

Town of Danvers
Tax Rate Classification
Fiscal Year 2016

Report to the
Danvers Board of Selectmen

By:
Danvers Board of Assessors

Thursday, November 12, 2015

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Purpose

Once property has been classified, the Board of Selectmen call and conduct a public hearing regarding the issue of allocating the percentage of tax levy to be borne by each class of property for the fiscal year. In this report and at the public hearing, the Board of Assessors will provide information and relevant data including the fiscal effects of the available alternatives. The Board of Selectmen will then make decisions and take votes that will apply for Fiscal Year 2016.

The Board of Selectmen will make tax policy decisions and take votes on the following:

1. Selection of a residential factor
2. Open space discount
3. Residential exemption
4. Small commercial exemption

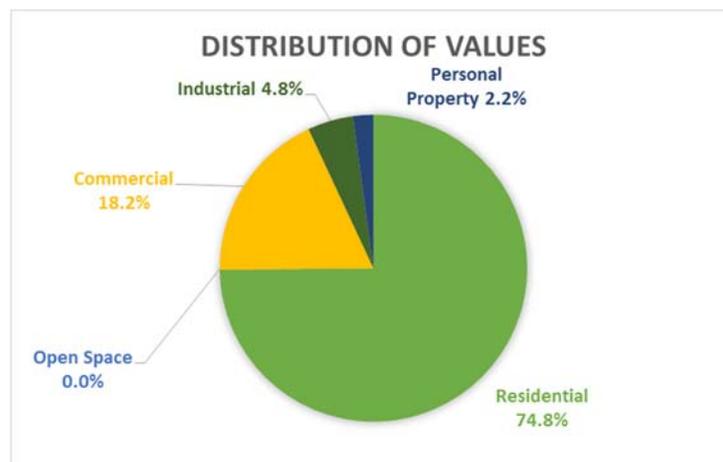
I. Total Assessed Values for Fiscal Year 2016

Distribution of Classes

The Board of Assessors has determined the classification of all real property as of January 1, 2014, for FY2016, in accordance with the definitions set forth in M.G.L. Chapter 59, Section 2A (b):

Class One	Residential
Class Two	Open Space
Class Three	Commercial
Class Four	Industrial
Class Five	Personal Property

The classification or Use Codes are issued in accordance with the Department of Revenue, Bureau of Local Assessment guidelines. A listing of the State Use Classification Codes is attached in Addendum 1 and the total valuation report for FY2016 is attached in Addendum 2, Form LA-4 "Assessment/Classification Report."



Total Taxable Value

The total taxable value for FY2016 is \$4,391,700,413. The total town valuation from FY2015 to FY2016 increased by 8.25%. Of the overall increase approximately 7 percent can be attributable to the market conditions across all classes. New Growth making up the remaining increase.

	FY 2015 Value	FY 2016 Value (less new growth)	% Change	FY 2016 New Growth	Total FY 2016 Value
Residential	3,002,828,568	3,255,353,634	8.4%	31,130,384	3,286,484,018
Open Space	0	0	0.0%	0	0
Commercial	763,713,497	795,556,834	4.2%	4,686,350	800,243,184
Industrial	202,842,775	209,796,975	3.4%	495,000	210,291,975
Personal Property	87,495,142	81,412,405	-7.0%	13,268,831	94,681,236
Total	4,056,879,982	4,342,119,848	7.0%	49,580,565	4,391,700,413
Overall Percent Change	8.25%				

II. Tax Levy

Levy is the amount the Town raises each year through property tax. The levy can be any amount up to the levy limit defined by Proposition 2 ½. The levy limit is 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 overrides. Excess levy capacity is the difference between the levy limit and the actual levy.

