DEPARTMENT OF REVENUE

BUREAU OF ACCOUNTS

CLASSIFICATION TAX ALLOCATION

for

CAMBRIDGE

City/Town/District

Return to:
Bureau of Accounts
Boston/Worcester/Springfield

1. The selected Residential Factor is - - - - - 58.5705

IF YOU DESIRE EACH CLASS TO MAINTAIN 100% OF ITS FULL VALUE TAX SHARE INDICATE A RESIDENTIAL FACTOR OF "1" AND GO TO QUESTION 3.

- -

2. In computing your residential factor was a discount granted to Open Space? Yes ___ No X

If Yes, what is the percentage discount? - - ______ %

- -

3. Was a residential exemption adopted?

Yes X No ___

If Yes, please complete the following:

Class I Total Assessed Value	$ $4,006,668,343	X	20%	=	$46,643
Class I Total Parcel Count *	17,180		Selected Res. Exemption %.		Residential Exemption

* Include All Parcels with a Mixed-Use Residential Designation

LA-5 (6/93)

4. The following information was derived from the LA-7. Please indicate in Column D percentages accurate to 4 digits to the right of the decimal point which result from your selected residential factor. If a residential factor of "1" has been selected, you may leave Column D blank.

A	B	C	D
Class	Certified Full and Fair Cash Value Assessments	Percentage Full Value Shares of Total Tax Levy	New Percentage Shares of Total Tax Levy
1. Residential	$ 4,006,668,343	59.0084 %	34.5615 %
2. Open Space	0	0.0	
3. Commercial	2,115,765,215	31.1600	49.7436
4. Industrial	453,760,054	6.6828	10.6683
5. Personal Property	213,800,000	3.1488	5.0266
TOTALS	$ 6,789,993,612	100.0000%	100.0000%

5. I hereby attest that notice was given to taxpayers that a public hearing on the issue of adopting the tax levy percentages for fiscal year 19 94 would be held on Sept. 27, 1997 (date), 6:30 p.m. (time), at Cambridge City Hall (place), by newspaper (describe type of notice)

D. Margaret Drury
City/Town Clerk

6. We hereby attest that on Sept. 27, 1993 (date) 6:30 p.m. (time), at Cambridge City Hall (place) a public hearing was held on the issue of adopting the percentages for fiscal year 19 94, that the Board of Assessors presented information and data relevant to making such a determination and the fiscal effect of the available alternatives at the hearing and that the percentages set forth above were duly adopted in public session Sept. 27, 1997 (date)

7. We have been informed by the Assessors of $ 195,060.00 excess levy capacity.

For cities: City Councillors, Aldermen, Mayor
For towns: Board of Selectmen
For districts: Prudential Committee or Commissioners

Kenneth E. Reeves Sheila T. Russell Wm H Walsh
Alice K. Wolf Jonathan S. Myers Edward J. [illegible]
Francis H. Duehay [illegible] Walter J. Sullivan

CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139
Tel. 498-9011

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

AGENDA

SEPTEMBER 27, 1993

DATA	NOTES
7. Transmitting communication from Robert W. Healy, City Manager, regarding the establishment of the tax rate and relative information:	
A. Authorize the use of $6,805,000 in the Unreserved Fund Balance (Free Cash) to offset the following FY94 expenditures: Operating Budget $1,500,000 (as adopted in FY1994 Budget); Capital Budget $755,000 (as adopted in FY1994 Budget); Overlay Reserve $4,550,000;	A. ROLL CALL.
B. Authorize the transfer of $1,900,000 from the Health Claims Stabilization Fund as called for in the Adopted FY1994 Budget;	B. ROLL CALL.
C. Classify property into the five classes;	C. ROLL CALL.
D. Adopt a minimum residential factor of 58.57045%;	D. ROLL CALL.
E. Vote to approve the maximum residential exemption of 20% for owner occupied homes.	E. ROLL CALL.
F. Vote to double the normal value of statutory exemptions for FY1994; and	F. ROLL CALL.
G. Vote to double the income limit for deferral of taxes by elderly homeowners.	G. ROLL CALL.

7

CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139
TEL 349-4300
FAX 349-4307

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

September 27, 1993

To the Honorable, the City Council:

RECOMMENDATIONS:

1. That the City Council authorize the use of $6,805,000 in Unreserved Fund Balance (Free Cash) to offset the following FY1994 expenditures;

a. Operating Budget	$1,500,000	As adopted in FY94 Budget
b. Capital Budget	$ 755,000	As adopted in FY94 Budget
c. Overlay Reserve	$4,550,000	

2. That the City Council authorize the transfer of $1,900,000 from the Health Claims Stabilization Fund to offset FY1994 Health Insurance Costs;

3. That the City Council classify property within the City of Cambridge into the five classes allowed for the purpose of allocating the property tax levy. It is further recommended that the City Council adopt a minimum residential factor of 58.57045%; and

4. That the City Council approve the maximum residential exemption of 20% for owner occupied homes, which should result in a residential tax rate of $13.79 and a commercial tax rate of $32.78 upon final approval by the Department of Revenue;

5. That the City Council, in accordance with State law, vote to double the normal value of statutory exemptions for FY1994 and double the income limit for deferral of taxes by elderly homeowners.

100% Recycled Paper

SUMMARY:

The establishment of the property tax rate is the final step in the annual fiscal process that begins with the submission and adoption of the Annual Budget. For FY1994 the adopted City budget, as amended, calls for a tax levy of $139,404,040: an increase of 4.3% over FY1993. While this increase is identical to last year's tax levy increase of 4.3%, it is greater than the 3% that the levy is projected to increase by in each of the next few years. By way of contrast, the property tax levy was increased by an average of 9% annually in the five year period leading up to FY1993. The FY1994 tax levy of $139,404,040 will be only $195,060 below the estimated FY1994 legal levy limit of $139,599,100. Table I presents recent tax levy and tax levy limit history.

Table I

Tax Levy / Tax Levy Limit
(in thousands)

	Actual FY90	Actual FY91	Actual FY92	Actual FY93	Estimated FY94
Tax Levy Limit	$117,178	$125,364	$130,443	$135,171	$139,599
Tax Levy	109,511	117,995	128,050	133,580	139,404
Excess Capacity	$ 7,667	$ 7,369	$ 2,393	$ 1,591	$ 195

The continuing decline in the City's excess levy capacity is largely the result of previous cuts in State aid and the lack of an expansion of the property tax base. Tables II and III present the recent history of these two factors.

Table II

Levy Limit increase due to New Construction
(in thousands)

FY90	FY91	FY92	FY93	FY94
$7,080	$5,256	$1,902	$1,458	$1,049

Table III

State Aid to Cambridge
(in thousands)

FY90	FY91	FY92	FY93	FY94
$41,284	$39,477	$32,135	$32,661	$34,337*

* Reflects increases due to school construction

While residential values in Cambridge have generally stabilized, commercial values have continued to decline, although not as dramatically as last year. For FY1994 the total assessed value of real property in Cambridge is $6,789,993,600, a 3.7 percent decline from FY1993 and a 21.6 percent decline from the highest assessed value of $8.663 billion in FY1991. Table IV presents recent trends in assessed values within the City.

Table IV

Assessed Values
(in millions)

	FY90	FY91	FY92	FY93	FY94
Residential	$4,623	$4,652	$4,155	$3,975	$4,006
Commercial	$3,906	$4,011	$3,659	$3,078	$2,784
TOTAL	$8,529	$8,663	$7,814	$7,053	$6,790

Because of the overall decline in real estate values both the residential and commercial tax rates will rise in FY1994; the residential rate to $13.79 and the commercial rate to $32.78. The following table lists the actual average dollar tax bill increase for the various categories of residential property.

Table V

Changes in Tax Bills

Class	Average FY93 Bill	Average FY94 Bill	Dollar Changes	Percent Changes
1 Family	$ 3,420	$ 3,618	$198	5.8%
2 Family	$ 2,661	$ 2,782	121	4.5%
3 Family	$ 2,761	$ 2,785	24	0.9%
Condo	$ 1,300	$ 1,373	73	5.6%
4-8 Family	$ 2,866	$ 2,795	- 71	- 2.5%
9 + Family	$16,074	$16,927	853	5.3%

ISSUES / REQUIRED ACTION:

Authorization of Free Cash.

I am recommending that the City Council authorize the use of $6,805,000 in free cash to offset certain FY1994 expenses. The adopted FY1994 budget calls for the use of $1,500,000 in free cash to offset operating expenses and $755,000 to offset pay-as-you-go capital expenses. Additionally, it is recommended that an additional $4,550,000 be authorized for the funding of the overlay reserve accounts. Of this amount $3,800,000 is needed to fund prior year deficits and $750,000 will be used to increase the FY1994 overlay reserve. The overlay deficit is largely the result of short falls for FY1991 and FY1992.

For the year that ended on June 30, 1993 the City had an certified free cash balance of $9,992,000. Table VI presents the recent history of free cash as of the end of the fiscal year.

Table VI

Free Cash as of June 30, 1993
(in thousands)

FY90	FY91	FY92	FY93
$17,982	$16,880	$12,496	$9,992

Authorize the Transfer of $1,900,000 from the Health Claims Trust Fund

When the City Council adopted the budget for FY1994 last spring, the financing plan originally called for $2,500,000 in funds from the Health Claims Trust Fund. Due to continued delays in bringing some employee groups into the plan and a decrease in interest earned from trust investments the fund will generate only $1,900,000 in income during FY1994. The June 30, 1993 fund balance was $6,544,821 compared with $9,349,138 as June 30, 1992. A specific vote of the Council is required to authorize this transfer.

