

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



Commercial



Industrial



Open Space



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 SCHOOL HOUSE	101	995,000	1,101,000	895,200	1.18
11/5/2021	75 LANE COOLIDGE FARM	101	980,000	1,100,000	826,600	1.24
8/17/2021	61 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 $\frac{1}{2}$ percent of the prior year's levy limit plus new growth and any Proposition 2 $\frac{1}{2}$ 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.

OVERIDES 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
<i>Excess Levy Capacity</i>	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)

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

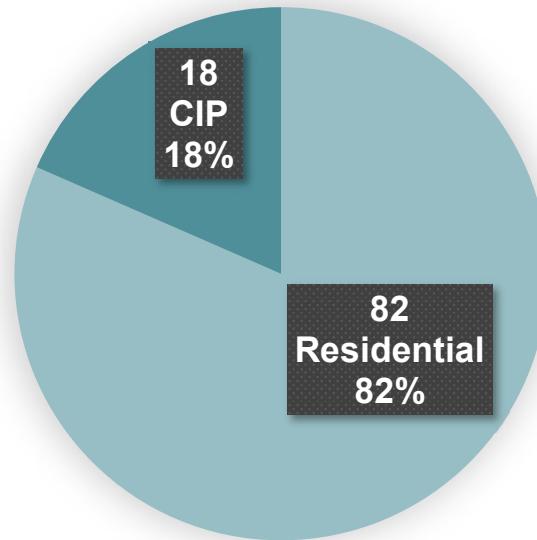
THE RATE

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%	

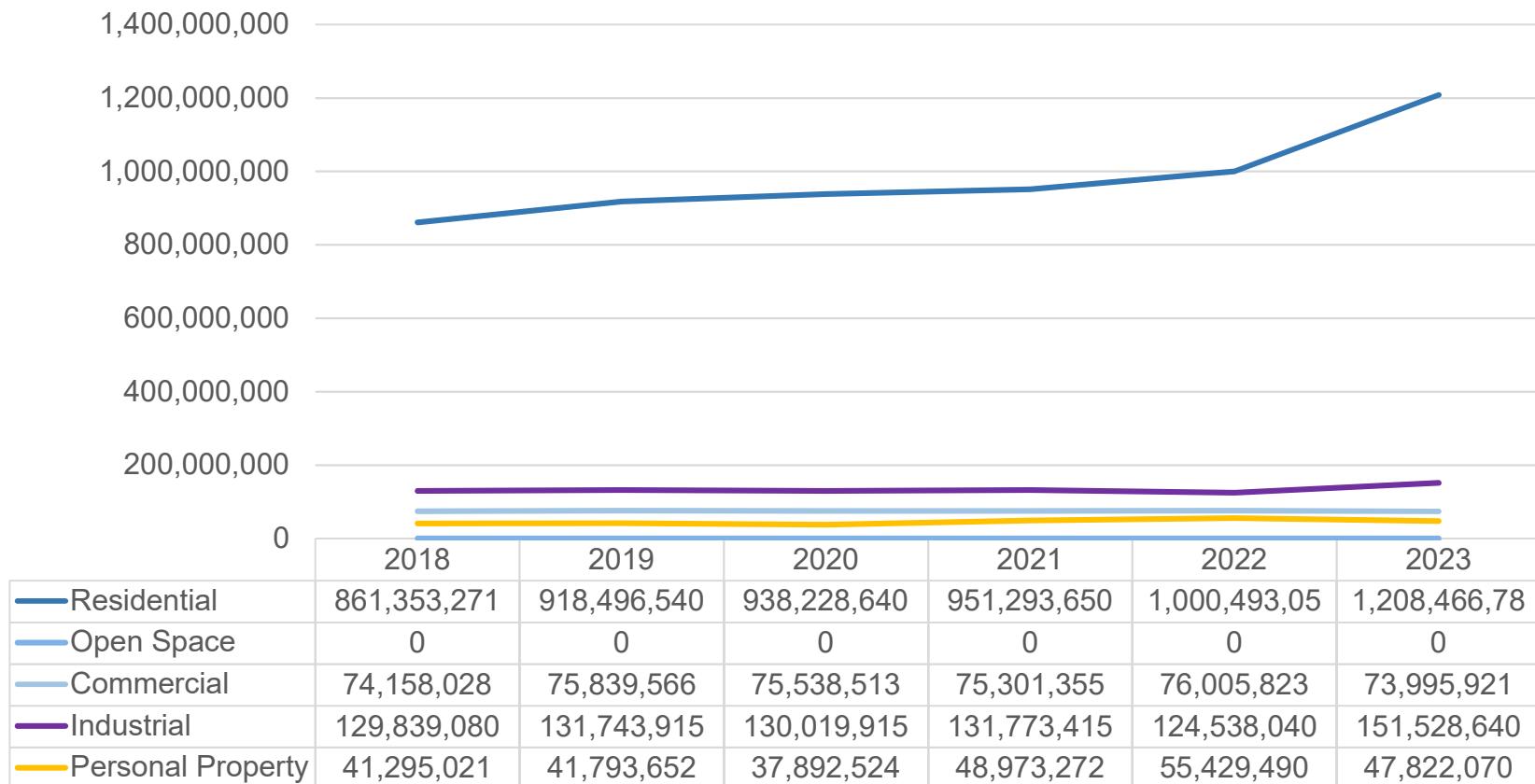
Municipal Comparison



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)

- ⌚ Will an increase in the C & I properties significantly lower the burden on the Res?
- ⌚ Will an increase in the C & I properties slow the development of big business, or drive smaller businesses out of town?
- ⌚ 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