

Town of Danvers



Tax Rate Classification Fiscal Year 2023

Report to the
Danvers Select Board

By:
Danvers Board of Assessors

Tuesday, November 15, 2022

TABLE OF CONTENTS

PURPOSE	3
I. Total Assessed Values FY2022.....	3
II. Tax Levy.....	5
III. New Growth.....	5
IV. Classification.....	7
A. Residential Factor.....	7
B. Open Space Discount.....	10
C. Residential Exemption.....	10
D. Small Commercial Exemption.....	11
ADDENDUM 1: STATE USE CODES	14
ADDENDUM 2: ASSESSMENT/CLASSIFICATION REPORT FY2022	15
ADDENDUM 3: CIP SHIFT	16

Purpose

Once property has been classified, the Select Board 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 Select Board will then make decisions and take votes that will apply for FY 2023.

The Select Board 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

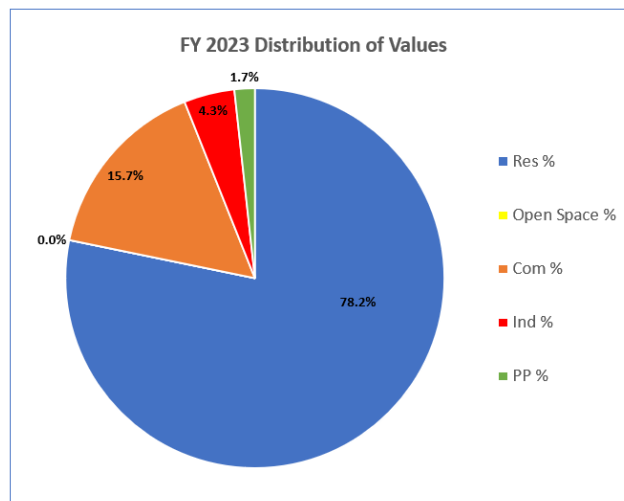
I. Total Assessed Values for Fiscal Year 2023

Distribution of Classes

The Board of Assessors has determined the classification of all real property as of January 1, 2022, for FY2023, 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 FY2023 is attached in Addendum 2, Form LA-4 “Assessment/Classification Report.”



Historic Distribution of Values

Fiscal Year	Residential	Com/Ind	Personal Property	Residential %	CIP %
FY02	\$1,942,379,010	\$801,874,501	\$40,727,360	69.7%	30.3%
FY03	\$2,120,738,027	\$836,468,432	\$40,090,770	70.8%	29.2%
FY04	\$2,703,232,840	\$893,874,523	\$47,016,094	74.2%	25.8%
FY05	\$2,859,761,612	\$918,827,926	\$65,560,937	74.4%	25.6%
FY06	\$3,133,415,989	\$926,217,300	\$66,456,445	75.9%	24.1%
FY07	\$3,476,491,992	\$1,004,043,104	\$76,406,016	76.3%	23.7%
FY08	\$3,301,085,963	\$986,742,264	\$75,762,356	75.7%	24.3%
FY09	\$3,204,639,559	\$1,003,002,823	\$84,984,123	74.7%	25.3%
FY10	\$3,050,092,607	\$954,885,295	\$91,981,022	74.4%	25.6%
FY11	\$2,871,951,997	\$963,897,125	\$94,433,764	73.1%	26.9%
FY12	\$2,875,693,392	\$960,274,625	\$86,613,448	73.3%	26.7%
FY13	\$2,858,553,560	\$947,828,180	\$88,425,460	73.4%	26.6%
FY14	\$2,887,313,241	\$957,855,333	\$89,041,993	73.4%	26.6%
FY15	\$3,002,828,568	\$966,556,272	\$87,495,142	74.0%	26.0%
FY16	\$3,286,484,018	\$1,010,535,159	\$94,681,236	74.8%	25.2%
FY17	\$3,424,189,783	\$1,007,471,808	\$94,909,073	75.6%	24.4%
FY18	\$3,732,846,022	\$1,081,638,691	\$91,512,405	76.1%	23.9%
FY19	\$3,953,500,016	\$1,110,259,351	\$100,308,352	76.6%	23.4%
FY20	\$4,201,007,040	\$1,156,895,394	\$100,859,239	77.0%	23.0%
FY21	\$4,254,505,204	\$1,166,044,972	\$103,778,168	77.0%	23.0%
FY22	\$4,656,542,979	\$1,257,773,325	\$103,356,339	77.4%	22.6%
FY23	\$5,183,253,087	\$1,328,219,534	\$115,054,677	78.2%	21.8%

Total Taxable Value

The total taxable value for FY2023 is \$6,626,527,298 The total town valuation from FY2022 to FY2023 increased by 10.12%.

