



CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139
Tel. 498-9011

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

September 7, 1984

To The Honorable, The City Council:

In response to your questions concerning assessment trending, I submit the following.

As you are aware, current statutes require a state certified city-wide property revaluation at least every three years. Cambridge's first revaluation took effect for FY 1984; the next full revaluation is due for FY 1987 (with an assessment date of January 1, 1986).

During the in-between years, valuation adjustments are permitted without state certification - although a state review of sales data is required. Residential value adjustments are usually accomplished by means of "trending" - in other words, all values of a particular type of property are "trended" up (or down) by a fixed percentage which reflects recent sales activity for that type of property. Commercial valuation adjustments are approached in a similar manner, but data from sample surveys of rents and expenses are also factored in.

As late as last spring we were not committed to trending values for FY 85 tax bills. We were still dealing with the abatement process for the initial revaluation, and we were concerned that the trending effort would detract from other necessary work.

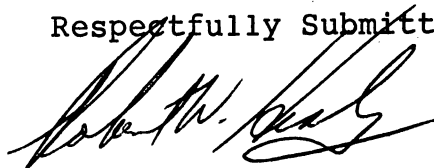
Late last spring the Board of Assessors and I concluded that trending for FY 85 was desirable and manageable. The benefits of trending included the following:

1. First and Foremost, trending results in a fairer tax system. This is particularly true in a dynamic market such as Cambridge's. Where property values in some areas of the city (or for certain types of property), are increasing more rapidly than in other areas (or for other types), significant inequities could develop over the three year period between revaluations. Trending can significantly moderate such inequities.
2. Similarly, trending each year prevents the significant shifts in tax burdens which could occur every three years during full revaluations. Important trends in the marketplace are reflected annually - and thus more gradually.
3. The City is assured of its 2½% annual levy increase permitted under the Proposition 2½ laws. Localities are permitted this annual tax increase to cover inflationary increases in costs if the total levy remains under 2½% of total value. Cambridge's total valuation level probably would not have permitted a full 2½% increase.

Trending basically involves a sales ratio study: By comparing 1983 market sales with those properties' FY 84 Assessments (based on 1982 sales) we can gauge to what degree property values have changed over the year. The State Department of Revenue reviews market sales and sets an overall value increase limit for the City - in Cambridge's case, 7%. However, since the overall average change masks more significant changes in certain locations, or for certain types of property, localities are encouraged by the state to analyze their sales data as specifically as possible. We have developed trend factors by assessment district and by type of residential property (1 family, 2 family, etc). We feel such detailed trending is critical to maintaining fair assessments in Cambridge's dynamic and diverse real estate market. Most trending factors fall in the 0% to 20% range.

In the case of commercial properties, sales were examined and rents were surveyed. Increases in commercial properties appear much less variable and extensive.

Respectfully Submitted,



Robert W. Healy
City Manager

F-281

Re: response to questions of the City Council regarding assessment trending.

In City Council,

September 10, 1984

Placed on File
See order by
COUNCILLOR WOLF
AND include copy
in Agenda #12
FOR FUTURE REFERENCE