DEPARTMENT OF REVENUE
BUREAU OF ACCOUNTS
CLASSIFICATION TAX ALLOCATION

CAMBRIDGE
City or Town

Return to: Bureau of Accounts, Boston, Springfield, Worcester

1 . The selected Residential Factor is ---------------- 0.567019

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	=	10,819,610,842	X	20.00%	=	115,072
Class I Total Parcel Count*		18,805		Selected Res. Exemption %		Residential Exemption

* Include all parcels with a Mixed-Use Residential designation

Applicable number of parcels to receive exemption 12,250

4. Was a small commercial exemption adopted?

Yes ______ **No** X

% Selected ______

If Yes, please complete the following:

No. of parcels eligible ______

Total value of parcels ______

Total value to be exempted ______

5. 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	Percentage Full Value Shares of Total Tax	New Percentage Shares of Total
1. Residential	10,819,610,842	60.9530%	34.5615%
2. Open Space	0	0.0000%	0.0000%
3. Commercial	5,098,026,024	28.7201%	48.1318%
4. Industrial	1,465,171,700	8.2542%	13.8331%
5. Personal Property	367,927,030	2.0727%	3.4736%
Totals	17,750,735,596	100.0000%	100.0000%

6. 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 2003 would be held on 9/23/2002 (date), 6:30 p.m. (time), at Cambridge (place), by legal notice (describe type of notice).

D. Margaret Drury

City/Town Clerk

7. We hereby attest that on Sept. 23, 2002 (date) 6:30 p.m. (time), at Cambridge (place) a public hearing was held on the issue of adopting the percentages for fiscal year 2003, that the Board of Assessors presented information and data relevant to making such 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 on 09/23/2002 (date).

8. We have been informed by the Assessors of excess levy capacity 36,193,451

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

Brian P. Murphy

Kenneth E. Reeves

(LA-5)

DEPARTMENT OF REVENUE
BUREAU OF ACCOUNTS
CLASSIFICATION TAX ALLOCATION

CAMBRIDGE
City or Town

Return to: Bureau of Accounts, Boston, Springfield, Worcester

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* Include all parcels with a Mixed-Use Residential designation

Applicable number of parcels to receive exemption 12,250

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% Selected ______

If Yes, please complete the following:

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Total value of parcels ______

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D. Margaret Drury

City/Town Clerk

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8. We have been informed by the Assessors of excess levy capacity 36,193,451

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

Brian P. Murphy

Marjorie C. Decker

Kenneth E. Reeves

(LA-5)

C. C. 106

City of Cambridge

MASSACHUSETTS

In City Council September 23, 2002

Agenda Item #1A - authorization to use $4,900,000 in Free Cash an an offset to the Fiscal Year 2003 tax rate.

	YEA	NAY	ABSENT	PRESENT
Vice Mayor Henrietta Davis	✓			
Ms. Marjorie Decker			✓	
Mr. Anthony D. Galluccio	✓			
Mr. David P. Maher	✓			
Mr. Brian Murphy	✓			
Mr. Kenneth E. Reeves	✓			
Ms. Denise Simmons	✓			
Mr. Timothy J. Toomey, Jr.	✓			
Mayor Michael A. Sullivan	✓			
	8		1	

C. C. 106

City of Cambridge

MASSACHUSETTS

In City Council September 23, 2002

Agenda Item # 1B - classifying property into five property classes

	YEA	NAY	ABSENT	PRESENT
Vice Mayor Henrietta Davis	✓			
Ms. Marjorie Decker			✓	
Mr. Anthony D. Galluccio	✓			
Mr. David P. Maher	✓			
Mr. Brian Murphy	✓			
Mr. Kenneth E. Reeves	✓			
Ms. Denise Simmons	✓			
Mr. Timothy J. Toomey, Jr.	✓			
Mayor Michael A. Sullivan	✓			
	8		1	

C. C. 106

City of Cambridge

MASSACHUSETTS

In City Council September 23, 2002

Agenda Item #1C - adoption of a minimum residential factor of 56.7019%

	YEA	NAY	ABSENT	PRESENT
Vice Mayor Henrietta Davis	✓			
Ms. Marjorie Decker			✓	
Mr. Anthony D. Galluccio	✓			
Mr. David P. Maher	✓			
Mr. Brian Murphy	✓			
Mr. Kenneth E. Reeves	✓			
Ms. Denise Simmons	✓			
Mr. Timothy J. Toomey, Jr.	✓			
Mayor Michael A. Sullivan	✓			
	8		1	

C. C. 106

City of Cambridge

MASSACHUSETTS

In City Council September 23, 2002

Agenda Item #1D - Approval of the 20% residential exemption for owner occupied homes.

