

FY 2009 Property Tax Update



★ A NEWSLETTER FROM THE CITY OF CAMBRIDGE ★ EXECUTIVE DEPARTMENT ★

Dear Residents and Taxpayers of Cambridge:

Fiscal Year 2008 was another strong year financially for the City of Cambridge. The City's excess levy capacity and free cash increased, actual revenues exceeded projections, and the total assessed value of property in Cambridge increased. In May, the City Council adopted a FY09 budget that projected a property tax levy increase of 5.7%. At that time, I informed the City Council that an actual tax levy increase was likely to be less, based on potential changes in state aid that would be available once the State finalized its FY09 budget and anticipated additional non-property tax revenues that would be available based on FY08 actual collections. These assumptions proved correct. Therefore, the City has elected to use an additional \$1.2 million in non-property tax revenues to reduce the amount to be raised through the property tax levy.

As a result, the actual FY09 property tax levy of \$254,945,578 reflects a \$12,611,204, or 5.2% increase from FY08. The four-year average increase of the property tax levy is only 3.4%. The property tax levy is the amount of revenue raised through property taxes in a given year.

Based on the votes taken by the City Council on October 6, 2008 the Massachusetts Department of Revenue has established a residential tax rate of \$7.56 per thousand of value and a commercial tax rate of \$17.97 per thousand of value. These rates reflect an increase from last year of \$0.20, or 2.7% for residential and \$0.73, or 4.2% for commercial. Residential taxpayers benefited from an increase in commercial real estate values and new construction. This year, commercial taxpayers will pay 65% of the total property tax levy, which is an increase from 64.8% in FY08.

For the fourth year in a row, a large majority of residential taxpayers will see either a reduction, no increase or an increase of less than \$100 in their tax bill. For FY09, approximately 85.3% of residential taxpayers will see a reduction,

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bill. In fact, about 27.1% will see a reduction in their tax bill. An additional 58.2% will see either no change or an increase of less than \$100. The tables on the following page illustrate the changes in the median tax bills.

In addition, the City has appropriated \$8 million from free cash to the City's Debt Stabilization Fund to offset anticipated debt service costs in future years for the City's major capital projects, which include the Main Library, Public Safety Facility, West Cambridge Youth and Community Center, War Memorial and CRLS High School. These facilities, most of which are nearing completion, will serve our residents for decades to come. These accomplishments are remarkable, given the fiscal challenges facing many cities and towns in the Commonwealth. This appropriation has and will continue to help stabilize tax levy increases related to these projects in future years.

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

Once again this year, the City's Assessing Department is offering taxpayer assistance meetings. Please see the back cover of this brochure for dates, times and locations. 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,

ROBERT W. HEALY, CITY MANAGER

Assessment Update

FY09 values are based on market activity that occurred during calendar year 2007, during which the overall valuation of the City's residential property increased by a modest 1.6% and the overall valuation of commercial property increased by 1.2%. It is important to note that while the overall total residential assessed value increased in FY09 due to new construction, assessed values of most existing homes decreased.

The commercial market has not only stabilized but has continued to show an increase in rental rates and a decrease in commercial vacancies. The major component of the increased commercial value, however, continues to be new construction of life science buildings and the personal property associated with these developments.

For several years prior to FY06, escalating residential values outpaced increases in commercial value, resulting in a shift of the tax burden from commercial to residential property owners. However, in FY06, this trend reversed. In FY09, the continued strong commercial market, coupled with a slight decrease in most residential property values, resulted in a further shift of the tax burden from residential taxpayers to commercial taxpayers for the fourth year in a row.

To review assessed values of homes as compared to sales data, visit the City's web-based property database at www.cambridgema.gov/assessor.

The table below illustrates the change in median tax bills between FY08 and FY09 for residential taxpayers. 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

	FY08 Median Value	FY08 Tax Bill*	FY09 Median Value	FY09 Tax Bill*	Dollar Change	Percent Change
SINGLE FAMILY	\$664,750	\$3,405	\$656,800	\$3,445	\$40	1.2%
CONDOMINIUM	\$366,000	\$1,206	\$363,050	\$1,224	\$18	1.5%
TWO FAMILY	\$664,900	\$3,406	\$654,900	\$3,430	\$24	0.7%
THREE FAMILY	\$748,200	\$4,019	\$742,300	\$4,091	\$72	1.8%

* Includes Residential Exemption

The table below illustrates how approximately 85.3% of residential taxpayers will see a reduction, no change or an increase of less than \$100.

CHANGE IN THE RESIDENTIAL TAX BILLS*

CHANGE IN TAX PAYMENT	NUMBER OF PARCELS	PERCENTAGE
LESS THAN \$0 (TAX DECREASE)	5,351	27.1%
GREATER THAN \$0 BUT LESS THAN \$100	11,456	58.2%
GREATER THAN \$100 BUT LESS THAN \$250	1,649	8.4%
GREATER THAN \$250 BUT LESS THAN \$500	664	3.4%
GREATER THAN \$500	575	2.9%
TOTALS	19,695	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 adopted by the City Council, there is 5.2% increase in the property tax levy required to balance the FY09 Budget. The property tax levy for FY09 is \$254,945,578.

PROPERTY VALUES: FY09 values are based on market activity from January 1, 2007 through December 31, 2007. Most residential values declined slightly from the prior year.

