

CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139
Tel. 498-9011

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

March 26, 1984

To the Honorable, the City Council:

The following report was prepared to update the City Council on the status of the 1984 revaluation process, the status of which is the subject of a public hearing on Monday evening, March 26, 1984.

BACKGROUND. On September 23, 1983 the City mailed initial valuation impact notices to all property owners in Cambridge. During the months of October and November of 1983 the City held approximately 1500 residential hearings and 400 commercial hearings. These hearings resulted in approximately 1300 residential value adjustments and 350 commercial adjustments. As has been stated earlier the impact hearing process was lengthened to insure that all property owners who wished to appeal could do so. On December 5, 1983 the City Council held a public hearing on tax classification and approved classification for FY1984. On December 8, 1983 the State Department of Revenue certified the Cambridge tax rate with a total assessed valuation of \$2,901,630,689.

When the tax rate was set, the City anticipated a high volume of abatement requests, and set aside \$2,356,889 to cover value adjustments. Additionally, the City has an overlay account (abatement reserve) balance of over \$1,500,000 for FY1982 and FY1983 which was anticipated to be available should the total dollar volume of abatements exceed \$2,356,889.

ABATEMENT PROCESS. During the impact hearing stage all property owners were informed by the City of their right to file for an abatement if they felt that their property was overvalued. Additionally, various organizations in the City sent mailings to property owners outlining abatement procedures. These actions combined with the first general revaluation in over sixty years, as well as what has been perceived by the City as an inclination on the part of property owners, particularly commercial owners, to file for an abatement to see how strongly the City will defend values, have led to a total of approximately 2500 abatement requests being filed. This number represents approximately 16 percent of the total number of assessed parcels and are broken out to 1800 residential and 700 commercial requests. In FY1983 the City received 535 abatement requests and granted 185.

Because of the high volume of requests, and due to our effort to see that every single abatement request is individually reviewed, the abatement review process has been long. The review process

is one more step in the City's effort to develop a more accurate data base. At the present time we are 90 percent through the abatement requests. As of March 22, 1984 there have been 471 residential abatements totalling \$44 million in valuation, representing an abatement amount of \$750,000. On the commercial side there have been 119 abatements totalling \$46.7 million in valuation, representing an abatement amount of \$1,544,000. The commercial abatement amount is somewhat skewed due to a billing error that resulted in two bills being produced for the Saddlebrook Building in Kendall Square. The duplicate billing on the building, which is valued at \$15,221,900, resulted in an abatement of \$504,000. It should be noted that this particular abatement was a debit adjustment to the City records and \$504,000 was not granted to the property owners.

OMITTED AND REVISED VALUES. The abatement review process has not only resulted in value reductions; there have also been value revisions resulting in higher values. The review process has determined that 56 parcels, totalling \$5,475,457 in valuation and \$118,833 in additional tax levy, were omitted from the original assessment list. Additionally, it has been determined that 44 parcels totalling \$5,401,987 in valuation and \$135,016 in additional tax levy were undervalued due to substantial data inaccuracies. Both of these categories of revised values must be submitted to the State Department of Revenue for their approval before bills on these properties can be issued. That approval is currently being sought and it is expected that the additional value will be added to the FY1984 tax levy.

FY1985 ASSESSMENT PROCESS. Fiscal year 1985 tax bills will be based upon FY84 "100%" assessments. These assessments, however, will be adjusted to reflect "over-valuation" abatements granted during FY84, except in the very few cases in which the abatement reflected a temporary reduction in value. While the classification ratios between residential and non-residential tax burdens will remain as they were adopted by the City Council during FY84, both the residential and commercial tax rates will change slightly due to changes in total valuation. Changes in value result from: reductions in assessments due to FY84 abatements; new construction; rehabilitation and other building improvement activity; demolition; subdivisions or land aggregations; condominium conversion; correction of assessment errors brought to our attention; tax exempt status changes; and changes in the personal property tax rolls. Cataloging these changes in property status and making appropriate assessment adjustments, as well as processing all deed transfers, constitute the bulk of the work necessary for preparation of FY85 tax bills.

Status of these work items is as follows: deed transfer work is progressing as in a normal year, and will be completed by June; inspection and valuation work on commercial construction activity began in February and will be complete by mid-April; processing of data and value changes resulting from the abatement process has been ongoing as abatements have been decided for residential properties. However, all commercial abatement value and data adjustments remain to be keypunched.

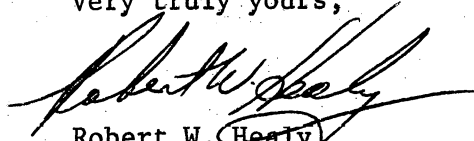
The bulk of the residential work -- building permit inspections,

condominium conversions, and subdivisions -- will begin when work on abatements is completed in about a week, and will continue into the summer.

In summary, we anticipate no obstacles to timely mailing of FY85 tax bills.

FISCAL IMPACT. As stated earlier, the City anticipated the high volume of abatement activity. Because the overlay reserve (abatement account) was raised to \$2,356,000 and because the City has an overlay balance from prior years, the total revenue loss due to abatements will not impact the FY1985 operating budget, which will be submitted to you next Monday. The total loss in valuation, however, will impact the total amount of allowable increase in the FY1985 tax levy over the FY1984 levy. Originally, I had intended to recommend a 2.5% increase in the tax levy for FY1985. However, due to a lower than projected assessment base (\$2.83 billion in FY1985 compared to \$2.9 billion in FY1984), the total allowable tax levy increase will only be approximately 1.7%. Because of construction already underway, as well as planned, we will, however, have the option of increasing the tax levy by 2.5% in FY1986. Beyond that, the next revaluation (1986) and further economic development should allow the City to increase the tax levy by the allowable 2.5% if the City Council so desires.

Very truly yours,



Robert W. Healy
City Manager

RWH/mbf

Agenda Item Number Three

F-97

Re: transmitting an updated report on the status of the 1984 revaluation process.

In City Council,

March 26, 1984

3/26/84

- Placed
on
File