Changes in Property Valuation			
	FY22	FY23	Overall
Residential	4,656,542,979	5,183,253,087	11.31%
Open Space	0	0	0.00%
Commercial	999,205,825	1,042,064,284	4.29%
Industrial	258,567,500	286,155,250	10.67%
Personal Property	103,356,339	115,054,677	11.32%
Total	6,017,672,643	6,626,527,298	10.12%

II. Tax Levy

The Tax 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 this year’s existing estimations with the prior year’s actual:

Levy Comparisons			
	FY2022		
Prior Year Levy Limit	\$ 83,988,511		
2.5% of Prior Year			
Levy Limit	\$ 2,099,713		
New Growth	\$ 833,171		
Amended Growth			
Levy Limit		\$ 86,921,395	
Debt Exclusion	\$ -		
Max Allowable Levy (Limit)		\$ 86,921,395	
Actual Levy		\$ 86,895,192	
"Excess" Levy Capacity		\$ 26,203	
<i>Increase in Max Allowable Levy</i>	<i>\$ 2,868,211</i>	<i>3.30%</i>	
<i>Increase in Actual Levy</i>	<i>\$ 2,849,237</i>	<i>3.28%</i>	

	FY2023		
	\$ 86,921,395		
	\$ 2,171,912		
	\$ 741,272		
	\$ (44,973)		
		\$ 89,789,606	
	\$ -		
Max Levy		\$ 89,789,606	
Actual Levy		\$ 89,744,429	
		\$ 45,177	

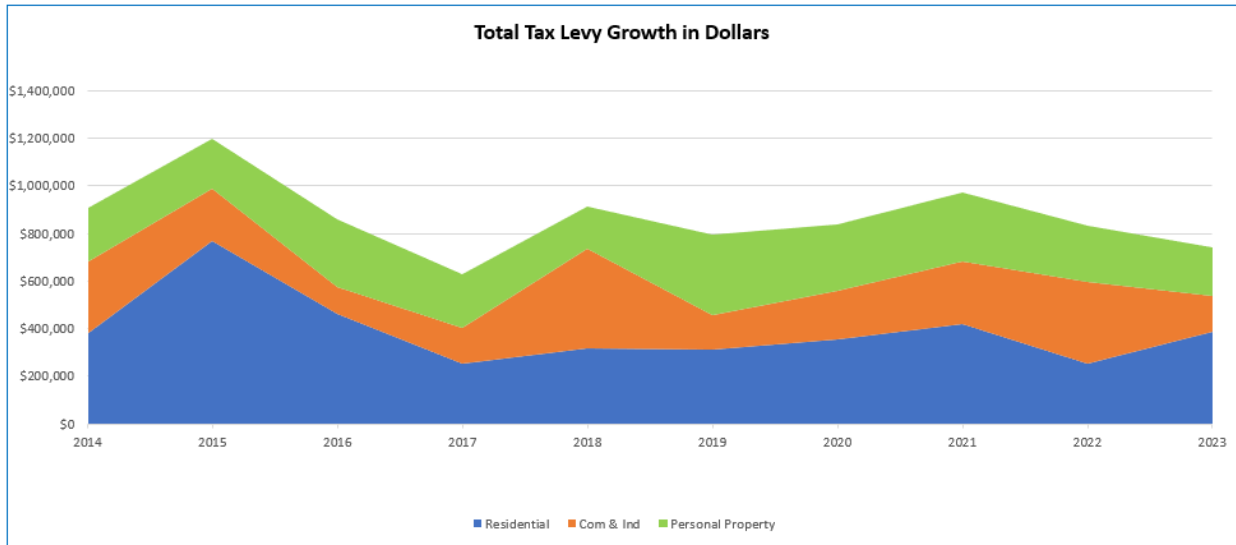
III. New Growth

New growth is a calculation of the net increase in municipal property values because of new construction, improvements to properties, subdivisions, condo conversions or the return of exempt property to the tax rolls. New growth can be added to the Town’s levy limit as defined by Proposition 2 ½, thereby increasing the Town’s taxing capacity. Assessors must submit documentation of new growth to the Bureau of Local Assessment annually and receive approval prior to setting the tax rate.

