



FY19 Property Tax Update

October 2018

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Dear Residents and Taxpayers of Cambridge:

This is the second in a series of three newsletters. We again have positive news to report which includes lower tax rates, an increased residential exemption, increased spending on high priority areas, and for the fourteenth year, a majority of the residential taxpayers will see a reduction, no increase, or an increase of less than \$100.

On October 1, 2018, the City Council voted to adopt the following FY19 tax rates:

- FY19 Residential tax rate: \$5.94 per thousand dollars of value - a decrease of \$0.35 (-5.6%) from last year.
- FY19 Commercial tax rate: \$13.71 per thousand dollars of value - a decrease of \$1.10 (-7.4%) from last year. These rates have been approved by the Massachusetts Department of Revenue (DOR).

The City has been able to provide stability in your tax bills by controlling budget growth, prudently using reserves, and controlling the tax rate.

For the fourteenth year in a row, a majority of residential taxpayers will see a reduction, no change, or an increase of less than \$100. For FY19, this percentage is 69.8%, and 82.6% of residential taxpayers will see an average increase of less than \$250.


Over the past ten years, an average of 71.1% of residential taxpayers have seen a reduction, no increase, or an increase of less than \$100 to their residential tax bill, and 73.1% over the past five years. It is also important to recognize that a healthy balance of development between residential and commercial be continued to ensure homeowner's real estate taxes remain affordable.

We have been able to consistently achieve these results while maintaining and expanding City and school services that residents have come to expect, while still providing a robust capital improvement program and new initiatives.

This newsletter explains your FY19 tax bill in detail and answers some frequently asked questions. I encourage you to read this publication and to seek out City staff from the departments listed on the back cover with any questions or comments.

I will be writing to you again next month to explain the abatements and exemptions that are available to help reduce your bill. First half bills will be dated October 26, and due on November 26, 2018. The Assessing Department is offering neighborhood taxpayer assistance meetings in addition to its normal office hours. Please see the back cover of this newsletter for dates, times, and locations.

Very truly yours,


Louis A. DePasquale
City Manager

Property Tax Highlights:

The Property Tax Levy of \$409.8 million reflects a 5.3% increase from FY18.

The FY19 Adopted Budget increased by 4.2% over the FY18 Adjusted Budget.

\$9 million in Free Cash was used to lower the FY19 Property Tax Levy.

Another \$3.5 million in Free Cash was appropriated to the City's Debt Stabilization Fund to help offset future debt service costs. The current five-year debt schedule is projected to be over \$512.3 million. This is comprised of \$386.9 million in tax supported debt, and \$125.4 million of sewer debt. The five-year school reconstruction program makes up \$227.6 million of this total.

Commercial property owners will pay 65.4% of the property tax levy, while residential owners will pay 34.6%, the same percentage as last year.

The 30% residential exemption reduces your assessed value by \$375,800, resulting in tax savings of \$2,232.

"In FY19, 69.8% of residential taxpayers will receive a property tax bill that is lower, the same as, or only slightly higher (less than \$100) than the previous year."

Assessment Update

FY19 assessed values are established as of January 1, 2018 based upon market activity that occurred during calendar year 2017, which is the basis for the property assessment calculation. Overall, the total assessed value of taxable property in the City equals \$49 billion:

- Residential Property Values - \$29.4 billion
- Commercial Property Values - \$18 billion
- Personal Property Values - \$1.6 billion

The increase in total property value reflects both the robust real estate market in Cambridge and the continuation of new residential and commercial construction.

The property tax classification shift is similar to prior years, with residential owners paying approximately 35% of the property tax levy and commercial property owners paying 65%.

Increases in the residential class-which do not match, or outpace, the commercial class-could result in a shift in the amount of taxes paid by each. If the growth in the residential class outpaces growth in the commercial class, residential owners would end up bearing a higher portion of any increases in the property tax levy.

Therefore, continuation of new commercial development helps to balance the new residential development, allowing the City to maintain one of the lowest residential tax rates in the Commonwealth as well as a favorable commercial tax rate compared to surrounding communities. As values continue to grow, the City's ability to control the tax rate becomes more important in keeping tax bills stable.

To view assessed values of homes in comparison to sales data, visit the City's property database at cambridgema.gov/propertydatabase.

Did you know the City of Cambridge sells minibonds?

For the third year, the City is planning to offer minibonds to residents (\$2.5 million). Find out more information at minibonds.cambridgema.gov.

