LEGAL NOTICE

TOWN OF READING

To the Inhabitants of the Town of Reading:

Notice is hereby given that a public hearing will be held in accordance with the Massachusetts General Laws, Chapter 369 of the Acts of 1982 on the issue of determining a residential factor in assessing the percentage of tax burden to be borne by each class of property for Fiscal Year 2015. The hearing will be held on Tuesday, October 28, 2014 at 7:30 p.m. in the Selectmen's Meeting Room, 16 Lowell Street, Reading, MA. The five classes of property involved are residential, open space, commercial, industrial and personal property.

A copy of the proposed document regarding this topic is available in the Town Manager's office, 16 Lowell Street, Reading, MA, M-W-Thurs from 7:30 a.m. - 5:30 p.m., Tues from 7:30 a.m. - 7:00 p.m. and is attached to the hearing notice on the website at www.readingma.gov

All interested parties are invited to attend the hearing, or may submit their comments in writing or by email prior to 6:00 p.m. on October 28, 2014 to townmanager@ci.reading.ma.us

By order of
Robert W. LeLacheur
Town Manager

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FY 2015 Classification Information

Presented by the Reading Board of Assessors

October 28, 2014

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Required Actions by BOS

- Selection of a Minimum Residential Factor.
- Selection of a Discount for Open Space.
- Granting of a Residential Exemption.
- Granting of a Small Commercial Exemption.

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Minimum Residential Factor

- Reading has never adopted a split tax rate.
- The MRF will be 1.
- The anticipated tax rate is $58,829,894 / $3,999,637,753 = 0.01471 x 1000 = $14.71
- Single Tax Rate $14.71 est.

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The average single family home value for FY 2015 is **$464,200**.
The table below summarizes the anticipated FY 2015 average tax bill amounts at various shift intervals.

CIP SHIFT	MRF	RES %	RES TAX RATE	EST 2015 BILL
1	100	91.4360	$14.71	$6,828
1.1	99.0634	90.5796	$14.57	$6,763
1.2	98.1268	89.7232	$14.43	$6,698
1.3	97.1902	88.8668	$14.30	$6,638
1.4	96.2536	88.0104	$14.16	$6,573
1.5	95.3169	87.1540	$14.02	$6,508

5 of 5

Average single family tax bill history from 2003 to present.

Fiscal Year	Single Family Assessed Values	Single Fam Parcel	Single Family Avg Value	Residential Tax Rate	Avg Single Family Tax Bill	Percent Change
2003	2,295,207,400	6,473	354,582	11.49	4,074	
2004	2,532,435,800	6,470	391,412	12.23	4,787	17.50%
2005	2,722,599,400	6,483	419,960	12.57	5,279	10.28%
2006	2,912,273,100	6,490	448,732	12.08	5,421	2.69%
2007	2,994,759,900	6,487	461,656	12.07	5,572	2.79%
2008	2,933,909,900	6,490	452,066	12.6	5,696	2.23%
2009	2,882,787,600	6,501	443,438	13.21	5,858	2.84%
2010	2,816,270,800	6,505	432,939	13.75	5,953	1.62%
2011	2,880,796,500	6,508	442,655	13.8	6,109	2.62%
2012	2,895,475,600	6,514	444,500	14.15	6,290	2.96%
2013	2,816,675,700	6,516	432,300	14.94	6,459	2.68%
2014	2,910,595,200	6,524	446,100	14.74	6,575	1.76%
2015	3,030,663,500	6,528	464,250	14.71	6,828	3.70%

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The average commercial property valuation for FY 2015 is **$1,449,700.**
The table below summarizes the anticipated FY 2015 average commercial tax bill amounts.

