



# FY 2017 Property Tax Update

Property Tax Information from the City of Somerville Board of Assessors and Mayor's Office

Dec. 2016

## Dear Residents and Taxpayers of Somerville:

From the Assessors: Fiscal Year 2017 is a State Department of Revenue (DOR) required Revaluation or Certification year for the Board of Assessors. The Board must meet strict standards as set forth by the DOR ensuring that property assessments reflect full and fair cash value as of January 1, 2016. Assessments for FY 2017

**Assessments for FY 2017 were released to the public last month on November 9 and can be obtained year-round online, by phone, or in person**

were released to the public last month on November 9 and can be obtained year-round online, by phone, or in person (details below). Assessed values will also appear on your third quarter actual tax bill issued on 12/30/2016. Taxpayers who feel that their property is overvalued must file a formal appeal (abatement) with the Board of Assessors by no later than February 1, 2017, but not before December 30, 2016.

With the passage of the "Act to Modernize Municipal Finance and Government," cities and towns in the Commonwealth will change to a 5-year revaluation cycle. However, to avoid DOR scheduling conflicts, Somerville's next revaluation will be in FY 2021. Thereafter, the cycle will be in the next 5 years in FY 2026. It should be noted that in non-revaluation years, Assessors are still required to adjust values if there has been a change in the market.

Among other information, this update explains:

- How to find out your assessed value for FY 2017
- The proposed FY 2017 tax rates
- Estimated average tax bills for residential homeowners
- How to appeal or file for abatement
- How values are calculated
- Property value trends in Somerville
- Information on property tax exemptions available to qualifying owners

Sincerely,

Marc A. Levye, RMA, MAA *Chief Assessor & Chairman*

Michael Flynn, MAA

Thomas J. Mulhern, MAA

## News and Helpful Tips

### Are You Taking the Residential Tax Exemption?

Somerville offers the highest residential exemption in the Commonwealth. In 2017, the 35% exemption will yield a savings of up to \$2,747. Contact the Assessors' Office for more information. And watch for a possible increase in the exemption for later years. The City is exploring options to raise the exemption in coming years, this time to 40%.

### Somerville Also Offers Exemptions to Other Eligible Owners

Seniors, veterans, widows, individuals with disabilities and other persons facing hardships may be eligible for a number of additional exemptions and opportunities to reduce your tax bill. Please see the Exemptions section inside this newsletter for more information.

### The Deadline to Appeal Your Assessment is Feb. 1, 2017

The FY17 deadline to file an appeal with the Board of Assessors is by no later than Wednesday, February 1, 2017. Hand-delivered applications must be received in the Assessors' Office by 4:30 p.m. sharp. Mailed applications will also be accepted if they are postmarked by the U. S. Post Office by no later than February 1. Applications can be obtained at the Assessor's Office or by accessing the "Abatement/Appeal" link on the Assessors' homepage at [www.somervillema.gov/assessing](http://www.somervillema.gov/assessing).

### How to find your Approved FY 2017 Property Valuation

All approved values will appear on the tax bills mailed to owners on or about December 30, 2016, and can be obtained by:

- calling the Assessor's Office at 617 625-6600 X3100 during normal business hours
- visiting the Assessor's Office or any Somerville Public Library during normal business hours
- Online at [www.somervillema.gov/AssessedValues](http://www.somervillema.gov/AssessedValues)

## Assessment Update

The Fiscal Year 2017 (FY17) total assessed value of taxable property in the City of Somerville is over \$12.6 billion, a 13.05% increase over FY16. Residential property values saw the greatest gains this past year, while commercial property values increased almost as much. On average, citywide, residential values increased by 11% and commercial values by 10% due strictly to market changes. The overall increase in property values reflects continued strong market demand in Somerville, new construction of both residential and commercial properties, and increased value created by investment in and renovation of existing properties, among other factors. The table below depicts average assessment changes in FY17 compared to last year (FY16) by property type.

AVERAGE CHANGE IN ASSESSMENT BY PROPERTY TYPE (impacted by market only)	
Property Type	Average assessment change from FY16 to FY17 (rounded)
1 Family	13%
2 Family	9%
3 Family	12%
Condominium	9%
Apartments, 4+ units	17%
Commercial	10%
Industrial	7%
Personal Property*	12%

\*Tax on business equipment.

