

FY 2014 Property Tax Update

★ NEWSLETTER FROM THE CITY OF CAMBRIDGE ★ EXECUTIVE DEPARTMENT ★

Dear Residents and Taxpayers of Cambridge:

Fiscal Year 2013 closed out the strongest fiscal year in the City's history.

The City's excess levy capacity increased, actual revenues far exceeded projections and prior year collections, our free cash position increased and the total assessed value of property in Cambridge grew. In May, the City Council adopted the

FY14 budget, which reflected a 3.81% increase, resulting in a projected property tax levy increase of 4.32%. The property tax levy is the amount of revenue raised through property taxes in a given year.

At that time, the City Council was informed that the actual property tax levy increase was likely to change. This statement was based on several assumptions that included: the possible use of additional non-property tax revenues that would be available based on FY13 actual collections; and the additional use of reserves.

These assumptions proved correct. Therefore, the City elected to use an additional \$2.1 million in non-property tax revenues to reduce the amount to be raised through the property tax levy.

As a result, the actual FY14 property tax levy of \$328,544,945 reflects a \$11,597,175, or 3.66%, increase over FY13. This tax levy is the lowest tax levy increase since FY06. The nine-year average increase in the property tax levy is 4.42%.

Based on the votes taken by the City Council on September 30, 2013, and approval by the Massachusetts Department of Revenue the residential tax rate will be \$8.38 per thousand dollars of value and the commercial tax rate will be \$20.44 per thousand dollars of value. These rates reflect a decrease from last year of \$0.28, or -3.23% for residential and \$1.06, or -4.9% for commercial. This year, commercial taxpayers will pay 65.4% of the total property tax levy, the same share as in FY13.

Approximately 74.1% of residential taxpayers will see a reduction, no increase or an increase of less than \$100 in their FY14 property tax bill. In addition, another 13.5% of residential taxpayers will see an increase between \$100 and \$250

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in their FY14 property tax bill. This will be the ninth year in a row that a majority of residential taxpayers will see either a reduction, no change or an increase of less than \$100. In addition, the City Council approved a 0% increase in the FY14 water rate for the third consecutive year, and a 4.2% increase in the sewer rate, resulting in a combined rate increase

of 2.9% for FY14.

As a result of an extremely strong fiscal year, the City Council was able to appropriate \$12 million in free cash to the City Debt Stabilization Fund. The purpose of the Fund is to offset future property tax supported debt service costs for the City's major capital projects, especially in relation to the elementary school reconstruction plan. This is in addition to \$10 million appropriated to the Fund in FY13.

Overall, continued sound financial management and planning have enabled the City to limit the growth of residential property taxes. It is my belief that the City Council and City officials have listened and responded to the taxpayers and residents. As a result we have produced a property tax levy increase which is modest, but also allows us to maintain the wide array of services that the citizens of Cambridge have come to expect, and which enables us to maintain and improve the City's infrastructure.

The City's Assessing Department is offering neighborhood taxpayer assistance meetings in addition to its normal office hours. Please see the back cover of this brochure for dates, times and locations. I am pleased to announce that in the Spring of 2014 the Treasurer's Office will be offering a customized payment plan with flex-pay, the option to receive your tax or wate bill via e-mail and payment due e-mail reminders. I encourage you to examine this brochure and to seek out City staff from the departments listed on the back cover with any questions or comments.

Very truly yours,

RICHARD C. ROSSI, CITY MANAGER

Assessment Update

The FY 14 assessed values are established as of January 1, 2013 based upon market activity that occurred during calendar year 2012, which is the basis for the property assessments calculations. Overall the total assessed value of taxable property in the City equals \$27.2 billion, a 7.72% increase over FY13, which is much better than projections presented to the rating agencies in January 2013. Total residential property values of \$16.7 billion reflect an increase of 6.9%, with total commercial property values of \$9.4 billion increasing by 10.05%. Personal property values for FY14 are \$1.1 million, an increase of 0.93% over FY13.

