

CLASSIFICATION HEARING FY2023



PREPARED FOR BOXBOROUGH SELECT-BOARD

Jennifer Campbell, Chair

Diane Lipari, Clerk

Leslie Fox

Wesley Fowlkes

John Markiewicz

and Carter Terenzini, Town Administrator

PURPOSE OF THE CLASSIFICATION HEARING

- Report on final values for Fiscal 2023
- Adoption of a residential factor - MGL Ch. 40 § 56 allows a shift in the tax burden between property classes.

Reminder: This does not change the total tax levy for the community; it simply determines the share to be borne by each class.

PRE-CLASSIFICATION HEARING STEPS

1. Determination of the property tax levy (Budget Process)
2. Determine assessed valuations (Assessor)
3. Tabulate assessed valuations by class (Assessor)

CLASSIFICATION HEARING STEPS

1. Classification hearing presentation (Assessor)
2. Determine tax shift options (Selectboard)
3. Voting a tax shift factor (Selectboard)

POST CLASSIFICATION HEARING STEPS

1. Sign the LA-5 Classification Form (Assessor)
2. Send annual recap to DOR for tax rate approval (Assessor)
3. Obtain DOR approval of tax rates (DOR)

OVERVIEW OF THE REVALUATION & CLASSIFICATION PROCESS

💰 **Every Year** – Assessors must make interim adjustments to be at 100% Fair Market Value, ***certified*** by Mass. Dept. of Revenue

Assessors must annually adjust valuations to reflect changes in the tax base due to new construction, alterations, or demolitions. In years between five-year certification, the assessor may undertake and complete a valuation adjustment program without the prior review or approval of the Bureau of Local Assessment.

Values were certified by Department of Revenue on August 29, 2022. Assessments are based on sales that occurred during Calendar Year 2021.

Fiscal 2023 is an Interim Adjustment Year.

OVERVIEW OF THE REVALUATION & CLASSIFICATION PROCESS

💰 **Every 5 Years** – Assessments must be at 100% Fair Market Value, ***certified and audited*** by Mass. Dept. of Revenue (DOR) - Bureau of Local Assessment (BLA)

The Massachusetts Department of Revenue (DOR) requires all cities and towns to revalue all property once every five years. DOR closely monitors the revaluation project from planning to data quality to analysis to a conclusion.

Revaluation certification by DOR is required before the tax rate can be set for the following fiscal year. The objective of the revaluation is to ensure that all property is fully and fairly assessed.

Next full revaluation will be Fiscal 2024, and will then be every five years according to the Municipal Modernization Act.

IMPORTANT TERMS

| TERM | DEFINITION |
|-----------------------------------|---|
| LEVY | The tax levy (or levy) is the amount of property taxes to be raised in a given fiscal year. The levy amount is determined during the budget process. The total amount of the approved budget less revenues from other sources like motor vehicle excise, municipal fees, and state aid is the amount to be raised from property taxation. |
| LEVY LIMIT/MAXIMUM ALLOWABLE LEVY | Also referred to as the “maximum allowable levy” is calculated by adding 2 ½ percent of the previous year’s levy limit plus new growth revenue for the present fiscal year to last year’s levy limit. Exceeding the levy limit requires an override of Proposition 2½. |
| LEVY CEILING | The levy ceiling is 2 ½ percent of the full taxable value of the Town. The Town cannot raise property taxes in excess of the levy ceiling except in the case of voted debt exclusions approved for the payment of bonds. |
| NEW GROWTH | Property taxes derived from newly taxable properties like new construction, additions, renovations, subdivisions and personal property. |
| DEBT EXCLUSION | A temporary increase above the 2 ½ % allowed under Proposition 2 ½, to the levy limit, for the payment of a specific debt service item over a specified period of time. |
| CAPITAL EXCLUSION | A temporary increase to the levy limit for the purpose of raising funds for specific capital projects. |
| OVERRIDE | A permanent increase to a community’s levy limit. |
| EXCESS LEVY CAPACITY | Excess levy capacity is the difference between the actual levy and the levy limit |
| OVERRIDE CAPACITY | The difference between the levy ceiling and the levy limit; the maximum amount by which a community may override its levy limit. |

Once properties have been classified and certified, the Selectboard holds a public hearing.