Classification of Property/Establish Minimum Residential Factor:

Since 1984, the City Council has voted annually to follow State laws for classification of property according to use (residential or commercial) and to allocate the legal maximum portion of the tax levy to the commercial class. From 1984 through 1992, this was accomplished each year by voting for a minimum residential factor of 65%. A minimum residential factor of 65% means that residential property is being taxed at a rate 65% of what it would be if all classes of property were taxed at the same rate. As the commercial tax base of the City expanded through the eighties, voting for a minimum residential factor of 65% each year resulted in lowering, each year, the percentage of the City's levy to be borne by the residential class. Last year, FY93, was the first year in which there was a reversal of this trend of the late eighties which saw the commercial class increasing its proportion of total value each year. In 1992, while residential property values stabilized after the general downward cycle which was experienced by virtually all classes of real estate during 1990 and 1991, 1992 commercial property values continued the downward cycle. Even though the commercial proportion of the City's total valuation dropped in each of these years, State classification law has allowed levy distribution to remain unchanged from 1992 to 1993 to 1994. The resulting valuation impacts and levy distributions are depicted in Attachment A to this report.

As the graph shows, there is a stable **percentage** levy allocation for the residential class from FY92 to FY93 to FY94. This was accomplished by voting for a minimum residential factor for FY93 of 61.2764% and will be accomplished for FY94 by voting for a minimum residential factor of 58.57045%. The State classification laws which have enabled Cambridge to steadily increase the proportion of the tax levy to be borne by the commercial class have a provision which protects against an undesired shift from the commercial sector back to the residential class. Under this provision, the minimum residential factor may be dropped to as low as 50%, given two conditions:

(a) the minimum residential factor does not cause the residential class to bear a lower percentage share of the tax levy than it bore in any year since the community was first certified as assessing property at full and fair cash value, and

(b) it does not cause the commercial class to bear a portion of the levy greater than 175% times what it would pay if both classes were taxed equally.

A minimum residential factor for FY94 of 58.57045% satisfies both these conditions.

Valuation Methods.

As has been the City's policy since 1984 in non-certification years, the State-certified FY93 values were compared to the real estate market of the calendar year following the FY93 assessment date of 1/1/92. For residential properties this took the form of a comparison of the sale prices of property over the 1992 calendar year with the assessed values of the properties which sold.

For commercial properties, which had a sales market so sluggish as to verge on non-existence, the adjustment process primarily took the form of comparing rents, vacancies, and expenses experienced in 1991 with those which prevailed in 1992.

Residential Valuation.

During 1992 the market continued trends which began to appear in 1991, after the market slump of 1989-1990. Single family homes are leading the recovery, particularly in higher value districts, although increases are not dramatic. Two family properties show a similar pattern. On the other hand, the market for three family dwellings is clearly flat. The three family market is similarly soft in other cities. The market for older condominium units has also been flat, due in part to the large inventory of units still available. However the newer luxury buildings in the Harvard Square area and the East Cambridge Riverfront are clearly in an upward trend once again. Larger rent controlled apartment buildings, with their net incomes preserved by annual general rent adjustments, have been stable in value; but the smaller four to eight unit buildings and rooming houses have trended downward. FY94 trend factors are attached as Attachment B.

Commercial Valuation.

In the office sector in particular, the Cambridge market continued its tendency to lag behind recent trends in the Boston market. During calendar year 1991, this lag had been to the advantage of Cambridge, as rents fell, but not so precipitously as in Boston, and vacancies rose, but again not so far. During 1992, however, measurable signs of recovery were reported in the Boston market, while rent levels in Cambridge showed a stabilizing, but nevertheless continued downward movement, particularly in the area of tenant demands for expensive landlord fit-outs. While most of the City's multi-tenanted office buildings saw stabilized vacancies, Cambridge's single tenanted buildings and buildings dependent upon a few large tenants continued to be vulnerable to move-outs which brought up the overall Cambridge vacancy levels.

Mortgage financing has continued to be very difficult for many commercial property owners to obtain and is more costly than mortgage financing for other classes of real estate. Also, some property owners have been unable to take advantage of the generally lower level of financing costs because their values have dropped too significantly to meet banks' typical 75% loan to value requirement. These problems, and the higher tax rate, have moved capitalization rate levels up slightly.

Industrial buildings have experienced similar market patterns to those noted above in the office market.

Outside of Harvard Square, the retail sector saw some increases in vacancies and continued downward stabilization of rent levels.

With no vacant land sales to analyze, FY94 land values were generally adjusted to follow the trends identified for commercial buildings in their areas.

The overall reduction in Cambridge's commercial valuation from FY93 to FY94 is 11%. The drop from the peak year of FY90 is 26%, more like 35% after adjusting for the added value of new construction.

The Residential Exemption.

State law enables cities and towns to grant owner occupants of residential properties a deduction of up to 20% of the citywide average residential parcel value, off their assessed values before the tax rate is applied. I am recommending that the City Council adopt the maximum residential exemption of 20%, as it has done in the past. This will result in a deduction of $46,643 from the assessed value of each owner occupied property.

The residential exemption adds a progressive element to the real property tax. It is paid for by raising the residential tax rate sufficiently to cover the number of taxpayers claiming the residential exemption. There are currently 11,000 residential exemptions on the Assessing Department files. If Cambridge did not adopt a residential exemption, the residential tax rate would be $12.02. As a result, there is a "break-even point" at which the higher valued residential properties are assessed for higher taxes than would be the case if there were no residential exemption. The graph which is Attachment C to this report illustrates this for the 20% exemption which I am recommending.

Statutory Exemptions.

State legislation requires cities and towns to grant a variety of tax exemptions to elderly taxpayers, blind taxpayers, veterans, and surviving spouses who qualify by virtue of residency, income, and assets. The attached copy of the Assessing Department's Taxpayer Information Sheet on "Clause" Exemptions provides more detail about qualifications for the statutory exemptions (Attachment D).

In 1987, State laws were passed which authorized cities and towns to increase the amounts of these exemptions up to double the statutory amounts, for taxpayers whose tax bills have increased over the prior year's bill. The City Council must vote annually to increase the exemptions. I am recommending that the Council do this for FY94, as it has since FY 1987.

Another tax break available for homeowners is the tax deferral plan, which allows homeowners over 65 years of age to defer tax payments until their property is transferred. The statutory income limit for qualifying for tax deferral is $20,000. More recent legislation allows Cities' legislative bodies to vote to double this limit to $40,000, which I recommend for FY94.

Conclusions.

While much attention is focussed upon this report and the attendant public hearing, the options for the City Council at this point in the fiscal process are fairly limited. Failure to vote maximum classification, residential exemption and a doubling of the statutory exemptions would result in large tax increases for residential property owners. Once these votes are taken, the establishment of the tax rate is a legal process between the Massachusetts Department of Revenue and the City's Assessors. This final step between the Commonwealth and the City reflects the many financial decisions made by the City Council since the FY1994 proposed budget was submitted to it in April.

Thus, it is now, not next Fall when we establish the FY1995 tax rate, that we must all recognize and accept the fact that the budget process for FY1995 (and beyond) will be very difficult now that the City has essentially reached the property tax levy limit. The excess levy capacity built up during the 1980's is gone and, with it, much of the City's financial flexibility. Between FY1990 and FY1994 the City's tax levy increased by $29,743,000, an average of $7,435,700 annually. Over the next four years it is projected that the tax levy will be allowed to increase by $16,800,000, or approximately $4,200,000 per year, leaving a potential annual revenue gap that could average over $3,000,000 per year.

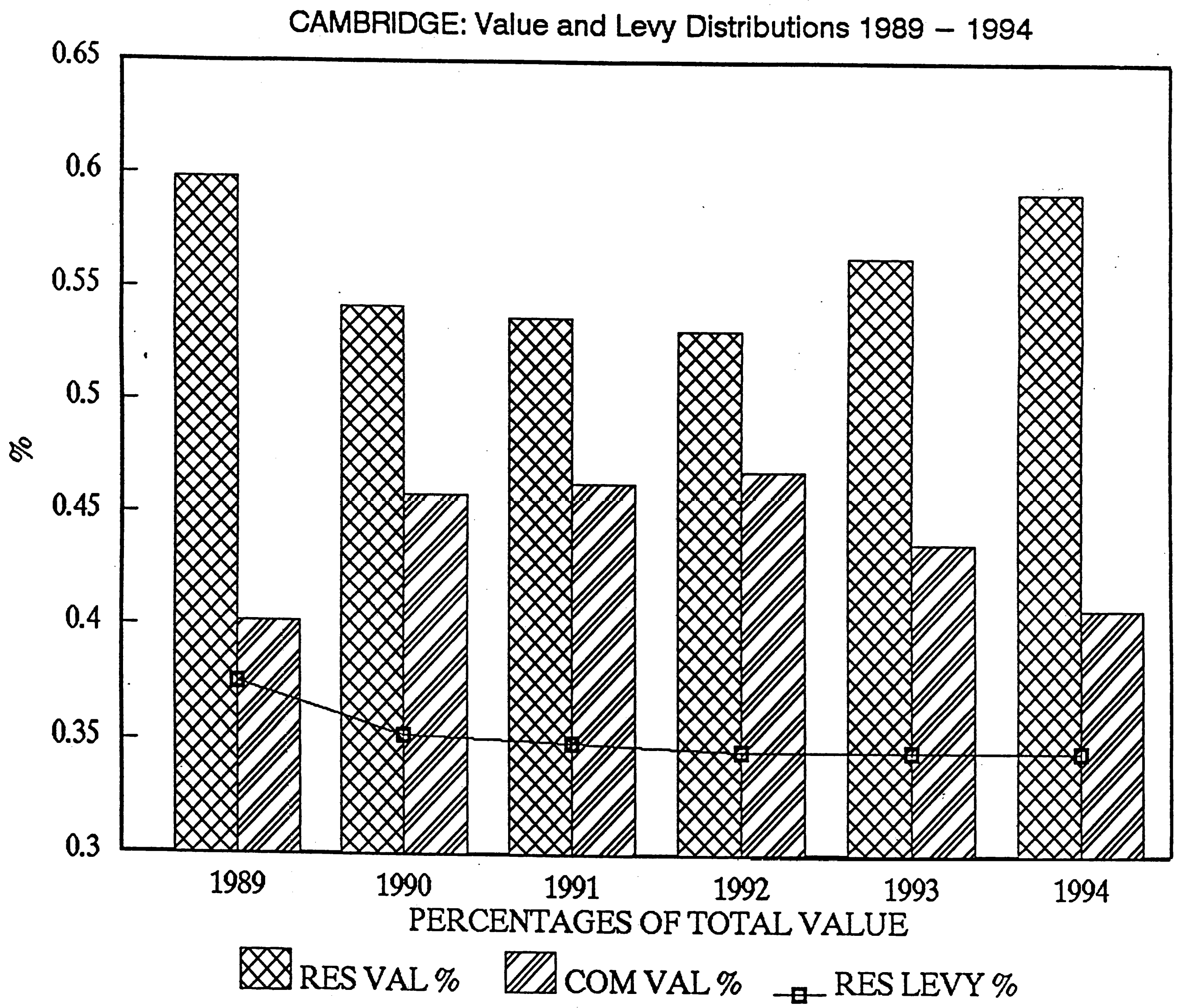
It is imperative that all of the City's elected officials, appointed officials, rank and file employees and citizens understand the magnitude of the challenge that faces us as we go forward. Under existing State law the City has limited ability to close the projected revenue gap, and while there will inevitably be talk of overrides, new local non-property tax revenue sources, additional State aid and future expansion of the tax base through new development, it is our expenditure budget that must first reflect the reality of limited resources. Our approach to the constraints of the 1990's cannot be simple or singular; however, by working together on our mutual challenge I am confident that Cambridge can meet the fiscal challenge before us.

