Office of the City Manager
City Hall • 375 Merrimack Street • Lowell, MA 01852
P: 978.674.4400 • F: 978.970.4007
www.LowellMA.gov

Conor Baldwin
Chief Financial Officer

MEMORANDUM

TO: Kevin J. Murphy, City Manager

FROM: Conor Baldwin, Chief Financial Officer

DATE: February 7, 2018

SUBJECT: **MOTION RESPONSE: 11.4. of 1/30/2018 - C. Elliott/C. Leahy -** Req. City Mgr. Provide A Report To The Finance SC Regarding FY18 Property Valuation Assessments; 3rd Quarter Tax Bills And Abatement Process; And Budget Impact On Tax Bills.

The third quarter tax bills were mailed to Lowell residents and taxpayers in late December. Lowell issues four (4) quarterly tax bills each fiscal year and, under normal circumstances, the first two bills are considered “preliminary” bills, which are calculated based on using your previous years’ annual tax bill. When the actual values and tax rate is determined, in simple terms, we take the calculated annual tax and deduct the first two quarterly payments. This amount is then split between the third and fourth quarter real estate tax bills.

FY2018 Property Valuations

There are two major components of each individual tax bill. The first is the tax rate and the second is the property value. While the impact of the budget is more predictable and can be calculated based on the spending plan approved by the City Council in the spring, the current year’s property values are subject to change. These changes can occur, for example, if improvements are made to a property or if property sales in any particular neighborhood impact the values of surrounding homes. Enclosed with this memorandum is a comparison of values in all classes (residential, commercial, industrial, and personal) in FY2018 versus those same classes in the prior fiscal year (FY2017). Values in all property classes increased by $570.6 million (8.1%) in FY2018 over FY2017 and in the residential classes, increased by $522.3 (2.8%) million.

Third Quarter Tax Bills/ FY2018 Budgetary Impact

The average single family tax bill in FY2018 increased by $162.66. The average single family home value has increased by $20,632 to $274,542. The tax bill for the average single family home is $3,950.67 in FY2018. The tax rates of $14.92 per $1,000 for residential properties and $29.34 per $1,000 for commercial, industrial, and personal property were approved by the Department of Revenue on December 15, 2017. Prior to setting the tax rate, the City Council approved two votes to mitigate the impact on the residential tax payer, one this year (FY2018) and one next year (FY2019). The first vote was to appropriate $2.1 million from certified overlay surplus to reduce the FY2018 tax levy. The second was to appropriate $500,000 from certified free cash to be used to reduce the FY2019 tax rate. These votes will provide relief in easing the budgetary impact on taxes, but not the impact that the change in values may have on a residential property.

Conor Baldwin
Chief Financial Officer

The tax levy for FY2018 is $128.5 million, which was a 1.5% budgeted increase plus new growth from economic development. A 1.5% increase to the 2017 tax levy equals $1,862,012.01 of new revenue. In FY2018, the total amount of money needed for all city operations is $376.2 million, including enterprise funds and the school department. Of the $376.2 million, only 34.2% of the revenue comes from taxes. The rest comes from local aid, local receipts, and other available funds.

It is likely that each individual homeowner will experience a tax increase that does not equal 1.5% because residential values increased at a higher rate than commercial, industrial, and personal property values, which explains why the average single family tax bill is increasing at more than 1.5%. In the coming years, we should see commercial values catch-up and eventually overtake residential value increases as current development projects come online and TIF agreements wind-down. Despite recent economic development (Kronos, Markely, etc.), the total value increase in FY2018 was mostly from the residential class. With the 5 most recently approved TIF agreements, the total anticipated revenue in real estate taxes is $15.2 million over the next 20 years. These agreements will generate a total investment in Lowell of $276 million and will generate 2,389 jobs either created or retained.

Tax Abatement Process

Tax abatements for residents are governed by Massachusetts General Laws Chapter 59. An abatement is a reduction in the tax assessed on a property for the current fiscal year. For a resident to dispute their valuation or assessment, or to correct any other billing problem or error that caused the tax bill to be higher than it should be, a taxpayer must apply for an abatement.

The Assessor's Office is the main point of contact at City Hall for residents to file for abatements or to speak with city staff regarding their property values and/or tax bills. The Assessor is required by Massachusetts Law to list and value all real and personal property, which includes all changes of title and subdivisions. Valuation is subject to ad valorem (according to value) taxation on an assessment roll each year. Assessed values in Massachusetts are based on "full and fair cash value", or 100% of the fair market value.

A taxpayer may apply for an abatement the property is:

1. Overvalued (assessed value is more than fair cash value on January 1 for any reason, including clerical and data processing errors or assessment of property that is non-existent or not taxable to you);
2. Disproportionately assessed in comparison with other properties;
3. Classified incorrectly as residential, open space, commercial or industrial real property, or;
4. Partially or fully exempt.

Office of the City Manager
City Hall • 375 Merrimack Street • Lowell, MA 01852
P: 978.674.4400 • F: 978.970.4007
www.LowellMA.gov

Conor Baldwin
Chief Financial Officer

The Assessor's Office can be reached by phone at 978-674-4200 during normal business hours or by email on the City of Lowell website. The Assessor's webpage can be located at www.lowellma.gov and within the department's document library, at http://lowellma.gov/156/Assessing-Forms.

