



City of Cambridge

Executive Department

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YI-AN HUANG
City Manager

October 6, 2025

To The Honorable, the City Council:

The establishment of the Fiscal Year 2026 (FY26) property tax rate by the Board of Assessors, subject to the approval of the Massachusetts Department of Revenue, is the final step in the fiscal process that begins with the submission of the annual budget to the City Council. The City's Operating and Capital Budgets, property classifications, and property valuations are major factors in determining property tax bills.

This memo includes recommendations for the required votes which will help minimize taxes on residential properties. In addition, there are analyses of the FY26 property tax levy, property values, and other supporting information.

OVERVIEW

The FY26 Adopted Operating Budget is \$992.2 million which is an increase of 3.8% (or \$36.6 million) over the FY25 Adopted Budget. The FY26 Budget responds to Council goals, feedback, and input, which is reflected in funding commitments and investments across several key priority areas.

With approval of the recommendations in this memo, the actual FY26 tax levy required to support the FY26 Budget is \$678,852,471 which is an increase of \$50,463,718 or 8.0% from FY25. This increase is consistent with the estimated increase of 8.0% projected in June 2025 as part of the Adopted Budget.

The property tax levy increase of 8.0% is lower than the FY25 increase of 9.2%. The five-year (FY22-FY26) annual average increase is 7.53%, and the ten-year (FY17-FY26) annual average increase is 6.72%.

In FY26 we are beginning to experience tangible impacts of a changing macroeconomic environment and federal policies. The levy increase for FY26 is lower than the previous levy increase and is consistent with targets that were set beginning in fall 2024.

The Budget process for FY26 began in the fall of 2024 and culminated with the formal adoption of the FY26 Operating (\$992.2 million) and Capital (\$151.1 million) Budgets by the City Council on June 2, 2025. Throughout the FY26 Budget process there was discussion regarding unfavorable macroeconomic trends facing the region and the city that may impact the City's fiscal health, including declining values in the commercial real estate market and a slow-down in development. Federal actions have added further uncertainty to our economic outlook. To address these concerns, we established targets to moderate budget growth for FY26, as well as

Attachment: FY26 _ Tax Rate Letter (CMA 2025 #250 : FY26 Tax Rate)

future years. These targets were set in recognition of the relationship between budget growth and projected increases in the property tax levy that are required to support the budget.

The Budget is guided by policy direction set by the Council, based on City Council meetings, policy orders, and consistent communication which has allowed for feedback on existing initiatives and department operations, and helped to identify key city priorities.

The FY26 tax levy supports an FY26 Budget that was developed within the framework of a multiyear approach which will allow us to sufficiently fund existing commitments and priorities such as affordable housing; early childhood education; school department funding; investments in our infrastructure; public safety; climate initiatives and support for our most vulnerable residents. At the same time, we are cognizant of the need to maintain our fiscal strength and flexibility which allows us to have resources to invest in important programs and initiatives.

The FY26 Budget includes over \$24.6 million in direct support to the Affordable Housing Trust. In addition, the Community Preservation Act (CPA) allocation for affordable housing in FY26 is \$18 million, totaling approximately \$42.6 million in support to the Affordable Housing Trust in FY26. In response to the impact of American Rescue Plan Act (ARPA) funding transitions as well as both impending and potential federal funding cuts, the Adopted FY26 Budget includes an increase of \$1 million for Municipal Supportive Housing Vouchers (MSHV). In addition, the City, through the Department of Human Service Programs, will contribute \$497,250, along with continued ARPA funding, for Housing Navigation and Stabilization services that include housing application assistance, housing search and placement support, and other services that help individuals maintain permanent housing tenancies.

In FY26 the City will continue to invest in the Cambridge Preschool Program (CPP), which at its launch in 2024 welcomed more than 800 4-year-olds and 3-year-olds into classrooms across 23 Cambridge preschool providers affiliated with the program. In FY26, the Cambridge Office of Early Childhood (OEC) will focus on efforts that strengthen the CPP system through collaboration with early childhood providers and families. The Department of Human Service Programs' preschool division, a CPP provider, will open two new preschool locations in FY26: the DHSP Alewife Preschool will have 4 classrooms and the DHSP Tobin Preschool will have 3 classrooms.

The Department of Public Works uses the Five-Year Sidewalk and Street Reconstruction Plan to design and construct Complete Streets that safely accommodate all users: pedestrians, bicyclists, motorists, and public transportation users of all ages and abilities. Additionally, the Cycling Safety Ordinance (CSO), enacted on April 8, 2019, and modified on October 5, 2020, sets an ambitious timeline to implement a 25-mile network of separated bicycle lanes network across the city by 2026. Significant projects for FY26 include the Port, Massachusetts Avenue in Central Square, and Mass. Ave. Partial Construction (from Harvard Square north to the Arlington town line).