CIP SHIFT	MRF	CIP %	CIP TAX RATE	EST 2015 BILL
1	100	8.5640	$14.71	$21,325
1.1	99.0634	9.4204	$16.18	$23,456
1.2	98.1268	10.2768	$17.65	$25,587
1.3	97.1902	11.1332	$19.12	$27,718
1.4	96.2536	11.9896	$20.59	$29,849
1.5	95.3169	12.8460	$22.06	$31,980

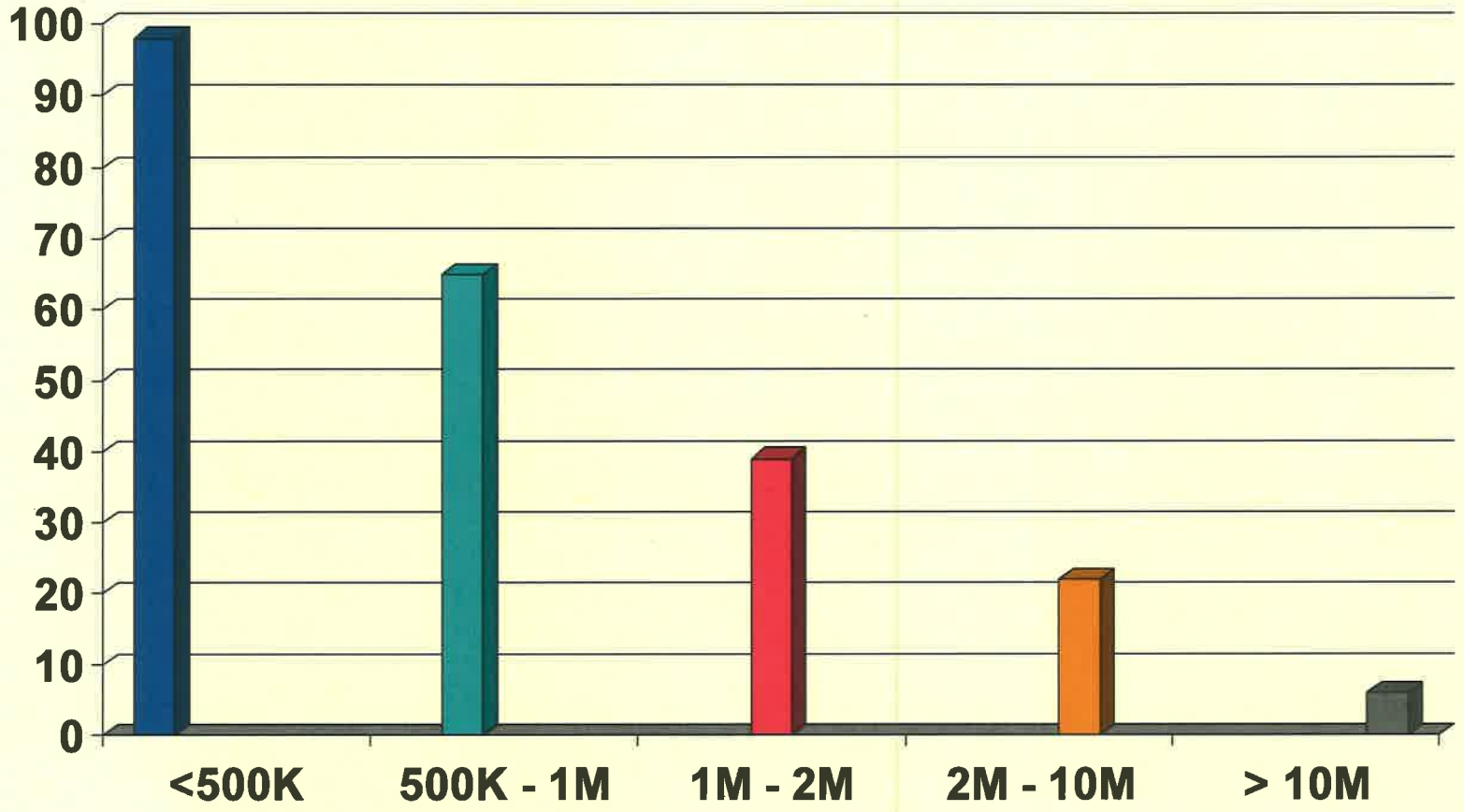
Sec 1

Commercial Property Value Breakdown for FY 2014

97 properties < $500K **66 from $500K - $1M**

39 from $1m to 2M **23 from 2M to 10M**

6 Properties above $10M



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Average commercial tax bill history from 2003 to present.