	YEA	NAY	ABSENT	PRESENT
Vice Mayor Henrietta Davis	✓			
Ms. Marjorie Decker			✓	
Mr. Anthony D. Galluccio	✓			
Mr. David P. Maher	✓			
Mr. Brian Murphy	✓			
Mr. Kenneth E. Reeves	✓			
Ms. Denise Simmons	✓			
Mr. Timothy J. Toomey, Jr.	✓			
Mayor Michael A. Sullivan	✓			
	8		1	

C. C. 106

City of Cambridge

MASSACHUSETTS

In City Council September 23, 2002

Agenda Item #1E - Increase the normal value of the statutory exemptions for fiscal Year 2003 by 100%

	YEA	NAY	ABSENT	PRESENT
Vice Mayor Henrietta Davis	✓			
Ms. Marjorie Decker			✓	
Mr. Anthony D. Galluccio	✓			
Mr. David P. Maher	✓			
Mr. Brian Murphy	✓			
Mr. Kenneth E. Reeves	✓			
Ms. Denise Simmons	✓			
Mr. Timothy J. Toomey, Jr.	✓			
Mayor Michael A. Sullivan	✓			
	8		1	

C. C. 106

City of Cambridge

MASSACHUSETTS

In City Council September 23, 2002

Agenda Item #1F - Vote to increase the Fiscal Year 2002 exemption allowed by 4.3% from $210.72 to $219.78, a difference $9.06.

	YEA	NAY	ABSENT	PRESENT
Vice Mayor Henrietta Davis	✓			
Ms. Marjorie Decker			✓	
Mr. Anthony D. Galluccio	✓			
Mr. David P. Maher	✓			
Mr. Brian Murphy	✓			
Mr. Kenneth E. Reeves	✓			
Ms. Denise Simmons	✓			
Mr. Timothy J. Toomey, Jr.	✓			
Mayor Michael A. Sullivan	✓			
	8		1	

C. C. 106

City of Cambridge

MASSACHUSETTS

In City Council September 23, 2002

Agenda Item #1G - Approving to double the income limit for deferral of taxes by elderly homeowners.

	YEA	NAY	ABSENT	PRESENT
Vice Mayor Henrietta Davis	✓			
Ms. Marjorie Decker			✓	
Mr. Anthony D. Galluccio	✓			
Mr. David P. Maher	✓			
Mr. Brian Murphy	✓			
Mr. Kenneth E. Reeves	✓			
Ms. Denise Simmons	✓			
Mr. Timothy J. Toomey, Jr.	✓			
Mayor Michael A. Sullivan	✓			
	8		1	

CITY OF CAMBRIDGE • EXECUTIVE DEPARTMENT

Robert W. Healy, City Manager *Richard C. Rossi, Deputy City Manager*

September 26, 2002

To The Honorable, The City Council:

In response to the request made by Vice Mayor Henrietta Davis at the September 23, 2002 Public Hearing on the FY2003 property tax rate classification, I am attaching a comparison of 2002 tax rates for surrounding communities and the impact of a residential exemption, received from Acting Assistant City Manager for Fiscal Affairs Louis A. DePasquale.