For more detailed information, readers are encouraged to visit the Assessing web site at [www.somervillema.gov/assessing](http://www.somervillema.gov/assessing) and access the links to “Chief Assessor’s FY 2017 Classification Hearing Report” and “FY 2017 Assessment Changes to 1-, 2-, and 3-Family Properties.”

**It is important to remember that these percentages reflect average changes, which means that some properties have changes that are either higher or lower than the average.**

Valuation Changes by Percent from FY16 to FY 17*					*Total parcels in this table = 15,980
% Change	Number of 1-, 2-, & 3-Families	Number of Condos	Number of 4+ Apartments	Number of Commercial & Ind.	% of Properties (rounded)
<0%	83	114	5	14	1.4%
0+% to <5%	813	883	33	27	11.0%
5% to <15%	6,468	2,324	363	466	60.2%
15% to <25%	1,822	1,396	142	63	21.4%
25% to <50%	541	219	55	64	5.5%
50% to <100%	51	5	8	10	0.45%
100+%	5	0	4	2	0.07%

\*Table includes properties with improvements and other data changes, but excludes new accounts for which there was no value in FY16 or the value was under another account and different use (i.e. condo conversions/ developments).

## Understanding Average Changes

Factors that can result in a value change different from the average include, but are not limited to:

- being located in neighborhoods that had higher or lower sales prices, especially in relation to their assessment in the previous year,
- significant improvements to the property, demolition, or an under-construction status,
- required data changes due to discovery during inspection or estimate due to lack of entry (for example, property condition, number of bathrooms, measurement changes, etc.),
- having received an abatement in FY 2016.

The table below shows the number and type of properties by assessment percentage change. The numbers reflect that most increased at a percentage at or near the city-wide average.

## Real Estate & Rental Trends

Compared to FY16, there are significant valuation changes in FY17 in both the residential and commercial sector as Somerville continues to be a highly desirable place to live and do business. At a minimum, the housing market can be described as an extremely active or hot market with the largest increases for one-, two-, and three-families found in the East Somerville, Winter Hill, and Magoun Square areas. The largest condominium valuation changes can be found in Ward 2 and East Somerville.

Bidding wars have become the standard and it is now unusual for a sale price to be under the asking price. Most properties sell for 10% to 15% over asking with others even higher.

FY 2017 assessments have an effective market date of January 1, 2016, with an emphasis on calendar 2015 sale prices. Only calendar 2015 sales were analyzed for single-family and condominium properties as there were a sufficient number of sales. However, it was necessary to

include calendar year 2014 sales to value two- and three-families to supplement the pool of sales available for analysis.

The table to the right offers an insight into the market volatility we have witnessed most recently and in comparison to 5 and 10 years ago with respect to million dollar sale prices for one-, two-, and three-family homes and condominiums.

Apartment rents for buildings with four or more units were up as much as 16% from FY16 with average rents increasing about \$100 per month. Commercial rents were up about 8% citywide compared to last year (depending on type of use and location). Expenses were down while vacancy rates were stable showing a slight decrease. Expected rate of return on income producing property (capitalization rate) increased

MILLION DOLLAR SALES (one-, two-, & three-family homes and condominiums)	
Calendar Year	Number of Sales
2005	1
2010	1
2013	21
2014	42
2015	82
2016 (year to date through September)	80

about 1%. (Source of rent, expenses, and vacancy based upon calendar 2015 information provided by landlords.)

## FY 2017 Tax Rates

FY 2017 Proposed Tax Rates and Residential Exemption Changes (Pending DOR approval)		
	FY 2016	FY 2017
Residential tax rate	\$12.53	\$11.67
Commercial tax rate	\$20.18	\$18.81
Residential exemption %	35%	35%
Residential exemption tax savings	\$2,624	2,747 (rounded)

The proposed tax rates for FY17 will be \$11.67 per thousand dollars of value for residential properties, and the commercial tax rate will be \$18.81 per thousand dollars of value. These rates reflect a decrease of \$0.86 or -6.86% for residential and a decrease of \$1.37 or -6.79% for commercial. The residential exemption tax savings for owners who reside at their property will increase by \$123 from

last fiscal year. Somerville offers the highest residential exemption in the Commonwealth.