The Assessor presents information to the Selectboard, who then vote whether to establish different rates, or to tax all classes of property at the same rate by adopting a minimum CIP factor of “1”.



What Happens At The Classification Hearing

The Select-board must vote on one item:

- 💰 Selection of a CIP Factor

And may choose to vote for:

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

PRE-CLASSIFICATION HEARING STEPS

GENERAL DATA AND STATISTICS

GENERAL DATA AND STATISTICS

FISCAL YEAR 2023 ASSESSMENT DATE: **JANUARY 1, 2022**

NEW GROWTH CALCULATION DATE: **JUNE 30, 2022**

PROPERTY CLASSIFICATIONS

Residential



Open Space



Commercial



Industrial



Personal Property



GENERAL DATA AND STATISTICS

CHAPTERLAND

| | |
|---|---------------|
| CHAPTER 61 (FORESTRY): | 21 PROPERTIES |
| CHAPTER 61A (AGRICULTURAL/HORTICULTURAL): | 22 PROPERTIES |
| CHAPTER 61B (RECREATIONAL): | 27 PROPERTIES |

NEW CONSTRUCTION

Eight (8) new single family homes at 100% completion
Twenty-two (22) new condos at 100% completion

GENERAL DATA AND STATISTICS

EXEMPTIONS

| | |
|----------------------------|-----------|
| STATUTORY & CPA EXEMPTIONS | \$ 13,352 |
|----------------------------|-----------|

ABATEMENTS

| | |
|--|-----------|
| Senior Tax Work-off Participants: | 20 |
| Abatement Amount: | \$ 13,629 |

| | |
|-------------------------|------------|
| Appeals Granted: | 18 |
| Abatement Amount: | \$ 110,086 |

Breakdown:

| | |
|----------------|-----------|
| 12 Residential | \$ 11,416 |
| 4 Condominiums | \$ 20,821 |
| 2 Commercial | \$ 77,849 |

GENERAL DATA AND STATISTICS

PARCEL COMPARISONS (LA-4) 2022-2023

| Description | FY 2022 Parcel Count | FY 2022 Assessed Value | FY 2023 Final Parcel Count | FY 2023 Assessed Value | Parcel Difference | Parcel % Difference | Assessed Value Difference | Assessed Value % Difference |
|----------------------------|-------------------------|---------------------------|----------------------------------|---------------------------|----------------------|------------------------|------------------------------|--------------------------------|
| TOTAL RESIDENTIAL | 2,200 | 1,000,493,050 | 2,245 | 1,208,466,785 | 45 | 2.0% | 207,973,735 | 20.8% |
| TOTAL OPEN SPACE | 0 | 0 | 0 | 0 | 0 | | 0 | |
| TOTAL COMMERCIAL | 143 | 76,005,823 | 141 | 73,995,921 | -2 | -1.4% | -2,009,902 | -2.6% |
| TOTAL INDUSTRIAL | 45 | 124,538,040 | 45 | 151,528,640 | 0 | | 26,990,600 | 21.7% |
| TOTAL PERSONAL PROPERTY | 94 | 55,429,490 | 90 | 47,822,070 | -4 | -4.3% | -7,607,420 | -13.7% |
| TOTAL REAL & PERSONAL | 2,482 | 1,256,466,403 | 2,521 | 1,481,813,416 | 39 | 1.6% | 225,347,013 | 17.9% |

GENERAL DATA AND STATISTICS

TOTAL PARCEL COUNT CHANGE FY22 - FY23

THERE WAS INCREASE OF 39 PARCELS

TOWN-WIDE VALUATION CHANGES IN FY 22- FY23

- SINGLE FAMILIES **UP** 17%
- CONDOMINIUMS **UP** 37%
- TWO FAMILIES **UP** 15%
- APARTMENTS (4+ UNITS) **UP** 46%
- COMMERCIAL & INDUSTRIAL **UP** 13%
- PERSONAL PROPERTY **DOWN** 14%

ADJUSTMENTS TO VALUE

THE MARKET

The Single Family real estate market values have been steadily increasing. All sales are qualified as per MLS