Very truly yours,

Robert W. Healy
City Manager

RWH/mec
Attachment

795 Massachusetts Avenue, Cambridge, Massachusetts 02139
Voice: 617.349.4300 Fax: 617.349.4307 TTY: 617.349.4242 Web: www.ci.cambridge.ma.us

CITY OF CAMBRIDGE ASSESSING OFFICE

EXAMPLES OF THE TAX RATES IN SURROUNDING COMMUNITIES & THE IMPACT OF A RESIDENTIAL EXEMPTION

COMMUNITY	RES RATE	COMM RATE	RES EXEMPT	TAX SAVING OF EXEMPTION	FY 2002 Total AV	FY 2002 TAX BILL W/O ResidentialExemption	FY 2002 TAX BILL With Residential Exemption
ARLINGTON	$13.85	$13.85	N\A		$500,000	$6,925.00	$6,925.00
BELMONT	$11.19	$11.19	N\A		$500,000	$5,595.00	$5,595.00
BOSTON	$11.01	$30.33	$80,031	$881.14	$500,000	$5,505.00	$4,623.86
BROOKLINE	$12.90	$21.07	$105,210	$1,357.21	$500,000	$6,450.00	$5,092.79
CAMBRIDGE	$7.22	$18.81	$111,824	$807.37	$500,000	$3,610.00	$2,802.63
CHELSEA	$14.52	$22.60	$33,455	$485.77	$500,000	$7,260.00	$6,774.23
EVERETT	$10.24	$27.55	N\A		$500,000	$5,120.00	$5,120.00
MALDEN	$13.54	$27.17	N\A		$500,000	$6,770.00	$6,770.00
MEDFORD	$12.85	$25.81	N\A		$500,000	$6,425.00	$6,425.00
NEWTON	$9.94	$18.77	N\A		$500,000	$4,970.00	$4,970.00
SOMERVILLE	$13.72	$23.42	$84,846	$1,164.09	$500,000	$6,860.00	$5,695.91
WALTHAM	$10.47	$22.60	$62,900	$658.56	$500,000	$5,235.00	$4,576.44
WATERTOWN	$15.21	$22.66	$61,512	$935.60	$500,000	$7,605.00	$6,669.40

Chart illustrates the fiscal 2002 tax liability for a residential property with a total assessed value of $ 500,000 in each community.

CCM-101

City of Cambridge

Consent Agenda Item #1A

IN CITY COUNCIL

September 23, 2002

ORDERED: That the City Manager be and hereby is authorized to use $4,900,000 in Free Cash as an offset to the Fiscal Year 2003 tax rate.

In City Council September 23, 2002.
Adopted by a yea and nay vote.
Yeas 8; Nays 0; Absent 1.
Attest:- D. Margaret Drury, City Clerk.

A true copy: D. Margaret Drury

ATTEST:-

D. Margaret Drury
City Clerk

CCM-101

City of Cambridge

Consent Agenda Item #1B

IN CITY COUNCIL

September 23, 2002

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

In City Council September 23, 2002.
Adopted by a yea and nay vote.
Yeas 8; Nays 0; Absent 1.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:- D Margaret Drury

D. Margaret Drury
City Clerk

City of Cambridge

Consent Agenda Item #1C

IN CITY COUNCIL

September 23, 2002

ORDERED: That the City Council hereby adopts a minimum residential factor of 56.7019%, the legal minimum permitted for Cambridge.

In City Council September 23, 2002.
Adopted by a yea and nay vote.
Yeas 8; Nays 0; Absent 1.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:- D Margaret Drury

D. Margaret Drury
City Clerk

CCM-101

City of Cambridge

Consent Agenda Item #1D

IN CITY COUNCIL

September 23, 2002

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

In City Council September 23, 2002.
Adopted by a yea and nay vote.
Yeas 8; Nays 0; Absent 1.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:- D Margaret Drury

D. Margaret Drury
City Clerk

CCM-101

City of Cambridge

Consent Agenda Item #1E

IN CITY COUNCIL

September 23, 2002

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 the statutory exemptions for fiscal year 2003.

In City Council September 23, 2002.
Adopted by a yea and nay vote.
Yeas 8; Nays 0; Absent 1.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:- D Margaret Drury

D. Margaret Drury
City Clerk

CCM-101

City of Cambridge

Consent Agenda Item #1F

IN CITY COUNCIL

September 23, 2002

ORDERED: That the City Council vote to increase the Fiscal Year 2002 exemption allowed under General Laws Chapter 59, Section 5, Clause 17D by 4.3% from $210.72 to $219.78 ($9.06).