The City also continues to make major investments in sewer and stormwater infrastructure and maintenance through the FY26 Capital and Operating budgets. Funding will go toward projects to remove infiltration/inflow sources impacting the Alewife Watershed, planning and design of a future floodwater storage tank on City land on Sherman Street, and ongoing repairs of existing sewer and drain infrastructure.

A Municipal Facilities Improvement Plan (MFIP) allocation of \$11.1 million in FY26 will fund ongoing deferred maintenance projects and implementation of Building Energy Use Disclosure Ordinance (BEUDO) requirements. Accessibility improvements at City Hall include new railings at building entrances and the main stair, a new accessible counter at the cashier's office, and modifications to various office entrances and doorways. Construction of the Tobin Montessori and Darby Vassall Upper Schools Complex was completed in 2025 and includes new facilities for Special Start and Department of Human Services Programs preschool and after school programs. A major renovation at Fire Headquarters at 491 Broadway is under construction. The project will provide enhanced safety features, updated locker rooms, updated dormitories, improved kitchen facilities, enhanced fitness facilities, and will feature a fossil fuel-free heating system and solar panels to align with the City's Net Zero goals. Other ongoing MFIP projects include upgrades at Moses Youth Center; repairs to the First Street Parking Garage; HVAC improvements at City Hall Annex; upgrades at East Cambridge Firehouse; as well as improvements to various DPW facilities.

The FY26 Capital Budget includes Pay-As-You-Go funding of \$12.8 million (\$8.7 million Free Cash; \$4.1 million Property Tax) to support citywide projects; Egov initiatives; and Participatory Budgeting Cycle 11 projects.

OTHER REVENUES, STATE AID, AND OVERLAY ACCOUNT

In determining the actual property tax levy, several adjustments were made based on updated information since the budget adoption in June. The City increased the amount of additional non-property revenues related to interest earnings by \$1.5 million. This increase counters increases in the Net Cherry Sheet charges, and an adjustment to the Overlay Reserve that need to be included in the Budget.

TABLE I
Summary of Changes from Adopted Budget

Tax Levy Changes	Amount
Projected Property Tax Levy (<i>as Adopted</i>)	\$678,659,850
Net Cherry Sheet Change	\$771,273
Increased Non-Property Revenues	(\$1,500,000)
Overlay Adjustment	\$921,348
Actual Property Tax Levy	\$678,852,471

The overlay is an account established to fund abatements and exemptions of committed real and personal property accounts. As part of the annual budget and tax rate process, the assessors review the balance in the overlay account and determine whether it is adequate to fund anticipated property tax abatements and exemptions in the upcoming year in addition to any existing abatement or exemption exposure for all previous fiscal years, and increase or decrease the amount accordingly. As of June 30, 2025, the City has approximately \$16.9 million in overlay balances. The FY26 budget included a projected increase to the overlay account of \$3.5 million which was adjusted upward by \$921,348 based on our submission of property values and other

information to the Commonwealth of Massachusetts as part of the tax rate setting and classification process.

IMPACT ON TAXPAYERS

Based on a property tax levy of \$678,852,471 the FY26 residential tax rate will be \$6.67 per thousand dollars of value, subject to Department of Revenue approval. This is an increase of \$0.32, or approximately 5% from FY25. The commercial tax rate will be \$14.07, which is an increase of \$2.55, or 22% from FY25. Establishing the tax rate is a straightforward calculation: the total tax levy divided by the total assessed valuation (less any exemptions), equals the tax rate for FY26.

TABLE II
Change in the Median Value and Tax Bill by Residential Property Class*

	FY25 Value	FY25 Tax Bill	FY26 Value	FY26 Tax Bill	\$ Change Tax Bill
Single Family	\$1,767,700	\$8,055	\$1,841,000	\$8,876	\$821
Two Family	\$1,594,700	\$6,956	\$1,648,750	\$7,594	\$638
Three Family	\$1,857,550	\$8,625	\$1,918,700	\$9,395	\$770
Condominium	\$767,300	\$1,702	\$798,900	\$1,926	\$224

* Includes Residential Exemption

TAX BILLS

The analysis that follows explains in further detail how the City determined property values and property tax rates for FY26. There are three major factors which determine a property tax bill: 1) the Budget, 2) Commercial-Residential Property Tax Classification, and 3) Property Values.

The Budget: If the City Council adopts the proposed recommendations, there will be a 8.0% increase in the property tax levy required to balance the FY26 Budget.

Commercial-Residential Property Tax Classification: Tax classification allows municipalities to tax commercial taxpayers at a higher rate than residential taxpayers. For this year, commercial property owners will pay 66.199% of the property tax levy, similar to FY25. Consequently, residential property owners' share of the FY26 tax levy is 33.8010%.