Below is the Residential single family home trending average

| | | | |
|--|--------|----|---------|
| Single Family Sales reported to DOR in | FY2023 | 47 | 913,971 |
| | FY2022 | 43 | 708,778 |
| | FY2021 | 51 | 747,336 |
| | | | |
| Condominium Sales reported to DOR in | FY2023 | 68 | 266,192 |
| | FY2022 | 33 | 220,526 |
| | FY2021 | 42 | 175,131 |



Reminder:

The sales reported to DOR in FY23 were sales during the calendar year 2021

TOP TEN SINGLE FAMILY VALID HOME SALES IN 2021

| Sale Date | | Location | Current Yr. Use Code | List Price | Sale Price | Prior Assessed Value | Assessment Percent Change |
|------------|-----|-----------------------|----------------------------|------------|------------|-------------------------|------------------------------|
| 6/23/2021 | 300 | ROBINSON ROAD | 101 | 1,350,000 | 1,330,000 | 1,047,800 | 1.19 |
| 1/19/2021 | 130 | TAYLOR FARM ROAD | 101 | 1,162,380 | 1,189,563 | 1,060,500 | 1.10 |
| 5/12/2021 | 21 | HAGER LANE | 101 | 975,000 | 1,180,000 | 875,700 | 1.19 |
| 11/18/2021 | 441 | BURROUGHS ROAD | 101 | 995,000 | 1,101,000 | 895,200 | 1.18 |
| 11/5/2021 | 75 | SCHOOL HOUSE LANE | 101 | 980,000 | 1,100,000 | 826,600 | 1.24 |
| 8/17/2021 | 61 | COOLIDGE FARM ROAD | 101 | 900,000 | 1,078,000 | 712,100 | 1.24 |
| 7/2/2021 | 90 | STEELE LANE | 101 | 979,000 | 1,075,000 | 865,900 | 1.16 |
| 6/18/2021 | 282 | HILL ROAD | 101 | 925,000 | 1,060,000 | 785,500 | 1.19 |
| 10/21/2021 | 80 | PATCH HILL ROAD | 101 | 995,000 | 1,013,000 | 755,500 | 1.17 |
| 9/27/2021 | 11 | LITTLETON ROAD | 101 | 995,000 | 1,001,000 | 806,700 | 1.18 |

What is a Valid Sale?

Real Property listed on Municipal Listing Service and has a “willing seller and willing buyer”

RESIDENTIAL CHANGES

OVERALL INCREASE IN VALUE OVER FISCAL YEAR 2022 OF 17.934%

| | ADJUSTED FY22 VALUE | MARKET ADJUSTMENT | NEW GROWTH | FY23 VALUE | VALUE CHANGE | %Change |
|----------------------|------------------------|----------------------|---------------|-------------|-----------------|----------|
| Single Family | 793,223,052 | 130,526,548 | 5,739,900 | 929,489,500 | 136,266,448 | 17.179% |
| | | | | | | |
| Condominium | 131,842,117 | 28,928,383 | 20,497,900 | 181,250,400 | 49,408,283 | 37.475% |
| | | | | | | |
| Multi-Family | 44,765,500 | 20,405,400 | 0 | 65,170,900 | 20,405,300 | 45.583% |
| | | | | | | |
| Vacant Land | 7,662,200 | (1,493,000) | 0 | 6,169,200 | (1,493,000) | -19.485% |

COMMERCIAL CHANGES

| | ADJUSTED FY22 VALUE | MARKET ADJUSTMENT | NEW GROWTH | FY23 VALUE | VALUE CHANGE | %Change |
|----------------------|------------------------|----------------------|---------------|-------------|-----------------|----------|
| Commercial | 7,662,200 | (1,493,000) | 0 | 50,079,100 | (1,493,000) | -19.485% |
| | | | | | | |
| Industrial | 53,132,751 | (3,053,651) | 0 | 148,703,700 | (3,053,651) | -5.747% |
| | | | | | | |
| Personal Property | 122,012,200 | 9,756,800 | 16,934,700 | 55,429,490 | 26,691,500 | 21.876% |

