



FY 2019 Property Tax Update

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

Dec. 2018

Among other information, this update explains:

- How to find out your assessed value for FY 2019
- The proposed FY 2019 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

Dear Residents and Taxpayers of Somerville:

From the Assessors: Fiscal Year 2019 is a State Department of Revenue (DOR) interim adjustment year for the Board of Assessors. An interim adjustment year requires that the Board adjusts values based upon changes in the market and that DOR standards have been met. While the DOR reviews and approves any adjustment by the Board, the standards are not quite as rigorous and as comprehensive as those in a certification or revaluation year. Assessments for FY 2019 have an effective market date of January 1, 2018 and were released to the public on December 28, 2018. They can be viewed at www.somervillema.gov by clicking Your Government, Departments, Assessing, and the link titled "Look up FY 19 values: Assessor's Database." Assessed values will appear on your third quarter actual tax bill issued on or about December 28, 2018. 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, 2019, but not before December 28, 2018.

**Assessments for
FY 2019 will be
released to the public
on December 28, 2018,
and can be obtained
year-round online, by
phone, or in person.**

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.

Sincerely,
Francis J. Golden, MAA Acting Chief Assessor & Chairman
Michael Flynn, MAA
Richard Scanlon, MAA

News and Helpful Tips

Are You Taking the Residential Tax Exemption?

Somerville offers the highest residential exemption in the Commonwealth. In 2019, the 35% exemption will yield a savings of up to \$3,105. Contact the Assessor's Office for more information, and watch for a possible increase in the exemption in later years as the City is exploring options to raise the exemption to 40%.

Additional Exemptions Available for 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, or contact Janneke Donovan at 617-625-6600 x3522.

Deadline to Appeal Your Assessment: Feb. 1, 2019

The FY19 deadline to file an appeal with the Board of Assessors is no later than Thurs., Feb. 1, 2019. Hand-delivered applications must be received in the Assessor's Office by 12:30 p.m. Mailed applications must be postmarked by the U.S. Post Office by no later than Feb. 1. Applications are available at the Assessor's Office or by accessing the "Abatement/Appeal" link at www.somervillema.gov/assessing.

How to Find Your Approved FY19 Property Valuation

All approved values will appear on the tax bills mailed to owners on or about December 28, 2018 and can be obtained by:

- calling the Assessor's Office at 617 625-6600 X3100 during normal business hours
- visiting the Assessor's Office during normal business hours
- online at www.somervillema.gov/AssessedValues or as above (see column to the left)

Assessment Update

The Fiscal Year 2019 (FY19) total assessed value of taxable property in the City of Somerville is almost \$15.7 billion, a 13.5% increase over FY18. Residential property values saw the greatest gains this past year, while commercial property values increased a bit less. On **average**, citywide, residential values increased by 14.2% and commercial values by 9.5%, primarily due 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 FY19 compared to last year (FY18) by property type.

AVERAGE CHANGE IN ASSESSMENT BY PROPERTY TYPE (impacted by market only)	
Property Type	Average assessment change from FY18 to FY19 (rounded)
1 Family	12%
2 Family	11%
3 Family	19%
Condominium	9%
Apartments, 4+ units	7%
Commercial	4%
Industrial	1.4%
Personal Property*	10%

*Tax on business equipment.

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. For more detailed information, readers are encouraged to visit the Assessing web site at www.somervillema.gov and access the links to “Chief Assessor’s FY 2019 Classification Hearing Report.”

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 2018.

The table below shows the average valuation changes for FY18-FY19 for Market & Growth and Market only.

Real Estate & Rental Trends

There are significant valuation changes in FY19 in both the residential and commercial sectors. The housing market continues to be an extremely active market with the largest increases for one, two, and three families found in the East Somerville, Winter Hill North, and West Somerville areas. The largest condominium valuation changes can be found in the Ten Hills and Winter Hill and Magoun Square areas.

FY 2019 assessments have an effective market date of January 1, 2018, with an emphasis on calendar 2017 sale prices. Only calendar 2017 sales were analyzed for single family and condominium properties as there were a sufficient number of sales. However, it was necessary to include calendar 2016 sales to value two and three families to supplement the pool of sales available for analysis.

AVERAGE VALUATION CHANGES FY18-FY19		
Style	Market & Growth	Market
Single family	13%	12%
Two family	12%	11%
Three family	20%	19%
Apartments 4+	19%	7%
Condominiums	12%	9%
Commercial	12%	4%
Industrial	5.4%	1.4%
Personal Property	10%	N/A

The table to the right offers an insight into the market volatility we have witnessed most recently and in the recent past 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 about 14% from FY18 with average rents increasing about \$85 per month. Commercial rents were up about 7% citywide compared to last year (depending on type of use and location). Expense and vacancy rates were stable and in line with FY 2018 rates. Expected rate of return on income producing property (capitalization rate) increased about 1%. (Source of rent, expenses, and vacancy based upon calendar 2017 information provided by landlords.)