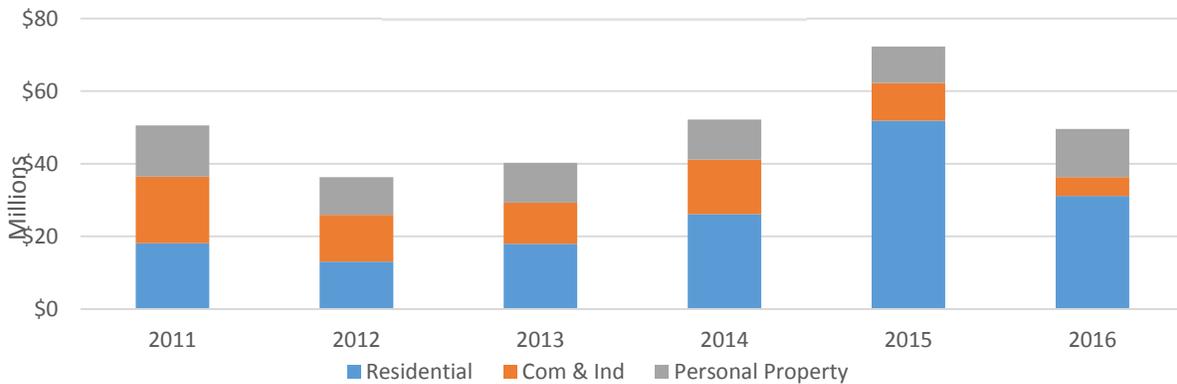
The following illustration compares existing estimations with prior years:

The following two illustrations detail Growth in both Tax Dollars and Valuation:

New Growth Stated in Value

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Residential	18,138,500	13,032,500	17,955,517	26,154,921	51,861,715	31,130,384
Com & Ind Personal Property	18,305,850	12,901,980	11,359,605	14,998,084	10,388,946	5,181,350
Total	50,572,853	36,323,579	40,240,899	52,161,220	72,296,504	49,580,565
Statistics						
	Average	Maximum	Minimum	Range		
Residential	26,378,923	51,861,715	13,032,500	38,829,215		
Com & Ind	12,189,303	18,305,850	5,181,350	13,124,500		
Pers. Prop.	11,627,711	14,128,503	10,045,843	4,082,660		
Total	50,195,937	72,296,504	36,323,579	35,972,925		

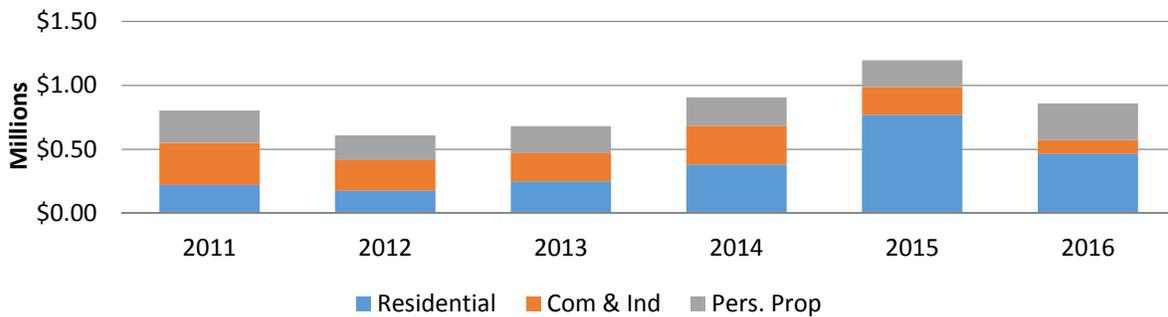
Total New Growth Value



New Growth Stated in Tax Dollars

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Residential	221,652	174,636	250,120	380,293	770,146	464,154
Com & Ind	328,041	240,880	220,149	303,411	217,129	110,985
Pers. Prop	253,183	193,964	211,742	222,696	209,958	284,218
Total	802,876	609,480	682,011	906,400	1,197,233	859,357
Statistics						
	Average	Maximum	Minimum	Range		
Residential	376,834	770,146	174,636	595,510		
Com & Ind	236,766	328,041	110,985	217,056		
Pers. Prop	229,294	284,218	193,964	90,254		
Total	842,893	1,197,233	609,480	587,753		