OVERALL CHANGES

| | NET (ADJUSTED) FISCAL 2022 VALUE | MARKET ADJUSTMENT | NEW GROWTH | FY23 VALUE | VALUE CHANGE | % Change |
|---------------|--|----------------------|---------------|---------------|-----------------|-------------|
| TOTAL TOWN | 1,249,699,433 | 232,113,983 | 19,125,200 | 1,481,813,416 | 225,347,013 | 19% |
| | GROSS (UNADJUSTED) FISCAL 2022 VALUE | MARKET ADJUSTMENT | NEW GROWTH | FY23 VALUE | VALUE CHANGE | % Change |
| TOTAL TOWN | 1,256,466,403 | 225,347,013 | 19,125,200 | 1,481,813,416 | 232,113,983 | 18% |
| | | | | | | |

VALUATION AND LEVY

LEVY LIMIT

Levy Limit – The Maximum amount the Town can levy in a given year. The levy limit can grow each year by 2 ½ percent of the prior year's levy limit plus new growth and any Proposition 2 ½ overrides.

Maximum Allowable Levy – This is the Levy Limit plus Debt Exclusions or other adjustments allowable.

Excess levy capacity – The difference between the levy limit and the actual levy. When the Select-Board sign the LA5 form after the classification hearing they also acknowledge that they have been advised of any excess levy capacity for that fiscal year.

OVERRIDES AND DEBT EXCLUSIONS

Proposition 2 ½ Override – Permanent increase above the 2 ½ % allowed under Proposition 2 ½.

Debt Exclusion – Temporary increase above the 2 ½ % allowed under Proposition 2 ½ and life of loan.

Capital Exclusion – Temporary increase for 1 year above the 2 ½ % allowed under Proposition 2 ½.

FISCAL YEAR 2023 LEVY LIMIT CALCULATIONS

****LEVY IS ESTIMATED****

| | |
|---|-------------------|
| Fiscal Year 2022 Levy Limit | 23,615,104 |
| Levy Increase Allowed Under Proposition 2 ½ | 590,378 |
| New Growth Revenue | 1,095,171 |
| Fiscal Year 2023 Proposition 2 ½ Overrides | 0 |
| Excluded Debt to Repay Bonds | 937,416 |
| Capital Exclusions | 0 |
| ★ Fiscal Year 2023 Levy Limit | 26,238,069 |
| Levy Ceiling | 37,045,335 |
| ★ Levy to be Raised **ESTIMATED** | 23,300,000 |
| Excess Levy Capacity | 2,938,069 |

WHAT IS NEW GROWTH?

New Growth – New Growth is the increase in property values due to:

- 💰 New construction
- 💰 Improvements to properties
- 💰 Subdivisions
- 💰 New Condominiums
- 💰 Return of exempt property to the tax rolls

- 💰 New Growth is added to the levy limit and increases the Town's taxing capacity.
- 💰 It is formulated by multiplying the previous years tax rate by the total new growth in value for each class.
- 💰 Must be submitted to the Bureau of Local Assessment annually and be certified prior to setting the tax rate.

NEW GROWTH

| Property Class | New Growth Valuation |
|-------------------------------------|----------------------|
| SINGLE FAMILY (101) | 5,739,900 |
| CONDOMINIUM (102) | 20,497,900 |
| TWO & THREE FAMILY (104 & 105) | 0 |
| MULTI - FAMILY (111-125) | 0 |
| VACANT LAND (130-132 & 106) | 0 |
| ALL OTHERS (103, 109, 012-018, 140) | 0 |
| TOTAL RESIDENTIAL | 26,237,800 |
| OPEN SPACE | 0 |
| OPEN SPACE - CHAPTER 61, 61A, 61B | 0 |
| TOTAL OPEN SPACE | 0 |
| COMMERCIAL | 0 |
| COMMERCIAL - CHAPTER 61, 61A, 61B | 0 |
| TOTAL COMMERCIAL | 0 |
| INDUSTRIAL | 16,934,700 |
| PERSONAL PROPERTY | 19,696,130 |
| TOTAL REAL & PERSONAL | 62,868,630 |

Total Real & Personal Property Value x current tax rate (17.42) = New Growth Revenue: **\$1,095,171**