To avoid loss of appeal rights or addition of interest and other collection charges, the tax must be paid as assessed on the due date. The following individuals may file an application with the local board of assessors:

1. The assessed or subsequent (acquiring title after January 1) owner of the property;
2. The owner's administrator or executor;
3. A tenant paying rent who is obligated to pay more than one-half of the tax;
4. A person owning or having an interest or possession of the property, or
5. A mortgagee if the assessed owner has not applied;

The various types of personal exemptions, the exemption amount, and the requirements for eligibility are detailed in various clauses of Chapter 59 § 5 for surviving spouses, disabled veterans or widows of disabled veterans, blind, or elderly homeowners. The staff in the Assessor's Office is knowledgeable in the exemption amounts and application process and can assist any residents with questions or with the process.

The application must be filed with the board of assessors on or before the date the first installment payment of the actual tax bill mailed for the fiscal year is due, unless you are a mortgagee. If so, your application must be filed between September 20 and October 1. Actual tax bills are those issued after the tax rate is set. Applications filed for omitted, revised or reassessed taxes must be filed within 3 months of the date the bill for those taxes was mailed.

These deadlines cannot be extended or waived by the assessors for any reason. If an application is not timely filed, the statute dictates that the applicant loses all rights to an abatement and the assessors cannot, by law, grant one. To be timely filed, the application must be (1) received by the assessors on or before the filing deadline or (2) mailed by United States mail, first class postage prepaid, to the proper address of the assessors on or before the filing deadline as shown by a postmark made by the United States postal service

Property Type	Parcel Count - 2017	Parcel Count - 2018	Increase (Num)	Increase (%)	Class1 Residential - 2017	Class1 Residential - 2018	Increase ($)	Increase (%)	Class3 Commercial - 2017	Class3 Commercial - 2018	Increase ($)	Increase (%)
101	11,861	11,873	12	0.1%	$ 3,011,601,375	$ 3,259,642,880	$ 248,041,505	8.2%				
102	5,435	5,453	18	0.3%	$ 819,600,389	$ 867,795,424	$ 48,195,035	5.9%				
Misc 103, 109	139	137	(2)	-1.4%	$ 52,355,811	$ 56,705,811	$ 4,350,000	8.3%				
104	3,710	3,713	3	0.1%	$ 930,883,268	$ 1,014,696,970	$ 83,813,702	9.0%				
105	791	793	2	0.3%	$ 233,450,900	$ 255,984,600	$ 22,533,700	9.7%				
111-125	895	891	(4)	-0.4%	$ 740,862,600	$ 846,755,100	$ 105,892,500	14.3%				
130-32, 106	1,054	1,095	41	3.9%	$ 35,235,700	$ 38,109,000	$ 2,873,300	8.2%				
300-393	1,215	1,219	4	0.3%					$ 518,416,500	$ 533,074,420	$ 14,657,920	3%
400-442	446	446	-	0.0%								
450-452	3	3	-	0.0%								
CH 61A LAND	2	2	-	0.0%					$ 4,521	$ 4,890	$ 369	8%
CH 61B LAND	18	18	-	0.0%					$ 653,875	$ 669,400	$ 15,525	2%
012-043	306	304	(2)	-0.7%	$ 99,178,267	$ 105,775,866	$ 6,597,599	6.7%				
501	1,027	1,281	254	24.7%								
502	805	830	25	3.1%								
504	3	3	-	0.0%								
505	9	9	-	0.0%								
508	5	5	-	0.0%								
TOTALS	**27,724**	**28,075**	**351**	**1.3%**	**$ 5,923,168,310**	**$ 6,445,465,651**	**$ 522,297,341**	**8.8%**	**$ 519,074,896**	**$ 533,748,710**	**$ 14,673,814**	**2.8%**

Property Type	Parcel Count - 2017	Parcel Count - 2018	Increase (Num)	Increase (%)	Class4 Industrial- 2017	Class4 Industrial - 2018	Increase ($)	Increase (%)	Class5 Personal- 2017	Class5 Personal - 2018	Increase ($)	Increase (%)
101	11,861	11,873	12	0.1%								
102	5,435	5,453	18	0.3%								
Misc 103, 109	139	137	(2)	-1.4%								
104	3,710	3,713	3	0.1%								
105	791	793	2	0.3%								
111-125	895	891	(4)	-0.4%								
130-32, 106	1,054	1,095	41	3.9%								
300-393	1,215	1,219	4	0.3%								
400-442	446	446	-	0.0%	$ 301,618,200	$ 315,397,700	$ 13,779,500	4.6%				
450-452	3	3	-	0.0%	$ 24,100,125	$ 25,900,825	$ 1,800,700	7.5%				
CH 61A LAND	2	2	-	0.0%								
CH 61B LAND	18	18	-	0.0%								
012-043	306	304	(2)	-0.7%								
501	1,027	1,281	254	24.7%					$ 35,350,963	$ 53,099,888	$ 17,748,925	50.2%
502	805	830	25	3.1%					$ 64,734,905	$ 63,710,443	$ (1,024,462)	-1.6%
504	3	3	-	0.0%					$ 153,021,038	$ 155,707,614	$ 2,686,576	1.8%
505	9	9	-	0.0%					$ 16,596,300	$ 14,997,600	$ (1,598,700)	-9.6%
508	5	5	-	0.0%					$ 5,163,980	$ 5,395,426	$ 231,446	4.5%
TOTALS	**27,724**	**28,075**	**351**	**1.3%**	**$ 325,718,325**	**$ 341,298,525**	**$ 15,580,200**	**4.8%**	**$ 274,867,186**	**$ 292,910,971**	**$ 18,043,785**	**6.6%**