**FY17 proposed tax rates will be lower than in FY16. The proposed FY17 residential tax rate will be \$11.67 per thousand dollars of property value (down from \$12.53 last year), and the commercial tax rate will be \$18.81 (down from \$20.18 last year).**

## Change in Residential and Commercial Tax Bills

This year, commercial taxpayers will pay 25.6% of the total property tax levy, after contributing 25.8% last year, and residential taxpayers will pay 74.4% after contributing 74.2% last year. The assessed values for residential and commercial properties reflect market demand as well as increased value created by renovations and improvements to existing properties, which were slightly higher for

residential in the past year than commercial.

The table below reflects average valuation changes since FY16 and the tax dollar change from the previous year for each property type. Tax dollar increases should be considered moderate, for the most part, given rising real estate values. In fact, the average two-family property, the predominant residential land use in the City, will see less of an increase this year (\$74) than last year (\$150).

FY16-FY17 AVERAGE CHANGES TO ASSESSED VALUES AND TAX BILLS BY PROPERTY TYPE						
Property Type	Average FY16 Assessed Value	Average FY16 Tax Bill*	Average FY17 Assessed Value	Average FY17 Tax Bill*	Tax Dollar Change from FY16 to FY17	% Change in Tax Bill from FY16 to FY17
Condo	\$431,500	\$2,783	\$484,900	\$2,912	\$129	4.6%
1-Family	\$555,000	\$4,330	\$633,200	\$4,642	\$312	7.2%
2-Family	\$620,100	\$5,146	\$682,700	\$5,220	\$74	1.4%
3-Family	\$712,600	\$6,305	\$802,200	\$6,615	\$310	4.9%
4-8-Family	\$897,300	\$8,619	\$1,019,000	\$9,145	\$526	6.1%
9+ Apts.	\$3,084,500	\$38,649	\$3,633,800	\$42,406	\$3,757	9.7%
Comm./Ind.	\$1,900,200	\$38,346	\$2,126,100	\$39,992	\$1,646	4.3%

\*Condo, 1-family, 2-family, 3-family, and 4-8-family include the residential exemption.

## New Growth and New Development Prevented Larger Tax Increases

In FY17, Somerville experienced more new growth than any other year in its history. New growth is the value added to homes and buildings by improvements or new construction. In FY17, new growth in Somerville was valued at \$291.9 million (M). Of this, \$91.4M is new commercial and industrial growth as well as personal property, of which \$26.8M (29%) was generated by new office and retail buildings at Assembly Row.

It is the long-term strategy of the administration to promote new commercial growth/development according to SomerVision goals to help reduce the residential tax liability and bring other community benefits. Though not yet creating tax decreases, commercial growth is now helping to reduce the size of residential tax increases.

The following table shows the tax increases on residential properties that were avoided due to the savings to residential property owners generated solely by Assembly Row development. It should be noted that Assembly Row is not yet complete and, along with other areas such as Union Square, Boynton Yards, and the Green Line Extension station areas in general, is expected to produce more new commercial growth in the coming years.

FY17 RESIDENTIAL TAXES AVOIDED DUE TO SAVINGS FROM NEW ASSEMBLY ROW DEVELOPMENT	
Property Type*	Tax increase avoided due to new development at Assembly Row
Average Condo	-\$165
Average 1-Family	-\$224
Average 2-Family	-\$244
Average 3-Family	-\$292
Average 4-8-Family	-\$379

\*All property types include the residential exemption

**In FY17, the tax increase on the average two-family home would have been \$318 had there been no new development at Assembly Row. But thanks to this new development that increase will be less than one-fourth that amount, at \$74 or less than \$6.20 per month, instead.**

## Exemptions and Other Options to Reduce or Defer Taxes

**Residential Exemption:** The City of Somerville offers a residential property tax exemption to all owners who reside at their property regardless of income. As of FY17, the residential exemption is set at 35%, the highest in the Commonwealth, allowing for a tax savings of up to \$2,747. All residential taxpayers who own and occupy residential property as their principal residence as of January 1, 2016, may apply for the FY17 residential exemption. Note that that City is exploring options to seek permission from the State to raise the exemption from 35% to 40% in coming years.