Fiscal Year	Total Commercial Value	Comm. Parcels	Average Commercial Value	Tax Rate	Average Commercial Tax Bill	Percent Change
2003	156,623,500	175	$894,991	11.49	10,283	
2004	155,560,000	176	$883,864	12.23	10,810	5.12%
2005	186,339,900	178	$1,046,853	12.57	13,159	21.73%
2006	219,005,200	179	$1,223,493	12.08	14,780	12.32%
2007	236,516,816	198	$1,194,529	12.07	14,418	-2.45%
2008	256,582,400	203	$1,263,953	12.6	15,926	10.46%
2009	262,919,463	206	$1,276,308	13.21	16,860	5.87%
2010	270,816,033	205	$1,321,054	13.75	18,164	7.74%
2011	319,506,376	204	$1,566,208	13.8	21,614	18.99%
2012	320,481,055	205	$1,563,322	14.15	22,121	2.35%
2013	300,063,400	199	$1,507,900	14.94	22,527	1.84%
2014	285,068,700	198	$1,439,700	14.76	21,221	-5.7%
2015	284,141,800	196	$1,449,700	14.71	21,325	.488%

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Discount for Open Space

- MGL C59, sec 2A defines class 2 open space as: "land which is not otherwise classified and which is not taxable under provisions of Chapters 61A or 61B, 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."

- An exemption of up to 25% could be adopted for property classified as Class 2 Open Space.

- Reading has never adopted a discount for Class 2 Open Space.

5 of 10

Residential Exemption

- BOS may adopt a Residential Exemption for residential properties in town that are owner occupied.
- Amount up to 20% of the average assessed value of ALL residential properties, including vacant land.
- Adopting this would raise the residential tax rate to $17.82 from the $14.71 est. This would apply to all residential properties before the exemption which is estimated to be approx. $1,575 off for all owner occupied residential properties. The est. break-even point is $468,600 and a tax amount of $6,760.
- Adopted by only 13 communities including Boston, Chelsea, Cambridge & Waltham.
- Since the shift is only in the res class, higher valued homes will pay for the exemption to those homes of lower value.

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Small Commercial Exemption

- Up to 10% of prop value for commercial properties only. (No industrial or personal property).
- Total Property Value less than $1,000,000
- Not more than 10 employees as certified by the Dept. of Employment & Training.
- One business in a building of several would qualify only if all other businesses qualified.
- Exemption goes to the real estate owner and not the business owner.
- Less than a dozen communities in the Commonwealth have adopted this exemption.

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Neighboring Communities / FY 2014

Community	Res%	Split	Shift	Avg. S. F. Tax Bill	Tax Rate /$1000 RES / CIP
Lynnfield	90.80	Yes	1.11	$7,810	14.77 / 16.59
No. Reading	86.40	No	1.0	$7,464	16.43
Stoneham	88.50	Yes	1.52	$5,297	13.49 / 22.00
Wakefield	84.10	Yes	1.75	$5,161	12.78 / 26.07
Wilmington	75.30	Yes	1.75	$5,102	14.24 / 33.04
Woburn	69.20	Yes	1.75	$3,571	10.44 / 27.41
READING	90.9	No	1.0	$6,576	14.74

Only Lynnfield & Reading have a CIP sector less than 10%.

5 of 3

Middlesex League / FY2014

Community	Res%	Split	Shift	Avg. S.F. Tax Bill	Tax Rate / $1000 RES / CIP
Arlington	93.9	No	1.0	$7,099	13.79
Belmont	94.4	No	1.0	$10,566	13.50
Burlington	63.8	Yes	1.67	$4,652	12.00 / 32.24
Lexington	86.6	Yes	1.70	$11,481	15.51 / 29.56
Melrose	93.7	Yes	1.36	$5,383	13.28 / 18.51
Stoneham	88.5	Yes	1.52	$5,297	13.49 / 22.00
Wakefield	84.1	Yes	1.75	$5,161	12.78 / 26.07
Watertown	80.7	Yes	1.75	Res Ex	14.96 / 27.96
Wilmington	75.3	Yes	1.75	$5,102	14.27 / 33.04
Winchester	94.6	Yes	1.0	$10,195	12.66 / 11.91
Woburn	69.2	Yes	1.75	$3,571	10.44 / 27.41
READING	90.9	No	1.0	$6,576	14.74