In City Council September 23, 2002.
Adopted by a yea and nay vote.
Yeas 8; Nays 0; Absent 1.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:- D Margaret Drury

D. Margaret Drury
City Clerk

CCM-101

City of Cambridge

Consent Agenda Item #1G

IN CITY COUNCIL

September 23, 2002

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 23, 2002.
Adopted by a yea and nay vote.
Yeas 8; Nays 0; Absent 1.
Attest:- D. Margaret Drury, City Clerk.

A true copy; D Margaret Drury

ATTEST:-

D. Margaret Drury
City Clerk

Adjustment	Amount
State Aid Loss	+ 2,847,693
Revenue Increases	(362,150)
03 Appropriations	+ 1,295,950
Overlay Savings/Adjustment	(132,396)
Net Increase	**3,649,097**

While the gross levy is increasing by $10,275,994 (5.5%), it is important to note that this levy increase will be covered from taxes being paid for the first time by newly constructed property ($10,345,339) pending approval of the Department of Revenue Bureau of Local Assessment.

For FY2003, the total assessed value of taxable property in the City of Cambridge totals $17,750,735,596 a 5% increase over 2002 values. Tables I and II below break out new tax and value growth by property types.

TABLE I
New Construction Breakdown in FY2003

Property Class	New Value	FY2003 Taxes Paid By New Value
Commercial Property	$343,774,048	$ 6,418,262
Personal Property	$ 88,455,140	$ 1,651,457
Residential Property	$313,446,334	$ 2,275,620
Total New Growth	$745,675,522	$10,345,339

TABLE II
Assessed Values
(in millions)

	FY99	FY00	FY01	FY02	FY03
Commercial Property	$ 3,561	$ 3,990	$ 4,701	$ 6,215	$ 6,563
Personal Property	$ 256	$ 275	$ 293	$ 305	$ 368
Residential Property	$ 5,725	$ 6,773	$ 7,709	$10,317	$10,820
Total Assessed Value	**$ 9,542**	**$11,038**	**$12,703**	**$16,837**	**$17,751**

For FY2003 the City was able to increase its levy limit by approximately $17 million, to $235 million. Approximately $10 million of this increase was due to new construction. State law allows the City to increase its tax levy limit by an amount equal to the total FY2003 value of newly constructed or renovated property multiplied by the FY2002 tax rate. The remaining $7 million is the 2.5 percent increase over the FY2002 levy allowed by Proposition 2 ½ plus a revised new value calculation from FY2002. The City's excess levy capacity increased by 22% to $37 million.

TABLE III
Tax Levy/Tax Levy Limit/Excess Levy Capacity
(in thousands)

	Actual FY99	Actual FY00	Actual FY01	Actual FY02	Estimated FY03
Levy Limit	$177,754	$189,475	$202,213	$217,907	$234,709
Actual Levy	$159,000	$164,000	$178,485	$187,445	$197,720
% Actual Levy Increase over Prior Year	3.0%	3.1%	8.8%	5.0%	5.5%
Excess Levy Capacity	$ 18,754	$ 25,475	$ 23,728	$ 30,462	$ 36,989

In addition to providing greater flexibility under Proposition 2 1/2, tax payments from newly constructed properties also work to mitigate increases on existing properties. For FY2003, the levy increase of $10.3 million is offset by the $10.3 million in taxes paid by new construction (see table I).

TABLE IV
Changes in Average Tax Bills *

	FY02 Tax Bill	FY03 Tax Bill	Dollar Change	Percent Change
1-Family	$4,471	$4,748	$277	6.2%
2-Family	$3,298	$3,476	$178	5.4%
3-Family	$3,326	$3,355	$ 29	0.9%
Condominium	$1,651	$1,718	$ 67	4.1%

* Does not include CPA surcharge

TABLE V
Changes in Average Tax Bills Without New Construction *

	FY02 Average Tax Bill	With No New Construction	Dollar Change	Percent Change
1-Family	$4,471	$4,912	$441	9.9%
2-Family	$3,298	$3,596	$298	9.0%
3-Family	$3,326	$3,471	$145	4.4%
Condominium	$1,651	$1,777	$126	7.6%

* Does not include CPA surcharge

For a detailed listing of tax bill changes by district please see Attachment I.