**Exemptions for Qualifying Seniors, Persons with Disabilities, Disabled Veterans, Widows and Others:** Qualifying seniors, persons facing extreme hardship, persons with certain disabilities, Disabled Veterans, Widows and minors with deceased parents may apply for additional exemptions. The City allows up to double the allowed amount for statutory exemptions, meaning, for example, that homeowners age 65 or older may qualify for a tax exemption of up to \$2,000 rather than the state designated \$1,000 (which was increased from \$750 for FY16) depending upon how much their tax bill increased from the previous year.

**Senior Work-off:** All seniors over 60 may also opt to work off up to \$1,000 of their tax bill by sharing their skills with City offices. We'll work to find you a task that matches your interests and abilities. Please contact the Council on Aging for details at 617-625-6600 ext. 2300. Note that the City is

increasing the abatement amount from \$1,000 to \$1,500 that would take effect for FY18.

**Hardship:** Taxpayers may have their taxes reduced due to age, infirmity, and income (all three conditions must be met).

**Tax Deferral for Seniors:** Qualifying seniors 65 and over may opt to defer up to 100% of their tax payments. To encourage participation, in FY16, the interest rate was lowered and the income limit increased. For FY18 the City is again decreasing the interest rate from 4% to 3%

**Temporary Tax Deferral for non-seniors:** Taxpayers with a demonstrated inability to pay may defer up to 100% of their tax payments for up to three consecutive years. The City is lowering the interest rate from 8% to 3% to FY18.

**Tax Deferral on property tax and auto excise for National Guard members and reservists:** In FY16, deferrals were approved for National Guard members and reservists on active duty while serving and for the next 180 days after that service.

**Community Preservation Act (CPA) exemptions:** Full exemptions from the CPA surcharge are available to seniors with an income at or below \$54,950 and for low-income taxpayers under age 60 with an income at or below \$68,650. Income limits are adjusted based upon household size and there is a deduction allowance for dependents and medical expenses.

*To learn more about exemptions, your eligibility and deadlines for application, please contact the Assessing Department at 617-625-6600 ext. 3100.*

# Frequently Asked Questions

## **Who determines the tax rate and why can't it simply be lowered to lower taxes?**

Property taxes are a direct result of two factors: the assessed value for all property (minus exemption values for the fiscal year in question) and the City's financial obligations (the required property tax levy) as determined in the adopted budget for that fiscal year. Once these two factors are known, setting of the tax rate is not discretionary. It becomes a straight-forward mathematical exercise as follows: Classified tax rates = Property Tax Levy / Property values minus exemption value.

## **Who determines my value and how is that process completed?**

The Board of Assessors calculates values based upon real estate market conditions in accordance with State Department of Revenue (DOR) regulations. The Assessors thus use the three accepted appraisal approaches to value including replacement cost, sales comparisons, and a review of income generated by the property. FY17 assessments were established based upon market value as of January 1, 2016.

## **What can I do if I disagree with my assessment?**

The FY17 deadline to file an appeal with the Board of Assessor's Office is by no later than Wednesday, February 1, 2017. Applications must be received in the Assessor's Office by 4:30 p.m. sharp. Mailed applications will also be accepted if they are postmarked by the U. S. Post Office by no later than February 1. Applications can be obtained at the Assessor's Office or by accessing the "Abatement/Appeal" link on the Assessors' homepage at [www.somervillema.gov/assessing](http://www.somervillema.gov/assessing).

## **Can the Mayor or my Alderman get my assessment reduced?**

No. The law prohibits this. Elected officials cannot decrease an assessment based upon hardship or for any other reason. By law, assessments must be determined by the Assessors according to State DOR regulations. Assessments cannot be arbitrarily lowered to reduce the tax liability. Only the Assessors have authority to grant abatements under Massachusetts General Law, Chapter 59 and reductions are granted only if additional information indicates that the value should be lowered.