Tax Base Levy Growth Fiscal Year 2023 (DOR LA13)

[illegible]

NEW GROWTH TRENDS

| Fiscal Year | Residential New Growth Value | Residential New Growth Applied to the Levy Limit | Total New Growth Value | Total New Growth Applied to Levy Limit |
|--------------------|-------------------------------------|---|-------------------------------|---|
| 2019 | 16,329,716 | 268,461 | 23,723,479 | 390,015 |
| 2020 | 4,460,210 | 73,237 | 14,632,994 | 240,274 |
| 2021 | 3,758,006 | 62,834 | 12,628,899 | 211,155 |
| 2022 | 6,343,400 | 108,916 | 19,125,200 | 328,380 |
| 2023 | 26,237,800 | 457,062 | 62,868,630 | 1,095,171 |

ASSESSMENT VALUES/CLASSIFICATION (LA4)

| Parcel Count | Residential | Open Space | Commercial | Industrial | Personal Property | Exempt | Totals |
|--------------|---------------|------------|------------|-------------|-------------------|-------------|---------------|
| 2528 | 1,208,466,785 | 0 | 73,995,921 | 151,528,640 | 47,822,070 | | 1,481,813,416 |
| 175 | | | | | | 137,415,600 | 137,415,600 |

Achieving the Tax Value by Individual Class
Multiply each class above by the est. tax rate and divide by 1,000

Assessed Value x 15.72 (est. Tax Rate) = Result ÷ 1,000

| Parcel Count | Residential | Open Space | Commercial | Industrial | Personal Property | Exempt | Totals |
|--------------|-------------|------------|------------|------------|-------------------|-----------|------------|
| 2528 | 18,997,098 | 0 | 1,163,216 | 2,382,030 | 751,763 | | 23,294,107 |
| 175 | | | | | | 2,160,173 | 2,160,173 |

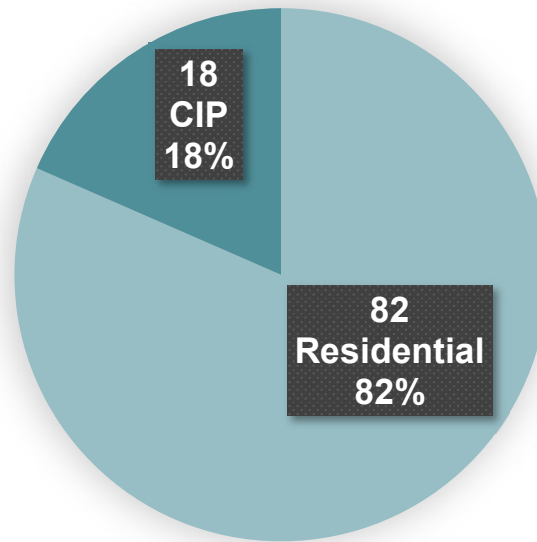
THE RATE

The tax rate is derived from a simple mathematical equation involving the total value in the community, as certified by the Department of Revenue, and the total amount of the levy, as required through the vote of the community at Town Meeting.

| *Total Levy | | Taxable Value | | Result | | | Tax Rate |
|-------------|---|-----------------|---|--------|---|-------|----------|
| 23,300,000 | ÷ | \$1,481,813,416 | = | .0157 | x | 1,000 | \$15.72 |

