



# City of Cambridge

O-1  
AMENDED ORDER  
**IN CITY COUNCIL**  
October 20, 2014

COUNCILLOR TOOMEY

ORDERED: That the City Manager be and hereby is requested to confer with the Assistant City Manager of Finance to discuss the feasibility of introducing the following Homerule Petitions;

1. An increase to the residential exemption;
2. a Tax credit for benevolent landlords; and
3. A property transfer tax for those coming to Cambridge to speculate on land and report back to the City Council;

and be it further

ORDERED: That these matters be referred to the Finance Committee.

In City Council October 20, 2014  
Adopted as amended by the affirmative vote of nine members.

Attest:- Donna P. Lopez, City Clerk

A true copy;

A handwritten signature in cursive script that reads "Donna P. Lopez".

ATTEST:-

Donna P. Lopez, City Clerk

**REFERRED TO THE FINANCE COMMITTEE**



# City of Cambridge

O-1  
ORIGINAL ORDER  
**IN CITY COUNCIL**  
October 20, 2014

COUNCILLOR TOOMEY

ORDERED: That the City Manager be and hereby is requested to confer with the Assistant City Manager of Finance to discuss the feasibility of introducing a Homerule Petition requesting an increase to the residential exemption and to report back to the City Council.

---



---

**CAMBRIDGE BUDGET OFFICE**

---



---

**TO:** RICHARD C. ROSSI  
**FROM:** JEANA FRANCONI AND LOUIE DEPASQUALE  
**SUBJECT:** DISCRETIONARY FUNDS  
**DATE:** DECEMBER 31, 2014

In response to Policy Order 0-8 from September 22, 2014 regarding discretionary funds and their inclusion in the City Council budget, I would like to report the following:

The three cities mentioned in the Order are New York NY, Providence RI, and Buffalo NY. All three have similar discretionary fund policies and procedures that are based on those of the New York Assembly.

All three cities use discretionary funds to solely support not-for-profit organizations; specifically programming that will benefit the community. City procurement rules must be followed. Every organization is required to fill out an application that is approved by Council. The application must include a detailed plan for the use of funds, list of board members, contact information, tax identification numbers, and verification of non-profit status. A conflict of interest form must also be completed.

These stringent policies were adopted to provide communities with more accountability and transparency because of past misuse of funds. Previous findings include: organizations not using funds for the purpose intended; vaguely written contracts to allow agencies to use funds for anything; excessive food tabs; and the set up of phony organizations. Another area noted was Council personalities clashing and voting down other Councilor's funding requests.

Providence RI	Discretionary Funds: \$139,000 Total Budget: \$678.4 million	\$40,000 for Council \$99,000 for the Mayor	Not-for-profits exclusively for Council funds. Organizations are capped at \$1,000.
Buffalo, NY	Discretionary Funds \$1,080,000 Total Budget: \$504.5 million	Council at Large	Not-for-profits exclusively.
New York, NY	Discretionary Funds \$20,400,000 Total Budget: \$73.9 billion	\$400,000 per Councilor	Not-for-profits exclusively. Additional funding is available for poverty districts. A majority of the Council's funding is allocated to specific non profits and adopted at the time of the budget.

In paragraph four of the Order, it states that discretionary funds “would allow for funding of research, one time implementation, urgent technology initiatives, emergency safety measures, more comprehensive community responses to tragedy, and infrastructure improvements.”

We need to be mindful of the legality of expenditures under the State constitution’s Anti-aid amendment: Article 46, Section 2, which provides in part the following:

*No grant, appropriation or use of public money or property or loan of credit shall be made or authorized by the Commonwealth or any political subdivision thereof for the purpose of founding, maintaining or aiding any infirmary, hospital, institution, primary or secondary school, or charitable or religious undertaking which is not publicly owned and under the exclusive control, order and supervision of public officers or public agents.*

When City Council priorities are presented, the City Manager addresses them by two methods of financing: Free Cash and increasing departmental budgets. Free Cash allows for flexibility in spending as soon as a City Council priority arises. The City Manager also permits departmental operating budgets to grow. If it is the City Council’s intention to add an initiative, the City Manager respectfully considers it. Examples of this collaboration include Participatory Budgeting and increased funding to the Cambridge Economic Opportunity Committee and Greater Boston Legal Services.