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Changes in the Median Value and Tax Bills by Property Class*

	FY18 Value	FY18 Tax Bill	FY19 Value	FY19 Tax Bill	Tax Dollar Change	Percent Change
Condominium	\$583,900	\$1,541	\$638,750	\$1,562	\$21	1.4%
Single Family	\$1,124,700	\$4,942	\$1,228,700	\$5,066	\$124	2.5%
Two Family	\$1,083,400	\$4,682	\$1,213,100	\$4,974	\$292	6.2%
Three Family	\$1,238,100	\$5,655	\$1,406,700	\$6,124	\$469	8.3%

* Includes residential exemption

The table below illustrates how approximately 69.8% of residential taxpayers will see a reduction, no change, or an increase of less than \$100. Another 12.8% of residential taxpayers will see an increase between \$100 - \$250.

CHANGE IN THE RESIDENTIAL TAX BILLS*

CHANGE IN TAX PAYMENT	NUMBER OF PARCELS	PERCENTAGE	CUMULATIVE PERCENTAGE
LESS THAN \$0 (TAX DECREASE)	7,155	32.8%	—
GREATER THAN \$0 BUT LESS THAN \$100	8,083	37.0%	69.8%
GREATER THAN \$100 BUT LESS THAN \$250	2,804	12.8%	82.6%
GREATER THAN \$250 BUT LESS THAN \$500	2,851	13.1%	95.7%
GREATER THAN \$500	948	4.3%	100%
TOTALS	21,841	100%	

*Based on Single, Two, Three Family, and Condominiums and assumes the Residential Exemption for each parcel in both years.

THREE MAJOR FACTORS DETERMINE YOUR TAX BILL:

➤ **THE CITY'S BUDGET:** As a result of the recommendations adopted by the City Council, there is a 5.3% increase in the property tax levy required to balance the FY19 Budget. The property tax levy for FY19 is \$409,809,861.

➤ **PROPERTY VALUES:** FY19 values are based on market activity from January 1, 2017 through December 31, 2017.

➤ **THE COMMERCIAL-RESIDENTIAL PROPERTY TAX CLASSIFICATION:** The share of FY19 property taxes paid by the commercial taxpayers is 65.4% and the share of FY19 property taxes paid by the residential taxpayers is 34.6%, the same as in FY18.

Frequently Asked Questions

About Your Assessment

How does the City determine the value of my house?

The State requires that the City establish the full and fair cash value of all real estate as of January 1 of each year. To determine FY19 values, the Assessing Department reviewed all valid sales that occurred between January 1, 2017 and December 31, 2017.

A computer model is used to calculate property values based on this market activity, as well as certain property-specific attributes such as location, size, type, and condition. This is known as the "mass appraisal method."

What if I own a two or three-family house and it has some vacant units. Does that impact my property assessment?

Two and three-family homes are traditionally purchased as primary residences not as investment real estate; therefore, the comparable sales approach is the most appropriate method to value the property. The sales comparison approach uses similar sales to determine the market value as of January 1 and does not use the income the property generates to determine the assessed value.

Who verifies that the assessing model used by the City and the resulting property values are accurate?

Every January 1, the City of Cambridge must meet Massachusetts Department of Revenue (DOR) requirements to certify that property values represent full and fair market value. The DOR performs a statistical validation of the City's property values annually, as well as a comprehensive review every five years. This year, the City successfully completed the DOR's interim statistical validation.

Why should I let the City Assessing Department in my house for an inspection?

Interior inspections are an important part of the City's assessment process. Just as a potential buyer of real estate inspects the interior of a home before making an offer, the City can make a better determination of value based upon accurate data using interior inspections. Often, the results of the inspection can be beneficial to the taxpayer by correcting data.

Examples of data reviewed include: dwelling type, condition, land area, size of the structure, number of bathrooms and fireplaces, and whether attics and basements are finished or unfinished.

Why can't the City just lower property values in order to reduce tax bills?

State law requires the City to assess property at full and fair market value as of January 1 each year. However, lower property values do not necessarily result in lower tax bills. Since a fixed amount of revenue must be raised each year through property taxes in order to fund the budget, lower overall property values would result in a higher tax rate.

What if I disagree with my assessment?

You may file an application for abatement with the Assessing Department. Abatement applications are due on or before the first bill due date. You may obtain an application by calling the Assessing Department or downloading the form from the City's website. Download an application at: cambridgema.gov/Services/realestatepropertytaxabatement.

About the City Budget

What are property taxes used for?

Property taxes are used to fund the City's Operating and Capital Budgets. Approximately 65% of the City's budget is funded through property taxes.

What is excess levy capacity?

Excess levy capacity is the difference between what the City actually levies and what it could levy under Proposition 2 ½. The City's excess levy capacity in FY19 is \$189.4 million.

What is Free Cash and how is it used to lower the property tax levy?