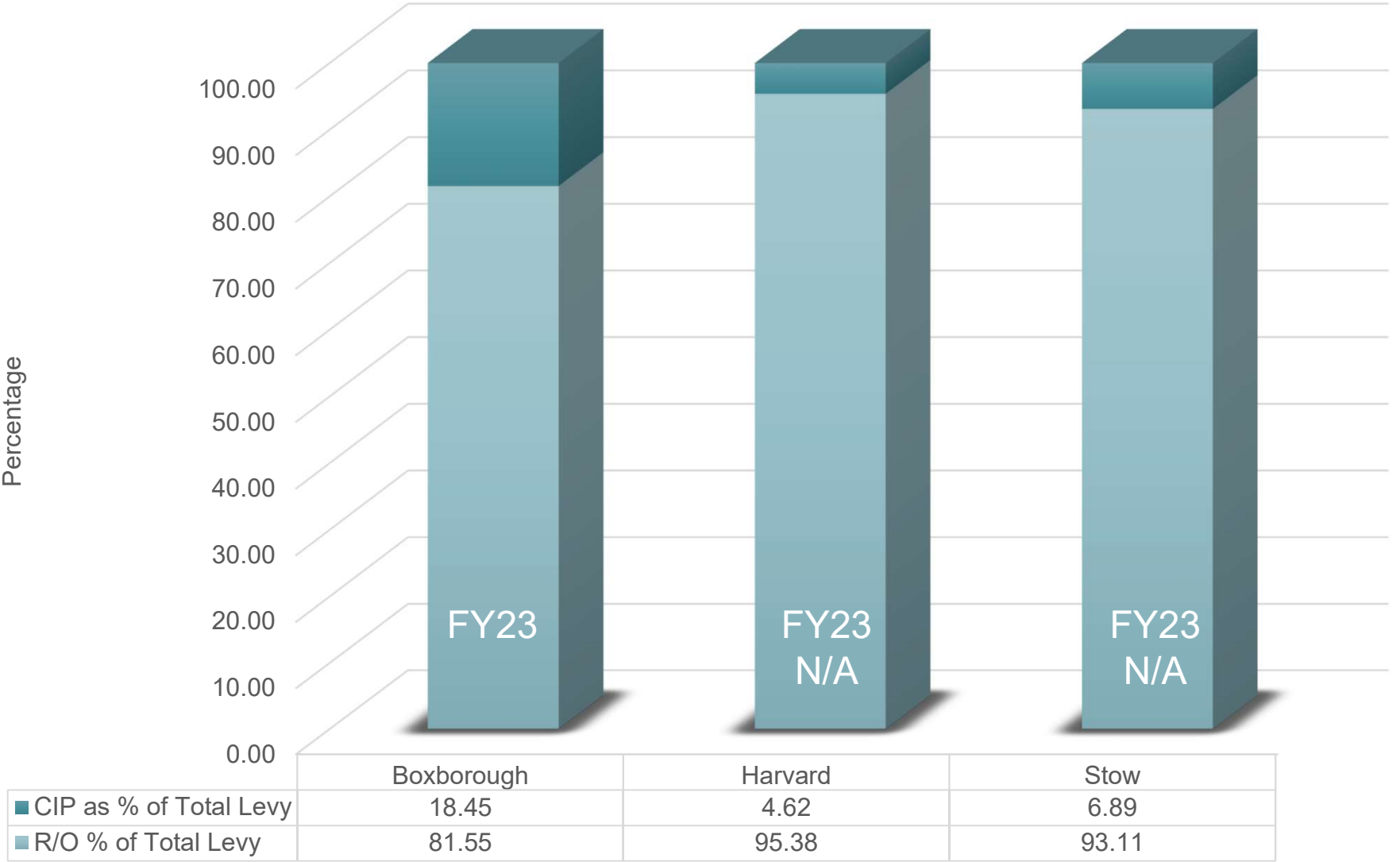
***Disclaimer: The Total Levy is an estimate only
and may change after FTM.**

Valuations by Class Before Tax Shift



| Major Property Class | Valuation | Percent | Res vs CIP% |
|----------------------|---------------|-----------|-----------------|
| Residential | 1,208,466,785 | 81.5532 | R & O% 81.55 |
| Commercial | 73,995,921 | 4.9936 | |
| Industrial | 151,528,640 | 10.2259 | |
| Personal Property | 47,822,070 | 3.2273 | CIP % 18.45 |
| TOTAL | 1,481,813,416 | 100.0000% | |

