



Fiscal Year 2022

Tax Classification Hearing

December 6, 2021

Marlborough Board of Assessors

Ellen Silverstein – Chairperson

Jonathan Steinberg – Member

John H. Valade – Member (Principal Assessor)



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FISCAL YEAR 2022

ANNUAL TAX CLASSIFICATION REPORT

City Council

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CLASSIFICATION HEARING DECEMBER 6, 2021

Terminology

The following are definitions of terms frequently used in the discussion of tax rates.

Levy: The tax levy (or levy) is the amount of property taxes to be raised. The total amount of the approved budget less revenues from other sources like motor vehicle excise, municipal fees, and state aid is the amount to be raised from property taxation. In Marlborough, the levy to be raised is reported to the Assessors by the Finance Director. The fiscal year 2022 levy is \$110,772,481.

New Growth Revenue: Property taxes derived from newly taxable properties like new construction, additions, renovations, subdivisions, and personal property.

Levy Limit: Also referred to as the “maximum allowable levy”, the levy limit is calculated by adding 2.5 percent of the previous year’s levy limit plus new growth revenue, and Proposition 2 ½ voted overrides and debt exclusions. The fiscal year 2022 levy limit is \$155,802,418.

Levy Ceiling: The levy ceiling is 2.5 percent of the full value of the city. Based on the Marlborough aggregate valuation of \$6,996,660,789, the City cannot levy taxes more than \$174,916,520.

Excess Levy Capacity: Excess levy capacity is the difference between the actual property tax levy and the levy limit. Marlborough’s tax levy is well below the limit permitted under Proposition 2 ½.

The Fiscal Year 2022 Levy Limit and amount to be raised

The following is a calculation of Marlborough’s levy limit for fiscal year 2022.

| | |
|---------------------------------------|----------------------|
| Fiscal year 2021 levy limit | \$150,058,642 |
| Levy increase allowed under Prop. 2 ½ | 3,751,466 |
| New growth revenue | 1,992,310 |
| Proposition 2 ½ overrides | -0- |
| Levy ceiling | 174,916,520 |
| Fiscal year 2022 levy limit | 155,802,418 |
| Levy to be raised | \$110,772,481 |
| Excess levy capacity | \$45,029,937 |

Valuations by Class before Tax Shift

| <u>Major Property Class</u> | <u>Valuation</u> | <u>Percent</u> | <u>Res vs CIP%</u> |
|-----------------------------|------------------|----------------|--------------------|
| Residential | 4,899,698,776 | 70.0291 | 70.0291 |
| Commercial | 1,157,201,619 | 16.5393 | |
| Industrial | 625,607,054 | 8.9415 | 29.9709 |
| Personal Property | 314,153,340 | 4.4901 | |
| TOTAL | 6,996,660,789 | 100.0000 | |

Board of Assessors Recommendation

After considering the valuations of Marlborough's residential and commercial property, and after examining the current fiscal strength of the city, the Board of Assessors recommends the adoption of a Commercial/Industrial/Personal Property (CIP) shift factor of 1.40, resulting in a residential tax rate of \$13.12 and a CIP tax rate of \$22.17.

Tax Rates

Based on the above shift factor, the Board of Assessors has calculated the following tax rates needed to raise the tax levy:

| <u>Property Class</u> | <u>FY2021</u> | <u>FY2022</u> |
|-----------------------|---------------|---------------|
| Residential | 13.80 | 13.12 |
| Commercial | 24.47 | 22.17 |
| Industrial | 24.47 | 22.17 |
| Personal Property | 24.47 | 22.17 |

Note that these rates are estimates only and may change upon Department of Revenue review. Were Marlborough not to shift taxes, the uniform tax rate for all properties would be \$15.83 per \$1,000 valuation.

Tax Impacts

Marlborough's single-family homeowners are benefitting from increased property values. Price appreciation in the year leading up to fiscal year 2022 (calendar year 2020) ran about 6.5 percent. Other residential property classes, including condominiums and multi-family apartment buildings, have experienced market appreciation. This increase in property values has been captured in revised assessed valuations that will appear in January's tax bills.

It is recommended that the CIP shift factor be reduced from 1.43 to 1.40 to minimize a tax increase borne by the residential class and decrease the gap between the residential and CIP tax rates. Certain classes of property saw a more significant increase, specifically residential rental properties, due to demand and general market conditions. Average commercial values increased minimally, while the average industrial valuation decreased slightly. This is primarily due to a decrease in demand for these types of properties and a decrease in expansion and new development of these classes during a difficult and challenging business climate due to the COVID pandemic.

Examples of Average Tax Changes:

| <u>Property Type</u> | <u>FY22 Value</u> | <u>Avg. Tax</u> | <u>FY21 Value</u> | <u>Avg. Tax</u> | <u>Avg. Tax Change</u> | <u>% Change</u> |
|----------------------|-----------------------|---------------------|-----------------------|---------------------|----------------------------|---------------------|
| Single-Family Homes | \$431,183 | \$5,657 | \$404,682 | \$5,585 | \$72 | 1.29% |
| Condominiums | \$247,401 | \$3,246 | \$237,066 | \$3,272 | -\$26 | -0.80% |
| 2-Family Homes | \$412,960 | \$5,418 | \$352,239 | \$4,861 | \$557 | 11.46% |
| 3-Family Homes | \$467,698 | \$6,136 | \$420,902 | \$5,808 | \$328 | 5.65% |
| Commercial | \$2,120,513 | \$47,012 | \$2,103,679 | \$51,477 | -\$4465 | -8.67% |
| Industrial | \$2,404,974 | \$53,318 | \$2,501,432 | \$61,210 | -\$7892 | -12.89% |

Recommendations

The Board of Assessors recommends that the City Council adopt a Fiscal Year 2022 residential shift factor of 0.8288 with a corresponding CIP shift of 1.40, producing a residential tax rate of \$13.12 and CIP tax rate of \$22.17. Final tax rates are subject to Department of Revenue approval.

Voting a Tax Shift Factor

The Marlborough City Council votes in accordance with M.G.L., Ch. 40, Sec. 56, as amended, the percentage of local tax levy which will be borne by each class of real and personal property, relative to setting the Fiscal Year 2022 tax rates, and sets the Residential Factor at 0.8288 with a corresponding CIP shift of 1.40, pending approval of the City's annual tax recap by the Massachusetts Department of Revenue.