

FY 2012 Property Tax Update



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

Dear Residents and Taxpayers of Cambridge:

Fiscal Year 2011, which ended on June 30th, was another solid year financially for the City of Cambridge, in spite of the current economic situation. The City's excess levy capacity increased, actual revenues exceeded projections, our free cash position improved to the highest amount in the City's history and the total assessed value of property in Cambridge remained strong. In May, the City Council adopted the FY12 budget, which reflected a 1.75% increase, resulting in a projected property tax levy increase of 6.47%. The property tax levy is the amount of revenue raised through property taxes in a given year.

At that time, I informed the City Council that the actual property tax levy increase was likely to change. This statement was based on several assumptions that included: the potential changes in State Aid, which would not be known until the State finalized its FY12 budget; the possible use of additional non-property tax revenues that would be available based on FY11 actual collections; and the additional use of reserve funds.

These assumptions proved correct. Therefore, the City elected to use an additional \$3.2 million in non-property tax revenues to reduce the amount to be raised through the property tax levy.

As a result, the actual FY12 property tax levy of \$299,090,638 reflects a \$15,128,939 or 5.33% increase, which is a smaller increase than in FY11. This fact should be emphasized, insofar as the City received a further decrease of \$1.3 million in State Aid in FY12 from the two major State Aid categories (Unrestricted General Government Aid and Chapter 70 School Aid). Since FY09, the City has seen a reduction of \$10.5 million or 29% in these two State Aid categories. The seven-year average increase in the property tax levy is 4.3%.

Based on the votes taken by the City Council on September 26, 2011, the Massachusetts Department of Revenue has approved a residential tax rate of \$8.48 per thousand dollars of value and a commercial tax rate of \$20.76 per thousand dollars of value. These rates reflect an increase from last year of

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\$0.32, or 3.9% for residential, and \$0.86, or 4.3% for commercial. This year, commercial taxpayers will pay 65.4% of the total property tax levy, the same share as in FY11.

Approximately 63.9% of residential taxpayers will see a reduction, no increase or an increase of less than \$100 in their FY12 property tax bill. In addition, another 22.8% of residential taxpayers will see an increase between \$100 and \$250 in their FY12 property tax bill. Over the last seven years, on average, 74% of residential taxpayers saw either a reduction, no change or an increase of less than \$100. In addition, the City Council approved a 0% increase in the FY12 water and sewer rate this past March.

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 and produced a property tax levy increase which is modest but also 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.

As part of the City's ongoing effort to provide additional opportunities for taxpayers to make payments electronically, I am pleased to announce that taxpayers will be able to pay their real estate and personal property tax bills using a credit card, debit card or electronic check (ACH), subject to a convenience fee.

The City's Assessing Department is again offering neighborhood taxpayer assistance meetings in addition to its normal office hours. 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

FY12 values are based on market activity that occurred during calendar year 2010, which is the basis of the FY12 property assessment. Overall, the total assessed value of taxable property in the City equals \$24.4 billion, a 1.18% increase over FY11, which is better than projections presented to the rating agencies in January 2011. Total residential property values of \$15.0 billion have moderated and reflect a slight increase of 1.3%, with total commercial property values of just over \$9.4 billion increasing by 0.97%.

The modest increase in total values reflects continued new construction in both residential and commercial classes, as well as the continued desirability of the Cambridge market.

For several years prior to FY06, escalating residential values outpaced increases in commercial values, resulting in a shift of the tax burden from commercial to residential property owners. However, in FY06 this trend reversed and has continued. In FY12, the market for both commercial and residential properties increased, resulting in the continuation of a tax distribution similar to FY11 between residential and commercial taxpayers.

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

The table below illustrates the change in median tax bills between FY11 and FY12 for residential taxpayers by property class. 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

	FY11 Median Value	FY11 Tax Bill*	FY12 Median Value	FY12 Tax Bill*	Dollar Change	Percent Change
SINGLE FAMILY	\$670,450	\$3,870	\$686,200	\$4,139	\$269	6.95%
CONDOMINIUM	\$364,100	\$1,370	\$366,700	\$1,430	\$60	4.38%
TWO FAMILY	\$638,550	\$3,609	\$644,600	\$3,786	\$177	4.90%
THREE FAMILY	\$721,500	\$4,286	\$728,900	\$4,501	\$215	5.02%

* Includes Residential Exemption

The table below illustrates how approximately 63.9% of residential taxpayers will see a reduction, no change or an increase of less than \$100. Another 22.8% of residential taxpayers will see an increase between \$100-\$250.

CHANGE IN THE RESIDENTIAL TAX BILLS*

CHANGE IN TAX PAYMENT	NUMBER OF PARCELS	PERCENTAGE	CUMULATIVE PERCENTAGE
LESS THAN \$0 (TAX DECREASE)	1,140	5.4%	—
GREATER THAN \$0 BUT LESS THAN \$100	12,327	58.5%	63.9%
GREATER THAN \$100 BUT LESS THAN \$250	4,800	22.8%	86.7%
GREATER THAN \$250 BUT LESS THAN \$500	1,754	8.3%	95%
GREATER THAN \$500	1,052	5.0%	100%
TOTALS	21,073	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 a 5.33% increase in the property tax levy required to balance the FY12 Budget. The property tax levy for FY12 is \$299,090,638.

PROPERTY VALUES: FY12 values are based on market activity from January 1, 2010 through December 31, 2010. Most residential values increased slightly from the prior year.

