on Residential Tax Rate for Fiscal Year 2003" **(ATTACHMENT A).** He stated that the break-even point, around $884,000, is almost identical for both the 20% and 30% exemption. No additional units are expected to benefit from the increased exemption. There is no impact on the commercial tax rate. The levy will be up approximately 6.1% for 2002. Sixty-seven percent (67%), of residences are owner-occupied. He discussed one, two, three family and condominium homes and percentage of which will receive residential exemption. He further stated that the impact on apartment units is listed on page six of the documentation. Vice Mayor Davis asked if apartments are not eligible why show this information. Mr. Healy responded because of the shift in the rate. All rental units, he said, are not eligible for the exemption. Mr. Devney stated that this is further rental shock. Mr. Healy stated that at the most it would be an increase of $9.00 per month. Mr. Devney stated that large property owners have a possible larger gain when the property is sold but renters are constantly losing money.

In response to a question by Councillor Murphy regarding senior exemptions and tax deferrals, Mr. McDevitt stated that Cambridge has 200 elderly abatements that are exempt from the CPA and 13 tax deferrals for persons over 65. The property tax is the most regressive of all taxes, he said. It affects the lowest income level. Vice Mayor Davis asked what would make the tax more progressive. Mr. McDevitt responded to change the exemption to 30%. Vice Mayor Davis stated that there is a lack of progressivity to exempt condominiums. Ms. Spinner stated that 60% of the condominiums are owner-occupied.

Mr. Bergman stated that the Area 4 Coalition has discussed this issue. Increasing the residential exemption is a benefit to the neighborhood. It is a progressive tax and has a negligible impact on renters. He asked if this is the second tax year that Cambridge has not taken advantage of this increased exemption. Mr. Rossi stated that if the home rule is approved by the City Council this increase would be effective in the third year it is available. Mr. Bergman stated that he is personally not happy with the delay as he is missing $300 per tax year for two years. He asked Mr. Healy if he has a recommendation on this issue. Mr. Healy stated that this is a policy decision based on provided information and data. There is a down side—that being a pass through to rental property. There are a significant number of rental properties in this community. The data shows it makes sense to go to the 30% exemption, but the City Council will make this decision.

Mr. Devney stated that he was in support of the residential exemption. The increased exemption will be advantageous for first time homebuyers who would live in Cambridge. He asked what is the enforcement on homeowner occupancy. Mr. McDevitt replied that the City reviews income tax and voter registration records to ensure homeowner occupancy. Cambridge's residential tax rate is the lowest in the state, he said.

Mr. Healy informed the committee that eleven communities have the 20% exemption and two communities, Boston and Somerville, have the 30% exemption.

Councillor Murphy asked how long does it take to include the exemption. Six months stated Mr. Healy.

Mr. Bergman asked if there will be a vote at the September 23, 2002 City Council meeting to file a home rule petition to increase the exemption.

A discussion ensued relative to the deadline for filing home rule legislation. Councillor Murphy asked Councillor Toomey about the time frame to file home rule legislation at the state level. Councillor Toomey stated that December 4, 2002 is the last date to file a home rule petition by right at the state. A home rule petition, he felt, would move quickly. There was no opposition to the petitions filed by Boston and Somerville.

Ms. Spinner stated that the break-even point between the 20% and 30% exemption is close because the tax rate has increased.

Mr. Devney asked if Somerville's exemption encouraged two family homes to become condominiums. Councillor Toomey suggested that Mr. Devney check with Somerville on this matter.

At the conclusion of the meeting Councillor Murphy submitted the following motion:

ORDERED: That the City Manager be and hereby is requested to instruct the City Solicitor to draft a home rule petition to increase the residential exemption to 30%.

The motion carried on a voice vote.

Councillor Murphy thanked all those present for their attendance.

The meeting adjourned at twelve o'clock and twenty minutes P.M.