New growth is calculated by multiplying increases in value, which are not the result of a revaluation or interim adjustment, by the applicable tax rates of the previous fiscal year for each class of property. For example, FY 2023 new growth is determined by multiplying the new growth value for each class of property by the prior fiscal year's tax rates.

The total New Growth for FY 2023 is \$47,851,422 in value or \$741,272 in gross tax dollars. For FY 2023 \$44,973 was returned due to FY 2022 Abatements for Net New Growth of \$696,299.

The following illustration details Growth in Tax Dollars:



Tax Levy Growth in Dollars

Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Residential	\$380,293	\$770,146	\$464,154	\$251,584	\$318,434	\$311,897	\$356,004	\$419,029	\$251,744	\$388,147.54
Com & Ind	\$303,411	\$217,129	\$110,985	\$149,483	\$419,625	\$142,830	\$201,691	\$263,646	\$345,393	\$147,260.22
Personal Property	\$222,696	\$209,958	\$284,218	\$228,399	\$174,778	\$340,169	\$282,388	\$286,964	\$236,035	\$205,864.68
Total	\$906,400	\$1,197,234	\$859,357	\$629,467	\$912,836	\$794,896	\$840,083	\$969,639	\$833,172	\$741,272.43

IV. Classification

The public classification hearing is for the Select Board 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 2023. In deciding the allocation, the Select Board 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 Select Board 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 2023 would be:

$$\$89,744,429 / \$6,626,527,298 = 0.0135432$$

Or

\$13.54 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 \$13.54 for FY2023.

Allowable tax shift for FY23

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.

The following illustrates Historic CIP Shifts and the percentage of the Tax Levy shared between the residential and CIP classes since FY 2003.

Fiscal Year	Res Tax Levy	CIP Tax Levy	Total Levy	Res %	CIP %	Res Factor	CIP Shift
2022	\$58,951,834.11	\$27,957,603.30	\$86,909,437.41	67.832%	32.168%	0.8766	1.4222
2021	\$56,797,644.47	\$27,148,818.73	\$83,946,463.20	67.657%	32.343%	0.8785	1.4071
2020	\$54,865,151.94	\$26,123,563.72	\$80,988,715.66	67.739%	32.261%	0.8802	1.4001
2019	\$52,502,480.21	\$25,651,929.63	\$78,154,409.84	67.180%	32.820%	0.8775	1.4001
2018	\$50,542,735.14	\$24,812,145.69	\$75,354,880.83	67.072%	32.928%	0.8815	1.3770
2017	\$48,589,253.02	\$24,064,974.63	\$72,654,227.65	66.879%	33.121%	0.8841	1.3600
2016	\$46,668,073.06	\$23,618,474.36	\$70,286,547.42	66.403%	33.597%	0.8873	1.3350
2015	\$44,772,173.95	\$22,577,781.29	\$67,349,955.24	66.483%	33.517%	0.8982	1.2900
2014	\$42,876,601.63	\$21,880,154.11	\$64,756,755.74	66.205%	33.795%	0.9021	1.2700
2013	\$41,563,368.76	\$20,963,411.14	\$62,526,779.90	66.477%	33.524%	0.9057	1.2600
2012	\$40,058,408.95	\$20,288,690.86	\$60,347,099.81	66.372%	33.628%	0.9053	1.2600
2011	\$38,484,156.76	\$19,759,037.70	\$58,243,194.46	66.071%	33.929%	0.9042	1.2600
2010	\$37,272,131.66	\$18,759,844.39	\$56,031,976.05	66.527%	33.474%	0.8936	1.3100
2009	\$35,924,009.46	\$18,060,583.30	\$53,984,592.76	66.544%	33.456%	0.8914	1.3200
2008	\$34,331,294.02	\$17,000,073.92	\$51,331,367.94	66.885%	33.115%	0.8841	1.3600
2007	\$32,400,905.37	\$16,444,435.60	\$48,845,340.97	66.332%	33.668%	0.8695	1.4200
2006	\$31,020,818.29	\$15,753,732.33	\$46,774,550.62	66.318%	33.682%	0.8733	1.4000
2005	\$29,398,349.37	\$15,543,500.15	\$44,941,849.52	65.425%	34.575%	0.8795	1.3502
2004	\$29,519,302.61	\$13,567,642.70	\$43,086,945.31	68.500%	31.500%	0.9234	1.2200
2003	\$26,530,432.72	\$14,717,429.00	\$41,247,861.72	64.321%	35.679%	0.9091	1.2200