Very truly yours,

Robert W. Healy

Robert W. Healy
City Manager

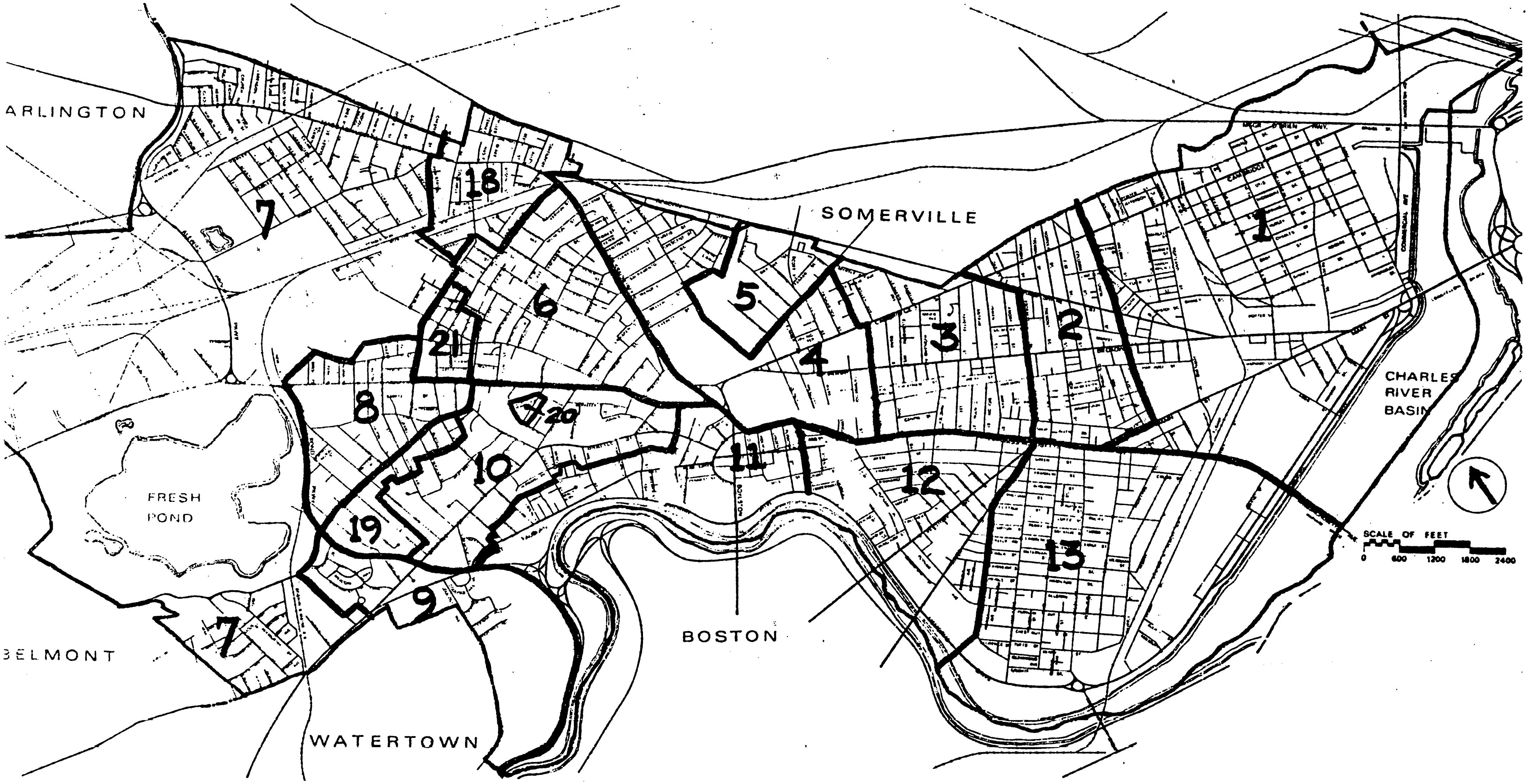
CITY OF CAMBRIDGE: Value and Tax Data



94 TREND FACTORS

DIST	CLASS 101	CLASS 104	CLASS 105	CLASS 102	CLASS 111	CLASS 112	CLASS 121	CLASS 109	CLASS 130,1	CLAS 132
1	1.03	0.90	0.90	1.00	0.95	1.00	0.90	1.00	0.95	1.00
2	1.04	1.00	0.95	1.05	0.95	1.00	0.90	1.00	0.95	1.00
3	0.95	1.02	1.00	1.00	0.95	1.00	0.90	1.00	0.95	1.00
4	1.00	1.00	1.00	1.02	0.95	1.00	0.90	1.00	0.95	1.00
5	1.00	0.95	1.00	1.00	0.95	1.00	0.90	1.00	0.95	1.00
6	1.07	1.10	1.00	1.01	0.95	1.00	0.90	1.00	0.95	1.00
7	0.98	1.04	1.00	1.02	0.95	1.00	0.90	1.00	0.95	1.00
8	0.95	0.95	1.00	1.04	0.95	1.00	0.90	1.00	0.95	1.00
9	0.97	1.00	1.00	1.06	0.95	1.00	0.90	1.00	0.95	1.00
10	1.03	1.03	1.03	1.03	0.95	1.00	0.90	1.00	0.95	1.00
11	1.05	1.05	1.00	1.05	0.95	1.00	0.90	1.00	0.95	1.00
12	0.97	1.00	1.00	1.05	0.95	1.00	0.90	1.00	0.95	1.00
13	0.97	1.03	1.00	1.06	0.95	1.00	0.90	1.00	0.95	1.00
14	1.05	1.05	1.00	1.05	0.95	1.00	0.90	1.00	0.95	1.00
15	1.05	1.00	1.00	1.00	0.95	1.00	0.90	1.00	0.95	1.00
16	1.03	1.00	1.00	1.00	0.95	1.00	0.90	1.00	0.95	1.00
17	1.00	1.00	1.00	1.00	0.95	1.00	0.90	1.00	0.95	1.00
18	1.05	0.95	0.95	1.00	0.95	1.00	0.90	1.00	0.95	1.00
19	1.05	1.06	1.00	1.10	0.95	1.00	0.90	1.00	0.95	1.00
20	1.05	1.05	1.00	1.05	0.95	1.00	0.90	1.00	0.95	1.00
21	1.06	1.05	1.00	1.05	0.95	1.00	0.90	1.00	0.95	1.00