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	122
2017	175
2018 (year to date through mid-November)	167

FY 2019 Tax Rates

FY 2019 PROPOSED TAX RATES AND RESIDENTIAL EXEMPTION CHANGES (Pending DOR approval)		
	FY 2018	FY 2019
Residential tax rate	\$11.31	\$10.76
Commercial tax rate	\$18.21	\$17.33
Residential exemption %	35%	35%
Residential exemption tax savings	\$2,883 (rounded)	\$3,105 (rounded)

The proposed tax rates for FY19 will be \$10.76 per thousand dollars of value for residential properties, and the commercial tax rate will be \$17.33 per thousand dollars of value. These rates reflect a decrease of \$0.55 or -4.9% for residential and a decrease of \$0.88 or -4.8% for commercial. The residential exemption tax savings for owners who reside at their property will increase by \$222

from last fiscal year. Somerville and Chelsea offer the highest residential exemption in the Commonwealth.

FY19 proposed tax rates will be lower than in FY18. The proposed FY19 residential tax rate will be \$10.76 per thousand dollars of property value (down from \$11.31 last year), and the commercial tax rate will be \$17.33 (down from \$18.21 last year).

Change in Residential and Commercial Tax Bills

This year, commercial taxpayers will pay 24.1% of the total property tax levy, after contributing 24.9% last year, and residential taxpayers will pay 75.9% after contributing 75.1% 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 moderately higher for residential in the past year than commercial.

The table below reflects average valuation changes since FY18 and the expected or projected tax dollar change from the previous year for each property type.

FY18-FY19 AVERAGE CHANGES TO ASSESSED VALUES AND TAX BILLS BY PROPERTY TYPE						
Property Type	Average FY18 Assessed Value	Average FY18 Tax Bill*	Average FY19 Assessed Value	Average FY19 Tax Bill*	Tax Dollar Change from FY18 to FY19	% Change in Tax Bill from FY18 to FY19
Condo	\$530,800	\$3,121	\$570,835	\$3,038	-\$83	-2.7%
1-Family	\$695,200	\$4,980	\$874,434	\$5,336	\$356	7.1%
2-Family	\$731,700	\$5,393	\$822,001	\$5,740	\$347	6.4%
3-Family	\$853,600	\$6,772	\$1,020,259	\$7,873	\$1,101	16.3%
4-8-Family	\$1,131,900	\$9,919	\$1,760,470	\$15,838	\$5,919	59.7%
9+ Apts.	\$4,874,500	\$55,131	\$5,667,019	\$60,977	\$5,846	10.6%
Comm./Ind.	\$2,227,500	\$40,563	\$2,486,023	\$43,083	\$2,520	6.2%

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

New Growth and New Development

In FY18, Somerville experienced more new growth than any other year in its history with a tax levy growth of \$4.6M. FY19 now establishes another new high with tax levy growth of \$7.3M. New growth is the value added to homes and buildings by improvements or new construction. In FY19, new growth in Somerville was valued at \$531,015,586. Of this, \$188,669,565 is new commercial and industrial growth as well as personal property, of which \$41M (22%) was generated by new commercial 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.

Union Square, Boynton Yards, and the Green Line Extension station areas in general are expected to produce more new commercial growth in the coming years.

Exemptions and Other Options to Reduce or Defer Taxes

Residential Exemptions: The City of Somerville offers a residential property tax exemption to all owners who reside at their property regardless of income. As of FY19, the residential exemption is set at 35% allowing for a tax savings of \$3,105. Both the percentage and tax savings are the highest in the Commonwealth (Chelsea is also at 35%). All residential taxpayers who owned and occupied their Somerville property as their principal residence as of January 1, 2018, may apply for the FY19 residential exemption.

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 \$1,500 (amount increased for FY 2018) of their tax bill. For FY16, income limits were increased to encourage participation. Please contact the Council on Aging for details at 617-625-6600 ext. 2300.

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. The interest rate decreased to 3% for FY 2018.

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 interest rate decreased to 3% for FY 2018.

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 age 60 and over with an income at or below \$72,400 and for low income taxpayers under age 60 with an income at or below \$57,900. 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. FY19 assessments were established based upon market value as of January 1, 2018.

What can I do if I disagree with my assessment?

The FY19 deadline to file an appeal with the Board of Assessors is by no later than Friday, February 1, 2019. Applications must be received in the Assessors by the close of business at 12:30 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 link on the Assessors homepage at the City website at 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 (click on "Residential exemption"). Applications are due in the Assessor's Office by no later than April 1, 2019 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 (click the "Department Forms" link and look for the "Statutory Exemption application" link in the list).

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 \$400,000 two-family that undergoes improvements that raise its value to \$600,000 increased in value by \$200,000 or 50%. That \$200,000 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. The inspection process is therefore of vital importance to both the Assessors and taxpayers. 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**

City of Somerville
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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

December 28

Third quarter actual tax bills are mailed with new fiscal year assessment and tax rate

January 2 to February 1

Official appeal period to request changes to FY19 valuations

February 1

Third quarter actual tax bill due and deadline for filing appeal (12:30 p.m. sharp)

April 1

Deadline to file for Residential and/or Statutory Exemptions (4:30 p.m. sharp)