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Largely Residential Comparable Communities
Fiscal Year 2014 Data

Community	Res%	Split	Shift	Avg. S.F. Tax Bill	Tax Rate / $1000 RES / CIP
Arlington	93.9	No	1.0	$7,099	13.79
Belmont	94.4	No	1.0	$10,566	13.50
Concord	90.6	No	1.0	$12,249	14.45
Lincoln	96.3	Yes	1.30	$13,742	14.41 / 18.95
Lynnfield	90.8	Yes	1.11	$7,810	14.77 / 16.59
Melrose	93.7	Yes	1.36	$5,383	13.28 / 18.51
Milton	95.9	Yes	1.50	$7,740	14.99 / 22.97
Sudbury	93.3	Yes	1.35	$11,544	18.03 / 24.94
Wakefield	84.1	Yes	1.75	$5,161	12.78 / 26.07
Winchester	94.6	Yes	1.0	$10,195	12.66 / 11.91
READING	90.9	No	1.0	$6,576	14.74

Reading had the third lowest average single family tax bill of those listed.
All communities except Wakefield had a 1.5 shift capacity.

Community	Res %	Split	Shift	Avg. S.F. Tax Bill	Tax Rate / $1000 RES / CIP
Andover	80.20	Yes	1.47	$8,343	15.18 / 25.26
Bedford	79.60	Yes	1.75	$8,461	15.71 / 34.04
Belmont	94.40	No	1.0	$10,566	13.50
Burlington	63.80	Yes	1.67	$4,652	12.55 / 32.24
Canton	76.50	Yes	1.65	$5,805	12.87 / 26.53
Danvers	73.40	Yes	1.27	$5,215	14.85 / 20.90
Dedham	79.80	Yes	1.75	$6,217	16.08 / 34.72
Lynnfield	90.80	Yes	1.11	$7,810	14.77 / 16.59
Mansfield	75.90	Yes	1.21	$5,628	15.77 / 20.45
Marshfield	93.70	No	1.0	$5,002	13.29
Milton	95.90	Yes	1.5	$7,740	14.99 / 22.97
Natick	77.00	No	1.0	$6,459	14.18
North Reading	86.40	No	1.0	$7,434	16.43
North Andover	86.80	Yes	1.29	$6,738	14.41 / 19.45
Shrewsbury	86.70	No	1.0	$4,483	12.17
Stoneham	88.50	Yes	1.52	$5,297	13.49 / 22.00
Tewksbury	80.90	Yes	1.47	$5,066	16.11 / 26.64
Wakefield	84.10	Yes	1.75	$5,161	12.78 / 26.07
Walpole	86.00	Yes	1.275	$6,405	15.76 / 21.04
Westborough	63.50	No	1.0	$8,134	19.29
Westford	84.80	No	1.5	$7,312	16.60 / 16.83
Wilmington	75.30	Yes	1.75	$5,102	14.24 / 33.04
Winchester	94.60	No	1.0	$10,195	12.66 / 11.91
READING	90.90	No	1.0	$6,576	14.74

5 of 6

ADDITIONAL CLASSIFICATION NOTES

The information contained in this handout is intended to provide the Board of Selectmen with the information necessary to conduct a public hearing on the classification options available under Massachusetts General Law. The classification amendment allows the board to consider several options that will be explained further along in this handout. Also, the decision of the board for each of the options must be submitted to the state's Department of Revenue on form LA-5.

The options presented for consideration are:

- Selection of a Minimum Residential Factor
- Selection of a discount for Open Space
- Granting of a Residential and / or Small Commercial Exemption

Selection of a Residential Factor

The Board of Selectmen has the option of selecting a factor of '1' which in effect would adopt a single tax rate for all residential, commercial, industrial and personal property classes instead of shifting some of the tax burden off of the residential class and onto the CIP class. If a factor of '1' were to be adopted, the single tax rate for all classes of property would be $14.71. This rate is determined by dividing the tax levy by the total value of all taxable property in Reading and then multiplying that result by 1000.