COMMUNITY PRESERVATION ACT SURCHARGE

In November of FY2001, voters approved a 3% surcharge on tax bills to fund the Community Preservation Fund, which is used to support affordable housing, open space acquisition and historic preservation initiatives. As a result of this vote, the City is able to reduce the tax levy by $5 million, an amount equal to the estimated CPA surcharge. Because of the reduced levy, the impact of the CPA surcharge on the average tax bill was essentially neutral. For FY2003, the surcharge will raise approximately $5 million. Without the CPA surcharge, another $5 million would have been added to the FY2003 general tax levy to fund the City's housing, open space and historic preservation programs requiring higher residential and commercial tax rates. In FY2002, the City collected approximately 4.9 million through CPA surcharge, which makes the City eligible for a matching distribution from the State in FY2003.

TABLE VI
Community Preservation Act Surcharge

	FY02 Average CPA	FY03 Average CPA	FY03 Average Tax	FY03 Average Tax & CPA
1-Family	$112	$121	$4,748	$4,869
2-Family	$ 77	$ 82	$3,476	$3,558
3-Family	$ 78	$ 79	$3,355	$3,434
Condominium	$ 28	$ 30	$1,718	$1,748

FY2003 PROPERTY VALUATION

For FY2003 the City continued its policy of maintaining property valuations reflective of fair market value based on sales.

Sales of 289 houses and 815 condominium units were analyzed to develop factors to adjust values by property type (one-family, two-family, three-family, condo) and residential assessing district. A 5% value increase was seen most frequently among single-family houses. The greatest single-family increases were found in District 10 (Brattle Street area). Two-family houses moderately increased in value by an average of 4%. The highest two-family increase was seen in District 1 (East Cambridge) and 7 (North Cambridge/West Cambridge), at 7% and 8% respectively. After major increases in FY2002, the three-families did not show any significant change based on the most recent market data. Attachment 1 shows a detailed breakdown of the results. The attached map, entitled "Residential Tax Districts", shows the Assessing Department's delineation of neighborhoods for the purpose of market analysis.

Apartment building values continued to increase as a result of being sold for condominium conversion. Income and expense reports from apartment buildings were studied and market rent and expense tables were developed for application of the income approach. Capitalization rates were developed from analysis of sales and interest rate levels as of January 1, 2002.

For commercial and industrial properties, income and expense returns for the 2001 calendar year were compared to the 2000 calendar year returns. From this analysis, factors were developed to adjust commercial values by use (retail, office, hotel, manufacturing, etc.) and by commercial assessing districts.

One hundred sixty-seven (167) new business personal property accounts were added to the tax rolls for FY2003, bringing the total number of personal property tax bills to 2,730. The new accounts and the new personal property acquired by existing accounts contributed $88.4 million to tax value growth for FY2003.

ISSUES/REQUIRED VOTES

- **Authorize $4,900,000 in Free Cash.** For the fiscal year that ended June 30, 2002, the City of Cambridge has a certified Free Cash balance of $28,706,934, an increase of approximately $3,700,000 from FY2001. The significant increase in Free Cash is attributable to actual General Fund revenues exceeding estimates by a large margin and the use of Free Cash decreasing substantially in FY2002. While the Free Cash authorizations requested at this time were included in the FY2003 budget, the Department of Revenue (DOR) does not allow formal authorizations for Free Cash by the City Council until the DOR has certified a Free Cash balance at the conclusion of the fiscal year.

- **Classify Property and Establish Minimum Residential Factor.** Since 1984, the City Council has voted annually to follow state law allowing the classification of property according to use (residential or commercial) and to allocate the legal maximum portion of the tax levy to the commercial class. State law allows the residential portion of the tax levy to be as low as 50% of what it would be if there were single tax rates. However, there are two exceptions to the 50% minimum:

  1. The residential percent of the levy cannot drop to less than its lowest level since classification was initially voted by the City Council (34.5615% in 1985 in Cambridge); and

  2. The 50% level does not cause the commercial class to bear a portion of the levy greater than 175% of what it would be if both classes were taxed equally.