THE COMMERCIAL-RESIDENTIAL PROPERTY TAX CLASSIFICATION: Because commercial values increased again and residential values moderated, the share of property taxes paid by commercial taxpayers increased from 64.8% to 65.0%. The residential share decreased from 35.2% to 35.0%.

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 FY09 values, the Assessing Department reviewed all valid sales that occurred between January 1, 2007 and December 31, 2007. 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?

Annually, the Massachusetts Department of Revenue (DOR) performs a statistical analysis of the City’s property values. Additionally, every three years the DOR conducts a comprehensive analysis of the City’s appraisal system and reviews property values to ensure that they represent full and fair market values. In FY08, the City’s assessing model was certified by the DOR after a rigorous review as part of its triennial analysis.

★ 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 Assessing Overvaluation Abatement form is available under “Online Services, City Permits and Applications.”

About the City Budget

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

Yes. The City, on average, has used \$12.3 million in reserve funds 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 FY09 is \$92.7 million.

★ WHAT IS FREE CASH?

Free cash is a community’s undesignated fund balance 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.

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 and April 1st of each year, please contact the City's Finance Department via telephone at 617 349 4220 or via email 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 is age 65 or older, you may qualify for a tax exemption of up to \$2,000. Exemptions also are available for disabled veterans and for persons who are legally blind. 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, 2008. The property is legally assessed and billed to the owner as of January 1. We make every effort to get new owner address changes into our system; however, sometimes it is several months before we receive 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 also may 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, 2008. 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 90 days 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 "Online Services, City Permits and Applications." You do not need to reapply each year. The Cambridge City Council has elected to use the highest allowable exemption of 30%, which for FY09 is \$201,161, which reduces the owner-occupied homeowner's taxes by \$1,520.78.

★ 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 "Online Services, City Permits and Applications."

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

The CPA is a property tax surcharge of 3 percent. Cambridge residents voted to adopt the Community Preservation Act (CPA) in 2001. 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. The City has received \$33.9 million in State matching funds through FY08 and expects to receive an additional \$4.2 million in FY09.

★ IS TAX BILL INFORMATION AVAILABLE ONLINE?

Yes. You may view your real estate tax, personal property tax, motor excise tax and water bills online at www.cambridgema.gov. Click on Pay Bills Online. The City accepts online credit card payments for motor excise tax and water bills. Online payments for real estate and personal property tax bills are not accepted at this time.

★ I RECENTLY BOUGHT A NEW CONDOMINIUM. THE FY09 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 send a check for your portion to the City of Cambridge Tax Collector's Office.

How To Read Your Tax Bill

<i>City of Cambridge</i>			Fiscal Year 2009 Real Estate Bill			
Tax Rate Per \$1000	Res: \$7.56	Com: \$17.97	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 Area: 3250 sq. ft.			Residential	\$506,970	Res. Tax	\$3,832.69
			Commercial		Com. Tax	
			Total Value:	\$506,970	CPA	\$92.30
			Residential Exemption:	\$201,161	Betterments/Liens	
			Betterments/Liens		Exemptions/Abatements	(\$1,566.40)
JOHN SMITH 123 MAIN ST CAMBRIDGE MA 02139			Water Lien	\$0	Total Due FY 2009	\$2,358.59
			Sewer Lien	\$0	1 st Payment Due Nov 2008	\$1,179.30
			Total	\$0	2 nd Payment Due May 2009	\$1,179.29
					Amount Now Due	\$1,179.30

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 internal 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)
- **Area:** Square footage of the land. For condominiums, the square footage represents living area.

REAL ESTATE VALUES

- **Residential, Commercial:** The value of your property as of January 1, 2008.
- **Total Value:** The sum of residential and commercial value.
- **Residential Exemption:** An exemption granted to owners who occupy their property as the primary residence. The FY09 exemption is \$201,161.

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, 2008.

REAL ESTATE TAXES AND CHARGES

- **Res. Tax:** Taxes due on residential property.
- **Com. 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 residential exemption reduces a homeowner's taxes by \$1,520.78 and the CPA by \$45.62. The total reduction is \$1,566.40.

Abatement applications are due on the bill due date. Download an application form from the City's website at www.cambridgema.gov (Online Services, City Permits and Applications) or telephone the Assessing Department at **617 349 4343**.

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 Cambridge 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 2008

Tax Bills Mailed

NOVEMBER 2008

Tax Bills Due

Abatement Applications Due

JANUARY 2009

Exemption Applications Due

Taxpayer Assistance Schedule

NOVEMBER 5, 2008

10:00am - 12:00pm,

No. Cambridge Senior Center, 2050 Mass. Ave.

NOVEMBER 6, 2008

2:00pm - 4:00pm,

Citywide Senior Center, 806 Mass. Ave.

NOVEMBER 12, 2008

10:00am - 12:00pm,

Valente Branch Library, 826 Cambridge St.

NOVEMBER 13, 2008

10:00am - 12:00pm,

O'Connell Branch Library, 48 Sixth St.

NOVEMBER 18, 2008

3:00pm - 5:00pm,

Collins Branch Library, 64 Aberdeen Ave.

NOVEMBER 19, 2008

3:00pm - 5:00pm,

Main Library/Longfellow, 359 Broadway

www.cambridgema.gov

★ NEWSLETTER # 2 ★

www.cambridgema.gov

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Cambridge, Massachusetts 02139

795 Massachusetts Avenue

City of Cambridge

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