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

Once again the similar percentage increase in both residential and

commercial property values has allowed the property tax classification shift to remain relatively constant with residential owners paying approximately thirty-five percent of the property tax levy and commercial property owners paying sixty-five percent. Increases in the residential class which do not match a similar increase in the commercial class could result in a shift in the amount a taxes paid by each class as was the case approximately ten years ago. The continuation of new commercial development helps to balance the new residential development allowing the city to maintain the current tax classification producing one of the lowest residential tax rates in the Commonwealth as well as a commercial tax rate lower than the surrounding communities.

To review assessed values of homes as compared to sales data, visit the City's property database at www.cambridgema.gov. Under Online Services, click on Property Database.

The table below illustrates the change in median tax bills between FY13 and FY14 for residential taxpayers by property class. The median is the midpoint value, which has an equal number of values below and above it.

CHANGE IN THE MEDIAN VALUE AND TAX BILL BY PROPERTY CLASS

	FY13 Median Value	FY13 Tax Bill*	FY14 Median Value	FY14 Tax Bill*	Dollar Change	Percent Change
SINGLE FAMILY	\$699,000	\$4,298	\$741,600	\$4,407	\$109	2.54%
CONDOMINIUM	\$375,300	\$1,495	\$389,500	\$1,457	(\$38)	-2.54%
TWO FAMILY	\$649,100	\$3,866	\$690,150	\$3,976	\$110	2.85%
THREE FAMILY	\$732,300	\$4,586	\$786,900	\$4,787	\$201	4.38%

* Includes Residential Exemption

The table below illustrates how approximately 74.1% of residential taxpayers will see a reduction, no change or an increase of less than \$100. Another 13.5% 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)	12,357	57.50%	—
GREATER THAN \$0 BUT LESS THAN \$100	3,562	16.60%	74.1%
GREATER THAN \$100 BUT LESS THAN \$250	2,897	13.50%	87.6%
GREATER THAN \$250 BUT LESS THAN \$500	1,671	7.80%	95.4%
GREATER THAN \$500	991	4.60%	100%
TOTALS	21,478	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 approved by the City Council, there is a 3.66% increase in the property tax levy required to balance the FY14 Budget. The property tax levy for FY14 is \$328,544,945.

PROPERTY VALUES: FY14 values are based on market activity from January 1, 2012 through December 31, 2012. While the overall total residential assessed values increased in FY14, assessed values of existing homes remained relatively stable.

THE COMMERCIAL-RESIDENTIAL PROPERTY TAX CLASSIFICATION: Because both total commercial and residential values increased, the share of FY14 property taxes paid by commercial taxpayers is 65.4%, the same share as in FY13. The residential share is 34.6%, also the same as in FY13.

How To Read Your Tax Bill

City of Cambridge			Fiscal Year 2014 Real Estate Bill		
Tax Rate Per \$1000	Res: \$8.38	Comm: \$20.44	Assessed Owner SMITH, JOHN		Bill No. 21845031
Property Description and Location	Real Estate Values		Real Estate Taxes and Charges		
Parcel ID: 40-84 Book/Page: 14998/502 Location: 123 MAIN ST Class: 101 Land Area: 3250 sq. ft.	Residential	\$506,970	Res. Tax	\$4,248.41	
	Commercial		Comm. Tax		
	Total Value:	\$506,970	CPA	\$102.31	
	Residential Exemption:	\$215,649	Betterments/Liens		
	Betterments/Liens		Exemptions/Abatements	(\$1,861.35)	
JOHN SMITH 123 MAIN ST CAMBRIDGE MA 02139	Water Lien	\$0	Total Due FY 2014	\$2,489.37	
	Sewer Lien	\$0	1 st Payment Due Nov 2013	\$1,244.69	
	Total	\$0	2 nd Payment Due May 2014	\$1,244.68	
			Amount Now Due	\$1,244.69	

Tax Bill Key

PROPERTY TAX DESCRIPTION AND LOCATION

- **Parcel ID:** Also known as map, lot & unit, this number identifies your property on the City's Assessor's map. When making a payment, please reference the parcel on your check.
- **Book/Page:** South Middlesex Registry of Deeds' recording reference.
- **Location:** The legal address of the assessed property.
- **Class:** A code which identifies the type of property. (e.g. 101: Single Fam, 102: Condo, 104: 2-Fam, 105: 3-Fam)
- **Land Area:** Square footage of the land.