Total New Growth Revenue



IV. Classification

The public classification hearing is for the Board of Selectmen to determine the allocation of the local property tax to be borne by the four classes of real property, plus personal property for Fiscal Year 2016. In deciding the allocation, the Selectmen must adopt a residential factor which is used to determine the percentage of the tax levy to apply to each class of real and personal property. The Board of Assessors applies these percentages to the individual property classes (M.G.L.

Chapter 40, Section 56). The Selectmen must also vote to adopt a factor for shifting the taxes among residential properties (Residential Exemption), among commercial properties (Small Commercial Exemption), and between residential and open space properties (Open Space Discount).

Tax Rate

The tax rate, in its simplest form, is the tax levy divided by the town’s taxable valuation. This is called the Uniform Tax Rate. Under this rate each class of property pays a share of the tax levy **equal** to its share of the total town value. For illustration purposes only, using the **preliminary** tax levy, the Uniform Tax Rate calculation for the Town of Danvers for FY 2016 would be:

$$\$70,285,992.00 / \$4,391,700,413.00 = 0.01600$$

Or

\$16.00 per thousand dollars of assessed valuation

A. Residential Factor

The residential factor adopted by a community governs the percentage of the tax levy that is to be paid by the residential property owners. A residential factor of “1” will result in the taxation of all property at the same rate, the Uniform Tax Rate. The Uniform Tax Rate with a residential factor of “1” is calculated to be \$16.00 for FY2016.

Allowable tax shift for FY16

As previously stated, a residential factor of 1 will result in the taxation of all property at the same rate. However, state law permits the town to adopt a residential factor of less than 1 and a CIP factor greater than 1, which would have the effect of increasing the commercial, industrial, and personal property tax rates and decreasing the residential tax rate.

In the past the Board of Selectman has adopted a CIP Factor of greater than 1

	RES TAX LEVY	CIP TAX LEVY	TOTAL TAX LEVY	RES	CIP	SHIFT
FY2015	44,772,173.95	22,577,781.29	67,349,955.24	66.5%	33.5%	1.29
FY2014	42,876,601.63	21,880,154.11	64,756,755.74	66.2%	33.8%	1.27
FY2013	41,563,368.76	20,963,411.14	62,526,779.90	66.5%	33.5%	1.26
FY2012	41,563,368.76	20,963,411.14	62,526,779.90	66.4%	33.6%	1.26
FY2011	38,484,156.76	19,759,037.70	58,243,194.46	66.1%	33.9%	1.26
FY2010	37,272,131.66	18,759,844.39	56,031,976.05	66.5%	33.5%	1.31
FY2009	35,924,009.46	18,060,583.30	53,984,592.76	66.5%	33.5%	1.32
FY2008	34,331,294.02	17,000,073.92	51,331,367.94	66.9%	33.1%	1.36
FY2007	32,400,905.37	16,444,435.60	48,845,340.97	66.3%	33.7%	1.42
FY2006	31,020,818.29	15,753,732.33	46,774,550.62	66.3%	33.7%	1.40

Using current estimates, and the FY15 Shift of 1.29, a snapshot would look like this:

1.2900 CIP Shift				
Levy to be Raised =	70,285,992.00		Effect on Tax Bill	
Classification Rate =	1.2900			
Open Space Discount =	-			
Tax Rates				
	FY 2015	FY 2016		
Residential	\$14.91	\$14.44		
Open Space	\$14.91	\$14.44		
Commercial	\$21.42	\$20.65		
Industrial	\$21.42	\$20.65		
Personal Property	\$21.42	\$20.65		
[Uniform Tax Rate]	\$16.60	\$16.00		
Tax Levy Shift				
	FY 2015		FY 2016	
	Value	% Of Total	Value	% Of Total
Residential	44,772,174	66.5%	47,456,829	67.53%
Open Space				
Commercial	22,577,781	33.5%	22,822,719	32.5%
Industrial				
Personal Property				
Total	67,349,955		70,279,548	