Property Values: Each January 1st, the city of Cambridge must meet Department of Revenue requirements to certify that property values represent full and fair market value. As a result of the market activity in calendar year 2024, which is the basis of the FY26 property assessments, total residential property values increased by 2.6%. Total commercial property values *decreased* by 11.5%. These mixed results; negative on commercial, and lightly positive for residential, indicate the continued softening of the commercial and lab markets and the slow growth of the residential market with little inventory and high interest rates.

While the City has no control over the increase in property values, it does have control over levy increases, which ultimately impact taxes paid by property owners. This year, both the residential and commercial property tax rates will increase. A major concern going forward is that if

residential values increase and commercial values continue to decline, the City could hit the ceiling for the property tax classification shift. Once the classification ceiling is reached, the residential class will bear all tax levy increases while this condition persists.

COMPARISON TO OTHER COMMUNITIES

Below is a comparison of the residential percent of the tax levy paid by Cambridge residents compared to neighboring towns. Cambridge continues to have the lowest residential and commercial tax rates compared to neighboring communities. Additionally, Cambridge residents are paying the lowest proportion of the levy when compared to other nearby towns.

TABLE III
Comparison of Residential Percent of Tax Levy Paid

Municipality	Residential % paid of prop. tax levy	Commercial % paid of prop. tax levy	Residential Tax Rate	Commercial Tax Rate
Cambridge*	33.8	66.2	\$6.67	\$14.07
Boston	44.1	55.9	\$11.56	\$25.96
Watertown	50.0	50.0	\$11.68	\$22.83
Somerville	66.7	33.3	\$10.91	\$18.92
Brookline	83.9	16.1	\$9.87	\$16.56
Newton	85.9	14.1	\$9.80	\$18.34

*Cambridge rates are for FY26, all others are for FY25

CITY-WIDE ASSESSED VALUES

FY26 values are based on market activity that occurred during calendar year 2024. For FY26, the total assessed value of taxable property in the City equals \$73,111,556,293, or a 4.1% decrease, over prior year values.

Most residential classes saw small increases in values, with modest increases in certain neighborhoods. Higher interest rates continued during 2024 and affected the market for all residential property types. The residential market showed modest appreciation during calendar year 2024 for single, two and three families in Cambridge, while apartments indicated fairly flat values. Condominiums showed the largest increase in value (4.8%) after lagging other residential property types since the COVID pandemic. It is also important to point out that condominiums now compromise a very large percentage of the residential tax bills.

In the commercial sector, all classes of office as well as the lab sectors decreased. Class A, B and C office buildings and lab sectors continue to show the effects of higher vacancy rates and higher supply in the lab development pipeline. Additionally, the impact of hybrid work and AI continues as companies analyze square footage needs. Retail and restaurants are slightly down in value and hotels have marginally increased.

The following table breaks out new construction values and tax base levy growth due to new construction by property type. New growth is significantly lower than in prior years. Given that there is a considerable amount of vacant commercial space in the metro region, there is little incentive to break ground on new office or lab buildings without already having a lease

commitment from a tenant. For venture capital, a key leading indicator of growth, investment is sluggish. In addition, federal cuts to National Institutes for Health funding are also having a negative impact. High interest rates, higher construction hard and soft costs and general financial uncertainty are also slowing new growth.

TABLE IV
New Construction Breakdown

Property Class	FY25 New Growth Value	FY25 Tax Base Levy Growth “New Growth”	FY26 New Growth Value	FY26 Tax Base Levy Growth “New Growth”
Residential Property	\$621,871,620	\$3,681,480	\$314,375,600	\$1,996,285
Commercial Property	\$97,911,098	\$1,024,150	\$12,360,200	\$142,390
Industrial Property	\$1,323,607,575	\$13,844,935	\$649,681,700	\$7,484,333
Personal Property	\$538,760,573	\$5,635,436	\$361,140,804	\$4,160,342
Total New Growth	\$2,582,150,866	\$24,186,001	\$1,337,558,304	\$13,783,350

In addition to providing greater flexibility under Proposition 2½, tax payments from newly constructed properties also work to mitigate increases on existing properties.

TABLE V
Assessed Values (in millions)

	FY22	FY23	FY24	FY25	FY26
Residential Property	\$35,118	\$37,466	\$39,460	\$40,134	\$41,167
Commercial Property	\$26,875	\$31,465	\$33,983	\$33,569	\$29,389
Personal Property	\$1,960	\$2,209	\$2,438	\$2,537	\$2,556
Total Assessed Value	\$63,953	\$71,140	\$75,881	\$76,240	\$73,112

For FY26, the City’s levy limit increased by approximately \$34.22 million, to \$851.71 million. Approximately \$13.78 million of this increase was due to new construction and amended FY25 new growth. State law allows the City to increase its tax levy limit by an amount equal to the total FY26 value of newly constructed or renovated property, multiplied by the FY25 tax rate. Aside from new growth, the remaining \$20.44 million is the 2.5% increase over the FY25 levy allowed by Proposition 2½.