After adjusting the valuation model to reflect the real estate market, capturing new growth, and other changes to the database- the following illustrates the changes to the average values by class:

	2016	2017	2018	2019	2020	2021	2022	2023	23-22 % Change
Single Family	\$392,387	\$407,393	\$444,964	\$468,307	\$493,913	\$499,159	\$547,634	\$605,754	10.61%
Condominium	\$245,459	\$260,111	\$275,930	\$301,386	\$316,906	\$324,119	\$354,538	\$379,193	6.95%
Two Family	\$375,267	\$387,498	\$428,039	\$448,156	\$538,231	\$514,862	\$558,434	\$648,020	16.04%
Com/Ind	\$1,449,835	\$1,445,440	\$1,551,849	\$1,588,354	\$1,662,206	\$1,670,552	\$1,799,390	\$1,911,107	6.21%

The options illustrated below help to explore the impact of different shifts on the Tax bill averages compared to the prior year. The list below fall within the shift range from recent years. The full list of option ranging from 1-1.5 are attached separately as Addendum 3.

CIP Shift	All Residential				Commerical/Industrial			
	Rate	Avg Tax Bill	Difference	% Change	Rate	Avg Tax Bill	Difference	% Change
1.0000	13.54	\$7,992.40	\$1,268.11	18.86%	13.54	\$25,876	-\$11,083	-29.99%
1.4450	11.87	\$7,006.63	\$282.34	4.20%	19.57	\$37,400	\$441	1.19%
1.4500	11.85	\$6,994.82	\$270.54	4.02%	19.64	\$37,534	\$575	1.55%
1.4550	11.83	\$6,983.02	\$258.73	3.85%	19.71	\$37,668	\$708	1.92%
1.4600	11.81	\$6,971.21	\$246.92	3.67%	19.77	\$37,783	\$823	2.23%
1.4650	11.79	\$6,959.41	\$235.12	3.50%	19.84	\$37,916	\$957	2.59%
1.4700	11.77	\$6,947.60	\$223.31	3.32%	19.91	\$38,050	\$1,091	2.95%
1.4750	11.75	\$6,935.80	\$211.51	3.15%	19.98	\$38,184	\$1,224	3.31%
1.4800	11.73	\$6,923.99	\$199.70	2.97%	20.04	\$38,299	\$1,339	3.62%
1.4850	11.71	\$6,912.18	\$187.90	2.79%	20.11	\$38,432	\$1,473	3.99%
1.4900	11.70	\$6,906.28	\$181.99	2.71%	20.18	\$38,566	\$1,607	4.35%
1.4950	11.68	\$6,894.48	\$170.19	2.53%	20.25	\$38,700	\$1,740	4.71%
1.5000	11.66	\$6,882.67	\$158.38	2.36%	20.31	\$38,815	\$1,855	5.02%

