

Understanding Your Taxes

Yi-An Huang, City Manager • Owen O'Riordan, Deputy City Manager • Michele Kincaid, Acting Assistant City Manager for Fiscal Affairs



Dear Cambridge Residents and Taxpayers: This is the first in a series of two newsletters that explains the City's Operating and Capital Budgets, property classifications, property valuation, and available exemptions and abatements, all of which are major factors in determining property tax bills.

The Budget process for Fiscal Year 2024 (FY24) began in the fall of 2022. This was the first Budget that I have prepared for the City of Cambridge since becoming City Manager. It was an amazing honor to lead that process, and much success is owed to the dedicated city leaders, teams, and staff members, who work incredibly hard everyday to maintain and build a stronger, more equitable and thriving City.

The proposed FY24 (July 1, 2023, to June 30, 2024) Budget was submitted to City Council on May 1, 2023. Public hearings took place in May 2023 before the Budget was formally adopted by City Council on June 5, 2023.

At the time of adoption, the projected property tax levy needed to support the FY24 Budget was \$580.3 million, which was an increase of \$48.8 million, or 9.2% from the FY23 property tax levy. The actual property tax levy is set as part of the property tax and classification process in October.

The FY24 Operating (\$883.8M) and Capital (\$185.2M) Budgets include significant investments in many programs and initiatives and reflect City Council priorities including:

- **Affordable housing and supporting our unhoused community** – Affordable housing continues to be a top priority for the City, and \$46 million will be allocated for this purpose in FY24, including over \$41 million into the Affordable Housing Trust. The City also allocated significant funds to maintain shelter capacity; a warming center; homeless outreach; social services; and clean-up efforts in our squares.
- **Universal Pre-Kindergarten (UPK)** – The UPK program, beginning Fall 2024 will offer all four-year-olds and prioritized three-year-olds high quality preschool programs, represents one of the largest new financial investments in the City. A UPK Stabilization Fund was created in order to mitigate initial cost impacts of the program, which is projected to be approximately \$20 million.
- **Climate Crisis** – The City allocated \$18 million in the FY24 Budget toward reducing building emissions, vehicle electrification, and investments in renewable energy, with significant City ordinances and programs rolling out this year.
- **Safer Streets and Infrastructure** – We continue to invest in our urban infrastructure to repair damaged roads, improve accessibility, address dangerous intersections, and expand

protected bike lanes. Over \$70 million is being invested as part of the Capital Budget for traffic safety and infrastructure projects in FY24.

In order to meet these important community needs the FY24 Operating Budget increased \$82.3 million, or 10%, over the FY23 Adopted Budget. However, a significant portion (\$24.6 million) of that increase represents a shift in accounting for expenditures to the Affordable Housing Trust, from the Capital Budget to the Operating Budget. Excluding this accounting shift, the FY24 Operating Budget represents an increase of \$57.8 million or 7.2% over the FY23 Adopted Budget.

The FY24 budget document includes information on dollars spent across priority areas, key initiative descriptions, data and trends, and long-term capital plans.

This year, the City also made adjustments to the budget process to increase transparency and engagement with the Council and engaged in substantive discussions on the budget, which resulted in FY24 funding increases for affordable housing and for the Public Health department. I anticipate building on this collaborative approach as we look ahead, particularly around increased community engagement and input on the City budget.

Our strong financial position, fiscal policies, and management practices have allowed us to continue to make major investments in the community and sustain the ability to meet current and future needs. While we are optimistic about our financial outlook we also have to remain cognizant of outside factors and trends that could have an impact on the City's finances.