TABLE VI
Tax Levy/Tax Levy Limit/Excess Levy Capacity (in thousands)

	Actual FY22	Actual FY23	Actual FY24	Actual FY25	Estimate FY26
Levy Limit	\$691,327	\$732,560	\$773,962	\$817,489	\$851,708
Actual Levy	\$494,732	\$531,601	\$575,418	\$628,389	\$678,852
% Actual Levy Increase over Prior Year	4.7%	7.45%	8.3%	9.2%	8.0%
Excess Levy Capacity	\$196,595	\$200,959	\$198,544	\$189,100	\$172,856
% Change of Excess Levy Capacity Over Prior Year	5.03%	2.2%	(1.2%)	(4.8%)	(8.6%)

FY26 VALUATION PROCESS

Each year, the Board of Assessors conducts a reappraisal of all property within the City. The residential and commercial valuation models are refined each year to reflect the market conditions which have impacted assessed values.

The FY26 valuation model is based upon sales of property that occurred during calendar year 2024, to establish the market value of all property as of January 1, 2025.

The analysis for determining property values depends on several factors: the trends of the real estate market reflected by the sales; property improvements; changes in the economics of real estate finance and the demand for real estate in the city. To arrive at full and fair cash value for all parcels, the Assessing Department uses a Computer Assisted Mass Appraisal system (CAMA). Market adjusted cost approach models, extracted from residential sales for calendar year 2024, were refined to best reflect the equity of comparable properties as demonstrated in the various neighborhoods.

COMMUNITY PRESERVATION ACT SURCHARGE

In November 2001, Cambridge voters approved adoption of the Community Preservation Act (CPA), a state law that allows the City to receive matching funds from the state for money raised locally in support of affordable housing, historic preservation, and open space. The local portion of CPA funding is raised through a 3% surcharge on taxes.

TABLE VII
Community Preservation Act Surcharge

	FY25 Median CPA Surcharge	FY26 Median CPA Surcharge	FY26 Median Tax	FY26 Median Tax & CPA Surcharge
Single Family	\$223	\$246	\$8,876	\$9,122
Two Family	\$190	\$208	\$7,594	\$7,802
Three Family	\$240	\$262	\$9,395	\$9,657
Condominium	\$32	\$38	\$1,926	\$1,964

RECOMMENDATIONS

1. That the City Council classify property within the City of Cambridge into the five classes allowed for the purpose of allocating the property tax. It is further recommended that the City Council adopt a minimum residential factor of 60.0298%.
2. That the City Council approve the residential exemption factor of 30% for owner occupied homes, which should result in a residential tax rate of \$6.67 upon final approval by the Massachusetts Department of Revenue. In addition, based upon final approval by the Massachusetts Department of Revenue the commercial tax rate is anticipated to be \$14.07.

The City Council has previously approved (1987) several tax exemptions to elderly taxpayers, blind taxpayers, veterans and surviving spouses who qualify by virtue of residency, income, and assets:

- 17D-Elderly (over 70), Surviving Spouse or Minor Child of Deceased Parent
- 41C-Elderly (65 or older)
- 22 (22A, 22B, 22C, 22D, 22E, 22P) Veterans-exemption
- 37A-Legally blind
- 41A-Tax Deferral over 65

ISSUES/ REQUIRED VOTES

As the City Council is aware, by the time the classification vote is taken in the fall of each year, the options for the City are fairly limited. Failure to approve the recommended classification and residential exemption would result in significantly higher taxes for residential property owners. After the classification vote is taken, the establishment of the tax rate is a fairly simple mathematical calculation: the tax levy required to support the City budget, divided by the total assessed valuation (less any exemptions), equals the tax rate for FY26.

The following is a summary of the votes required by the City Council.

- **Classify Property and Establish Minimum Residential Factor.** Since 1984, the City Council has voted annually to follow state law allowing the classification of property according to use (residential or commercial) and to allocate the legal maximum portion of the tax levy to the commercial class. Under the 175% Shift, state law allows the residential portion of the tax levy to be as low as 50% of what it would be if there were a single tax rate. However, there are two exceptions to the 50% minimum:

The residential percent of the levy could not drop below its lowest historical percent (33.8010%); and the 50% level does not cause the commercial class to bear a portion of the levy greater than 175% of what it would be if both classes were taxed equally.

Under the requirements for classification, the City Council sets the levy distribution each year by voting for a Minimum Residential Factor. The result of voting for the Minimum Residential Factor of 60.0298% this year will be a residential property share of the total tax levy of

33.8010%. This means that Commercial property will pay the remainder, 66.1990% of the levy. This results in a residential rate of \$6.67 and a commercial rate of \$14.07 for FY26.

