CITY OF CAMBRIDGE

CITY HALL, CAMBRIDGE, MASSACHUSETTS 02139 • (617) 498-9007

ASSESSING DEPARTMENT

Sally Powers, Director
Kevin T. McDevitt, MAA, CRA
Faith D. McDonald, CMA, RMA, MAA, CA-S

MEMORANDUM

TO: Robert W. Healy, City Manager

FROM: Sally Powers, Director of Assessment

SUBJ: Council Order # 16, 11/26/90
Re: Study to determine why commercial owners/tenants leave Cambridge (when they do?)

Project Description for FY92 Commercial Valuation Update

DATE: January 9, 1991

I. WHY DO COMMERCIAL ENTITIES LEAVE CAMBRIDGE?

The assessors don't know why commercial tenants leave Cambridge in general. We are aware of only three major moves which took place last year (calendar year 1990). They were the following:

1. Interleaf Corporation. Internal decisions relative to general operations and budgetary cut-backs weighed heavily in this company's decision to move to Waltham. The Waltham landlord is meeting the lease obligations for the vacated Cambridge building until the end of the lease term in 1993.

2. Lotus moved one division from rented space in Cambridge to Waltham for the purpose of bringing one operational facility under a single roof.

3. Bolt, Baranek, and Newman moved out of rented space in Cambridge as part of a general consolidation of operations in response to the current economy. BBN has not relocated outside of Cambridge.

Do commercial tenants leave Cambridge because high taxes make Cambridge less attractive? Did they choose Cambridge over Boston because Cambridge taxes are lower? We have not been in a position to ask these questions of businesses on the move into and out of Cambridge.

II. HOW DO CAMBRIDGE TAXES COMPARE WITH OTHER OFFICE MARKETS?

The Assessing Department has few direct dealings with commercial tenants who are responsible for less than 50% of the real estate taxes assessed to their space. We do not have the resources for locating, querying, and analyzing the operations of tenants departed from Cambridge. In an attempt, however, to find out how Cambridge compares, on the basis of taxes per square foot only, an informal survey was conducted of average taxes per square foot in Boston and some nearby suburban office markets. The indicated figures, summarized below, are for first class office space.

Boston	$5.00 to $6.00
Cambridge	$3.50 to $4.50
Newton	$3.50
Waltham	$2.50 to $2.80
Quincy	$3.50 to $4.50
Lexington	$2.00 to $3.00

As the survey shows, Cambridge is in the middle range, below the downtown Boston rates but more expensive than most suburban locations. Of note is the fact that Cambridge and Quincy, comparably sized cities on the Red Line, have identical levels of taxation.

III. VALUATION ADJUSTMENTS

The assessing department annually evaluates income, expense, and investment rate data to examine the need for across the board valuation adjustments by class, location, and type of property. For FY91, this was done on a sampling basis, mailing income and expense questionnaires to approximately 30% of commercial property owners. Even though FY92 is not a revaluation year, we have sent income and expense questionnaires to 100% of commercial property owners during this past December and January.

The 1990 economic climate has engendered stories of lowered rents and raised vacancy levels. If the 1990 income and expense returns indicate this as a measureable trend, then commercial values will be adjusted for FY92.

These adjustments by themselves will not result in lower taxes for commercial property owners. The adjustments will ensure the most equitable distribution of the tax burden among the commercial property owners. Unless the Cambridge City Council reverses its long-time policy of placing the largest legal proportion of the tax levy upon the commercial class, then the commercial property owners will still be responsible for 65% of a property tax levy in excess of $118,000,000.

IV. FUTURE REPORTS

When the Assessing Department has completed its compilation and analysis of the returned 1990 income and expense forms, we will report our findings of rental and vacancy trends to the City Council.

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EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

January 14, 1991

To The Honorable, The City Council:

Attached, please find a response to Awaiting Report Item Nos. 34 and 36, relative to commercial owners/tenants leaving Cambridge, received from Sally Powers, Director of Assessment, regarding this matter.

Very truly yours,

Robert W. Healy
City Manager

RWH/mev
attachment

Agenda #18 S-128

Awaiting Report Item Numbers 34 and 36
regarding businesses leaving Cambridge.

In City Council,

January 14, 1991

Placed on file