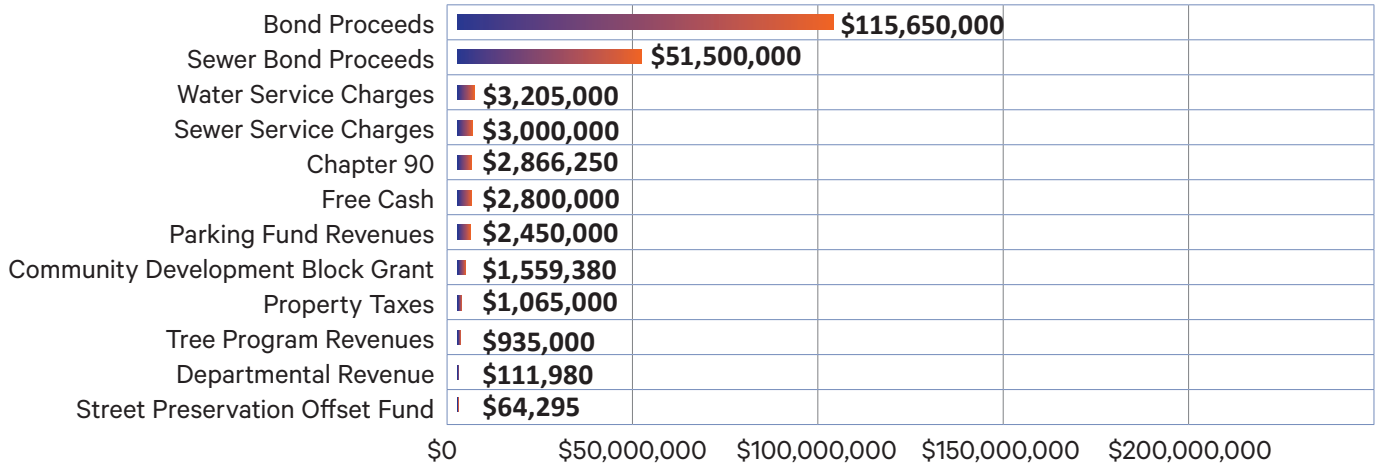
I'm looking forward to working closely with City leadership, staff, and the City Council to ensure that we continue to build a Cambridge that works for all and acts as a leader in effective and innovative city management.

There will be another newsletter in another few weeks to help explain what the new rates mean for your tax bills.

Sincerely,

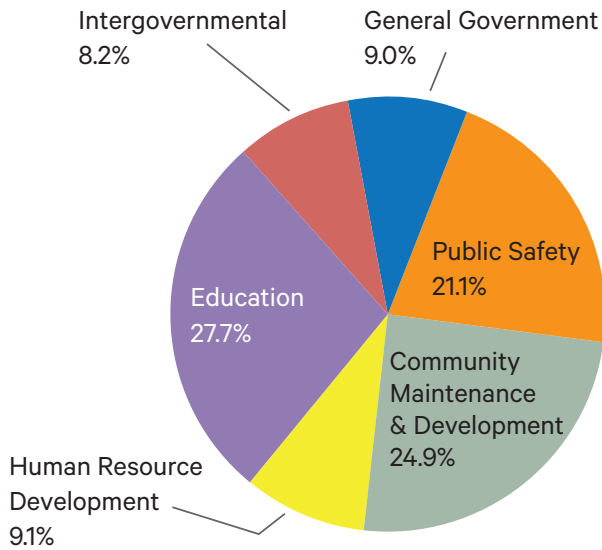
Yi-An Huang, City Manager

FY24 Capital Budget Financing Plan by Source: \$185,206,905

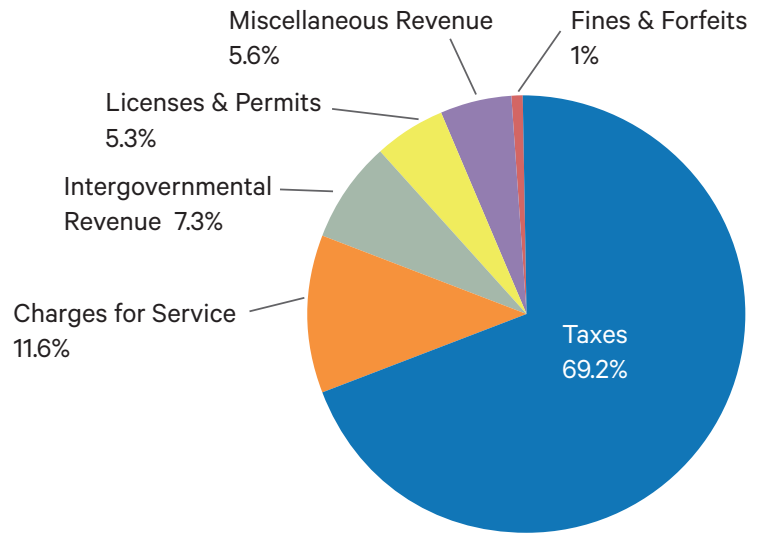


City Operating Budget (\$883.8 million)