- **Residential Exemptions.** Home Rule Legislation allowing the City to increase the residential exemption from 20% to 30% was filed by a unanimous vote of the City Council and signed into law in September 2003. This change enables the City to grant owner occupants of residential properties a deduction of up to 30% of the average residential parcel value before the tax rate is applied. I am recommending that the City Council accept the Residential Exemption at 30%. This amount is deducted from the assessed value of each owner-occupied property prior to applying the tax rate. The residential exemption serves to reduce the effective tax rate on lower valued properties while raising it on higher valued properties. Since the same amount is deducted from every value, its impact is greatest on the lower valued properties. The residential exemption is paid for by raising the residential tax rate sufficiently to cover the number of taxpayers claiming the residential exemption.

For this year there are approximately 13,540 residential exemptions on the Assessing Department files of owner-occupied homes. The Assessing Department conducts random audits and responds to inquiries about individuals claiming the residential exemption, to ensure the validity of the program.

30% Residential Exemption

	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>
Value Exempted	\$493,012	\$499,263	\$510,208
Tax Savings	\$2,919	\$3,170	\$3,403

CONCLUSION

The FY26 property tax levy increase is consistent with multiyear targets that were communicated with City Council during discussions about macroeconomic challenges in fall 2024. The moderate growth in the tax levy also reflects our commitment to maintaining support for important community programs; provide adequate resources to meet community needs; investments in our infrastructure; and continued support for the most vulnerable members of our community.

It is important to point out that Massachusetts communities are limited in how they can raise revenues, resulting in a greater reliance on the property tax, since it is the largest and most stable revenue source. Sixty-five percent (65%) of the revenues that fund the City's Operating Budget come from property taxes, therefore it is important to remain cognizant of the potential impact and burden placed on residential taxpayers from annual Budget growth.

The City has consistently been able to achieve a lower property tax rate and lower residential property tax bill than surrounding communities, while also continuing to make significant investments back into the community. The City has also maintained high standards for fiscal management, strategic planning, and setting and adhering to prudent policies. The City maintained its AAA bond rating from all three major rating agencies this year and continues to plan for long-term financial sustainability and health.

It is however, very important to recognize how essential our financial flexibility is in allowing us to make the types and scale of investments in programs and initiatives that have come to make Cambridge so special. As we look ahead there is the potential for even more challenging situations

related to assessed values and new growth than had been initially projected, potentially putting further pressure on the residential tax burden.

While Cambridge is still in an advantageous position compared to other Massachusetts municipalities, in large part due to adherence to strong and longstanding fiscal policies and practices, it is important to proactively find ways to control budget growth, recognizing the relationship between the annual budget and the associated impacts on both property tax bills and future financial flexibility. Several potential large projects and investments may require further discussions regarding prioritization, timing, and possibly tradeoffs.

I want to thank the City Council for their support and guidance, and the hard work of staff throughout the City. I look forward to continuing to work closely with the City Council, city staff, and the community to understand and address the challenges ahead.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Yi-An Huang', with a stylized flourish at the end.

