



FY20 Property Tax Update

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

Dec. 2019

Dear Residents and Taxpayers of Somerville:

From the Assessors: Fiscal Year 2020 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 FY20 have an effective market date of January 1, 2019 and were released to the public on December 31. They can be viewed at www.somervillema.gov by clicking Your Government, Departments, Assessing, and the link titled "Look up FY20 values: Assessor's Database." Assessed values will appear on your third quarter actual tax bill issued on or about 12/31/2019. Taxpayers who feel that their property is overvalued must file a formal appeal (abatement) with the Board of Assessors by no later than February 3, 2020 but not before December 31, 2019.

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 FY21. Thereafter, the cycle will be in the next 5 years in FY26.

Among other information, this update explains:

- How to find out your assessed value for FY20
- The proposed FY20 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,

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 \$3,269. Contact the Assessors' 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 for more information, or contact the Assessors Office at 617-625-6600 x3100.

Deadline to Appeal Your Assessment: Feb. 3, 2020

The FY20 deadline to file an appeal with the Board of Assessors is no later than Mon., Feb. 3, 2020. Hand-delivered applications must be received in the Assessors' Office by 4:30 p.m. Mailed applications must be postmarked by the U.S. Post Office by no later than Feb. 3. Applications are available at the Assessors' Office or by accessing the "Abatement/Appeal" link at www.somervillema.gov/assessing.

How to find your Approved FY20 Property Valuation

All approved values will appear on the tax bills mailed to owners on or about December 31, 2019 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 described on the left (see first paragraph)

Assessment Update

The Fiscal Year 2020 (FY20) total assessed value of taxable property in the City of Somerville is almost \$17.9 billion, a 14.95% increase over FY19. Residential values saw the greatest gains this past year, while commercial property values increased a bit less. On **average**, citywide residential values increased by 12.2% and commercial values by 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 FY20 compared to last year (FY19) by property type.

AVERAGE CHANGE IN ASSESSMENT BY PROPERTY TYPE (impacted by market only)	
Property Type	Average assessment change from FY19 to FY20 (rounded)
1 Family	9%
2 Family	14%
3 Family	15%
Condominium	10%
Apartments, 4+ units	13%
Commercial	5%
Industrial	5%
Personal Property*	11%

*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 website at www.somervillema.gov and access the links to “Chief Assessor’s FY20 Classification Hearing Report.”

FY20 assessments have an effective market date of January 1, 2019 with an emphasis on calendar 2018 sale prices. Only calendar 2018 sales were analyzed for single family and condominium properties as there were a sufficient number of sales. However, it was necessary to include calendar 2017 sales to value two and three families to supplement the pool of sales available for analysis.

The table 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.

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 FY19.

The table below shows the average valuation changes for FY19-FY20 for Market & Growth and Market only.

AVERAGE VALUATION CHANGES FY19-FY20		
Style	Market & Growth	Growth
Single family	8%	1%
Two family	14%	1%
Three family	14%	9%
Apartments 4+	13%	4%
Condominiums	7%	15%
Commercial	5%	2.9%
Industrial	5%	1.4%
Personal Property	11%	17%

Real Estate & Rental Trends

There are significant valuation changes in FY20 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 Winter Hill & Magoun Square areas.

MILLION DOLLAR SALES (one-, two-, & three-family homes and condominiums)	
Calendar Year	Number of Sales
2010	1
2013	1
2014	21
2015	42
2016	82
2017	122
2018	196
2019 (Year to date thru 1 st week - December)	236

Apartment rents for buildings with four or more units were up about nearly double from FY19 with average rents increasing about \$165 per month. Commercial rents remained stable except Retail Strip, Convenience Store, R&D, Large Industrial and Warehouse over 25,000 SF, which all increased 6-7%. Expense and vacancy rates were stable and in line with FY19 rates. Expected rate of return on income producing property (capitalization rate) decreased about 4% on average. A declining cap rate means an increasing value. (Source of rent, expenses, and vacancy based upon calendar 2018 information provided by landlords).

FY20 Tax Rates

FY20 Proposed Tax Rates and Residential Exemption Changes (Pending DOR approval)		
	FY19	FY20
Residential tax rate	\$10.76	\$10.09
Commercial tax rate	\$17.33	\$16.32
Residential exemption %	35%	35%
Residential exemption tax savings	\$3,105 (rounded)	\$3,269 (rounded)

The proposed tax rates for FY20 will be \$10.09 per thousand dollars of value for residential properties, and the commercial tax rate will be \$16.32 per thousand dollars of value. These rates reflect a decrease of \$0.67 or -6.2% for residential and a decrease of \$1.01 or -5.8% for commercial. The residential exemption tax savings for owners who reside at their property will increase by \$164

from last fiscal year. Somerville (and Chelsea) offers the highest residential exemption in the Commonwealth.