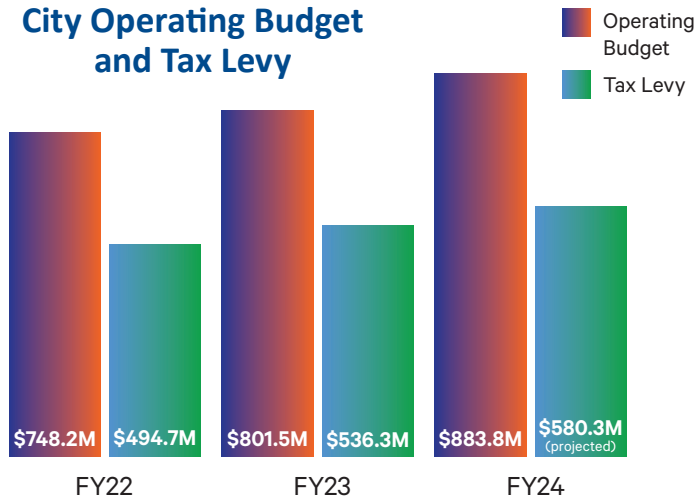
FY24 Expenditures by Function: \$883,773,885



FY24 Revenues by Statutory Category: \$883,773,885



City Operating Budget and Tax Levy



FY24 Financial Highlights

- Operating Budget increased by 10% over the FY23 Adjusted Budget.
- Average increase in the City Budget over the last 10 years has been 5.73%.
- Projected tax levy to support City Budget is \$580.3 million, which is a 9.2% increase from the previous year.
- Average property tax levy increase over the last ten years is 5.31%.
- There has been a 6.6% increase in the water rate and an 5.1% increase in the sewer rate resulting in a 5.4% increase in the combined rate.
- The Capital (Public Investment) Budget is \$185,206,905.
- The Capital Budget includes property tax support of \$3,865,000.

Approximately 65% of the Operating Budget is supported by property taxes. At the time the FY24 Budget was adopted, the City anticipated that it would need to collect \$580.3 million in property taxes.

FY24 Budget Highlights

Affordable Housing

The FY24 Budget includes significant funding for the development and preservation of affordable housing in Cambridge. As part of the FY24 Budget, and consistent with previous years, the City has committed to using a portion of building permit revenue (\$10,245,750) to support affordable housing. In addition, \$14.1 million of General Fund revenue and \$300,000 in short-term rental impact fees will be used to provide funding to the Affordable Housing Trust. This totals \$24,645,750 in the FY24 Budget to directly support the development and preservation of affordable housing. These funds will supplement anticipated FY24 Community Preservation Act (CPA) funds as well as federal funding.

Affordable Housing Trust Funding

Funding Source	Amount	
	FY23	FY24
Building Permit Revenue	\$10,245,750	\$10,245,750
General Fund Revenue	\$12,500,000	\$14,100,000
Short Term Rental Impact Fees	\$200,000	\$300,000
Estimated CPA allocation*	\$15,760,000	\$16,460,000
Total	\$38,705,750	\$41,105,750

*assumes 80% CPA allocation for affordable housing

Early childhood / Universal Pre-K (UPK)

Early Childhood program funding has increased to \$5.0 million in FY24 compared to \$4.4 million in FY23. The City is also continuing to increase funding for important programs, including Baby University, the Center for Families, early childhood services and programs at our libraries. The City has continued to make major investments in universal pre-kindergarten (UPK) as it prepares to go-live in the fall of 2024. Total funding is \$34.4 million in FY24.



The City continues to implement the Urban Forestry Master Plan (UFMP), which guides the development of Cambridge's tree assets into the future. The City expects to plant 1,200 trees annually.



Construction on an underground tank in The Port that captured almost 3.5 million gallons of stormwater water during summer 2021. (Photo credit: Stantec Consulting Services, Inc.)

Sustainability

The City recognizes that to accelerate the transition to carbon free, there needs to be investment in technical assistance to assess and plan transitions across hundreds of buildings, which is reflected in the FY24 budget. Within Climate Resilience, there is total funding of \$47 million in FY24. This represents funding for major sewer and stormwater projects and investments in roofs and drainage to ensure the city will be prepared for greater extreme weather events. The FY24 Budget also includes \$13.2 million in funding for open space projects.