By using Free Cash and increasing departmental budgets, the City is appropriately funding the priorities of the City Council while maintaining a strong fiscal position, reasonable tax rate and high level of service to Cambridge residents.



# CITY OF CAMBRIDGE

City Hall, 795 Massachusetts Ave., Cambridge, MA 02139  
Tel.: 617-349-4343 Fax: 617-349-4357

Assessing Department

*Robert P. Reardon*  
Director of Assessment

*Andrew J. Johnson*  
Assessor

---

## MEMORANDUM

---

TO: Richard C. Rossi, City Manager

FROM: Robert P. Reardon   
Louis DePasquale, Assistant City Manager for Finance 

SUBJECT: Finance Committee Meeting

DATE: January 6, 2015

---

The Board of Assessor has reviewed the agenda for the City Council Finance Committee public hearing, scheduled for January 7, 2015, about the feasibility of introducing Home Rule Petitions regarding an increase to the residential exemption, a tax credit for benevolent landlords and a property transfer tax for those coming to Cambridge to speculate on land.

### Home Rule Petitions to Increase the Residential Exemption

Currently the City of Cambridge, at the option of the City Council, offers an exemption of 30% of the average assessed value of all Class One, residential parcels. The residential exemption is applied to residential parcels that are the principal residence of taxpayer as of prior January first for the following fiscal year. The intent of the exemption is to promote owner occupancy and for the purpose of this exemption, the principal residence is the address from which the Massachusetts Income tax return is filed. The Residential Exemption is a dollar amount of value that is exempt from taxation. For example, in Fiscal Year 2015, a home valued at \$500,000 and eligible for a Residential Exemption would have had \$239,500 deducted from the property's assessed value. This saved qualified homeowners \$1,872.89 on their tax bill. Each property regardless of the assessed value receives the same residential exemption amount. The residential exemption only impacts residential properties within the City and has no impact on the commercial, industrial or personal property taxes. The residential tax rate is increased to accommodate the revenue needed to allow for the residential exemption. In Cambridge the residential tax rate would have been \$6.36 per thousand without a residential exemption as opposed to the \$7.82 with the 30% residential exemption. The residential exemption shifts real estate not only to non owner occupied residential

property, but also from lower value homes to higher value homes because the residential exemption is the same amount for all properties. The Residential Exemption is in addition to any other exemption that a taxpayer may be entitled. In no event, however, may any parcel of real estate be assessed for less than ten percent of its fair cash value. This Residential Exemption credit is applied to the first half tax bill or up to 90 days after the tax bill is issued by property owners who file a qualified Residential Exemption Application.

An increase in the residential exemption to 35% would benefit lower value owner occupied residential properties provided that they pay a minimum of 10% of their property tax bill. It would also further shift the residential tax levy to higher valued residential properties which would include apartment buildings. Given the current economic conditions many two, three and four family homes would also be adversely impacted. The shift in these taxes to apartment buildings would more than likely result in higher rents which would be opposite of the intent of the residential tax exemption making Cambridge more affordable. In the past three years approximately 74% of taxpayers have paid less than \$100 or have not had a tax increase as shown in the attached chart. While it is not recommend that a higher residential exemption be adopted at this time an annual review will be conducted to see if a future change in the residential exemption would be beneficial.

#### Home Rule Petitions for a Tax Credit for Benevolent Landlords

Currently there is nothing in the Massachusetts General Laws which provides a real estate tax credit for home owners who choose to offer below market rents to tenants on the local level. In order to implement such a tax credit program guidelines would need to be established in order to potentially implement any tax credit program. The Board of Assessors believes that the following requirements at a minimum would need to be part of any potential legislation.