  The City Council sets the levy distribution each year by voting for a Minimum Residential Factor. The result of voting for the Minimum Residential Factor of 56.7019% this year will be a residential property share of the total tax levy of 34.5615%. Commercial property will pay 65.4385% of the levy, which brings the commercial portion of the levy to 167% of what it would be with a single tax rate.

- **Establish Residential Exemptions.** State law enables cities and towns to grant owner occupants of residential properties a deduction of up to 20% of the average residential parcel value before the tax rate is applied. I am once again 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 $115,072 from the assessed value of each owner occupied property. The residential exemption serves to reduce the effective tax rate on lower valued properties while raising it on higher valued properties. Since the same amount is deducted from every value, its impact is greatest on the lower valued properties. The residential exemption is paid for by raising the residential tax rate sufficiently to cover the number of taxpayers claiming the residential exemption. For FY2002 there are approximately 12,250 resident exemptions on the Assessing Department files. If Cambridge did not adopt a residential exemption, the residential tax rate would be $6.31 instead of $7.26. The higher tax rate results in a "break-even" value over which the higher valued residential properties are assessed for higher taxes than would be the case if there were no residential exemption. In FY2003, the break-even value is $883,234.

- **Double 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. There are also two pieces of legislation, which authorize cities and towns to increase the amounts of these exemptions. The first allows cities and towns to double the statutory amounts for taxpayers whose tax bills have increased over the prior year's bill. The City Council must vote annually for this increase. I am recommending that the Council do this for FY2003, as it has since FY1987. The second, enacted in 1995, allows cities and towns to increase the amount of the exemption for a senior citizen 70 or older, surviving spouse, or minor with a deceased parent by the increase in the cost-of-living as measured by the Consumer Price Index (CPI). The CPI increase for FY2003, which was published by the DOR for exemption purpose, is 4.3%. Applying this percentage increase to the FY2002 exemption of $210.72 raises the exemption to $219.78.

- **Increase Income Limit for Tax Deferral.** Another form of tax relief available to property owners under state law is Clause 41A of Section 3, Chapter 59. This statute allows taxpayers over 65 years old to defer tax payment until they are deceased or the property is transferred. The statutory income limit for this deferral is $20,000, which may be increased to $40,000 by local legislative action. I am recommending that the City Council take this action.

CONCLUSION

As the City Council is aware, by the time the classification vote is taken in the fall of each year, the options for the City are fairly limited. Failure to approve maximum classification, residential exemption and the doubling of statutory exemptions would result in significantly higher taxes for residential property owners. After the classification vote is taken, the establishment of the tax rate is a fairly simple mathematical calculation: the tax levy required to support the City budget divided by the total assessed valuation equals the tax rate for FY2003.

For FY2003 the tax levy is increasing by 5.5%. From FY1997 through FY2002 the tax levy grew by an annual average of 5.3%. During the five year period of FY1998 to FY2003 single and three family house have had an annual average tax increase of approximately 4% while 2 family house have increased by just under 3% annually and condominium by just less than 2%.

TABLE VII
Changes in Average Residential Tax Bills *
FY1998 to FY2003

	FY98 Tax Bill	FY03 Tax Bill	Dollar Change	Percent Change	Average Annual Increase
1-Family	$4,117	$4,869	$752	18.3%	3.7%
2-Family	$3,114	$3,558	$444	14.3%	2.9%
3-Family	$2,833	$3,434	$601	21.2%	4.2%
Condominium	$1,600	$1,748	$148	9.3%	1.9%

* FY03 includes CPA

Continued sound financial management has enabled the City to limit the growth of the residential property taxes. FY02 was a extremely strong year for the finances of the City: its Free Cash position increased, and its excess levy capacity increased for the second straight year. These strong financial indicators combined with a Aaa credit rating provides the City with enormous flexibility to respond to many of the needs facing this community without sacrificing the fiscal stability that the great majority of our residents expect from the City. By adhering to the proven fiscal policies that have served us so well in the past, we can continue to ensure a stable fiscal future for Cambridge.