FY24 funding for the City's Zero Waste goals is \$7.6 million. Funding for Urban Forestry program is \$4.1 million in FY24.



The BLUEbikes public bikeshare system will be expanded with new docks to serve increasing demand and to accommodate e-bikes planned for introduction in late 2023.

Safer Streets and infrastructure

The City continues to make regular investments in urban infrastructure to repair damaged roads, improve accessibility, and address dangerous intersections. Infrastructure investment is increasing significantly to \$70.6 million in FY24 from \$32.8 million in FY23, primarily driven by the Mass Ave Partial Reconstruction project, which is being allocated \$50 million in capital funding to be spent over FY24 and the following years. This project primarily focuses on meeting the Cycling Safety Ordinance goal of achieving separated bike lanes down one of our busiest thoroughfares.

Participatory Budgeting Cycle 9 (PB9)

In December 2022, 8,770 Cambridge residents voted on how to spend \$1,065,000 in FY24 Capital Funds.

The winning projects were:

Trees for Danehy Park and Cambridge –	\$ 100,000
Technology for Youth Centers –	\$ 250,000
Safer Crossing for Cambridge –	\$ 180,000
Smart Recycling and Trash Compactors –	\$ 40,000
Electric Vehicle Charging Stations –	\$ 250,000
E-Cargo Bikes for Watering Trees –	\$ 25,000
More Outdoor Public Wi-fi –	\$ 100,000
Three New Public Art Murals –	\$ 120,000
Total –	\$ 1,065,000

PB10 is Currently Underway!

More information on Participatory Budgeting can be found online at: [Pb.Cambridgema.gov](https://pb.cambridgema.gov)

How would you spend **\$2 MILLION** to improve Cambridge?

Submit Your Ideas by **October 9th!**

pb.cambridgema.gov (617) 349-4270

Cambridge Doubles PB Investment and Launches 10th Process!



PB9 Results Party

The City of Cambridge has launched the 10th cycle of Participatory Budgeting (PB) and is seeking ideas from the community on how to spend \$2 million on projects to improve Cambridge! The Idea Collection phase will be open until October 9, 2023. The City will allocate a record-high \$2 million for this year's process, which doubles the previous budget of \$1 million. The types of projects eligible for funding this fiscal year will be expanded to include capital and operating projects.

Volunteer!

Volunteer delegates are essential to the PB process. Research submitted ideas and work alongside community members to develop the final proposals for the PB vote!

To submit ideas or volunteer:

Visit: pb.cambridgema.gov

Email: pb@cambridgema.gov

Call: 617-349-4270

City of Cambridge Budget Office
795 Massachusetts Ave. Cambridge, MA 02139



Commissioner Elow at "Creating Connections" community event sponsored by CPD.



City Hall illuminated by blue, pink, and white lights for Transgender Day of Visibility.

City Public Investment Budget (\$185.2 million)

Funding for the FY24 Public Investment (Capital) Budget comes from a variety of sources: bond proceeds, property taxes, state and federal funds, service charges, and parking fund revenues.

Our commitment to investing in infrastructure remains strong. Recognizing the importance of maintaining robust sewer, stormwater and roadway systems, we continue to allocate funds to these areas.

Water and Sewer service charges and balances support all related water and sewer capital projects.

FY24 Public Investment Major Projects

- Participatory Budget Projects: \$1,065,000
- Municipal Facilities Improvements: \$35,350,000
- Public Works: Sewer/Stormwater: \$54,500,000
- Water: Infrastructure Improvements: \$3,202,000
- Public Works: Complete Streets Reconstruction: \$63,964,525
- Information Technology Initiatives: \$1,200,000
- Parks and Open Space Projects: \$4,515,000

Why Do We Sell Bonds?

The City sells bonds to minimize the tax impact of major capital projects such as the Elementary School Reconstruction Program, major infrastructure projects, and municipal facilities improvements. The City continues to pursue and manage an aggressive capital plan.

Sound financial management has translated into AAA bond ratings from all three major credit rating agencies, allowing us to receive significantly lower interest rates, resulting in lower financing costs. The City's bond sale on March 3, 2023 resulted in a True Interest Cost of 3.07%.

What Do the Rating Agencies Say?