Yi-An Huang
City Manager

APPENDIX

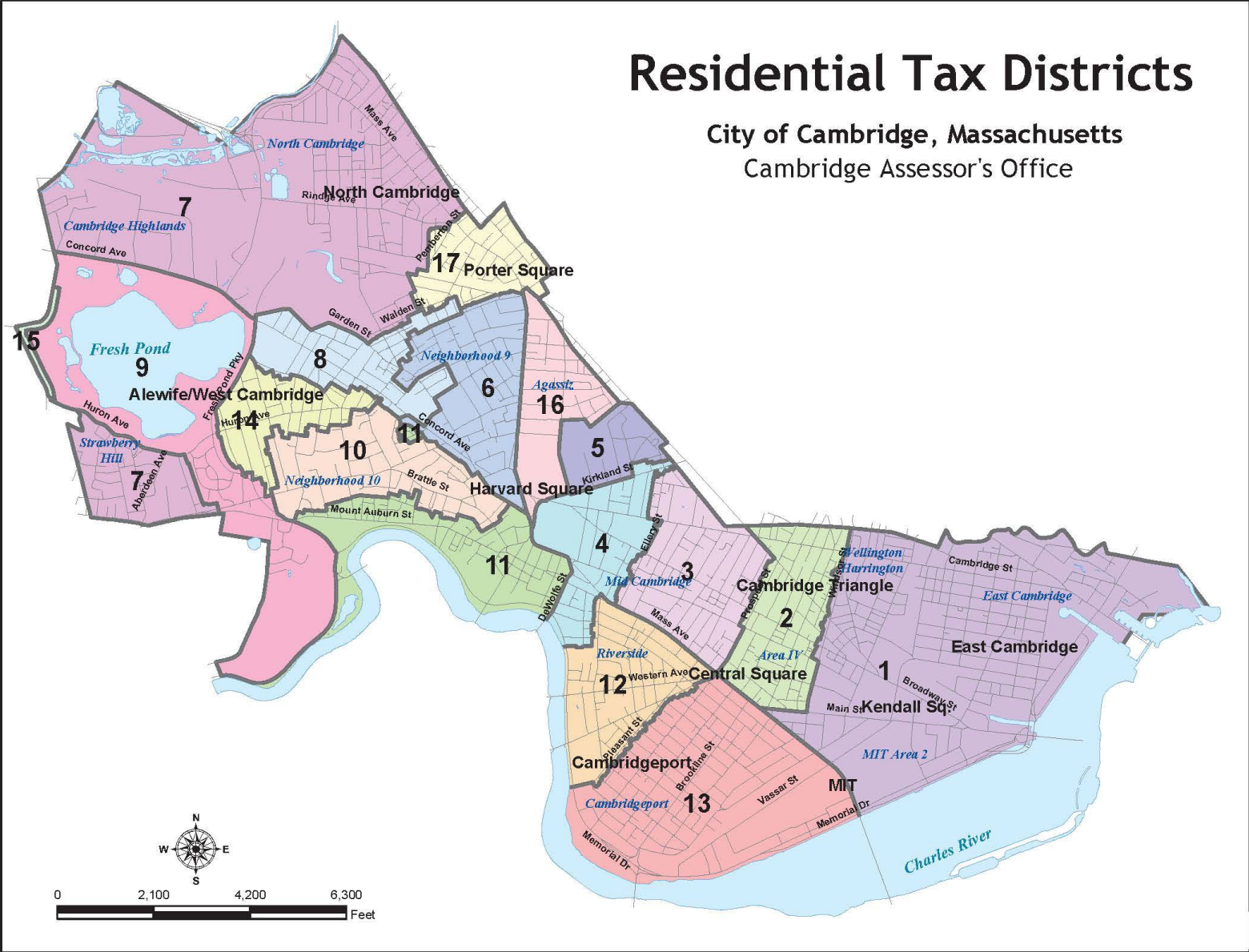
FY2026 Condominium Assessment Data				
Median Assessed Values				
NBHD	Count	FY25 Median Value	FY26 Median Value	Change
R1	2965	\$767,900	\$796,400	4%
R2	835	\$764,200	\$808,300	6%
R3	2132	\$722,350	\$755,650	5%
R4	692	\$674,000	\$707,650	5%
R5	15	\$2,855,200	\$2,993,300	5%
R6	1654	\$656,600	\$694,300	6%
R7	1997	\$703,600	\$742,000	5%
R8	476	\$950,300	\$993,750	5%
R9	50	\$830,550	\$861,750	4%
R10	43	\$2,650,600	\$2,777,500	5%
R11	520	\$1,237,950	\$1,017,650	-18%
R12	1171	\$736,700	\$771,000	5%
R13	1266	\$856,200	\$897,400	5%
R14	428	\$968,650	\$1,015,950	5%
R16	399	\$779,900	\$818,700	5%
R17	663	\$925,300	\$967,400	5%

FY2026 Single Family Assessment Data				
Median Assessed Values				
NBHD	Count	FY25 Median Value	FY26 Median Value	Change
R1	394	\$1,064,950	\$1,097,900	3%
R2	202	\$1,266,150	\$1,291,500	2%
R3	238	\$1,920,400	\$2,024,300	5%
R4	83	\$1,759,800	\$1,821,900	4%
R5	65	\$4,471,100	\$4,582,300	2%
R6	375	\$3,080,400	\$3,168,000	3%
R7	656	\$1,175,600	\$1,212,750	3%
R8	204	\$1,582,150	\$1,666,050	5%
R9	203	\$2,475,200	\$2,507,300	1%
R10	344	\$5,652,200	\$5,855,850	4%
R11	172	\$2,453,400	\$2,509,050	2%
R12	186	\$1,349,100	\$1,425,750	6%
R13	236	\$1,569,200	\$1,595,050	2%
R14	184	\$2,584,900	\$2,716,250	5%
R15	33	\$2,177,800	\$2,328,300	7%
R16	154	\$2,047,800	\$2,109,200	3%
R17	196	\$1,508,950	\$1,572,400	4%

Attachment: FY26 _ Tax Rate Letter (CMA 2025 #250 : FY26 Tax Rate)

FY2026 Two Family Assessment Data				
Median Assessed Values				
NBHD	Count	FY25 Median Value	FY26 Median Value	Change
R1	257	\$1,208,000	\$1,237,700	2%
R2	156	\$1,375,200	\$1,425,900	4%
R3	190	\$2,033,100	\$2,111,700	4%
R4	43	\$2,163,500	\$2,257,600	4%
R5	4	\$3,796,600	\$3,894,500	3%
R6	68	\$2,320,350	\$2,386,900	3%
R7	545	\$1,384,200	\$1,432,800	4%
R8	164	\$1,624,850	\$1,684,800	4%
R9	10	\$1,709,200	\$1,767,700	3%
R10	12	\$4,197,750	\$4,321,650	3%
R11	31	\$2,552,200	\$2,637,200	3%
R12	142	\$1,448,850	\$1,487,500	3%
R13	196	\$1,820,050	\$1,871,950	3%
R14	182	\$1,999,100	\$2,062,150	3%
R16	83	\$1,927,700	\$2,011,300	4%
R17	119	\$1,598,600	\$1,654,000	3%