Free Cash reflects the unassigned general fund balances that result when actual revenues collected are greater than budgeted, and actual expenditures are less than budgeted. Free Cash must be certified by the DOR before it can be appropriated. In FY19, the City used \$9 million of its certified FY18 Free Cash to reduce property taxes paid by residential and commercial property owners. An additional \$3.5 million was appropriated to the City's Debt Stabilization Fund to help offset future debt service costs.

How can I find out more about Participatory Budgeting and the City's Minibond Program?

You can find out about Participatory Budgeting (PB) at pb.cambridgema.gov or by calling the City's Budget Office at 617-349-4270. Don't forget to vote for your favorite PB projects from December 1-7, 2018!

For the third year, the City is planning to offer minibonds to residents (\$2.5 million). For more information, go to: minibonds.cambridgema.gov

Frequently Asked Questions

About Your Bill

When should I expect to receive my real estate tax bill?

Real estate tax bills are issued semi-annually. Bills are typically issued and mailed to taxpayers during the months of October and April of each year. Payment of these bills is due 30 days from the date of issue, generally in November and May. First half FY19 bills will be dated October 26, 2018. If you do not receive a tax bill by November 9 and April 12, contact the Finance Department.

What will happen if I do not pay my bill by the due date?

If your real estate tax bill is not paid by the bill due date, interest will immediately begin accruing on your real estate tax bill at a rate of 14% as of the due date, according to Massachusetts State Law.

I live on a limited income, what options are available to reduce my taxes?

Unfortunately, regardless of age or income, all property owners must pay taxes. If you or your spouse are age 65 or older, you may qualify for a tax exemption of up to \$2,000. Exemptions are also available for disabled veterans, persons who are legally blind, and for active duty Massachusetts military members. In cases of extreme hardship, the City may grant a full or partial exemption of taxes. Hardship exemptions are granted on a case-by-case basis and are usually a one-time exemption. Deferral of taxes may also be an option, depending on your age and income. Information about specific exemptions will be mailed to all taxpayers soon after the tax bills are mailed.

I am a new owner, will the tax bill be sent to me?

Not necessarily. The assessment date is January 1, 2018. The property is legally assessed and billed to the owner as of January 1. The City makes every effort to get new owner address changes into its system. However, sometimes it is several months before the City receives a copy of the new deed. If you do not receive a bill by November 9, please contact the Finance Department to request a duplicate bill. You are responsible for paying the bill whether you receive it or not.

Am I eligible for a residential exemption?

You are eligible for a residential exemption if you owned and occupied your property as your principal residence as of January 1, 2018. An individual owner may qualify for a residential exemption on only one parcel.

If you do not see this exemption on your bill, an application form must be submitted by April 1, 2019. You may obtain the form by calling the Assessing Department or downloading the form from the City's website. You do not need to reapply each year.

The FY19 residential exemption of 30% equates to \$375,800 and will reduce the tax bill for owner occupied homes by \$2,232.

My mailing address has changed. How do I notify the City so that my tax bill is sent to the correct address?

The City's Assessing Department requires a mailing address change form. You may obtain the form by calling the Assessing Department or downloading the form from the City's website.

What is the CPA Surcharge? What is this money used for?

Cambridge residents voted to adopt the Community Preservation Act (CPA) in 2001, which resulted in a property tax surcharge of 3%. The adoption of the CPA had an essentially neutral effect on tax bills, and enabled the City to qualify for matching funds from the State. Money raised through the CPA must be used to acquire and maintain open space, preserve historic buildings, and create and maintain affordable housing. The State provides matching funds to communities that have enacted the CPA legislation. To date, the City has appropriated/reserved a total of \$193 million in CPA funds, of which \$51.5 million can be attributed to the State match.

Is tax bill and payment information available online?

Yes. You may view your real estate tax, personal property tax, motor excise tax, and water bills online at the City's website. The City also accepts online payments via credit card, debit card, or electronic check (ACH), subject to a convenience fee.

I recently bought a new condominium. The FY19 tax bill is for the entire property. How do I pay only my share?

Your portion of the tax bill is based on your share of the common interest, which can be found on your unit deed. Speak with the developers to see if they intend to pay the first half and will be collecting payments from the individual unit owners. If not, and your mortgage company is collecting an escrow payment for real estate taxes, contact their escrow department to give them the percentage of your common interest. Otherwise, you may request an apportionment letter from the Board of Assessors to determine your portion of real estate taxes owed.