For the Committee,

Councillor Brian Murphy, Chair

City of Cambridge - Fiscal Year 2003

Effects on Residential Tax Rate

	Single Rate	20% Exemption	30% Exemption
Proposed Tax Rate	$6.35	$7.30	$7.89
Percent Change in Tax Rate	None	13.0%	19.5%
Average Assessment	$575,358.00	$575,358.00	$575,358.00
Residential Exemption	0	$115,071.60	$172,607.40
Average Tax Bill	$3,653.52	$3,360.09	$3,177.70
Breakeven Assessment	None	$884,240	$884,335
Dollar Value of Exemption	None	$840.02	$1,361.87
Impact on Commercial Tax Rate and Levy			
Commercial Tax Rate	$18.77	$18.77	$18.77
Proposed Levy for FY 2003	$198,790,057.00	$198,790,057.00	$198,790,057.00
Actual Tax Levy for FY 2002	$187,444,551.00	$187,444,551.00	$187,444,551.00
Dollar Change in Levy	$11,345,506.00	$11,345,506.00	$11,345,506.00
Percent Change in Levy	6.1%	6.1%	6.1%

ATTACHMENT A

CITY OF CAMBRIDGE FY 2003			
	20% EXEMPTION	30% EXEMPTION	
AVERAGE ASSESSMENT	$575,358.00	$575,358.00	
RESIDENTIAL EXEMPTION	$115,071.60	$172,607.40	
ASSESSED VALUE WITHOUT EXEMPTION	**Net Tax Change with 20% Exemption**	**Net Tax Change with 30% Exemption**	**DIFFERENCE BETWEEN 20% to 30%**
6,000,000.00	$4,859.98	$7,878.13	$3,018.15
5,500,000.00	$4,384.98	$7,108.13	$2,723.15
5,000,000.00	$3,909.98	$6,338.13	$2,428.15
4,500,000.00	$3,434.98	$5,568.13	$2,133.15
4,000,000.00	$2,959.98	$4,798.13	$1,838.15
3,500,000.00	$2,484.98	$4,028.13	$1,543.15
3,000,000.00	$2,009.98	$3,258.13	$1,248.15
2,500,000.00	$1,534.98	$2,488.13	$953.15
2,000,000.00	$1,059.98	$1,718.13	$658.15
1,500,000.00	$584.98	$948.13	$363.15
1,400,000.00	$489.98	$794.13	$304.15
1,300,000.00	$394.98	$640.13	$245.15
1,200,000.00	$299.98	$486.13	$186.15
1,100,000.00	$204.98	$332.13	$127.15
1,000,000.00	$109.98	$178.13	$68.15
900,000.00	$14.98	$24.13	$9.15
800,000.00	($80.02)	($129.87)	($49.85)
700,000.00	($175.02)	($283.87)	($108.85)
600,000.00	($270.02)	($437.87)	($167.85)
500,000.00	($365.02)	($591.87)	($226.85)
475,000.00	($388.77)	($630.37)	($241.60)
450,000.00	($412.52)	($668.87)	($256.35)
425,000.00	($436.27)	($707.37)	($271.10)
400,000.00	($460.02)	($745.87)	($285.85)
375,000.00	($483.77)	($784.37)	($300.60)
350,000.00	($507.52)	($822.87)	($315.35)
325,000.00	($531.27)	($861.37)	($330.10)
300,000.00	($555.02)	($899.87)	($344.85)
275,000.00	($578.77)	($938.37)	($359.60)
250,000.00	($602.52)	($976.87)	($374.35)
225,000.00	($626.27)	($1,015.37)	($389.10)
200,000.00	($650.02)	($1,053.87)	($403.85)
175,000.00	($673.77)	($1,092.37)	($418.60)