FY2026 Three Family Assessment Data				
Median Assessed Values				
NBHD	Count	FY25 Median Value	FY26 Median Value	Change
R1	213	\$1,528,400	\$1,592,200	4%
R2	138	\$1,720,950	\$1,793,400	4%
R3	113	\$2,387,400	\$2,457,800	3%
R4	32	\$2,794,200	\$2,885,100	3%
R5	3	\$6,534,900	\$6,753,200	3%
R6	30	\$2,887,300	\$2,974,300	3%
R7	155	\$1,708,400	\$1,779,400	4%
R8	41	\$1,838,400	\$1,918,700	4%
R9	1	\$1,785,200	\$1,865,600	5%
R10	1	\$3,602,400	\$3,645,100	1%
R11	15	\$2,692,600	\$2,756,100	2%
R12	111	\$1,693,000	\$1,748,600	3%
R13	145	\$2,000,000	\$2,051,600	3%
R14	40	\$2,140,400	\$2,204,800	3%
R16	43	\$2,350,700	\$2,426,400	3%
R17	60	\$1,918,000	\$1,978,050	3%





City of Cambridge

Agenda Item Number 1A
IN CITY COUNCIL
October 6, 2025

ORDERED: That the City Council classifies property within the City of Cambridge into five property classes allowed for the purpose of allocating the property tax levy.

Additionally, that the City Council hereby adopts a minimum residential factor of 0.600298 for the purpose of distributing the property tax levy.

Attachment: FY26 Tax Rate Orders-updated (CMA 2025 #250 : FY26 Tax Rate)



City of Cambridge

Agenda Item Number 1B
IN CITY COUNCIL
October 6, 2025

ORDERED: That the City Council approves a thirty (30) percent residential exemption for owner-occupied homes.

Attachment: FY26 Tax Rate Orders-updated (CMA 2025 #250 : FY26 Tax Rate)

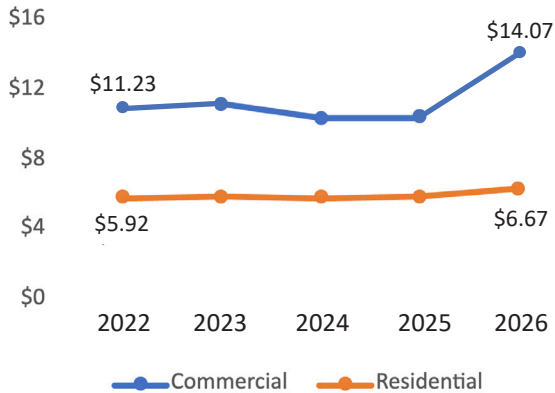
Executive Summary Fiscal Year 2026

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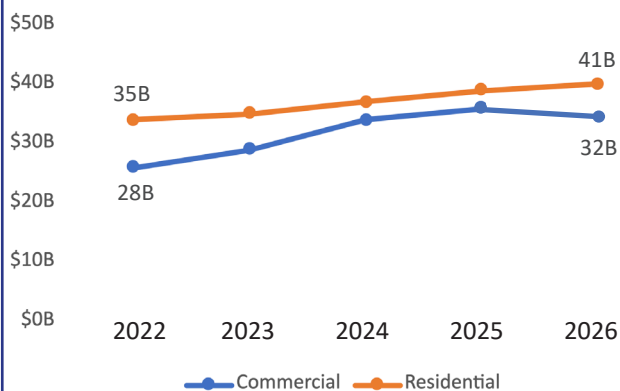


This Executive Summary, in response to City Council requests, summarizes information contained in the City Manager's recommendations for the required votes by the City Council to establish the FY26 residential and commercial tax rates set by the Board of Assessors and the Massachusetts Department of Revenue. Responsible and responsive fiscal policies and practices are key to addressing the challenge of balancing expansion and investment in new programs and initiatives, while also minimizing the impact of increases on taxpayers.

Property Tax Rates



Property Value



Assessed Values by Class

Property type	FY26	Percentage
Residential Property	\$ 41,167,007,215	56%
Commercial property	\$ 12,661,975,602	17%
Industrial Property	\$ 16,726,820,278	23%
Personal Property	\$ 2,555,753,198	4%
Total Assessed Value	\$ 73,111,556,293	100%

For FY26, the total assessed value of the taxable property is \$73.1 billion, a \$3 billion decrease from FY25. This is a 4% decrease from the FY25 values. This decrease indicates the continued softening in the commercial and industrial markets. The residential markets have held steady with little inventory and high interest rates.