ASSESSMENT DISTRICTS

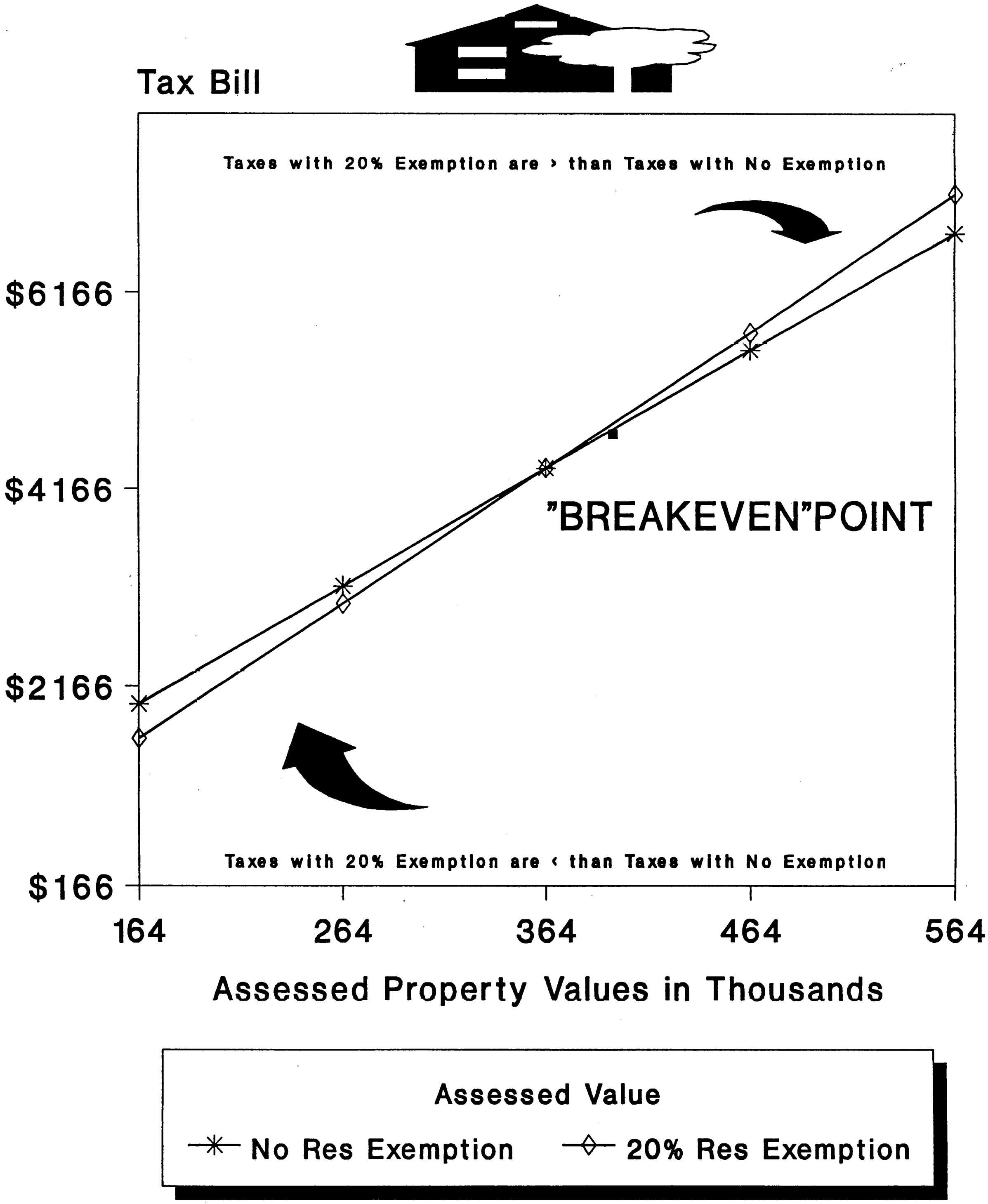


NOTES

District 14 - Charles Riverfront
District 15 - Grove & Blanchard Sts.
District 16 - St. Paul St
District 17 - Walden St between Mt Pleasant and Raymond
District 18: was part of District 7 until FY85
District 19: was part of District 4 until FY86

RESIDENTIAL TAX EXEMPTION

"BREAKEVEN"POINT $364,000



CAMBRIDGE ASSESSING DEPARTMENT CITY HALL 349-4343
TAXPAYER INFORMATION

"CLAUSE" EXEMPTIONS

The laws of the Commonwealth of Massachusetts provide for real estate tax relief for certain persons. Each category of tax relief is defined, and the allowable amount stated, in the various clauses of Chapter 59, Section 5 of General Laws. The table seen below and on the reverse side of this sheet summarizes who qualifies for these exemptions, and the amounts of the various exemptions.

State law also gives each City and Town the option of increasing the exemption up to double the amounts shown. The Cambridge City Council has elected this option each year since the State law was passed. The exemption amounts shown in the table are therefore base exemption amounts. They can be increased to double the amounts shown depending upon the amount each applicant's real estate tax bill has increased from FY91 to FY92.

Certain deductions are allowed from the income limits shown for the Clause exemptions. You should call or come into the Assessing Department in City Hall to find out details. The asset limits **do not** include the value of owner occupied condos, one, two, and three family houses.

ELDERLY

CLAUSE NO.	BASIC QUALIFICATION	OTHER QUALIFICATION	INCOME LIMITS	ASSET LIMITS	$$$ AMOUNT
17D	Age 70 or older	1. Own/occupy property 5 years	none	$40,000	$175
41C	Age 70 or older	1. Own/occupy 5 years in Mass. 2. Mass. resident 10 years	(s)$13,000 (m)$15,000	$28,000 $30,000	$500
41A	Age 65 or older	1. Own/occupy 5 years in Mass.	$20,000	none	DEFER UP TO 100%

VETERANS

CLAUSE NO.	BASIC QUALIFICATION	OTHER QUALIFICATION	INCOME LIMITS	ASSET LIMITS	$$$ AMOUNT
22	a) 10% service connected disability or b) Purple Heart or c) Parents of veterans who lost life in war service	1. Mass. resident 6 months prior to entering service or 2. 5 past years Mass. residency	none	none	$175
22A	a) loss or loss of use of one hand or foot or b) loss of sight of one eye or c) Congressional Medal of Honor or d) Air Force Cross or Navy Cross	1. Mass. resident 6 months prior to entering service or 2. 5 past years Mass. residency	none	none	$350

VETERANS

CLAUSE NO.	BASIC QUALIFICATION	OTHER QUALIFICATION	INCOME LIMITS	ASSET LIMITS	$$$ AMOUNT
22B	loss of two limbs or both eyes	1. Mass. resident 6 months prior to entering service or 2. 5 past years Mass. residency	none	none	$700
22C	disability requires specially adapted housing	1. Mass. resident 6 months prior to entering service or 2. 5 past years Mass. residency	none	none	$875
22E	100% disability, 10% of which is service connected	1. Mass. resident 6 months prior to entering service or 2. 5 past years Mass. residency 3. File V.A. Certificate <u>annually</u> 4. Unemployed for all of previous year	none	none	$525*
8A of 58	Paraplegic due to wartime injury	1. Mass. resident 6 months prior to entering service or 2. 5 past years Mass. residency 3. V.A. Certificate	none	none	100%

* For veterans owning two family or larger houses, Clause 22E is reduced to the same portion as the veteran's occupancy of the property

SURVIVING SPOUSE

CLAUSE NO.	BASIC QUALIFICATION	OTHER QUALIFICATION	INCOME LIMITS	ASSET LIMITS	$$$ AMOUNT
17D	Surviving Spouse	none	none	$40,000	$175
8A of 58	Spouse of paraplegic due to wartime injury	1. Not remarried 2. Certificate from V.A. 3. Own/occupy property 5 years	none	none	100%

OTHERS

CLAUSE NO.	BASIC QUALIFICATION	OTHER QUALIFICATION	INCOME LIMITS	ASSET LIMITS	$$$ AMOUNT
17D	Minor	Parents are deceased	none	$40,000	$175
37A	Legally blind	Verification from the Division of the Blind or from a physician	none	none	$500

The qualifying date for the clause exemptions is July 1, 1991. If you think you may qualify for any of the above exemptions, do not hesitate to contact the Assessing Department. **THE APPLICATION DEADLINE IS THREE MONTHS FROM THE DATE THE BILL WAS MAILED.**

FACTS ABOUT YOUR TAX BILL

ASSESSMENT INFORMATION: 349-4110 EXEMPTION INFORMATION: 349-4345

QUESTIONS ABOUT YOUR TAX BILL: 349-4220

CCM-101

City of Cambridge

Agenda Item # 7A

IN CITY COUNCIL

September 27, 1993

ORDERED: That the City Manager be and hereby is authorized to use $6,805,000 in unreserved fund balance as an offset to the fiscal year 1994 tax rate.

In City Council September 27, 1993.
Adopted by a yea and nay vote:-
Yeas 9; Nays 0; Absent 0.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:-

D. Margaret Drury

D. Margaret Drury
City Clerk

City of Cambridge

Agenda Item # 7B

IN CITY COUNCIL

September 27, 1993

ORDERED: That this City Council go on record authorizing the transfer of $1,900,000 from the Health Claims Stabilization Fund.

In City Council September 27, 1993.
Adopted by a yea and nay vote:-
Yeas 8; Nays 1; Absent 0.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:- D. Margaret Drury

D. Margaret Drury
City Clerk

City of Cambridge

Agenda Item # 7C

IN CITY COUNCIL

September 27, 1993

ORDERED: That the City Council classify property within the City of Cambridge into five property classes allowed for the purpose of allocating the property tax levy.

In City Council September 27, 1993.
Adopted by a yea and nay vote:-
Yeas 9; Nays 0; Absent 0.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:-

D. Margaret Drury

D. Margaret Drury
City Clerk

CCM-101

City of Cambridge

Agenda Item # 7D

IN CITY COUNCIL

September 27, 1993

ORDERED: That the City Council hereby adopt a minimum residential factor of 58.57045%, the legal minimum permitted for Cambridge.

In City Council September 27, 1993.
Adopted by a yea and nay vote:-
Yeas 8; Nays 1; Absent 0.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:-
D. Margaret Drury
D. Margaret Drury
City Clerk

CCM-101

City of Cambridge

Agenda Item # 7E

IN CITY COUNCIL

September 27, 1993

ORDERED: That the City Council approve a twenty (20) percent residential exemption for owner occupied homes.

In City Council September 27, 1993.
Adopted by a yea and nay vote:-
Yeas 9; Nays 0; Absent 0.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:-

D. Margaret Drury

D. Margaret Drury
City Clerk

CCM-101

City of Cambridge

Agenda Item # 7F

IN CITY COUNCIL

September 27, 1993

ORDERED: That the City Council in accordance with the General Laws, Section 4 of Chapter 73 of the Acts of 1986, hereby increase by 100% the normal value of statutory exemptions for fiscal year 1994.

In City Council September 27, 1993.
Adopted by a yea and nay vote:-
Yeas 9; Nays 0; Absent 0.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:-
D. Margaret Drury
D. Margaret Drury
City Clerk

CCM-101

City of Cambridge

Agenda Item # 7G

IN CITY COUNCIL

September 27, 1993

ORDERED: That this City Council go on record approving to double the income limit for deferral of taxes by elderly homeowners.

In City Council September 27, 1993.
Adopted by a yea and nay vote:-
Yeas 9; Nays 0; Absent 0.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:-

D. Margaret Drury

D. Margaret Drury
City Clerk

C. C. 106

City of Cambridge

VM Cyr

MASSACHUSETTS

Agenda # 7A - $6,805,000 Unreserved fund balance.

In City Council Sept. 27 1993

YEA	NAY	ABSENT	PRESENT	
✓				Mr. Ed Cyr
✓				Mr. Francis H. Duehay
✓				Mr. Jonathan S. Myers
✓				Mrs. Sheila T. Russell
✓				Mr. Walter J. Sullivan
✓				Mr. Timothy J. Toomey, Jr.
✓				Mr. William H. Walsh
✓				Ms. Alice K. Wolf
✓				Mayor Kenneth E. Reeves
9	0	0	0	

CCM-101

City of Cambridge

Agenda Item # 7A

IN CITY COUNCIL

September 27, 1993

ORDERED: That the City Manager be and hereby is authorized to use $6,805,000 in unreserved fund balance as an offset to the fiscal year 1994 tax rate.