FY20 tax rates will be lower than in FY19. The FY20 residential tax rate will be \$10.09 per thousand dollars of property value (down from \$10.76 last year), and the commercial tax rate will be \$16.32 (down from \$17.33 last year).

Change in Residential and Commercial Tax Bills

This year, commercial taxpayers will pay 24.22% of the total property tax levy, after contributing 24.05% last year, and residential taxpayers will pay 75.79% after contributing 75.96% 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 commercial in the past year than residential.

The table below reflects average valuation changes since FY19 and the expected or projected tax dollar change from the previous year for each property type.

FY19-FY20 AVERAGE CHANGES TO ASSESSED VALUES AND TAX BILLS BY PROPERTY TYPE						
Property Type	Average FY19 Assessed Value	Average FY19 Tax Bill*	Average FY20 Assessed Value	Average FY20 Tax Bill*	Tax Dollar Change from FY19 to FY20	% Change in Tax Bill from FY19 to FY20
Condo	\$570,835	\$3,038	\$624,756	\$3,035	-\$3	-.09%
1-Family	\$784,434	\$5,336	\$854,994	\$5,358	\$22	0.4%
2-Family	\$822,001	\$5,740	\$940,890	\$6,224	\$484	8.4%
3-Family	\$1,020,259	\$7,873	\$1,174,039	\$8,577	\$704	8.9%
4-8-Family	\$1,338,176	\$11,294	\$1,587,380	\$12,747	\$1,453	12.9%
9+ Apts.	\$5,667,019	\$60,977	\$6,397,258	\$64,548	\$3,571	5.9%
Comm./Ind.	\$2,486,023	\$43,083	\$2,889,898	\$47,163	\$4,080	9.5%

*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 FY19, Somerville experienced more new growth than any other year in its history with a tax levy growth of \$7.3M. FY20 now establishes another new high with tax levy growth of \$8.375M. New growth is the value added to homes and buildings by improvements or new construction. In FY20, new growth in Somerville was valued at \$605,007,114. Of this, \$283,980,089 is new commercial and industrial growth as well as personal property, of which \$33.8M was generated by new commercial buildings at Assembly Row and 96.2M from new buildings at Cambridge Crossing.

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, is expected to produce more new commercial growth in the coming years.

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 FY20, the residential exemption is set at 35% allowing for a tax savings of \$3,269. Both the percentage and tax savings are the highest in the Commonwealth (Chelsea is also at 35%). All residential taxpayers who own and occupy their Somerville property as their principal residence as of January 1, 2019, may apply for the FY20 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: Qualifying seniors over 60 may also opt to work off up to \$1,500 of their tax bill. To determine your eligibility, contact the Council on Aging at 617-625-6600 x 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 is 2.5% for FY20.

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 is 3% for FY20.

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 \$79,350 and for low income taxpayers under age 60 with an income at or below \$63,450. 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: $\text{Classified tax rates} = \frac{\text{Property Tax Levy}}{\text{Property values minus exemption value}}$.

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. FY20 assessments were established based upon market value as of January 1, 2019.

What can I do if I disagree with my assessment?

The FY20 deadline to file an appeal with the Board of Assessors is by no later than Monday, February 3, 2020. Applications must be received in the Assessors by the close of business at 4:30 p.m. Mailed applications will also be accepted if they are postmarked by the U.S. Post Office by no later than February 3. 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, 2020 at 4:30 p.m. 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 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.

What is Classification and how does it affect my taxes?

Classification is a system under State law that allows cities and towns to have one tax rate for commercial property and a different rate for residential property. Whether or not a municipality will classify is a decision recommended by the Mayor and approved by the Board of Aldermen. Somerville has a long history of approving classification, which allows a greater percentage of the tax liability (an additional 175%) to be shifted to the commercial sector. For FY20, commercial value is 13.8373% of total value. However, with classification, instead of the commercial sector covering only 13.8373% of the property tax levy, their contribution is increased to 24.2153%. The more commercial value we have, the greater the commercial tax levy contribution and the smaller the residential share.

Why is my residential exemption valuation deduction less than 35% of my full assessed value?

The 35% valuation deduction is based upon the average residential value in the City not an individual property. In other words, to calculate the average residential value, the value of all residential parcels is added and then divided by the number of residential parcels. The valuation deduction allowed is equal to 35% of that average value and is subtracted from the full valuation of those eligible for the exemption.



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

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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 31	Third quarter actual tax bills are mailed with new fiscal year assessment and tax rate
December 31 to February 3	Official appeal period to request changes to FY20 valuations
February 3	Third quarter actual tax bill due and deadline for filing appeal (4:30 p.m.)
April 1	Deadline to file for Residential and/or Statutory Exemptions (4:30 p.m.)