For FY26, the residential share of the levy has held steady at 33.8%. This is the same as in FY25. The commercial share of the levy also remains at 66.2%

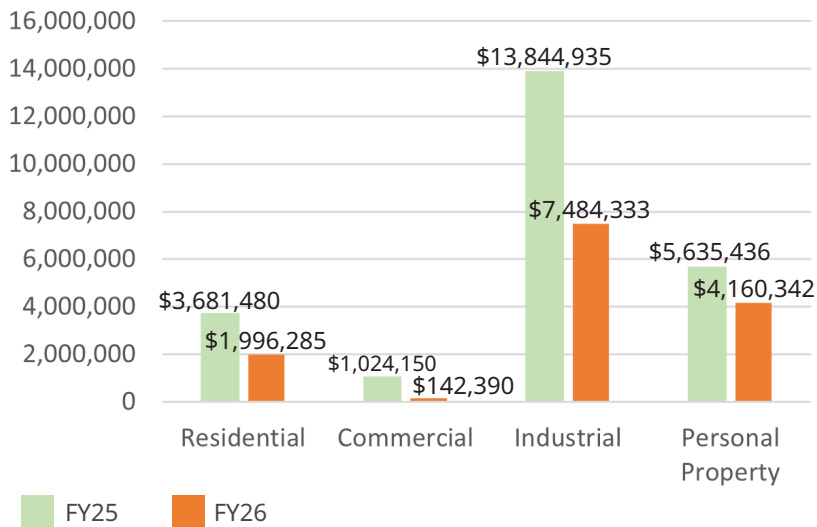
This year both the residential and commercial property tax rates will increase. The residential rate has increased from \$6.35 to \$6.67, a 5% increase. The commercial rate has also increased from \$11.52 to \$14.07, a 22% increase. For FY26, we see little appreciation in the residential markets and downward trends in the commercial and industrial markets.

Change in the Median Value and Tax Bill by Property Class

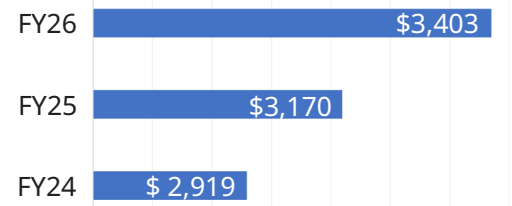
	FY25 Value	FY25 Tax Bill	FY26 Value	FY26 Tax Bill	Change in Bill
Single Family	\$1,767,700	\$8,055	\$1,841,000	\$8,876	\$821
Condominium	\$767,300	\$1,702	\$798,900	\$1,926	\$224
Two Family	\$1,594,700	\$6,956	\$1,648,750	\$7,594	\$638
Three Family	\$1,857,550	\$8,625	\$1,918,700	\$9,395	\$770

Attachment: Executive Summary for tax season 2026 final (CMA 2025 #250 : FY26 Tax Rate)

FY25 & FY26 New Growth by class Tax Levy



Residential Exemptions Tax Savings



The residential exemption reduces the property tax bill by excluding a portion of the residential property value from taxation for qualified homeowners.

FY26— Values and New Growth

FY26 values are as of 1/1/2025 and based on market activity that occurred during calendar year 2024. Most residential classes saw fairly flat values. Higher interest rates and low inventory held sales price appreciation in check. Class A, B, C office buildings and lab sectors are continuing to show the effects of higher vacancy rates and higher supply in the regional lab development pipeline. Additionally, the impact of hybrid work and AI are causing companies to analyze square footage needs.

New growth is significantly lower than in prior years. Given that there is a considerable amount of vacant commercial space in the metro region, there is little incentive to break ground on new office or lab buildings without already having a lease commitment from a tenant. For venture capital, a key leading indicator of growth, investment is sluggish. In addition, federal cuts to National Institutes for Health funding are also having a negative impact. High interest rates, higher construction hard and soft costs and general financial uncertainty are also slowing new growth.

Comparison of Residential Percent of Tax Levy Paid

*Municipality	Residential Percentage of Property Taxes	Commercial/Industrial/PP % of Property Taxes	Residential Tax Rate	Commercial Tax Rate
Newton	85.9	14.1	\$ 9.80	\$ 18.34
Brookline	83.9	16.1	\$ 9.87	\$ 16.56
Somerville	66.7	33.3	\$ 10.91	\$ 18.92
Watertown	50.0	50.0	\$ 11.68	\$ 22.83
Boston	44.1	55.9	\$ 11.56	\$ 25.96
Cambridge	33.8	66.2	\$ 6.67	\$ 14.07

*Cambridge is FY26, all others using FY25