In City Council September 27, 1993.
Adopted by a yea and nay vote:-
Yeas 9; Nays 0; Absent 0.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:-
D. Margaret Drury
D. Margaret Drury
City Clerk

C. C. 106

City of Cambridge

C. Duehay

MASSACHUSETTS

Agenda # 7B - Transfer of $1,900,000 Health Claims Stabilization Fund

In City Council Sept. 27 1993

YEA	NAY	ABSENT	PRESENT	
✓				Mr. Ed Cyr
✓				Mr. Francis H. Duehay
✓				Mr. Jonathan S. Myers
✓				Mrs. Sheila T. Russell
✓				Mr. Walter J. Sullivan
✓				Mr. Timothy J. Toomey, Jr.
	✓			Mr. William H. Walsh
2 ✓		1 ✓		Ms. Alice K. Wolf
✓				Mayor Kenneth E. Reeves
1 7	1	1	0	
2 8	1	0	0	

CCM-101

City of Cambridge

Agenda Item # 7B

IN CITY COUNCIL

September 27, 1993

ORDERED: That this City Council go on record authorizing the transfer of $1,900,000 from the Health Claims Stabilization Fund.

In City Council September 27, 1993.
Adopted by a yea and nay vote:-
Yeas 8; Nays 1; Absent 0.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:- D. Margaret Drury

D. Margaret Drury
City Clerk

C. C. 106

City of Cambridge

MASSACHUSETTS

Agenda # 7C - Classify property into five classes

In City Council Sept. 27 1993

YEA	NAY	ABSENT	PRESENT	
✓				Mr. Ed Cyr
✓				Mr. Francis H. Duehay
✓				Mr. Jonathan S. Myers
✓				Mrs. Sheila T. Russell
✓				Mr. Walter J. Sullivan
✓				Mr. Timothy J. Toomey, Jr.
✓				Mr. William H. Walsh
2		1 ✓		Ms. Alice K. Wolf
✓				Mayor Kenneth E. Reeves

	YEA	NAY	ABSENT	PRESENT
1	8	0	~~1~~	0
2	9	0	0	0

CCM-101

City of Cambridge

Agenda Item # 7C

IN CITY COUNCIL

September 27, 1993

ORDERED: That the City Council classify property within the City of Cambridge into five property classes allowed for the purpose of allocating the property tax levy.

In City Council September 27, 1993.
Adopted by a yea and nay vote:-
Yeas 9; Nays 0; Absent 0.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:-

D. Margaret Drury

D. Margaret Drury
City Clerk

C. C. 106

City of Cambridge

MASSACHUSETTS

Agenda # 7D - residential factor of 58.57045%

In City Council September 27 1993

YEA	NAY	ABSENT	PRESENT	
✓				Mr. Ed Cyr
✓				Mr. Francis H. Duehay
✓				Mr. Jonathan S. Myers
✓				Mrs. Sheila T. Russell
✓				Mr. Walter J. Sullivan
✓				Mr. Timothy J. Toomey, Jr.
	✓	✓		Mr. William H. Walsh
2 ✓		1 ✓		Ms. Alice K. Wolf
✓				Mayor Kenneth E. Reeves
1 7	1	1	0	
2 8	1	0	0	

CCM-101

City of Cambridge

Agenda Item # 7D

IN CITY COUNCIL

September 27, 1993

ORDERED: That the City Council hereby adopt a minimum residential factor of 58.57045%, the legal minimum permitted for Cambridge.

In City Council September 27, 1993.
Adopted by a yea and nay vote:-
Yeas 8; Nays 1; Absent 0.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:-
D. Margaret Drury

D. Margaret Drury
City Clerk

C. C. 106

City of Cambridge

C Sullivan

MASSACHUSETTS

Agenda # 7E - maximum residential exemption of 20% for owner occupied homes

In City Council September 27 1993

YEA	NAY	ABSENT	PRESENT	
✓				Mr. Ed Cyr
✓				Mr. Francis H. Duehay
✓				Mr. Jonathan S. Myers
✓				Mrs. Sheila T. Russell
✓				Mr. Walter J. Sullivan
✓				Mr. Timothy J. Toomey, Jr.
✓				Mr. William H. Walsh
✓				Ms. Alice K. Wolf
✓				Mayor Kenneth E. Reeves
9	0	0	0	

CCM-101

City of Cambridge

Agenda Item # 7E

IN CITY COUNCIL

September 27, 1993

ORDERED: That the City Council approve a twenty (20) percent residential exemption for owner occupied homes.

In City Council September 27, 1993.
Adopted by a yea and nay vote:-
Yeas 9; Nays 0; Absent 0.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:-

D. Margaret Drury

D. Margaret Drury
City Clerk

C. C. 106

City of Cambridge

C. Walsh

MASSACHUSETTS

Agenda # 7F - Vote to double the normal value of statutory exemptions for FY 94

In City Council September 27 1993

YEA	NAY	ABSENT	PRESENT	
✓				Mr. Ed Cyr
✓				Mr. Francis H. Duehay
✓				Mr. Jonathan S. Myers
✓				Mrs. Sheila T. Russell
✓				Mr. Walter J. Sullivan
✓				Mr. Timothy J. Toomey, Jr.
✓				Mr. William H. Walsh
✓				Ms. Alice K. Wolf
✓				Mayor Kenneth E. Reeves
9	0	0	0	

CCM-101

City of Cambridge

Agenda Item # 7F

IN CITY COUNCIL

September 27, 1993

ORDERED: That the City Council in accordance with the General Laws, Section 4 of Chapter 73 of the Acts of 1986, hereby increase by 100% the normal value of statutory exemptions for fiscal year 1994.

In City Council September 27, 1993.
Adopted by a yea and nay vote:-
Yeas 9; Nays 0; Absent 0.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:-
D. Margaret Drury
D. Margaret Drury
City Clerk

C. C. 106

City of Cambridge

MASSACHUSETTS

C. Duehay

Agenda # 7G - Vote to double the income limit for deferral of taxes by elderly homeowners.

In City Council September 27 1993

YEA	NAY	ABSENT	PRESENT	
✓				Mr. Ed Cyr
✓				Mr. Francis H. Duehay
✓				Mr. Jonathan S. Myers
✓				Mrs. Sheila T. Russell
✓				Mr. Walter J. Sullivan
✓				Mr. Timothy J. Toomey, Jr.
✓				Mr. William H. Walsh
✓				Ms. Alice K. Wolf
✓				Mayor Kenneth E. Reeves
9	0	0	0	

C. Wolf m-susp to reconsider all 7A-G VV/9-0

C Wolf m.r. VV 0-9

RF

CCM-101

City of Cambridge

Agenda Item # 7G

IN CITY COUNCIL

September 27, 1993

ORDERED: That this City Council go on record approving to double the income limit for deferral of taxes by elderly homeowners.

In City Council September 27, 1993.
Adopted by a yea and nay vote:-
Yeas 9; Nays 0; Absent 0.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:-

D. Margaret Drury

D. Margaret Drury
City Clerk

CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139
TEL 349-4300
FAX 349-4307

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

7

September 27, 1993

To the Honorable, the City Council:

RECOMMENDATIONS:

1. That the City Council authorize the use of $6,805,000 in Unreserved Fund Balance (Free Cash) to offset the following FY1994 expenditures;

a. Operating Budget	$1,500,000	As adopted in FY94 Budget
b. Capital Budget	$ 755,000	As adopted in FY94 Budget
c. Overlay Reserve	$4,550,000	

2. That the City Council authorize the transfer of $1,900,000 from the Health Claims Stabilization Fund to offset FY1994 Health Insurance Costs;

3. That the City Council classify property within the City of Cambridge into the five classes allowed for the purpose of allocating the property tax levy. It is further recommended that the City Council adopt a minimum residential factor of 58.57045%; and

4. That the City Council approve the maximum residential exemption of 20% for owner occupied homes, which should result in a residential tax rate of $13.79 and a commercial tax rate of $32.78 upon final approval by the Department of Revenue;

5. That the City Council, in accordance with State law, vote to double the normal value of statutory exemptions for FY1994 and double the income limit for deferral of taxes by elderly homeowners.

SUMMARY:

The establishment of the property tax rate is the final step in the annual fiscal process that begins with the submission and adoption of the Annual Budget. For FY1994 the adopted City budget, as amended, calls for a tax levy of $139,404,040: an increase of 4.3% over FY1993. While this increase is identical to last year's tax levy increase of 4.3%, it is greater than the 3% that the levy is projected to increase by in each of the next few years. By way of contrast, the property tax levy was increased by an average of 9% annually in the five year period leading up to FY1993. The FY1994 tax levy of $139,404,040 will be only $195,060 below the estimated FY1994 legal levy limit of $139,599,100. Table I presents recent tax levy and tax levy limit history.

Table I

Tax Levy / Tax Levy Limit
(in thousands)

	Actual FY90	Actual FY91	Actual FY92	Actual FY93	Estimated FY94
Tax Levy Limit	$117,178	$125,364	$130,443	$135,171	$139,599
Tax Levy	109,511	117,995	128,050	133,580	139,404
Excess Capacity	$ 7,667	$ 7,369	$ 2,393	$ 1,591	$ 195

The continuing decline in the City's excess levy capacity is largely the result of previous cuts in State aid and the lack of an expansion of the property tax base. Tables II and III present the recent history of these two factors.

Table II

Levy Limit increase due to New Construction
(in thousands)

FY90	FY91	FY92	FY93	FY94
$7,080	$5,256	$1,902	$1,458	$1,049

Table III

State Aid to Cambridge
(in thousands)

FY90	FY91	FY92	FY93	FY94
$41,284	$39,477	$32,135	$32,661	$34,337*

* Reflects increases due to school construction

While residential values in Cambridge have generally stabilized, commercial values have continued to decline, although not as dramatically as last year. For FY1994 the total assessed value of real property in Cambridge is $6,789,993,600, a 3.7 percent decline from FY1993 and a 21.6 percent decline from the highest assessed value of $8.663 billion in FY1991. Table IV presents recent trends in assessed values within the City.