The three major credit rating agencies, Fitch, Moody's, and Standard & Poor's, reaffirmed Cambridge's AAA rating, the highest possible. Cambridge is one of approximately 26 cities in the United States with three AAA ratings. The critical factor examined by the rating agencies is whether a city has a prudent balance between incoming revenues and outgoing expenditures.

"The city's 'AAA' GO bond rating and IDR reflect Fitch's expectation for Cambridge to maintain a high level of financial flexibility through economic cycles, consistent with a history of strong operating performance and budget controls. The rating further reflects the city's robust resource base and future potential for continued tax base increases, along with manageable expenditure growth and demonstrated ability to reduce expenditures during economic downturns. Fitch expects the city to maintain a high level of financial resilience throughout economic cycles given its historically strong revenue performance, conservative budgeting practices and superior degree of inherent budget flexibility. The city's strong budget monitoring practices and financial planning bolster the city's operating environment." – **Fitch Ratings, February 2023**

"Cambridge (Aaa stable) benefits from high resident income and full (equalized) value per capita and a strong economy that continues to outperform the nation in GDP growth. The economy is driven by the presence of world renowned higher education institutions and the impressive biotechnology and pharmaceutical sectors. The city's financial position is very healthy with large reserves and liquidity that are maintained by formal policies and conservative fiscal management." – **Moody's Investors Service, February 2023**

"The budget development process supports Cambridge's goals, including investments in its education system, housing, transportation network, environmental goals, and other quality of life issues while maintaining financial balance. The city's management team operates with established and well embedded policies and procedures that allow for housing, transportation, and infrastructure needs to be addressed while sustaining financial stability. The stable outlook reflects S&P Global Ratings' opinion of Cambridge economic profile and very strong management environment, which allows the city to manage finances to include the maintenance of reserves despite some use to support city goals and initiatives." – **Standard and Poor's, February 2023**

How Is Your Tax Bill Determined?

Three major factors are responsible for calculating your tax bill:

- The City's Operating and Capital Budget
- Commercial & Residential Property Tax Classifications
- Property Values (Assessment) – For FY24 is established as of January 1, 2023, based on market activity during calendar year 2022.

Cambridge has been able to decrease the residential portion of the levy due to new construction growth, and new lab space in particular. This allowed the city to go below the Historical Lowest Residential Percentage in FY23. This shift also allows Cambridge to establish a lower residential levy percentage for all future years. Lowering the historical lowest residential tax percentage is advantageous to Cambridge homeowners when many residential values are increasing.

Cambridge remains a highly attractive, desirable place to live, with low crime, a highly educated workforce, and desirable cultural and business amenities, which support property values.

- Commercial property owners traditionally have paid approximately two-thirds of total property taxes.
- In FY23, residential property comprised 53% of total assessed value, but residential property owners paid only 34% of total property taxes. This is similar to prior years.
- Preliminary projections for FY24 indicate that commercial property owners will pay a similar portion of the tax levy as they have in previous years.

Assessed Property Values

Property values are established independently of the City Budget and Property Tax Classification.

The Massachusetts Department of Revenue requires that all property be assessed annually, using approved mass appraisal techniques, at 100% of full and fair cash value. Individual assessments may rise or fall based upon market activities for similar properties and capital improvements. Fiscal year assessments are property values as of the previous January 1st. Therefore, FY24 property tax bills are based on the assessed value as of January 1, 2023, using calendar 2022 market activity.

The tax rate is established by dividing the tax levy by total property values once adjustments for the residential exemption have been accounted for.

During the past five years, the total residential value has increased by 27.4% as compared to a 72.2% increase for commercial property over the same period.

Residential Exemptions

The City offers a residential exemption program with a discount equal to 30% of the average residential assessed value. In FY23, the residential exemption reduced an owner-occupied residential property assessed value by \$470,823, which equals \$2,759 in reduced real estate taxes.

To receive the residential exemption, homeowners must provide a Massachusetts tax return showing that they occupy

their property as their primary residence. Homeowners must own and occupy their primary residence as of January 1, 2023. The Assessors conduct random audits and respond to inquiries about individuals claiming residential exemptions to ensure the validity of the program.

For information on how to sign up for the exemption program or report concerns, please visit our website at Cambridgema.gov/assessor or contact the Assessor's Office at 617-349-4343.

Commercial-Residential Property Tax Classification

Each year, the Board of Assessors classifies all real property according to use: Commercial Property, Industrial Property, Personal Property (e.g. business furnishings, tools and equipment), and Residential Property.