$3,999,637,753 / $58,829,894 = .01471 x 1000 = $14.71

Chapter 200

In accordance with the provisions of MGL Chapter 200, The Board of Selectmen can choose to split the tax rate by shifting some of the tax burden from the residential class to the CIP classes of property. This results in a lower residential tax rate and a higher rate for the CIP sector.

In choosing to split the tax rate, the board must remain cognizant of two important limitations contained within Chapter 200:

1) The residential share of the tax burden cannot fall below 50% of their tax burden prior to shifting, and
2) The CIP sector cannot absorb more than 150% of their tax burden prior to the shift.

Historically, Reading has never adopted a split tax rate.

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Selection of a Discount for Open Space:

Massachusetts General Law, Chapter 59, section 2A defines class 2 open space as:

> "land which is not otherwise classified and which is not taxable under provisions of Chapters 61A or 61B, 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."

A maximum exemption of 25% may be adopted for all property that is classified as Open Space under this definition. The Town has never voted a discount for open space since no properties have been identified which fulfill the requirements of this section.

Granting a Residential and/or Small Commercial Exemption:

Residential:

The Board of Selectmen may adopt a residential exemption for all residential properties in the town that are owner occupied. The exemption amount could be up to 20% of the average assessed value of all eligible properties to be taxed at the residential tax rate, including vacant parcels as part of the total parcel count.

Although the thought of granting a residential exemption to owner occupied residential properties appears to be a form of tax relief, it is not the case here in Reading. It is true that some properties would receive tax relief through the adoption of this measure, however, since the tax levy remains the same and the tax shift is only among the residential class, the overall residential tax rate would increase substantially to compensate for this form of tax relief. In our case for FY2015, the residential tax rate would rise from $14.71 to an estimated $17.82

According to the mechanics of this exemption, the tax burden for those owner occupied properties below the break-even point would be decreased. For all other residential properties, the tax burden would significantly increase. This includes all non-owner occupied residential properties and vacant residential land, as well as owner occupied properties above the break-even point since the exemption is deducted after the application of the much higher residential tax rate. Additionally, more assessing staff would be needed to accomplish the implementation and maintenance of this exemption program.

The residential exemption had been adopted by only a handful of communities in the Commonwealth including Boston, Cambridge, Chelsea and Brookline and had never been adopted in Reading. In summation, adoption of a residential exemption will significantly raise the residential tax rate while providing a benefit ONLY to those properties below the break-even point.

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Commercial:

An exemption of up to 10% of the property valuation can be granted to commercial, not industrial or personal, properties that meet the requirements set forth under the law. To qualify, eligible businesses must have occupied the property as of January 1, 2014 and must have had no more than 10 employees as certified by the Department of Employment and Training during the previous calendar year and the building must have a valuation of less than $1,000,000. A business which is just one of several businesses within a commercial building would not be eligible for an exemption unless every business in that property qualified as well. Similar to the residential exemption, the tax levy does not change and the exemption is borne within the commercial class resulting in and overall increase of the CIP tax rate. The assessing department is unaware of any qualifying business properties in Reading.

Other Information:

The following pages contain some important terms and various forms completed by the Assessor as part of our FY 2015 Tax Rate Recapitulation submission to the State's Department of Revenue.

IMPORTANT TERMS

TERM	DEFINITION
Levy	The property tax levy is the revenue a community can raise through real and personal property taxes.
Levy Limit	The maximum amount a community can levy in a given year equal to last year's levy plus 2.5% plus new growth plus debt exclusion / override if applicable.
Levy Ceiling	Equal to 2.5% of the total full and fair cash value of all taxable real and personal property in the community.
New Growth	Increase in the tax base due to new construction, parcel subdivisions, condo conversions and property renovations, but not due to revaluation. It is calculated by multiplying the increased assessed value by the prior year's tax rate for the property class.
Override	A permanent increase to a community's levy limit.
Override Capacity	The difference between the levy ceiling and the levy limit. It is the maximum amount by which a community may override it levy limit.
Debt Exclusion	A temporary increase to the levy limit for the payment of a specific debt service item over a specified period of time.
Capital Outlay Expenditure	A temporary exclusion for the purpose of raising funds for capital projects.
Excess Levy Capacity	The difference between the actual levy and the levy limit.