REAL ESTATE VALUES

- **Residential and Commercial:** The value of your property as of January 1, 2013.
- **Total Value:** The sum of residential and commercial value.
- **Residential Exemption:** An exemption granted to owners who occupy their property as their primary residence. The FY14 exemption is \$215,649.

BETTERMENT/LIENS

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

ASSESSED OWNER

- **Assessed Owner:** Person who owned the property on January 1, 2013.

REAL ESTATE TAXES AND CHARGES

- **Res. Tax:** Taxes due on residential property.
- **Comm. Tax:** Taxes due on commercial property.
- **CPA:** Community Preservation Act Surcharge. The City's surcharge rate is 3%, with a \$100,000 exemption for residential property.
- **Betterments/Liens:** Full amount is due with first half payment.
- **Exemption/Abatements:** Tax reduction due to abatements and exemptions. The full residential exemption reduces a homeowner's taxes by \$1,807.14 and the CPA by \$54.21. The total reduction is \$1,861.35.

Abatement applications are due on the tax bill due date. Download an application form from the Assessing Department's website at www.cambridgema.gov/assess.aspx or call the Assessing Department at **617 349 4343**.

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 FY14 values, the Assessing Department reviewed all valid sales that occurred between January 1, 2012 and December 31, 2012. 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 1st 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 1st, 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 three years. This year, the City has successfully completed the DOR’s triennial certification process of the City’s real and personal property values, system and methodologies.

★ 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 at 617 349 4343, or by downloading the form from the City’s website: www.cambridgema.gov. The Real Estate Property Abatement Form is available under “City Departments; Assessing Department; Abatement Application Forms; Real Estate Property Abatement Form.”

About the City Budget

★ DOES THE CITY USE ITS FREE CASH TO BALANCE THE BUDGET AND LOWER PROPERTY TAXES?

Yes. The City, on average, has used \$16.5 million in free cash in each of the past 10 fiscal years. This prudent and planned use of City reserves has been positively recognized by the three major credit rating agencies, and is reflected in the City’s AAA credit rating. If the City used all of its reserves in one year to reduce property taxes, the next year’s taxes would increase significantly since the reserves would no longer be available.

★ WHAT DOES “EXCESS LEVY CAPACITY” MEAN?

Excess levy capacity is the difference between what the City actually levies and what the City could levy. The City of Cambridge’s excess levy capacity for FY14 is \$117.5 million.

★ WHAT IS FREE CASH?

Free cash is a community's available unassigned fund balance from prior years that may be used as a funding source for appropriations. Free cash is generated when actual revenue collections are more than budget estimates, or when expenditures and encumbrances are less than appropriations, or both. Free cash is not available for appropriation until it is certified by the DOR.

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 during the months of November and May. If you do not receive a tax bill by November 1st and April 1st of each year, please contact the City's Finance Department at 617 349 4220 or via e-mail at treasurer@cambridgema.gov.

★ WHAT WILL HAPPEN IF I DO NOT PAY MY REAL ESTATE TAX BILL BY THE BILL DUE DATE?

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

★ 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 and for persons who are legally blind. Also, there is a new exemption 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. You may also contact the Assessing Department at 617 349 4343 to discuss your situation.

★ I AM A NEW OWNER. WILL THE TAX BILL BE SENT TO ME?