Effect on Tax Bill			
	FY 2015	FY 2016	% Change
Single Family Average	\$358,800	\$392,400	9.4%
Residential Tax Rate	\$14.91	\$14.44	
Property Tax Bill	\$5,349.71	\$5,666.26	5.9%
Condo Average	\$225,800	\$245,500	8.7%
Residential Tax Rate	\$14.91	\$14.44	
Property Tax Bill	\$3,366.68	\$3,545.02	5.3%
Com/Ind Average	\$1,325,100	\$1,383,300	4.4%
Commercial Tax Rate	\$21.42	\$20.65	
Property Tax Bill	\$28,383.64	\$28,565.15	0.6%

Historically, the Board of Selectmen has voted to have the Residential class pick up 66.5% of the Levy and CIP 33.5%. To achieve that again this year a 1.33 CIP Factor would be needed.

1.3300 CIP Shift				
Levy to be Raised =	70,285,992.00		Effect on Tax Bill	
Classification Rate =	1.3300			
Open Space Discount =	-			
Tax Rates				
	FY 2015	FY 2016		
Residential	\$14.91	\$14.23		
Open Space	\$14.91	\$14.23		
Commercial	\$21.42	\$21.29		
Industrial	\$21.42	\$21.29		
Personal Property	\$21.42	\$21.29		
[Uniform Tax Rate]	\$16.60	\$16.00		
Tax Levy Shift				
	FY 2015		FY 2016	
	Value	% Of Total	Value	% Of Total
Residential	44,772,174	66.5%	46,766,668	66.53%
Open Space				
Commercial	22,577,781	33.5%	23,530,057	33.5%
Industrial				
Personal Property				
Total	67,349,955		70,296,725	

Effect on Tax Bill			
	FY 2015	FY 2016	% Change
Single Family Average	\$358,800	\$392,400	9.4%
Residential Tax Rate	\$14.91	\$14.23	
Property Tax Bill	\$5,349.71	\$5,583.85	4.4%
Condo Average	\$225,800	\$245,500	8.7%
Residential Tax Rate	\$14.91	\$14.23	
Property Tax Bill	\$3,366.68	\$3,493.47	3.8%
Com/Ind Average	\$1,325,100	\$1,383,300	4.4%
Commercial Tax Rate	\$21.42	\$21.29	
Property Tax Bill	\$28,383.64	\$29,450.46	3.8%

View addenda # 3-4 for illustrations on the CIP factors impact to average tax bills, tax levy shift, and tax rates using FY2016 estimates

As the Board reviews these illustrations it should keep in mind that the maximum allowable shift in FY16 is 1.50 or a minimum residential factor of 83.1854

B. Open Space Discount

Open Space is defined in M.G.L. Chapter 59, Section 2A as:

“...land which is not otherwise classified and which is not taxable under the provisions of chapters sixty-one, sixty-one A or sixty-one B, or taxable under a permanent conservation restriction, and which land is not held for the production of income but is maintained in an open or natural condition and which contributes significantly to the benefit and enjoyment of the public.” [Recently the law was changed to allow the inclusion of chapter land.]

State law allows properties classified as Open Space to be taxed at a rate discounted up to 25% from the Uniform Tax Rate. The tax dollars lost by the discount are shifted to the residential class of properties, which includes developable vacant land. The local Board of Assessors must develop the criteria that must be met in order to classify a parcel as Open Space that meets the “significant contribution” for the benefit and enjoyment of the public criteria.

*Only one community in Massachusetts grants an open space discount: **Bedford**.* Boards of Assessors use this classification sparingly since most land fits into other classifications, and the open space classification, on its own, makes no difference in the assessment of a property. Assessors have also observed that as the years have passed, many of the land parcels afforded a tax discount were developed anyway, regardless of the tax incentive employed to encourage protection of open land and/or be a deterrent to development.