CIP Shift	Single Family				Condominium				Two Family			
	Rate	Avg Tax Bill	Difference	% Change	Rate	Avg Tax Bill	Difference	% Change	Rate	Avg Tax Bill	Difference	% Change
1.0000	13.54	\$8,202	\$1,269	18.30%	13.54	\$5,134	\$646	14.39%	13.54	\$8,774	\$1,704	24.11%
1.4450	11.87	\$7,190	\$257	3.71%	11.87	\$4,501	\$13	0.28%	11.87	\$7,692	\$622	8.80%
1.4500	11.85	\$7,178	\$245	3.54%	11.85	\$4,493	\$5	0.11%	11.85	\$7,679	\$609	8.62%
1.4550	11.83	\$7,166	\$233	3.36%	11.83	\$4,486	-\$3	-0.06%	11.83	\$7,666	\$596	8.43%
1.4600	11.81	\$7,154	\$221	3.19%	11.81	\$4,478	-\$10	-0.23%	11.81	\$7,653	\$583	8.25%
1.4650	11.79	\$7,142	\$209	3.01%	11.79	\$4,471	-\$18	-0.40%	11.79	\$7,640	\$570	8.07%
1.4700	11.77	\$7,130	\$197	2.84%	11.77	\$4,463	-\$25	-0.56%	11.77	\$7,627	\$557	7.88%
1.4750	11.75	\$7,118	\$185	2.66%	11.75	\$4,456	-\$33	-0.73%	11.75	\$7,614	\$544	7.70%
1.4800	11.73	\$7,105	\$172	2.49%	11.73	\$4,448	-\$41	-0.90%	11.73	\$7,601	\$532	7.52%
1.4850	11.71	\$7,093	\$160	2.31%	11.71	\$4,440	-\$48	-1.07%	11.71	\$7,588	\$519	7.33%
1.4900	11.70	\$7,087	\$154	2.23%	11.70	\$4,437	-\$52	-1.16%	11.70	\$7,582	\$512	7.24%
1.4950	11.68	\$7,075	\$142	2.05%	11.68	\$4,429	-\$59	-1.33%	11.68	\$7,569	\$499	7.06%
1.5000	11.66	\$7,063	\$130	1.88%	11.66	\$4,421	-\$67	-1.49%	11.66	\$7,556	\$486	6.88%

As the Select Board reviews these illustrations and makes their decision - it should keep in mind that the maximum allowable shift in FY23 is 1.50 or a minimum residential factor of .8608

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.

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 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. Bedford is currently the only community adopting an Open Space Discount.

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

C. Residential Exemption

As of FY22 only sixteen of the 351 municipalities in the Commonwealth use the residential exemption. All 16 are located in the Greater Boston area or located on the Cape and the Islands. These are typically metropolitan communities with very high levels of investor owned rental properties or vacation/second home communities with a large percentage of properties which are not owner occupied or used 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 Select Board 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. As of Fy22 only 14 communities have adopted this exemption: Auburn, Avon, Bellingham, Berlin, Braintree, Chelmsford, Dartmouth, Erving, New Ashford, North Attleborough, Seekonk, Somerset, Westford and Wrentham.

(INTENTIONALLY BLANK)

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
-----	--------------------------

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
-----	---------------------

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
---------	--

Industrial

400-452	Manufacturing, Utilities, Mining
---------	----------------------------------

Personal Property

501-552	
---------	--

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
---------	--

Addendum 2 Assessment Classification Report: LA4

DANVERS - 071 2023

Jurisdiction Fiscal Year

Property Type	Parcel Count	Class1 Residential	Class2 Open Space	Class3 Commercial	Class4 Industrial	Class5 Pers Prop
101	6,179	3,742,953,800				
102	1,693	641,973,400				
MISC 103,109	31	33,786,200				
104	441	285,776,900				
105	86	62,836,300				
111-125	90	363,409,700				
130-32,106	187	18,301,400				
200-231	0		0			
300-393	539			977,737,470		
400-442	146				283,751,300	
450-452	0				0	
CH 61 LAND	0	0	0	0		
CH 61A LAND	4	5	0	107,895		
CH 61B LAND	1	0	0	264,300		
012-043	74	34,215,387	0	63,954,619	2,403,950	
501	551					13,436,736
502	558					24,930,313
503	1					26,641
504	3					40,964,764
505	7					19,059,600
506	2					15,243,300
508	5					1,393,323
550-552	0					0
TOTALS	10,603	5,183,253,087	0	1,042,064,284	286,155,250	115,054,677
Real and Personal Property Total Value						6,626,527,298
Exempt Parcel Count & Value					300	846,987,445

Uniform Tax Rate = Tax Levy ÷ Total Assessed Value (non-exempt parcels)

Levy (from Page 5) \$89,744,429 / \$6,626,527,298= 0.0135432 or \$13.54/\$1,000

Addendum 3
Potential CIP Shifts