Not necessarily. The assessment date is January 1, 2013. 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 1st, please contact the Finance Department at 617 349 4220 and request a duplicate bill. You may also e-mail us at treasurer@cambridgema.gov. 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, 2013. 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 within 3 months of the 1st half bill date. You may obtain the form by calling the Assessing Department at 617 349 4343, or by downloading the form from the City's website:

www.cambridgema.gov. The form is available under "City Departments; Assessing Department; Personal Exemption Forms; Residential Exemption Form." You do not need to reapply each year. The Cambridge City Council has elected to use the highest allowable exemption of 30%, which for FY14 is \$215,649, and therefore reduces the owner-occupied homeowner's taxes by \$1,807.14.

★ 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 at 617 349 4343, or by downloading the form from the City's website: www.cambridgema.gov. The Assessing Mailing Address Change form is available under "City Departments; Assessing Department; Mailing Address Change Form."

★ WHAT IS THE CPA SURCHARGE? WHAT IS THE MONEY USED FOR?

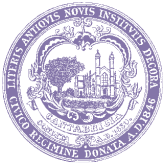
Cambridge residents voted to adopt the Community Preservation Act (CPA) in 2001, which resulted in a property tax surcharge of 3%. The adoption of the CPA had a neutral effect on tax bills, and enabled the City to qualify for matching funds from the State. Money raised through the CPA must be used to acquire and protect open space, preserve historic buildings, and create and maintain affordable housing. The State provides matching funds to communities that have enacted the CPA legislation. Since the inception of the CPA, the City has received \$46.7 million in State matching funds through FY13.

★ IS TAX BILL AND PAYMENT INFORMATION AVAILABLE ONLINE?

Yes. You may view your Real Estate, Personal Property, Motor excise tax and Water bills online at www.cambridgema.gov. Click on "view or Pay your tax & water bills". The City accepts online payments for all payments types above via credit card, debit card or electronic check (ACH), subject to a convenience fee. Also coming in the spring of 2014, the City Treasurer's Office will be offering a customized payment plan with flex-pay, the option to receive your tax or water bills via e-mail, and payment due e-mail reminders.

★ I RECENTLY BOUGHT A NEW CONDOMINIUM. THE FY14 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.



**A Publication of the Office of the City Manager
City of Cambridge**

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Cambridge, Massachusetts 02139

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www.cambridgema.gov

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★ NEWSLETTER #2 ★

www.cambridgema.gov

What If I Have a Tax Related Question or Want More Information?

Ask The Treasurer

E-MAIL: treasurer@cambridgema.gov

SEND MAIL TO:

The City Treasurer
Cambridge City Hall
795 Massachusetts Avenue
Cambridge, MA 02139

VISIT THE CITY'S WEBSITE: www.cambridgema.gov

Sign up for E-Line to receive periodic electronic newsletters, alerts and City publications.

CONTACT A DEPARTMENT:

Assessing Department for Property Value Info. 617 349 4343
Budget Office for Expenditure/Revenue Info. 617 349 4270
Finance Department for Tax Bill Info. 617 349 4220
City Manager's Office for General Info. 617 349 4300

Important Dates

OCTOBER 2013

Tax Bills Mailed

NOVEMBER 2013

Tax Bills Due

Abatement Applications Due

JANUARY 2014

Exemption Applications Due

Taxpayer Assistance Schedule

OCTOBER 30, 2013

2:00 pm - 4:00 pm

No. Cambridge Senior Center, 2050 Mass. Ave.

NOVEMBER 5, 2013

10:00 am - 12:00 pm

Main Library, 449 Broadway

NOVEMBER 6, 2013

10:00 am - 12:00 pm

Boudreau Branch Library, 245 Concord Ave.

NOVEMBER 7, 2013

2:00 pm - 4:00 pm

O'Connell Branch Library, 48 Sixth St.

NOVEMBER 12, 2013

2:00 pm - 4:00 pm

Valente Branch Library, 826 Cambridge St.

NOVEMBER 13, 2013

10:00 am - 12:00 pm

Citywide Senior Center, 806 Mass. Ave.

NOVEMBER 14, 2013

10:00 am - 12:00 pm

West Cambridge Youth Center, 680 Huron Ave.