Table IV

Assessed Values
(in millions)

	FY90	FY91	FY92	FY93	FY94
Residential	$4,623	$4,652	$4,155	$3,975	$4,006
Commercial	$3,906	$4,011	$3,659	$3,078	$2,784
TOTAL	$8,529	$8,663	$7,814	$7,053	$6,790

Because of the overall decline in real estate values both the residential and commercial tax rates will rise in FY1994; the residential rate to $13.79 and the commercial rate to $32.78. The following table lists the actual average dollar tax bill increase for the various categories of residential property.

Table V

Changes in Tax Bills

Class	Average FY93 Bill	Average FY94 Bill	Dollar Changes	Percent Changes
1 Family	$ 3,420	$ 3,618	$198	5.8%
2 Family	$ 2,661	$ 2,782	121	4.5%
3 Family	$ 2,761	$ 2,785	24	0.9%
Condo	$ 1,300	$ 1,373	73	5.6%
4-8 Family	$ 2,866	$ 2,795	- 71	- 2.5%
9 + Family	$16,074	$16,927	853	5.3%

ISSUES / REQUIRED ACTION:

<u>Authorization of Free Cash</u>.

I am recommending that the City Council authorize the use of $6,805,000 in free cash to offset certain FY1994 expenses. The adopted FY1994 budget calls for the use of $1,500,000 in free cash to offset operating expenses and $755,000 to offset pay-as-you-go capital expenses. Additionally, it is recommended that an additional $4,550,000 be authorized for the funding of the overlay reserve accounts. Of this amount $3,800,000 is needed to fund prior year deficits and $750,000 will be used to increase the FY1994 overlay reserve. The overlay deficit is largely the result of short falls for FY1991 and FY1992.

For the year that ended on June 30, 1993 the City had an certified free cash balance of $9,992,000. Table VI presents the recent history of free cash as of the end of the fiscal year.

Table VI

Free Cash as of June 30, 1993
(in thousands)

FY90	FY91	FY92	FY93
$17,982	$16,880	$12,496	$9,992

Authorize the Transfer of $1,900,000 from the Health Claims Trust Fund

When the City Council adopted the budget for FY1994 last spring, the financing plan originally called for $2,500,000 in funds from the Health Claims Trust Fund. Due to continued delays in bringing some employee groups into the plan and a decrease in interest earned from trust investments the fund will generate only $1,900,000 in income during FY1994. The June 30, 1993 fund balance was $6,544,821 compared with $9,349,138 as June 30, 1992. A specific vote of the Council is required to authorize this transfer.

Classification of Property/Establish Minimum Residential Factor:

Since 1984, the City Council has voted annually to follow State laws for classification of property according to use (residential or commercial) and to allocate the legal maximum portion of the tax levy to the commercial class. From 1984 through 1992, this was accomplished each year by voting for a minimum residential factor of 65%. A minimum residential factor of 65% means that residential property is being taxed at a rate 65% of what it would be if all classes of property were taxed at the same rate. As the commercial tax base of the City expanded through the eighties, voting for a minimum residential factor of 65% each year resulted in lowering, each year, the percentage of the City's levy to be borne by the residential class. Last year, FY93, was the first year in which there was a reversal of this trend of the late eighties which saw the commercial class increasing its proportion of total value each year. In 1992, while residential property values stabilized after the general downward cycle which was experienced by virtually all classes of real estate during 1990 and 1991, 1992 commercial property values continued the downward cycle. Even though the commercial proportion of the City's total valuation dropped in each of these years, State classification law has allowed levy distribution to remain unchanged from 1992 to 1993 to 1994. The resulting valuation impacts and levy distributions are depicted in Attachment A to this report.

As the graph shows, there is a stable percentage levy allocation for the residential class from FY92 to FY93 to FY94. This was accomplished by voting for a minimum residential factor for FY93 of 61.2764% and will be accomplished for FY94 by voting for a minimum residential factor of 58.57045%. The State classification laws which have enabled Cambridge to steadily increase the proportion of the tax levy to be borne by the commercial class have a provision which protects against an undesired shift from the commercial sector back to the residential class. Under this provision, the minimum residential factor may be dropped to as low as 50%, given two conditions:

(a) the minimum residential factor does not cause the residential class to bear a lower percentage share of the tax levy than it bore in any year since the community was first certified as assessing property at full and fair cash value, and

(b) it does not cause the commercial class to bear a portion of the levy greater than 175% times what it would pay if both classes were taxed equally.

A minimum residential factor for FY94 of 58.57045% satisfies both these conditions.

Valuation Methods.

As has been the City's policy since 1984 in non-certification years, the State-certified FY93 values were compared to the real estate market of the calendar year following the FY93 assessment date of 1/1/92. For residential properties this took the form of a comparison of the sale prices of property over the 1992 calendar year with the assessed values of the properties which sold.

For commercial properties, which had a sales market so sluggish as to verge on non-existence, the adjustment process primarily took the form of comparing rents, vacancies, and expenses experienced in 1991 with those which prevailed in 1992.

Residential Valuation.

During 1992 the market continued trends which began to appear in 1991, after the market slump of 1989-1990. Single family homes are leading the recovery, particularly in higher value districts, although increases are not dramatic. Two family properties show a similar pattern. On the other hand, the market for three family dwellings is clearly flat. The three family market is similarly soft in other cities. The market for older condominium units has also been flat, due in part to the large inventory of units still available. However the newer luxury buildings in the Harvard Square area and the East Cambridge Riverfront are clearly in an upward trend once again. Larger rent controlled apartment buildings, with their net incomes preserved by annual general rent adjustments, have been stable in value; but the smaller four to eight unit buildings and rooming houses have trended downward. FY94 trend factors are attached as Attachment B.

Commercial Valuation.

In the office sector in particular, the Cambridge market continued its tendency to lag behind recent trends in the Boston market. During calendar year 1991, this lag had been to the advantage of Cambridge, as rents fell, but not so precipitously as in Boston, and vacancies rose, but again not so far. During 1992, however, measurable signs of recovery were reported in the Boston market, while rent levels in Cambridge showed a stabilizing, but nevertheless continued downward movement, particularly in the area of tenant demands for expensive landlord fit-outs. While most of the City's multi-tenanted office buildings saw stabilized vacancies, Cambridge's single tenanted buildings and buildings dependent upon a few large tenants continued to be vulnerable to move-outs which brought up the overall Cambridge vacancy levels.

Mortgage financing has continued to be very difficult for many commercial property owners to obtain and is more costly than mortgage financing for other classes of real estate. Also, some property owners have been unable to take advantage of the generally lower level of financing costs because their values have dropped too significantly to meet banks' typical 75% loan to value requirement. These problems, and the higher tax rate, have moved capitalization rate levels up slightly.

Industrial buildings have experienced similar market patterns to those noted above in the office market.

Outside of Harvard Square, the retail sector saw some increases in vacancies and continued downward stabilization of rent levels.

With no vacant land sales to analyze, FY94 land values were generally adjusted to follow the trends identified for commercial buildings in their areas.

The overall reduction in Cambridge's commercial valuation from FY93 to FY94 is 11%. The drop from the peak year of FY90 is 26%, more like 35% after adjusting for the added value of new construction.

The Residential Exemption.

State law enables cities and towns to grant owner occupants of residential properties a deduction of up to 20% of the citywide average residential parcel value, off their assessed values before the tax rate is applied. I am recommending that the City Council adopt the maximum residential exemption of 20%, as it has done in the past. This will result in a deduction of $46,643 from the assessed value of each owner occupied property.

The residential exemption adds a progressive element to the real property tax. It is paid for by raising the residential tax rate sufficiently to cover the number of taxpayers claiming the residential exemption. There are currently 11,000 residential exemptions on the Assessing Department files. If Cambridge did not adopt a residential exemption, the residential tax rate would be $12.02. As a result, there is a "break-even point" at which the higher valued residential properties are assessed for higher taxes than would be the case if there were no residential exemption. The graph which is Attachment C to this report illustrates this for the 20% exemption which I am recommending.

Statutory Exemptions.

State legislation requires cities and towns to grant a variety of tax exemptions to elderly taxpayers, blind taxpayers, veterans, and surviving spouses who qualify by virtue of residency, income, and assets. The attached copy of the Assessing Department's Taxpayer Information Sheet on "Clause" Exemptions provides more detail about qualifications for the statutory exemptions (Attachment D).

In 1987, State laws were passed which authorized cities and towns to increase the amounts of these exemptions up to double the statutory amounts, for taxpayers whose tax bills have increased over the prior year's bill. The City Council must vote annually to increase the exemptions. I am recommending that the Council do this for FY94, as it has since FY 1987.

Another tax break available for homeowners is the tax deferral plan, which allows homeowners over 65 years of age to defer tax payments until their property is transferred. The statutory income limit for qualifying for tax deferral is $20,000. More recent legislation allows Cities' legislative bodies to vote to double this limit to $40,000, which I recommend for FY94.

Conclusions.

While much attention is focussed upon this report and the attendant public hearing, the options for the City Council at this point in the fiscal process are fairly limited. Failure to vote maximum classification, residential exemption and a doubling of the statutory exemptions would result in large tax increases for residential property owners. Once these votes are taken, the establishment of the tax rate is a legal process between the Massachusetts Department of Revenue and the City's Assessors. This final step between the Commonwealth and the City reflects the many financial decisions made by the City Council since the FY1994 proposed budget was submitted to it in April.

Thus, it is now, not next Fall when we establish the FY1995 tax rate, that we must all recognize and accept the fact that the budget process for FY1995 (and beyond) will be very difficult now that the City has essentially reached the property tax levy limit. The excess levy capacity built up during the 1980's is gone and, with it, much of the City's financial flexibility. Between FY1990 and FY1994 the City's tax levy increased by $29,743,000, an average of $7,435,700 annually. Over the next four years it is projected that the tax levy will be allowed to increase by $16,800,000, or approximately $4,200,000 per year, leaving a potential annual revenue gap that could average over $3,000,000 per year.