Municipalities may choose to tax commercial property at a higher tax rate than residential property. This process is known as property tax classification.

Property tax classification law limits the maximum shift from the residential tax levy to the commercial tax levy, which Cambridge takes advantage of each year.

The percentage of the tax levy paid by commercial property owners has remained fairly constant at 65%, while residential owners pay 35%.

FY23 Commercial Tax Rates (per \$1,000) for Communities with Split Rates

(Different Rate for Residential and Commercial Property)

Cambridge	\$10.38	Waltham	\$21.95
Medford	\$16.56	Boston	\$24.68
Brookline	\$16.70	Needham	\$25.56
Somerville	\$17.35	Lexington	\$25.72
Newton	\$19.07	Burlington	\$26.15
Watertown	\$19.73	Framingham	\$27.27

Cambridge Residential Tax Rate Continues to be the Lowest of Any City in the Commonwealth!

Cambridge and Surrounding Communities	FY23 Tax Rate (per \$1,000)	Tax Bill \$750,000 Home (est.)	Tax Bill \$1,250,000 Home (est.)
Cambridge*	\$ 5.86	\$ 1,636	\$ 4,566
Brookline*	\$ 9.97	\$ 4,389	\$ 9,374
Somerville*	\$ 10.34	\$ 3,844	\$ 9,014
Boston*	\$ 10.74	\$ 4,599	\$ 9,969
Watertown*	\$ 13.58	\$ 6,586	\$ 13,376
Arlington	\$ 11.21	\$ 8,408	\$ 14,013
Belmont	\$ 11.24	\$ 8,430	\$ 14,050

*Includes residential exemption for owner occupied homes. The residential exemption has not been adopted by all communities.

Top Ten Taxpayers in FY23

Property Owner	Nature of Business	Assessed Valuation	Real Property Taxes	% of Tax Levy
Mass. Institute of Technology	Education*	\$7,876,821,500	\$81,761,407	15.40%
Alexandria Real Estate	Commercial	\$3,614,846,000	\$37,522,102	7.10%
BioMed Realty Trust	Commercial	\$2,278,491,100	\$23,650,738	4.40%
Boston Properties	Commercial	\$1,954,843,100	\$20,291,271	3.80%
DivcoWest	Commercial	\$1,413,859,800	\$14,675,865	2.80%
Healthpeak	Commercial	\$1,254,624,800	\$13,023,005	2.40%
Presidents and Fellows of Harvard College	Education*	\$849,057,650	\$8,813,218	1.70%
MBA-Rogers Street, LLC	Commercial	\$842,929,600	\$8,749,609	1.50%
RREEF American Reit II Corp	Commercial	\$641,895,900	\$6,662,879	1.30%
Novartis Pharmaceuticals	Commercial	\$485,282,900	\$5,037,237	0.90%
Total		\$21,212,652,350	\$220,187,331	41.40%

*Note: Assessed valuation may include both commercial and residential property, which are taxed at different rates. Does not include payments in lieu of taxes.
Source: City of Cambridge, Assessing Department