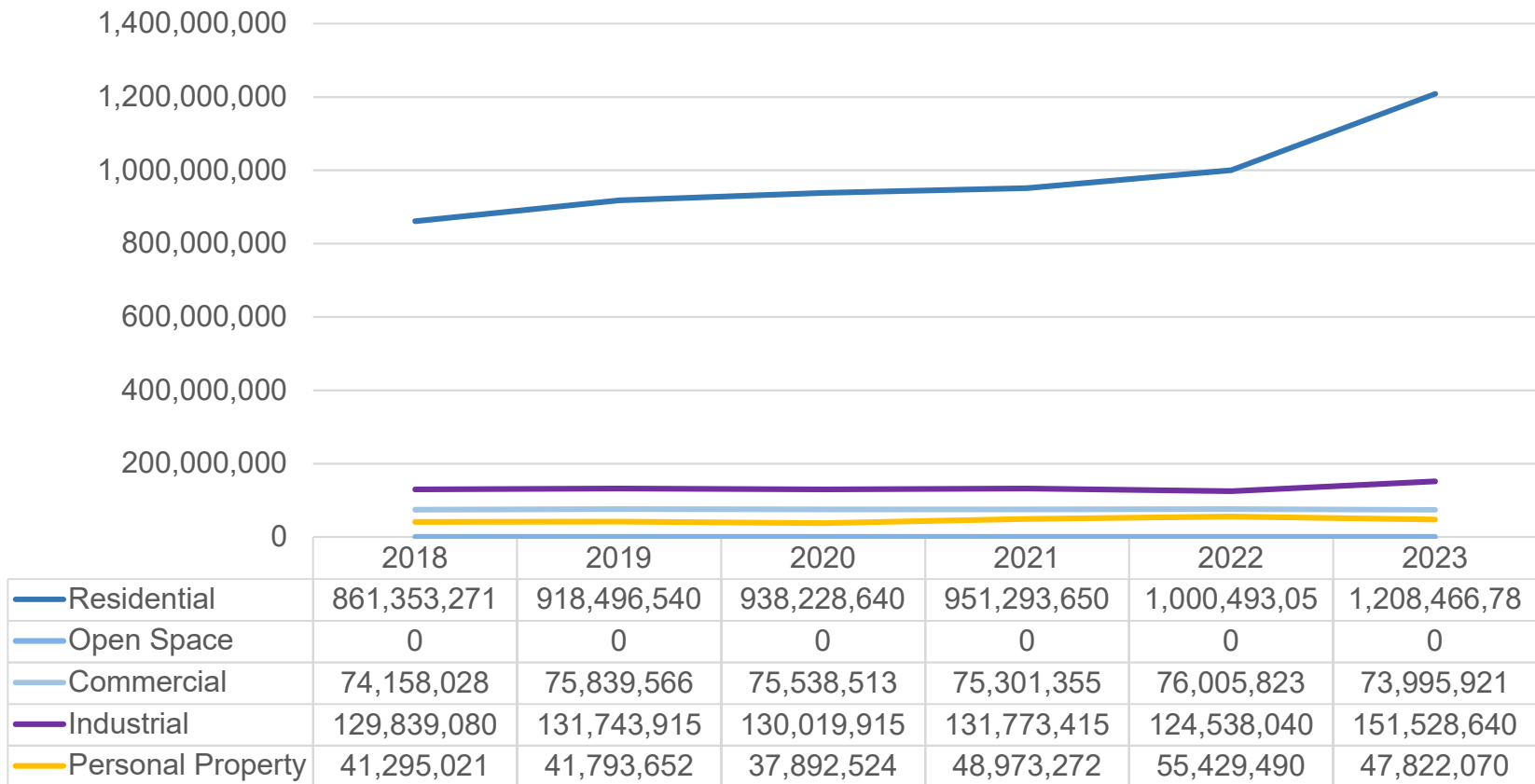
Municipal Comparison



VALUATIONS BY CLASS HISTORY

| Fiscal Year | Residential Levy | Open Space Levy | Commercial Levy | Industrial Levy | Personal Property Levy | Total Levy | RO Levy as a % of Total | CIP Levy as a % of Total |
|-------------|------------------|-----------------|-----------------|-----------------|------------------------|------------|-------------------------|--------------------------|
| 2023 | 19,001,896 | 0 | 1,163,509 | 2,382,635 | 751,961 | 23,300,000 | 81.55 | 18.45 |
| 2022 | 17,428,589 | 0 | 1,324,021 | 2,169,453 | 965,582 | 21,887,645 | 79.63 | 20.37 |
| 2021 | 16,333,712 | 0 | 1,292,924 | 2,262,550 | 840,871 | 20,730,057 | 78.79 | 21.21 |
| 2020 | 15,687,183 | 0 | 1,263,004 | 2,173,933 | 633,563 | 19,757,683 | 79.40 | 20.60 |
| 2019 | 15,081,713 | 0 | 1,245,286 | 2,163,235 | 686,252 | 19,176,486 | 78.65 | 21.35 |