Presently, there are no parcels classified by the Board of Assessors as Class 2 – Open Space.

C. Residential Exemption

Only fourteen cities and towns out of the 351 in the Commonwealth use the residential exemption. These are larger metropolitan communities with very high levels of renters or vacation resort type communities, where a large percentage are not owner occupied or owned as second homes.

This mechanism provides for the redistribution of the tax levy among residential property owners, solely within the Residential Class (Class 1). “Exemption” is a misnomer since it is actually a tax shift among residential properties. It involves the following steps:

- Subtracting a standard dollar amount (a percentage of the average Class 1 value) from every qualifying owner-occupied residential parcel;
- Recalculating the Class 1 tax rate based on the new total of the Class 1 taxable value. The Class 1 tax levy must remain unchanged before and after this calculation.

This has the net result of shifting taxes from Class 1 parcels that are below the average value to parcels within the Class that are above the average. It also, however, results in substantially higher taxes on apartment and multi-family parcels that are not owner occupied, on vacant land parcels in the Class, and on any other residential property which is not owner occupied (**including, in many instances, properties that are owned by a trust**).

The selected percentage to calculate the standard qualifying assessed value reduction can be from 0 to 20%, but selecting a certain percent does not mean that everyone gets that exact percent tax reduction. This is because the tax rate for the Class must be raised. The impact of the exemption – who pays more and who pays less – is not conditioned upon the income status of the occupant. This option is based on the assumption that a lower value property indicates an occupant with lower income and vice versa.

D. Small Commercial Exemption

The Board of Selectmen may grant a small commercial exemption. This option allows the Town to grant an exemption of up to 10% of the value for commercial property that employs an average of ten or less employees at all locations and has an assessed value of less than one million dollars. This exemption is similar to the residential exemption in that it is a “Robin Hood Theory” and is borne by the commercial/industrial properties even though industrial properties cannot qualify for the exemption.

Some drawbacks of this option are 1) the owner of the property and not the owner of the small business receives the exemption 2) if one business doesn’t qualify, the property doesn’t qualify 3) only a small number of properties would benefit for a small amount of money 4) it would be very time consuming to administer, is not equitable and not easily explainable. It would be very difficult to estimate the impact of this exemption as it is done by value on a parcel-by-parcel basis. If adopted, we would then have to estimate the loss in value to recalculate the CIP tax rate. In fiscal year 2015, only ten communities adopted this exemption: Auburn, Avon, Bellingham, Braintree, Dartmouth, New Ashford, Seekonk, Somerset, Westford and Wrentham.

Addenda

Addendum 1

State Use Code

Residences

101	Single Family
102	Condominium
103	Mobile Home
104	Two-Family
105	Three-Family
106	Accessory Land with Improvement
109	Multiple Houses on One Parcel

Apartments

111	Four to Eight Units
112	More Than Eight Units

Non-Transient Group Quarters

125	Other Congregate Housing
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Vacant Land in a Residential Zone or Accessory to Residential Parcel

130	Developable Land
131	Potentially Developable Land
132	Undevelopable Land

Other

140	Child Care Facility
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Open Space

201-202	Open Land in Residential Area
210-211	Open Land in Rural Area
220-221	Open Land in Commercial Area

Commercial

300-393	Transient Group Quarters, Warehouse and Distribution Facilities, Retail, Office Buildings, Public Service and Recreational
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Industrial

400-452	Manufacturing, Utilities, Mining
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Personal Property

501-552	
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Forest Land (CH 61), Agricultural/Horticultural (CH 61A),

Recreational CH 61B)

601	Forest Land
710-722	Agriculture/Horticulture Land
801-814	Recreational Land

Exempt

900-939	Government-owned, Educational, Charitable, Religious
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Addendum 2