## **How do I file and qualify for the residential exemption and do I have to file every year?**

All residential property owners who occupied their property as their primary residence as of the previous January 1, may apply for a residential exemption, which is in effect a tax discount. Applications can be obtained in the Assessor's Office or at [www.somervillema.gov/assessing](http://www.somervillema.gov/assessing) (click on "Residential exemption"). Applications are due in the Assessor's Office by no later than April 3, 2017, at 4:30 p.m. sharp. Taxpayers need not file a new application each

year although the Assessors periodically send out notices for taxpayers to recertify their eligibility. Taxpayers who move should notify the Assessors of a change of address.

## **I'm over 65, a widow, or have limited income. Are there any other tax savings programs I can apply for?**

State law affords a number of property tax discounts or what are known as statutory exemptions as well as options for seniors to work off a portion of their tax bill or, if eligible, to defer payment. Exemptions can be granted for seniors, widows, veterans and others based upon, in most cases, asset and income guidelines. Please contact the Assessor's Office to discuss your situation and how to apply. Walk-ins during business hours are always welcome or call 617 625-6600 X 3100. Applications can also be downloaded from [www.somervillema.gov/assessing](http://www.somervillema.gov/assessing) (click "Exemptions for Seniors & Others").

## **My assessment and resulting taxes went up more than 2 ½ percent. How can the City exceed Proposition 2 ½?**

Proposition 2 ½ caps the percent increase over the previous year in total property tax dollars collected for all properties in the city combined. In other words, without an override, a city may not collect property taxes in total from all sources that exceed 2 ½ percent more than the previous year. However, the limit does not apply to individual properties. Some properties undergo improvements or require adjustments due to inspection that increase an individual property's value by more than 2 ½ percent. For example, a \$500,000 two-family that undergoes improvements that raise its value to \$750,000 increased in value by \$250,000 or 50%. That \$250,000 increase is what is known as "new growth." The additional values created by new growth and the resulting tax dollars are exempt from the limits of proposition 2 ½. In Somerville, new growth can be captured up to the June 30th prior to the start of the new fiscal year on July 1. Any improvements are assessed as if in existence on the prior January 1 and are not part of the 2 ½ percent limit.

## **Do I have to allow the Assessors to inspect my property?**

There are several reasons why the Assessors inspect properties including sales verification for properties that have sold, building permit review, and remeasure-relist for properties that have not been inspected in some time. While no property owner is required to permit an inspection, failure to do so will require that the Board of Assessors estimates your property's interior condition and features. The estimate could lead to an incorrect or misleading assessment. If the property owner has filed an appeal, failure to grant the inspection will require that the Board disallow the appeal. The Assessors rely on the cooperation of taxpayers to ensure a fair and equitable process leading to the development of fair and equitable assessments. Inspections can also be beneficial to the property owner by correcting bad data that caused an overvaluation.



**A Joint Publication of  
The Board of Assessors and  
the Mayor's Office**

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Somerville, MA 02143

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***Questions about your assessment?***  
See the FAQs inside this mailer on the last page.

**Contact the Assessor's Office:**

617-625-6600 ext. 3100  
assessing@somervillema.gov  
www.somervillema.gov/assessing

**For information on how to pay your taxes,  
contact the Treasurer's Office:**

617-625-6600 ext. 3500  
treasury@somervillema.gov  
www.somervillema.gov/treasury

**Or drop by City Hall at 93 Highland Ave:**

Mon., Tues., Wed.: 8:30 a.m. - 4:30 p.m.  
Thursday: 8:30 a.m. - 7:30 p.m.  
Friday: 8:30 a.m. - 12:30 p.m.

**Upcoming Important Dates**

<b>December 31</b>	Third quarter actual tax bills are mailed with new fiscal year assessment and tax rate
<b>December 31 to February 1</b>	Official appeal period to request changes to FY17 valuations
<b>February 1</b>	Third quarter actual tax bill due and deadline for filing appeal (4:30 p.m. sharp)
<b>April 3</b>	Deadline to file for Residential and/or Statutory Exemptions (4:30 p.m. sharp)