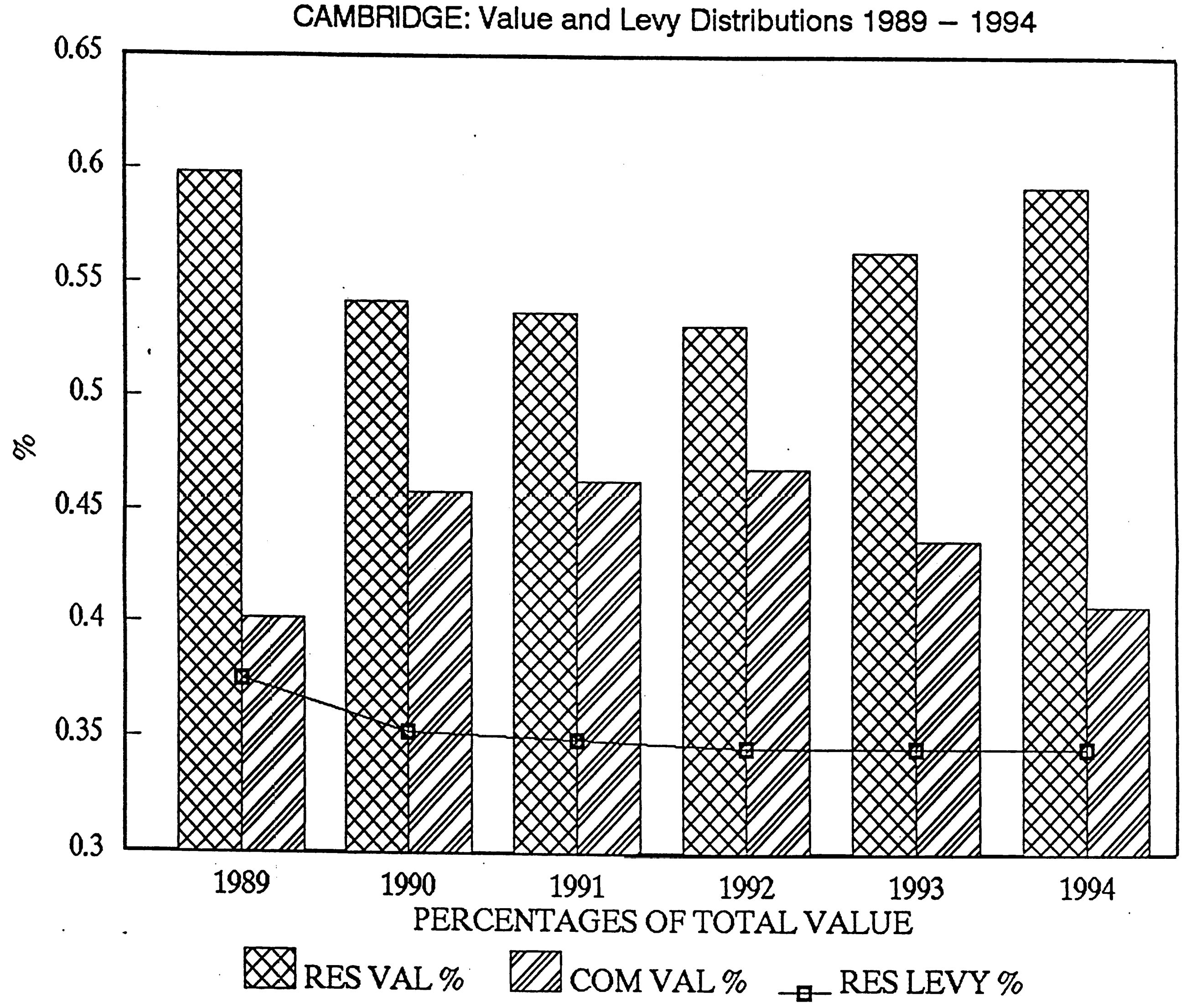
It is imperative that all of the City's elected officials, appointed officials, rank and file employees and citizens understand the magnitude of the challenge that faces us as we go forward. Under existing State law the City has limited ability to close the projected revenue gap, and while there will inevitably be talk of overrides, new local non-property tax revenue sources, additional State aid and future expansion of the tax base through new development, it is our expenditure budget that must first reflect the reality of limited resources. Our approach to the constraints of the 1990's cannot be simple or singular; however, by working together on our mutual challenge I am confident that Cambridge can meet the fiscal challenge before us.

Very truly yours,

Robert W. Healy

Robert W. Healy
City Manager

CITY OF CAMBRIDGE: Value and Tax Data

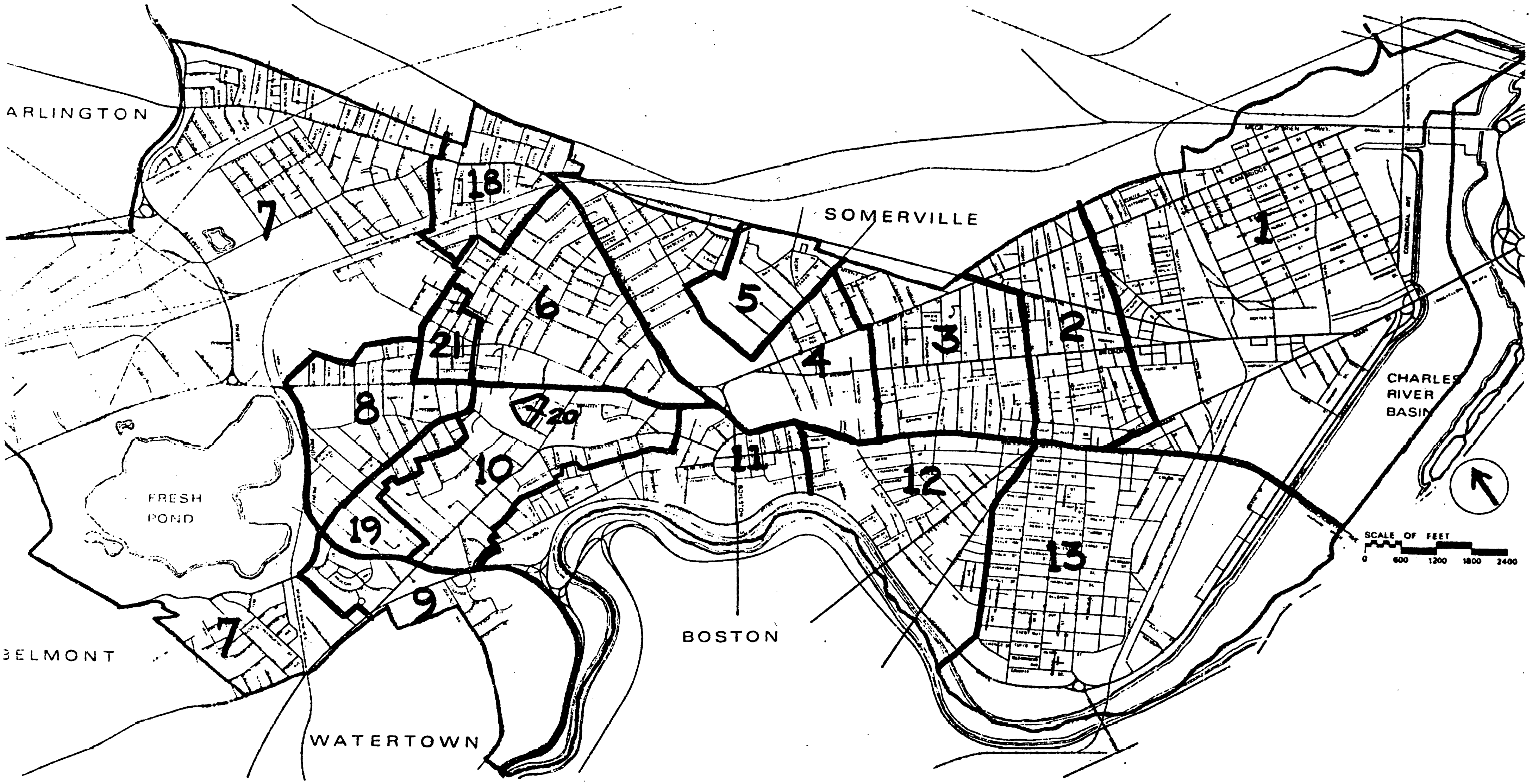


ATTACHMENT B

FY94 TREND FACTORS

DIST	CLASS 101	CLASS 104	CLASS 105	CLASS 102	CLASS 111	CLASS 112	CLASS 121	CLASS 109	CLASS 130,1	CLAS 132
1	1.03	0.90	0.90	1.00	0.95	1.00	0.90	1.00	0.95	1.00
2	1.04	1.00	0.95	1.05	0.95	1.00	0.90	1.00	0.95	1.00
3	0.95	1.02	1.00	1.00	0.95	1.00	0.90	1.00	0.95	1.00
4	1.00	1.00	1.00	1.02	0.95	1.00	0.90	1.00	0.95	1.00
5	1.00	0.95	1.00	1.00	0.95	1.00	0.90	1.00	0.95	1.00
6	1.07	1.10	1.00	1.01	0.95	1.00	0.90	1.00	0.95	1.00
7	0.98	1.04	1.00	1.02	0.95	1.00	0.90	1.00	0.95	1.00
8	0.95	0.95	1.00	1.04	0.95	1.00	0.90	1.00	0.95	1.00
9	0.97	1.00	1.00	1.06	0.95	1.00	0.90	1.00	0.95	1.00
10	1.03	1.03	1.03	1.03	0.95	1.00	0.90	1.00	0.95	1.00
11	1.05	1.05	1.00	1.05	0.95	1.00	0.90	1.00	0.95	1.00
12	0.97	1.00	1.00	1.05	0.95	1.00	0.90	1.00	0.95	1.00
13	0.97	1.03	1.00	1.06	0.95	1.00	0.90	1.00	0.95	1.00
14	1.05	1.05	1.00	1.05	0.95	1.00	0.90	1.00	0.95	1.00
15	1.05	1.00	1.00	1.00	0.95	1.00	0.90	1.00	0.95	1.00
16	1.03	1.00	1.00	1.00	0.95	1.00	0.90	1.00	0.95	1.00
17	1.00	1.00	1.00	1.00	0.95	1.00	0.90	1.00	0.95	1.00
18	1.05	0.95	0.95	1.00	0.95	1.00	0.90	1.00	0.95	1.00
19	1.05	1.06	1.00	1.10	0.95	1.00	0.90	1.00	0.95	1.00
20	1.05	1.05	1.00	1.05	0.95	1.00	0.90	1.00	0.95	1.00
21	1.06	1.05	1.00	1.05	0.95	1.00	0.90	1.00	0.95	1.00