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Status : FORM SUBMIT

READING 2015

Jurisdiction Uhdglqj C 579 Fiscal Year 5348 Go

Property Type	Parcel Count	Class1 Residential	Class2 Open Space	Class3 Commercial	Class4 Industrial	Class5 Pers Prop
101	6,528	3,030,633,500				
102	1,113	326,114,100				
Misc 103, 109	12	5,817,800				
104	319	141,509,700				
105	31	14,858,600				
111, 125	36	110,165,100				
130-132, 106	228	11,404,100				
200-231	0		0			
300-393	196			284,141,800		
400-452	15				9,711,300	
Ch-61 Land	3		0	511		
Ch-61A Land	0		0	0		
Ch-61B Land	3		0	1,139,912		
012-043	27	16,606,018	0	10,400,082	0	
501	174					6,199,330
502	188					9,619,760
503	0					0
504, 550-552	3					10,460,940
505	3					9,317,600
506	1					931,400
508	5					606,200
TOTALS	8,885	3,657,108,918	0	295,682,305	9,711,300	37,135,230
					Real and Personal Property Total Value	3,999,637,753
					Exempt Value	280,091,200

Signatures

☑ VICTOR SANTANIELLO, Chief Assessor, Reading, 781-942-9027 10/15/2014 11:32 AM

(Board of Assessors) (Date)

Comments: Submitted under the authirization of the Board of Assessors. Original signed copies are on file in the department.

☐

(Board of Assessors) (Date)

Comments:

☐

(Board of Assessors) (Date)

Comments:

☐

(Board of Assessors) (Date)

Comments:

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Status : FORM ENTERED

READING 2015

Jurisdiction Uhdglqj C 579 Fiscal Year 5348 Go

LA4 VALUES		FFCV PERCENTS			
Residential	3,657,108,918	Res %	91.4360	MRF	95.3169
Open Space	0	OS %	0.0000	175% Shift	0.0000
Commercial	295,682,305	Com %	7.3927	Chapter 3	0.0000
Industrial	9,711,300	Ind %	0.2428	Historic Low %	86.9080
Pers Prop	37,135,230	P P %	0.9285	Prior Res %	90.8536
Total	3,999,637,753	Total %	100.0000	Lowest RF	95.3169

INPUT OPTIONS

Estimated Levy 58,829,894

Resid Factor Selected 1.000000

CIP Shift 1.00000

Single TR 14.71

OPEN SPACE DISCOUNT

Selected O S Discount % 0.0000

O S Factor 1.00000

SHIFT PERCENTS

Res %	91.4360	Res TR	14.71
O S %	0.0000	OS TR	0
Com %	7.3927	Com TR	14.71
Ind %	0.2428	Ind TR	14.71
P P %	0.9285	PP TR	14.71
Total %	100.0000		

RESIDENTIAL EXEMPTION

Total Res Value 3,657,108,918

Avg Res Value 0

/ Total Res Parcel Count 0 = Avg Res Value 0

X Selected Res Exemption % 0.0000 = Residential Exemption 0

No.Eligible Res Parcels 0.0000000 = Tot Res Value minus Exempt 0

SMALL COMMERCIAL EXEMPTION

No.Eligible Com Parcels 0

Selected Com Exem% 0.0000

Total C & I Value minus Exemption 305,393,605

X Total Value of Eligible Pcls 0 = Total Value to be Exempt 0

Signatures

Signatures for LA5

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(Board of Assessors) (Date)

Comments:

OD 8#Fhuwlifdwhrq

I hereby attest that notice was given to taxpayers that a public hearing on the issue of adopting the tax levy percentages for fiscal year 2015 would be held on (date), (time), at (place), by (describe type of notice).

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