MASSACHUSETTS DEPARTMENT OF REVENUE
DIVISION OF LOCAL SERVICES
ASSESSMENT/CLASSIFICATION REPORT FY2016
DANVERS
 City/Town/District

as of January 1, 2015

PROPERTY TYPE	ACCT/ PARCEL COUNT	CLASS 1 Residential Assessed Value	CLASS 2 Open Space Assessed Value	CLASS 3 Commercial Assessed Value	CLASS 4 Industrial Assessed Value	CLASS 5 Personal Property Assessed Value
101	6,110	2,397,487,400				
102	1,572	385,861,700				
MISC 103,109	32	23,771,500				
104	446	167,369,300				
105	90	38,124,300				
111-125	91	235,519,500				
130-32,106	206	16,409,400				
200-231	0		0			
300-393	537			741,667,900		
400-452	150				208,628,600	
CH 61 LAND	0		0	0		
CH 61A LAND	9		0	86,332		
CH 61B LAND	1		0	345,850		
012-043	81	21,940,918	0	58,143,102	1,663,375	
501	763					8,342,027
502	624					22,538,042
503	1					26,641
504,550-2	3					24,555,530
505	6					19,191,100
506	2					18,454,100
508	4					1,573,796
TOTALS	10,728	3,286,484,018	0	800,243,184	210,291,975	94,681,236
REAL AND PERSONAL PROPERTY TOTAL VALUE						4,391,700,413
EXEMPT VALUE						630,971,705

NOTE : The information was Approved on 10/27/2015.

Submitted by: Board of Assessors

Stephen Poulos, Chief Assessor, Danvers, 978-777-0001
 (Board of Assessors)

10/23/2015 10:24 AM
 (Date)

Signed on Behalf of the Board
 (Comments)

Addendum 3

1.2500 CIP Shift			
	Levy to be Raised =	70,285,992.00	
	Classification Rate =	1.2500	
	Open Space Discount =	-	
Tax Rates			
	FY 2015	FY 2016	
Residential	\$14.91	\$14.66	
Open Space	\$14.91	\$14.66	
Commercial	\$21.42	\$20.01	
Industrial	\$21.42	\$20.01	
Personal Property	\$21.42	\$20.01	
<i>[Uniform Tax Rate]</i>	\$16.60	\$16.00	
Tax Levy Shift			
	FY 2015	FY 2016	
	Value	Value	% Of Total
Residential	44,772,174	48,179,856	68.54%
Open Space			
Commercial			
Industrial	22,577,781	22,115,380	31.5%
Personal Property			
Total	67,349,955	70,295,236	

Effect on Tax Bill			
	FY 2015	FY 2016	% Change
Single Family Average	\$358,800	\$392,400	9.4%
Residential Tax Rate	\$14.91	\$14.66	
Property Tax Bill	\$5,349.71	\$5,752.58	7.5%
Condo Average	\$225,800	\$245,500	8.7%
Residential Tax Rate	\$14.91	\$14.66	
Property Tax Bill	\$3,366.68	\$3,599.03	6.9%
Com/Ind Average	\$1,325,100	\$1,383,300	4.4%
Commercial Tax Rate	\$21.42	\$20.01	
Property Tax Bill	\$28,383.64	\$27,679.83	-2.5%

1.3000 CIP Shift			
	Levy to be Raised =	70,285,992.00	
	Classification Rate =	1.3000	
	Open Space Discount =	-	
Tax Rates			
	FY 2015	FY 2016	
Residential	\$14.91	\$14.39	
Open Space	\$14.91	\$14.39	
Commercial	\$21.42	\$20.81	
Industrial	\$21.42	\$20.81	
Personal Property	\$21.42	\$20.81	
<i>[Uniform Tax Rate]</i>	\$16.60	\$16.00	
Tax Levy Shift			
	FY 2015	FY 2016	
	Value	Value	% Of Total
Residential	44,772,174	47,292,505	67.28%
Open Space			
Commercial			
Industrial	22,577,781	22,999,553	32.7%
Personal Property			
Total	67,349,955	70,292,058	