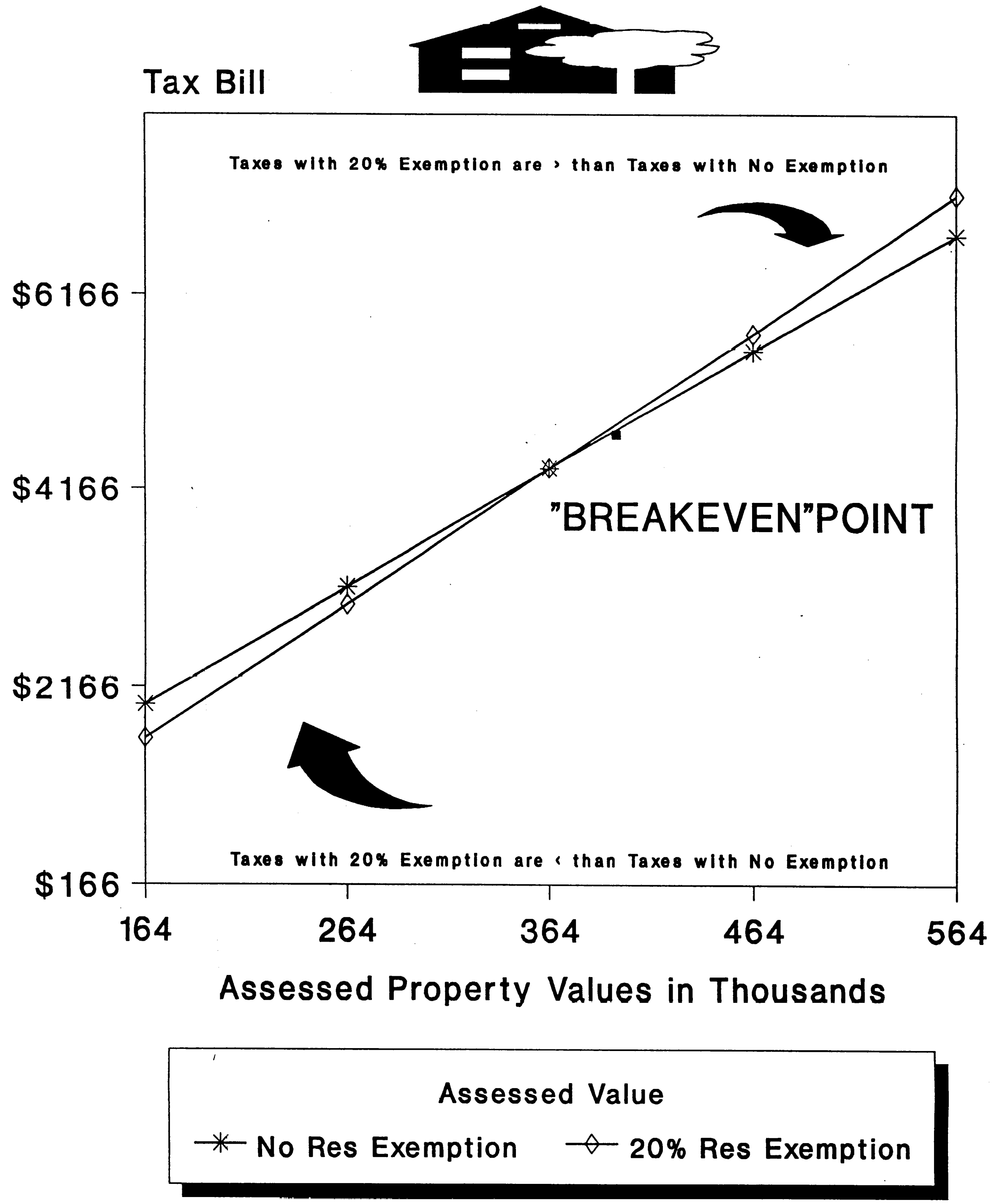
ASSESSMENT DISTRICTS



NOTES

District 14 - Charles Riverfront
District 15 - Grove & Blanchard Sts.
District 16 - St. Paul St
District 17 - Walden St between Mt Pleasant and Raymond
District 18: was part of District 7 until FY85
District 19: was part of District 4 until FY86

RESIDENTIAL TAX EXEMPTION
"BREAKEVEN"POINT $364,000



CAMBRIDGE ASSESSING DEPARTMENT CITY HALL 349-4343
TAXPAYER INFORMATION

"CLAUSE" EXEMPTIONS

The laws of the Commonwealth of Massachusetts provide for real estate tax relief for certain persons. Each category of tax relief is defined, and the allowable amount stated, in the various clauses of Chapter 59, Section 5 of General Laws. The table seen below and on the reverse side of this sheet summarizes who qualifies for these exemptions, and the amounts of the various exemptions.

State law also gives each City and Town the option of increasing the exemption up to double the amounts shown. The Cambridge City Council has elected this option each year since the State law was passed. The exemption amounts shown in the table are therefore base exemption amounts. They can be increased to double the amounts shown depending upon the amount each applicant's real estate tax bill has increased from FY91 to FY92.

Certain deductions are allowed from the income limits shown for the Clause exemptions. You should call or come into the Assessing Department in City Hall to find out details. The asset limits <u>do not</u> include the value of owner occupied condos, one, two, and three family houses.

ELDERLY

CLAUSE NO.	BASIC QUALIFICATION	OTHER QUALIFICATION	INCOME LIMITS	ASSET LIMITS	$$$ AMOUNT
17D	Age 70 or older	1. Own/occupy property 5 years	none	$40,000	$175
41C	Age 70 or older	1. Own/occupy 5 years in Mass. 2. Mass. resident 10 years	(s)$13,000 (m)$15,000	$28,000 $30,000	$500
41A	Age 65 or older	1. Own/occupy 5 years in Mass.	$20,000	none	DEFER UP TO 100%

VETERANS

CLAUSE NO.	BASIC QUALIFICATION	OTHER QUALIFICATION	INCOME LIMITS	ASSET LIMITS	$$$ AMOUNT
22	a) 10% service connected disability or b) Purple Heart or c) Parents of veterans who lost life in war service	1. Mass. resident 6 months prior to entering service or 2. 5 past years Mass. residency	none	none	$175
22A	a) loss or loss of use of one hand or foot or b) loss of sight of one eye or c) Congressional Medal of Honor or d) Air Force Cross or Navy Cross	1. Mass. resident 6 months prior to entering service or 2. 5 past years Mass. residency	none	none	$350

VETERANS

CLAUSE NO.	BASIC QUALIFICATION	OTHER QUALIFICATION	INCOME LIMITS	ASSET LIMITS	$$$ AMOUNT
22B	loss of two limbs or both eyes	1. Mass. resident 6 months prior to entering service or 2. 5 past years Mass. residency	none	none	$700
22C	disability requires specially adapted housing	1. Mass. resident 6 months prior to entering service or 2. 5 past years Mass. residency	none	none	$875
22E	100% disability, 10% of which is service connected	1. Mass. resident 6 months prior to entering service or 2. 5 past years Mass. residency 3. File V.A. Certificate annually 4. Unemployed for all of previous year	none	none	$525*
8A of 58	Paraplegic due to wartime injury	1. Mass. resident 6 months prior to entering service or 2. 5 past years Mass. residency 3. V.A. Certificate	none	none	100%

* For veterans owning two family or larger houses, Clause 22E is reduced to the same portion as the veteran's occupancy of the property

SURVIVING SPOUSE

CLAUSE NO.	BASIC QUALIFICATION	OTHER QUALIFICATION	INCOME LIMITS	ASSET LIMITS	$$$ AMOUNT
17D	Surviving Spouse	none	none	$40,000	$175
8A of 58	Spouse of paraplegic due to wartime injury	1. Not remarried 2. Certificate from V.A. 3. Own/occupy property 5 years	none	none	100%

OTHERS

CLAUSE NO.	BASIC QUALIFICATION	OTHER QUALIFICATION	INCOME LIMITS	ASSET LIMITS	$$$ AMOUNT
17D	Minor	Parents are deceased	none	$40,000	$175
37A	Legally blind	Verification from the Division of the Blind or from a physician	none	none	$500

The qualifying date for the clause exemptions is July 1, 1991. If you think you may qualify for any of the above exemptions, do not hesitate to contact the Assessing Department. **THE APPLICATION DEADLINE IS THREE MONTHS FROM THE DATE THE BILL WAS MAILED.**

FACTS ABOUT YOUR TAX BILL

ASSESSMENT INFORMATION: 349-4110 EXEMPTION INFORMATION: 349-4343
QUESTIONS ABOUT YOUR TAX BILL: 349-4220

Non-Consent Agenda # 7 F-190

A. - Authorization to use $6,805,000 in the Unreserved Fund Balance

B. - Transfer of $1,900,000 from the Health Claims Stabilization Fund

C. - Classification of property into the five classes.

D. - Adopt residential factor of 58.57045%.

E. - Vote to approve the maximum residential exemption of 20% for owner occupied homes.

F. - Vote to double the normal value of statutory exemptions for FY94.

G. - Vote to double the income limit for deferral of taxes by elderly homeowners.

A. Order Adopted 9-0-0-0

B. Order Adopted 8-1-0-0

C. Order Adopted 9-0-0-0

D. Order Adopted 8-1-0-0

E. Order Adopted 9-0-0-0

F. Order Adopted 9-0-0-0

G. Order Adopted 9-0-0-0

In City Council,

Sept. 27, 1993