CITY OF CAMBRIDGE FY 2003

EFFECT OF 20% RESIDENTIAL EXEMPTION

AVERAGE ASSESSMENT	**$575,358.00**
RESIDENTIAL EXEMPTION	**$115,071.60**
BREAK EVEN ASSESSED VALUE	**$884,240.00**

ASSESSED VALUE WITHOUT EXEMPTION	**TAX RATE $6.35**	**ASSESSED VALUE WITH EXEMPTION**	**TAX RATE $7.30**	**TAX BILL CHANGE**
6,000,000.00	38,100.00	5,884,928.40	42,959.98	$4,859.98
5,500,000.00	34,925.00	5,384,928.40	39,309.98	$4,384.98
5,000,000.00	31,750.00	4,884,928.40	35,659.98	$3,909.98
4,500,000.00	28,575.00	4,384,928.40	32,009.98	$3,434.98
4,000,000.00	25,400.00	3,884,928.40	28,359.98	$2,959.98
3,500,000.00	22,225.00	3,384,928.40	24,709.98	$2,484.98
3,000,000.00	19,050.00	2,884,928.40	21,059.98	$2,009.98
2,500,000.00	15,875.00	2,384,928.40	17,409.98	$1,534.98
2,000,000.00	12,700.00	1,884,928.40	13,759.98	$1,059.98
1,500,000.00	9,525.00	1,384,928.40	10,109.98	$584.98
1,400,000.00	8,890.00	1,284,928.40	9,379.98	$489.98
1,300,000.00	8,255.00	1,184,928.40	8,649.98	$394.98
1,200,000.00	7,620.00	1,084,928.40	7,919.98	$299.98
1,100,000.00	6,985.00	984,928.40	7,189.98	$204.98
1,000,000.00	6,350.00	884,928.40	6,459.98	$109.98
900,000.00	5,715.00	784,928.40	5,729.98	$14.98
884,240.00	**5,614.92**	**769,168.40**	**5,614.93**	**$0.01**
800,000.00	5,080.00	684,928.40	4,999.98	($80.02)
700,000.00	4,445.00	584,928.40	4,269.98	($175.02)
600,000.00	3,810.00	484,928.40	3,539.98	($270.02)
500,000.00	3,175.00	384,928.40	2,809.98	($365.02)
475,000.00	3,016.25	359,928.40	2,627.48	($388.77)
450,000.00	2,857.50	334,928.40	2,444.98	($412.52)
425,000.00	2,698.75	309,928.40	2,262.48	($436.27)
400,000.00	2,540.00	284,928.40	2,079.98	($460.02)
375,000.00	2,381.25	259,928.40	1,897.48	($483.77)
350,000.00	2,222.50	234,928.40	1,714.98	($507.52)
325,000.00	2,063.75	209,928.40	1,532.48	($531.27)
300,000.00	1,905.00	184,928.40	1,349.98	($555.02)
275,000.00	1,746.25	159,928.40	1,167.48	($578.77)
250,000.00	1,587.50	134,928.40	984.98	($602.52)
225,000.00	1,428.75	109,928.40	802.48	($626.27)
200,000.00	1,270.00	84,928.40	619.98	($650.02)
175,000.00	1,111.25	59,928.40	437.48	($673.77)

The Residential Exemption Calculations are based upon the assumption that 12,250 (67%) residences out of a total of 18,205 residential parcels would qualify as owner occupied.

CITY OF CAMBRIDGE - FY 2003

EFFECT OF 30% RESIDENTIAL EXEMPTION

AVERAGE ASSESSMENT	**$575,358.00**
RESIDENTIAL EXEMPTION	**$172,607.40**
BREAK EVEN ASSESSED VALUE	**$884,335.00**

ASSESSED VALUE WITHOUT EXEMPTION	**TAX RATE $6.35**	**ASSESSED VALUE WITH EXEMPTION**	**TAX RATE $7.89**	**TAX BILL CHANGE**
6,000,000.00	38,100.00	5,827,392.60	45,978.13	$7,878.13
5,500,000.00	34,925.00	5,327,392.60	42,033.13	$7,108.13
5,000,000.00	31,750.00	4,827,392.60	38,088.13	$6,338.13
4,500,000.00	28,575.00	4,327,392.60	34,143.13	$5,568.13
4,000,000.00	25,400.00	3,827,392.60	30,198.13	$4,798.13
3,500,000.00	22,225.00	3,327,392.60	26,253.13	$4,028.13
3,000,000.00	19,050.00	2,827,392.60	22,308.13	$3,258.13
2,500,000.00	15,875.00	2,327,392.60	18,363.13	$2,488.13
2,000,000.00	12,700.00	1,827,392.60	14,418.13	$1,718.13
1,500,000.00	9,525.00	1,327,392.60	10,473.13	$948.13
1,400,000.00	8,890.00	1,227,392.60	9,684.13	$794.13
1,300,000.00	8,255.00	1,127,392.60	8,895.13	$640.13
1,200,000.00	7,620.00	1,027,392.60	8,106.13	$486.13
1,100,000.00	6,985.00	927,392.60	7,317.13	$332.13
1,000,000.00	6,350.00	827,392.60	6,528.13	$178.13
900,000.00	5,715.00	727,392.60	5,739.13	$24.13
884,335.00	**5,615.53**	**711,727.60**	**5,615.53**	**$0.00**
800,000.00	5,080.00	627,392.60	4,950.13	($129.87)
700,000.00	4,445.00	527,392.60	4,161.13	($283.87)
600,000.00	3,810.00	427,392.60	3,372.13	($437.87)
500,000.00	3,175.00	327,392.60	2,583.13	($591.87)
475,000.00	3,016.25	302,392.60	2,385.88	($630.37)
450,000.00	2,857.50	277,392.60	2,188.63	($668.87)
425,000.00	2,698.75	252,392.60	1,991.38	($707.37)
400,000.00	2,540.00	227,392.60	1,794.13	($745.87)
375,000.00	2,381.25	202,392.60	1,596.88	($784.37)
350,000.00	2,222.50	177,392.60	1,399.63	($822.87)
325,000.00	2,063.75	152,392.60	1,202.38	($861.37)
300,000.00	1,905.00	127,392.60	1,005.13	($899.87)
275,000.00	1,746.25	102,392.60	807.88	($938.37)
250,000.00	1,587.50	77,392.60	610.63	($976.87)
225,000.00	1,428.75	52,392.60	413.38	($1,015.37)
200,000.00	1,270.00	27,392.60	216.13	($1,053.87)
175,000.00	1,111.25	2,392.60	18.88	($1,092.37)

