The adoption of this exemption results in tax assessment of the qualifying parcels being adjusted parcel by parcel and evaluated based upon tenant. Change in tenants from year to year can impact a property's eligibility.

Total Comm/Ind Value		Eligible Reduced Value		Remaining Value
$992,052,336	-	$3,239,147	=	$988,813,189

Total Comm/Ind Levy		10% Qualifying Value		Comm/Ind Rate if Adopted
$18,313,712	/	$988,813,189	x 1000 =	$18.52

Qualifying Parcel Assessed at	$500,000	
Without Exemption	$500,000 x	$18.46 / 1000 = $9,230
With 10% Exemption	$450,000 -	$18.52 / 1000 = $8,334
Tax Savings:	$896.00	
Non-Qualifying Parcel Assessed at	$500,000	
Without Exemption	$500,000 x	$18.46 / 1000 = $9,230
With Exemption	$500,000 x	$18.52 / 1000 = $9,260
Tax Increase:	$30	
Non-Qualifying Parcel Assessed at	$20,000,000	
Without Exemption	$20,000,000 x	$18.46 / 1000 = $369,200
With Exemption	$20,000,000 x	$18.52 / 1000 = $370,400
Tax Increase:	$1,200	