THE COMMERCIAL-RESIDENTIAL PROPERTY TAX CLASSIFICATION: Because both total commercial and residential values increased slightly, the share of FY12 property taxes paid by commercial taxpayers is 65.4%, the same share as in FY11. The residential share is 34.6%, also the same as in FY11.

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 FY12 values, the Assessing Department reviewed all valid sales that occurred between January 1, 2010 and December 31, 2010. 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 FY11, the City’s assessing model was certified by the DOR after a rigorous review as part of its triennial analysis and reaffirmed by statistical testing for FY12.

★ 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 Real Estate Property Abatement Form is available under “City Departments; Assessing Department; Abatement Application Forms; Real Estate Property Abatement Form.”

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 \$12.9 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 FY12 is \$102.6 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 1st and April 1st of each year, please contact the City's Finance Department at 617 349 4220 or via e-mail 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 are age 65 or older, you may qualify for a tax exemption of up to \$2,000. Exemptions are also available for disabled veterans and for persons who are legally blind. Also, there is a new exemption for active duty Massachusetts military members. 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, 2011. The property is legally assessed and billed to the owner as of January 1. The City makes every effort to get new owner address changes into its system, however, sometimes it is several months before the City receives 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 may also 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, 2011. 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 3 months 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 "City Departments; Assessing Department; Personal Exemption Forms; Residential Exemption Form." You do not need to reapply each year. The Cambridge City Council has elected to use the highest allowable exemption of 30%, which for FY12 is \$198,085, and therefore reduces the owner-occupied homeowner's taxes by \$1,679.76.

★ 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 "City Departments; Assessing Department; Mailing Address Change Form."

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

Cambridge residents voted to adopt the Community Preservation Act (CPA) in 2001, which resulted in a property tax surcharge of 3%. 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. Since the inception of the CPA, the City has received \$42.6 million in State matching funds through FY11.

★ IS TAX BILL AND PAYMENT 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 or View Bills Online." The City accepts online credit card payments for motor excise tax and water bills. **Taxpayers will now be able to pay their real estate and personal property tax bills for the first time using a credit card, debit card or electronic check (ACH), subject to a convenience fee.**

★ I RECENTLY BOUGHT A NEW CONDOMINIUM. THE FY12 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 request an apportionment letter from the Board of Assessors to determine your portion of real estate taxes owed.

How To Read Your Tax Bill

<i>City of Cambridge</i>			Fiscal Year 2012 Real Estate Bill		
Tax Rate Per \$1000	Res: \$8.48	Comm: \$20.76		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 Land Area: 3250 sq. ft.		Residential	\$506,970	Res. Tax	\$4,299.11
		Commercial		Comm. Tax	
		Total Value:	\$506,970	CPA	\$103.53
		Residential Exemption:	\$198,085	Betterments/Liens	
		Betterments/Liens		Exemptions/Abatements	(\$1,730.15)
JOHN SMITH 123 MAIN ST CAMBRIDGE MA 02139		Water Lien	\$0	Total Due FY 2012	\$2,672.49
		Sewer Lien	\$0	1 st Payment Due Nov 2011	\$1,336.25
		Total	\$0	2 nd Payment Due May 2012	\$1,336.24
				Amount Now Due	\$1,336.25

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 Assessor's 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)
- **Land Area:** Square footage of the land.

REAL ESTATE VALUES

- **Residential and Commercial:** The value of your property as of January 1, 2011.
- **Total Value:** The sum of residential and commercial value.
- **Residential Exemption:** An exemption granted to owners who occupy their property as their primary residence. The FY12 exemption is \$198,085.

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, 2011.

REAL ESTATE TAXES AND CHARGES

- **Res. Tax:** Taxes due on residential property.
- **Comm. 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 full residential exemption reduces a homeowner's taxes by \$1,679.76 and the CPA by \$50.39. The total reduction is \$1,730.15.

Abatement applications are due on the tax bill due date. Download an application form from the City's website at www.cambridgema.gov (City Departments; Assessing Department) or call 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 the Cambridge Alert Network at www.CambridgeMA.gov/AlertNetwork to receive emergency alerts and other important City information.

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 2011

Tax Bills Mailed

NOVEMBER 2011

Tax Bills Due

Abatement Applications Due

JANUARY 2012

Exemption Applications Due

Taxpayer Assistance Schedule

OCTOBER 25, 2011

10:00 am - 12:00 pm,

No. Cambridge Senior Center, 2050 Mass. Ave.

NOVEMBER 2, 2011

10:00 am - 12:00 pm,

Main Library, 449 Broadway

NOVEMBER 3, 2011

2:00 pm - 4:00 pm,

O'Connell Branch Library, 48 Sixth St.

NOVEMBER 8, 2011

10:00 am - 12:00 pm,

Valente Branch Library, 826 Cambridge St.

NOVEMBER 10, 2011

10:00 am - 12:00 pm,

Citywide Senior Center, 806 Mass. Ave.

NOVEMBER 15, 2011

2:00 pm - 4:00 pm,

West Cambridge Youth and Community Center,
680 Huron Ave.

NOVEMBER 17, 2011

2:00 pm - 4:00 pm,

Boudreau Branch Library, 245 Concord Ave.

www.cambridgema.gov

* NEWSLETTER #2 *

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City of Cambridge

A Publication of the Office of the City Manager



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