Fiscal Year 2019 Real Estate Tax Bill			
Assessed Owner		Bill #	
Smith, Jane		21845031	
Residential	\$ 1,228,700	Real Estate Taxes and Charges	
Commercial		RES TAX	\$ 7,298.48
Total Taxable Value		COMM TAX	
Residential Exemption	\$ 375,800	CPA	\$ 201.13
Special Assessments		Betterment/Liens	
		Exemptions/Deferrals/Abatements	
		\$ (2,299.22)	
		Total Due FY2019	\$ 5,200.39
		1st Payment	\$ 2,600.20
		Due 11/26/2018	
		2nd Payment	\$ 2,600.19
		Due 5/1/2019	
		Amount Due 11/26/2018	\$ 2,600.20

Tax Rate Per \$1000	Residential	Commercial	Industrial
	\$ 5.94	\$13.71	\$13.71

Property Description and Location			
Parcel ID	40-84	Book Page	14998/502
Area	3250 sq. ft	Class	101
Location	123 MAIN ST		

How to Read Your Tax Bills

Parcel ID: This identifies your property on the Assessor's map. When making a payment, please reference the parcel ID on your check.

Book/Page: South Middlesex Registry of Deeds' recording reference.

Location: The legal address of the assessed property.

Class: The state code that identifies the type of property.

Area: Square footage of the parcel.

Real Estate Values

Residential/Commercial: The value of your property as of January 1, 2018.

Total Taxable Value: The sum of residential and commercial value.

Residential Exemption: An exemption granted to property owners who occupy their property as their primary residence. The FY19 exemption is \$375,800. This results in a tax savings of \$2,232.25.

Assessed Owner

Assessed Owner: Person who owned the property as of January 1, 2018.

Real Estate Taxes and Charges

RES TAX: Taxes due on residential property. It is calculated by dividing the Total Taxable Value by 1,000 and then multiplying by the residential tax rate.

COMM TAX: Taxes due on commercial property.

CPA: Community Preservation Act Surcharge.

The City's surcharge is 3%, with a \$100,000 exemption for residential property. In the example above, the calculation would be:

$$(A) \$1,228,700 - \$100,000 = \$1,128,700$$

$$(B) (1,128,700 / 1,000) \times 5.94 \times 3\% = \$201.13$$

Betterment/Liens: Water and sewer charges more than 90 days overdue are added to your tax bill.

Full amount is due with first half payment.

Exemptions/Abatements: Tax deduction due to abatements and exemptions. The full residential exemption reduces a homeowner's taxes by \$2,232.25 and the CPA by \$66.97. Therefore, the total reduction is \$2,299.22.

Abatement applications are due November 26, 2018.

Download an application at: cambridgema.gov/Services/realestatepropertytaxabatement

Questions about your tax bill or assessment?

Email us at:

Treasurer@cambridgema.gov

Assessor@cambridgema.gov



Participatory Budgeting is a democratic process through which community members directly decide how to spend part of a public budget. PB directly involves residents in the budgeting and City-building process, fosters civic engagement and community spirit, and helps ensure that the City's Capital Plan reflects the priorities of Cambridge residents.

Voting will take place December 1 - 7, 2018!

For more information and voting: pb@cambridgema.gov



A publication of the Office of the City Manager, City of Cambridge
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 Newsletter #2

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Taxpayer Assistance Schedule

- Thursday, November 1, 2018: 10 a.m. - 12 p.m.
Main Library, Beech Room, 449 Broadway
- Tuesday, November 13, 2018: 10 a.m. -12 p.m.
Citywide Senior Center, 806 Mass. Avenue
- Thursday, November 15, 2018: 2 - 4 p.m.
North Cambridge Senior Center, 266B Rindge Avenue
- Monday, November 19, 2018: 10 a.m. -12 p.m.
West Cambridge Youth Center, 680 Huron Avenue
- Tuesday, November 20, 2018: 2 - 4 p.m.
O'Connell Branch Library, 48 Sixth Street

Tax Related Questions or Need More Information

- Property Value Information: Assessing Department
 617-349-4343, cambridgema.gov/assessing
- Tax Bill Information: Finance Department
 617-349-4220, cambridgema.gov/finance
- Budget Information: Budget Office
 617-349-4270, cambridgema.gov/budget
- General Information: City Manager's Office
 617-349-4300, cambridgema.gov/citymanager



Cambridge Awards Record \$234K in City Scholarships
 The City awarded 78 scholarships of \$3,000 each for a total \$234,000 to Cambridge high school seniors - the highest amount ever awarded in a single year. Contributions to the Scholarship Fund can be mailed to: **Cambridge Scholarship Fund, City of Cambridge, P.O. Box 2005, Cambridge, MA 02139** or dropped off in person at the Finance Department Cashier's window during regular business hours.

Important Dates

October 26, 2018: Tax Bills Mailed

November 26, 2018: Tax Bills & Abatement Applications Due

April 1, 2019: Exemption Applications Due