The Residential Exemption Calculations are based upon the assumption that 12,250 (67%) residences out of a total of 18,205 residential parcels would qualify as owner occupied.

Number of One, Two, Three Family and Condominium Homes

Single Family Homes

Property Value	Total Number of Homes	Percent of Total	Number Homes w/ Res. Exemp	Percent of Category
<$200K	57	2%	43	75%
$200-399K	1,258	35%	1053	84%
$400-599K	835	23%	711	85%
$600-799K	416	12%	358	86%
$800-999K	273	8%	243	89%
$1.0-2.9M	670	19%	565	84%
$3.0-4.9M	60	2%	49	82%
$5M+	14	0%	10	71%
TOTAL	3,583	100%	3032	85%

Three Family Homes

Property Value	Total Number of Homes	Percent of Total	Number Homes w/ Res. Exemp	Percent of Category
<$200K	5	0%	1	20%
$200-399K	313	18%	187	60%
$400-599K	879	50%	473	54%
$600-799K	340	19%	249	73%
$800-999K	136	8%	104	76%
$1.0-2.9M	71	4%	52	73%
$3.0-4.9M	0	0%	-	-
$5M+	0	0%	-	-
TOTAL	1,744	100%	1066	61%

Two Family Homes

Property Value	Total Number of Homes	Percent of Total	Number Homes w/ Res. Exemp	Percent of Category
<$200K	18	1%	7	39%
$200-399K	781	26%	576	74%
$400-599K	1236	41%	992	80%
$600-799K	638	21%	560	88%
$800-999K	157	5%	134	85%
$1.0-2.9M	181	6%	180	99%
$3.0-4.9M	12	0%		0%
$5M+	3	0%		0%
TOTAL	3,026	100%	2449	81%

Condominiums

Property Value	Total Number of Homes	Percent of Total	Number Homes w/ Res. Exemp	Percent of Category
<$200K	2007	22%	765	38%
$200-399K	4656	52%	2921	63%
$400-599K	1379	15%	998	72%
$600-799K	478	5%	320	67%
$800-999K	219	2%	140	64%
$1.0-2.9M	243	3%	149	61%
$3.0-4.9M	6	0%		0%
$5M+	0	-	-	-
TOTAL	8,988	100%	5293	59%