Effect on Tax Bill			
	FY 2015	FY 2016	% Change
Single Family Average	\$358,800	\$392,400	9.4%
Residential Tax Rate	\$14.91	\$14.39	
Property Tax Bill	\$5,349.71	\$5,646.64	5.6%
Condo Average	\$225,800	\$245,500	8.7%
Residential Tax Rate	\$14.91	\$14.39	
Property Tax Bill	\$3,366.68	\$3,532.75	4.9%
Com/Ind Average	\$1,325,100	\$1,383,300	4.4%
Commercial Tax Rate	\$21.42	\$20.81	
Property Tax Bill	\$28,383.64	\$28,786.47	1.4%

Addendum 4

1.3500 CIP Shift			
	Levy to be Raised =	70,285,992.00	
	Classification Rate =	1.3500	
	Open Space Discount =	-	
Tax Rates			
	FY 2015	FY 2016	
Residential	\$14.91	\$14.12	
Open Space	\$14.91	\$14.12	
Commercial	\$21.42	\$21.61	
Industrial	\$21.42	\$21.61	
Personal Property	\$21.42	\$21.61	
<i>[Uniform Tax Rate]</i>	\$16.60	\$16.00	
Tax Levy Shift			
	FY 2015	FY 2016	
	Value	% Of Total	
Residential	44,772,174	66.5%	
Open Space			46,405,154
			66.02%
Commercial			
Industrial	22,577,781	33.5%	
Personal Property			23,883,726
			34.0%
Total	67,349,955		70,288,881

Effect on Tax Bill			
	FY 2015	FY 2016	% Change
Single Family Average	\$358,800	\$392,400	9.4%
Residential Tax Rate	\$14.91	\$14.12	
Property Tax Bill	\$5,349.71	\$5,540.69	3.6%
Condo Average	\$225,800	\$245,500	8.7%
Residential Tax Rate	\$14.91	\$14.12	
Property Tax Bill	\$3,366.68	\$3,466.46	3.0%
Com/Ind Average	\$1,325,100	\$1,383,300	4.4%
Commercial Tax Rate	\$21.42	\$21.61	
Property Tax Bill	\$28,383.64	\$29,893.11	5.3%

1.4000 CIP Shift			
	Levy to be Raised =	70,285,992.00	
	Classification Rate =	1.4000	
	Open Space Discount =	-	
Tax Rates			
	FY 2015	FY 2016	
Residential	\$14.91	\$13.85	
Open Space	\$14.91	\$13.85	
Commercial	\$21.42	\$22.41	
Industrial	\$21.42	\$22.41	
Personal Property	\$21.42	\$22.41	
<i>[Uniform Tax Rate]</i>	\$16.60	\$16.00	
Tax Levy Shift			
	FY 2015	FY 2016	
	Value	% Of Total	
Residential	44,772,174	66.5%	
Open Space			45,517,804
			64.76%
Commercial			
Industrial	22,577,781	33.5%	
Personal Property			24,767,899
			35.2%
Total	67,349,955		70,285,703

Effect on Tax Bill			
	FY 2015	FY 2016	% Change
Single Family Average	\$358,800	\$392,400	9.4%
Residential Tax Rate	\$14.91	\$13.85	
Property Tax Bill	\$5,349.71	\$5,434.74	1.6%
Condo Average	\$225,800	\$245,500	8.7%
Residential Tax Rate	\$14.91	\$13.85	
Property Tax Bill	\$3,366.68	\$3,400.18	1.0%
Com/Ind Average	\$1,325,100	\$1,383,300	4.4%
Commercial Tax Rate	\$21.42	\$22.41	
Property Tax Bill	\$28,383.64	\$30,999.75	9.2%