HISTORIC VALUATIONS BY CLASS BEFORE TAX SHIFT



SHIFTING THE TAX BURDEN

Municipalities must decide whether

1. To tax all classes of property at their full and fair cash valuation share of the tax levy, which results in a single tax rate, or



2. To reduce the share of the tax levy paid by the residential and open space property owners and shift those taxes to commercial, industrial and personal property taxpayers, which results in a split rate.

YOUR TAX RATE

Tax Rate is Made up From:

- 💰 Total taxable real estate and personal property
- 💰 Town meeting appropriations
- 💰 State aid
- 💰 Town Revenues
- 💰 Expenditures
- 💰 New Growth
- 💰 Debt Exclusions and overrides

CLASSIFICATION HEARING STEPS

SHIFTING THE BURDEN

- 💰 The share of the levy for the Commercial, Industrial and Personal Property classes (CIP) may be increased by up to 50% as long as the residential and open space classes raise at least 65% of what they would have raised without the shift.
- 💰 If the Minimum Residential Factor would be less than 65%, the community cannot make the maximum shift and must use a CIP factor less than 1.50.

ISSUES FOR CONSIDERATION

- 💰 % Res. vs. % Comm./Ind./PP
 - 💰 81.55% = Residential/Open Space
 - 💰 18.45% = Commercial/Industrial/Personal Property

- 💰 Make-up of the Comm./Ind. Classes:
 - 💰 % big business
 - 💰 % small business (Mom and Pop)
 - 💰 Industrial Impact (Manufacturers)

- ① Will an increase in the C & I properties significantly lower the burden on the Res?
- ① Will an increase in the C & I properties slow the development of big business, or drive smaller businesses out of town?
- ① Do the C & I Properties require any extra municipal services?

What Does this All Mean for the Average Tax Payer



AVERAGE SINGLE FAMILY TAX BILL

| Fiscal Year | Single Family Values | Single Family Parcels | Average Single Family Value | Single Family Tax Bill* |
|-------------|----------------------|-----------------------|-----------------------------|-------------------------|
| 2023 | 929,489,500 | 1,216 | 764,383 | 12,016 |
| 2022 | 793,227,500 | 1,210 | 655,560 | 11,420 |
| 2021 | 746,279,700 | 1,208 | 617,781 | 10,607 |
| 2020 | 732,362,600 | 1,203 | 608,780 | 10,179 |
| 2019 | 729,785,200 | 1,199 | 608,662 | 9,994 |
| 2018 | 688,981,900 | 1,195 | 576,554 | 9,479 |
| 2017 | 672,809,500 | 1,195 | 563,021 | 9,464 |
| 2016 | 652,200,700 | 1,188 | 548,990 | 8,981 |
| 2015 | 626,528,700 | 1,179 | 531,407 | 8,848 |
| 2014 | 593,668,200 | 1,175 | 505,250 | 8,938 |

POST CLASSIFICATION HEARING STEPS

BOARD OF ASSESSORS WILL MAKE A RECOMMENDATION

The Assessor recommends that the Select Board:

- 1) Vote to adopt a Single Tax Rate ?
- 2) Vote take no action on the following:
 - Open Space Discount
 - Residential Exemption
 - Small Commercial Exemption

VOTING A TAX SHIFT FACTOR

(PROPOSED MOTION)

- The Boxborough Select-Board votes in accordance with M.G.L., Ch. 40, Sec. 56, as amended, the percentage of local tax levy which will be borne by each class of real estate and personal property, relative to the setting the Fiscal Year 2023 tax rates, and set the **Residential Factor at 1.0**, with a corresponding **CIP of 1.0**, pending approval of the town's annual tax recap by the Massachusetts Department of Revenue.

QUESTIONS?



Thank You