Impact on Apartments

Tax District	Neighborhood	units	FY03 Assessed Value	20% Exemption Total Tax	PerUnit Per Month	30% Exemption Total Tax	PerUnit Per Month	Difference PerUnit Per Month	% Difference PerUnit Per Month
1	East Cambridge	4	$ 561,200	4097	85.35	4428	92.25	6.90	8%
2	Central Square	8	$ 941,900	6876	71.62	7432	77.41	5.79	8%
3	Inman Square	8	$ 824,600	6020	62.70	6506	67.77	5.07	8%
4	Agassiz	5	$ 748,700	5466	91.09	5907	98.45	7.36	8%
5	Area 4	6	$ 763,600	5574	77.42	6025	83.68	6.26	8%
6	Harvard Sq	6	$ 1,091,400	7967	110.66	8611	119.60	8.94	8%
7	North Cambridge	6	$ 963,700	7035	97.71	7604	105.61	7.90	8%
11	Harvard Sq	5	$ 753,300	5499	91.65	5944	99.06	7.41	8%
12	Riverside	6	$ 818,800	5977	83.02	6460	89.73	6.71	8%
13	Central Square	5	$ 755,600	5516	91.93	5962	99.36	7.43	8%
14	Kendall Square	4	$ 701,500	5121	106.69	5535	115.31	8.62	8%
18	Porter Square	5	$ 592,300	4324	72.06	4673	77.89	5.82	8%
20	West Cambridge	4	$ 507,200	3703	77.14	4002	83.37	6.23	8%

CCM-101

City of Cambridge

O-9.

IN CITY COUNCIL

September 23, 2002

COUNCILLOR MURPHY
VICE MAYOR DAVIS
COUNCILLOR DECKER
COUNCILLOR GALLUCCIO
COUNCILLOR MAHER
COUNCILLOR REEVES
COUNCILLOR SIMMONS
MAYOR SULLIVAN
COUNCILLOR TOOMEY

ORDERED: That the City Manager be and hereby is requested to instruct the City Solicitor to draft a home rule petition to increase the residential exemption to 30%.

In City Council September 23, 2002.
Adopted by the affirmative vote of eight members.
Attest:- D. Margaret Drury, City Clerk.

A true copy; D. Margaret Drury

ATTEST:-

D. Margaret Drury
City Clerk

3

City of Cambridge

FINANCE COMMITTEE MEMBERS
Councillor Brian Murphy, Chair
Vice Mayor Henrietta Davis
Councillor Marjorie C. Decker
Councillor Anthony D. Galluccio
Councillor David P. Maher
Councillor E. Denise Simmons
Councillor Timothy J. Toomey
Mayor Michael A. Sullivan

In City Council September 23, 2002

The Finance Committee held a public meeting on Tuesday, September 10, 2002 at eleven o'clock and forty minutes A. M. in the Ackermann Room.

The purpose of the meeting was to discuss the issue of increasing the homeowner's exemption on property taxes from 20% to 30%.

Present at the meeting were Councillor Brian Murphy, Chair of the Committee, Vice Mayor Henrietta Davis, Councillor Timothy J. Toomey, Jr., City Manager Robert W. Healy, Deputy City Manager Richard Rossi, Acting Assistant City Manager for Fiscal Affairs Louis A. DePasquale, Assistant Finance Director Claire Spinner, Assessor Kevin McDevitt and Deputy City Clerk Donna P. Lopez. Also present were Michael Devney, 502 Green Street and Gerald Bergman, 82 Elm Street.

Councillor Murphy convened the meeting and stated the purpose.

Councillor Murphy asked about the procedure around the 20% and 30% exemption and the timetable.

Mr. Healy spoke about the timetable. The public hearing before the City Council on the tax rate classification is scheduled for September 23, 2002. The tax bills will be mailed on or about October l, 2002 for payment of tax bills in November. The 20% residential exemption was done by state statute. Boston and Somerville filed home rule petitions to increase the tax exemption to 30%. In reality, he said, that if Cambridge filed a home rule petition to increase the residential exemption to 30% this could become effective for the October, 2003 tax bills. It is logistically impossible to make this change this year. A home rule petition will be prepared if this is the recommendation of the Finance Committee.

Councillor Murphy asked if this could occur for the April tax bills. Mr. Healy responded that the Department of Revenue would not allow a split in the tax bills.

The Finance Department has provided data to show the impact on the residential tax rate for both 20% and 30% exemption. The tax dollars still need to be collected, no matter what the exemption. Mr. DePasquale distributed documentation entitled "Effects

S-287

Committee Report #3

Committee Report from Councillor Brian Murphy, Chair of the Finance Committee, for a meeting held on September 10, 2002 for the purpose of discussing the issue of increasing the homeowner's exemption on property taxes from 20% to 30%.

In City Council September 23, 2002

REPORT ACCEPTED.
PLACED ON FILE.
ORDER ADOPTED.
SEE ORDER #9.