- 1) Establish a maximum rent allowable to be considered a benevolent landlord such as those established by HUD for affordable housing.
- 2) Establish a means test for those taking advantage of the benevolent landlord rents to ensure affordable rents are being given to those in need of assistance.
- 3) Require that all benevolent landlord transaction be arm's length in nature and not between related parties.
- 4) Annual application process which includes necessary compliance measures to ensure proper documentation to support the issuance of tax credit from both benevolent landlord and tenant benefiting from below market rent.
- 5) Allow a tax credit only for full year occupancy at below market rental.

Although it would be nice to provide a tax credit for benevolent landlords for providing below market rents it does not appear to a program could be implemented to meet the desired outcome without major administrative requirements for the City, taxpayers and tenants. It could be expected that a major legislative initiative such as a tax credit would require more than a Home Rule Petition to be implemented and therefore difficult to pass the Massachusetts Great and General Court. Given that the likelihood of success would be

doubtful, it is therefore not recommended that the City seek a Home Rule Petition on this issue.

### Home Rule Petitions for a Property Transfer Tax for Land Speculation

Currently there is nothing in the Massachusetts General Laws which provides for a Property Transfer Tax for Land Speculation. Property Transfer Taxes are typically collected as part of the deed recording by the county registry of deeds which are under the jurisdiction of the Commonwealth of Massachusetts in Middlesex County. Deeds that are filed at the registry pay a recording fee of \$125.00 as well as State Excise Stamp Tax of \$2.28 per each \$500.00 or portion thereof based upon the stated value of the property being transferred. Any potential legislation would need to explore the manner in which any additional levy would be collected.

Another potential issue would be the difficulty in defining "Land Speculation". Given the fact that most real estate development within the City of Cambridge is not typically raw land, but the reuse of existing properties it would make "Land Speculation" almost impossible to determine at the time of transfer. A property transfer tax imposed upon transfer it could potentially harm development efforts of quality projects or unnecessary delay developments which may be beneficial to the community. Any "Land Speculation" would need to have a time limit upon when redevelopment is planned to be subject to the transfer tax and could make developers delay until the time limit expires. Given the difficulty in defining "Land Speculation" it does not appear that a Home Rule Petition would have the desirable result of stopping land speculation and could cause more harm than good by having less public discussion of potential projects. It could be expected that a major legislative initiative such as a "Property Transfer Tax" would require more than a Home Rule Petition to be implemented and therefore difficult to pass the Massachusetts Great and General Court. Given that the likelihood of success would be doubtful, it is therefore not recommended that the City seek a Home Rule Petition on this issue.

City of Cambridge					
5 Year Tax Levy					
	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
<b>Tax Levies</b>					
Residential	98,125,671	103,348,315	109,529,460	113,530,437	118,044,944
Commercial	185,836,028	195,742,323	207,418,310	215,014,508	223,400,511
Total	283,961,699	299,090,638	316,947,770	328,544,945	341,445,455
<b>Levy Increase</b>	15,298,715	15,128,939	17,857,132	11,597,175	12,900,511
<b>% Increase</b>	5.69%	5.33%	5.97%	3.66%	3.93%
Percentage of taxpayers paying reduction/no change/increase of less than \$100	51.7%	63.9%	74.9%	74.1%	72.3%

City of Cambridge

*Richard C. Rossi • City Manager*



Executive Department

*Lisa C. Peterson • Deputy City Manager*

December 31, 2014

To the Honorable, the City Council:

I respectfully do not recommend the City take further action on the following items:

- Discretionary funds;
- Home Rule petition to increase to the residential exemption from 30% to 35%;
- A tax credit for benevolent landlords; and
- A property transfer tax for those coming to Cambridge to speculate on land

Please read the following attachments for further justification.

Very Truly Yours,

A handwritten signature in cursive script that reads "Richard C. Rossi".

Richard C. Rossi  
City Manager