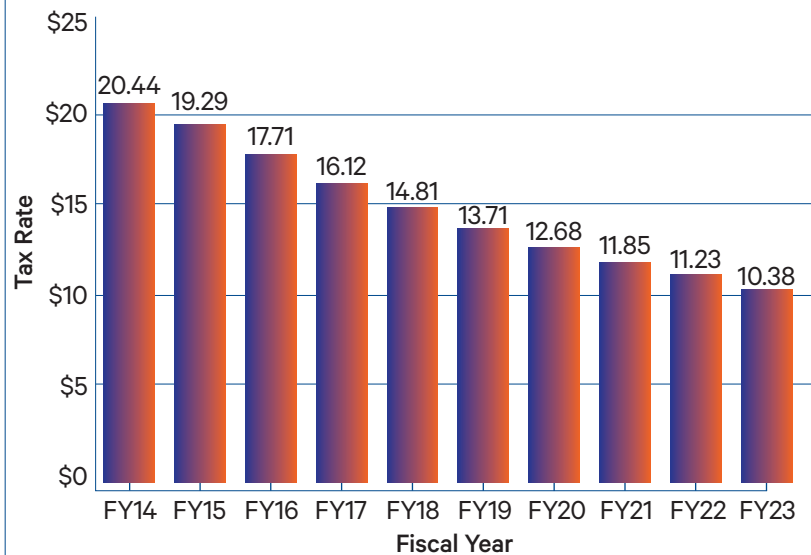
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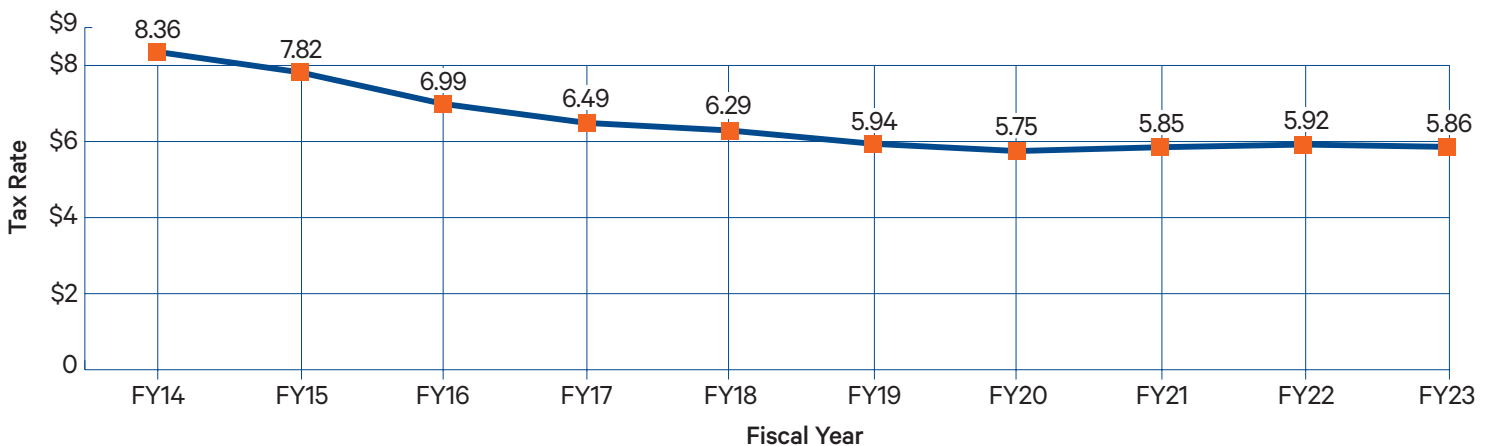
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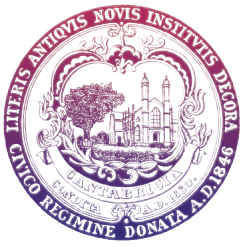
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Cambridge Commercial Tax Rate FY14 - FY23



Cambridge Residential Tax Rate FY14 - FY23





A publication of the Office of the City Manager, City of Cambridge
 795 Massachusetts Avenue • Cambridge, MA 02139
 617-349-4300 • Cambridgema.gov

Newsletter #1

Tax Related Questions or Need More Information?

Property Value Information:

Assessing Department, 617-349-4343

Tax Bill Information:

Finance Department, 617-349-4220

Expenditure/Revenue Information:

Budget Office, 617-349-4270



General Information:

City Manager’s Office, 617-349-4300

Upcoming Mailings Dates

October 2023

2nd Tax Newsletter mailed
 FY24 Tax Bills mailed

 [Cambridgema.Gov](https://www.facebook.com/Cambridgema.Gov)
 [@CambMA](https://twitter.com/CambMA)

Important Meeting Dates

October 2, 2023

City Council votes on classifications as part of the tax rate process

November 2023

Community Q&A meetings, zoom and in person



Electric Vehicle charging station on Green Street



2023 Scholarship Winners

Cambridge Awards \$252,000 in City Scholarships

This year, the City awarded 84 scholarships of \$3,000 each for a total of \$252,000 to Cambridge high school seniors and others pursuing higher education. Since the program’s inception in 1993, the City has awarded 1,353 scholarships totaling \$3.4 million.

Taxpayers receive a separate envelope with their property tax bill to make a donation to the Scholarship Fund. In addition, individuals can make an online scholarship donation by going to **Cambridgema.gov/paybill** or mail a donation to City of Cambridge, P.O. Box 2005, Cambridge, MA 02139