Very truly yours,

Robert W. Healy
City Manager

RWH/ceg
Attachments

ATTACHMENT 1

	CHANGES BY NEIGHBORHOOD FY2002 TO FY2003																					
	ONE FAMILY HOUSES							TWO FAMILY HOUSES							THREE FAMILY HOUSES							
DIST	AVG 02 VAL	AVG 03 VAL	AVG 02 TAX	AVG 03 TAX	VALUE CHNGE	TAX CHNGE	2003 #	AVG 02 VAL	AVG 03 VAL	AVG 02 TAX	AVG 03 TAX	VALUE CHNGE	TAX CHNGE	2003 #	AVG 02 VAL	AVG 03 VAL	AVG 01 TAX	AVG 02 TAX	VALUE CHNGE	TAX CHNGE	2003 #	DIST
1	268,717	281,116	1,133	1,205	5%	6%	391	310,170	333,724	1,432	1,587	8%	11%	317	382,368	386,995	1,953	1,974	1%	1%	267	1
2	306,689	321,265	1,407	1,497	5%	6%	203	349,056	368,007	1,713	1,836	5%	7%	209	455,013	458,114	2,478	2,490	1%	1%	184	2
3	626,626	652,022	3,717	3,898	4%	5%	202	638,988	648,866	3,806	3,875	2%	2%	244	733,991	743,540	4,492	4,563	1%	2%	157	3
4	655,966	688,983	3,929	4,167	5%	6%	203	736,267	742,631	4,508	4,556	1%	1%	131	798,589	800,379	4,958	4,975	0%	0%	72	4
5	1,477,087	1,532,558	9,857	10,291	4%	4%	45	1,956,588	1,959,252	13,319	13,389	0%	1%	25	1,721,500	1,747,325	11,622	11,850	2%	2%	4	5
6	1,125,099	1,168,389	7,316	7,647	4%	5%	345	1,094,809	1,142,765	7,097	7,461	4%	5%	139	964,871	979,806	6,159	6,278	2%	2%	72	6
7	352,627	365,898	1,739	1,821	4%	5%	643	423,082	452,374	2,247	2,449	7%	9%	706	490,383	495,460	2,733	2,762	1%	1%	227	7
8	483,966	502,454	2,687	2,812	4%	5%	130	576,454	604,449	3,355	3,553	5%	6%	306	693,533	703,614	4,200	4,273	1%	2%	71	8
9	1,013,804	1,038,612	6,512	6,705	2%	3%	199	1,023,535	994,694	6,583	6,386	-3%	-3%	18	396,400	402,300	2,055	2,085	1%	1%	1	9
10	2,364,891	2,609,117	16,267	18,107	10%	11%	293	2,391,064	2,491,051	16,456	17,250	4%	5%	47	2,930,300	2,974,300	20,349	20,758	2%	2%	1	10
11	1,023,680	1,035,630	6,584	6,683	1%	2%	172	1,088,086	1,132,900	7,049	7,389	4%	5%	51	1,123,563	1,116,265	7,305	7,269	-1%	0%	17	11
12	419,762	438,825	2,223	2,350	5%	6%	193	427,583	448,212	2,280	2,419	5%	6%	215	497,520	502,418	2,785	2,812	1%	1%	154	12
13	441,309	447,969	2,379	2,417	2%	2%	223	513,504	534,772	2,900	3,047	4%	5%	260	575,914	582,858	3,351	3,396	1%	1%	197	13
15	554,627	582,373	3,197	3,393	5%	6%	33															15
16	550,200	550,850	3,165	3,164	0%	0%	2	643,000	675,160	3,835	4,066	5%	6%	5	742,560	721,600	4,554	4,403	-3%	-3%	5	16
17	498,294	523,212	2,790	2,963	5%	6%	34	572,777	598,765	3,328	3,512	5%	6%	26	699,480	709,960	4,243	4,319	1%	2%	5	17
18	498,727	513,803	2,793	2,895	3%	4%	140	476,881	497,988	2,636	2,780	4%	5%	127	570,946	567,361	3,315	3,284	-1%	-1%	71	18
19	942,098	985,477	5,995	6,319	5%	5%	57	683,032	714,523	4,124	4,352	5%	6%	164	888,981	855,500	5,611	5,376	-4%	-4%	15	19
21	461,303	481,706	2,523	2,662	4%	5%	74	509,035	534,495	2,868	3,045	5%	6%	43	601,306	610,335	3,534	3,596	2%	2%	17	21

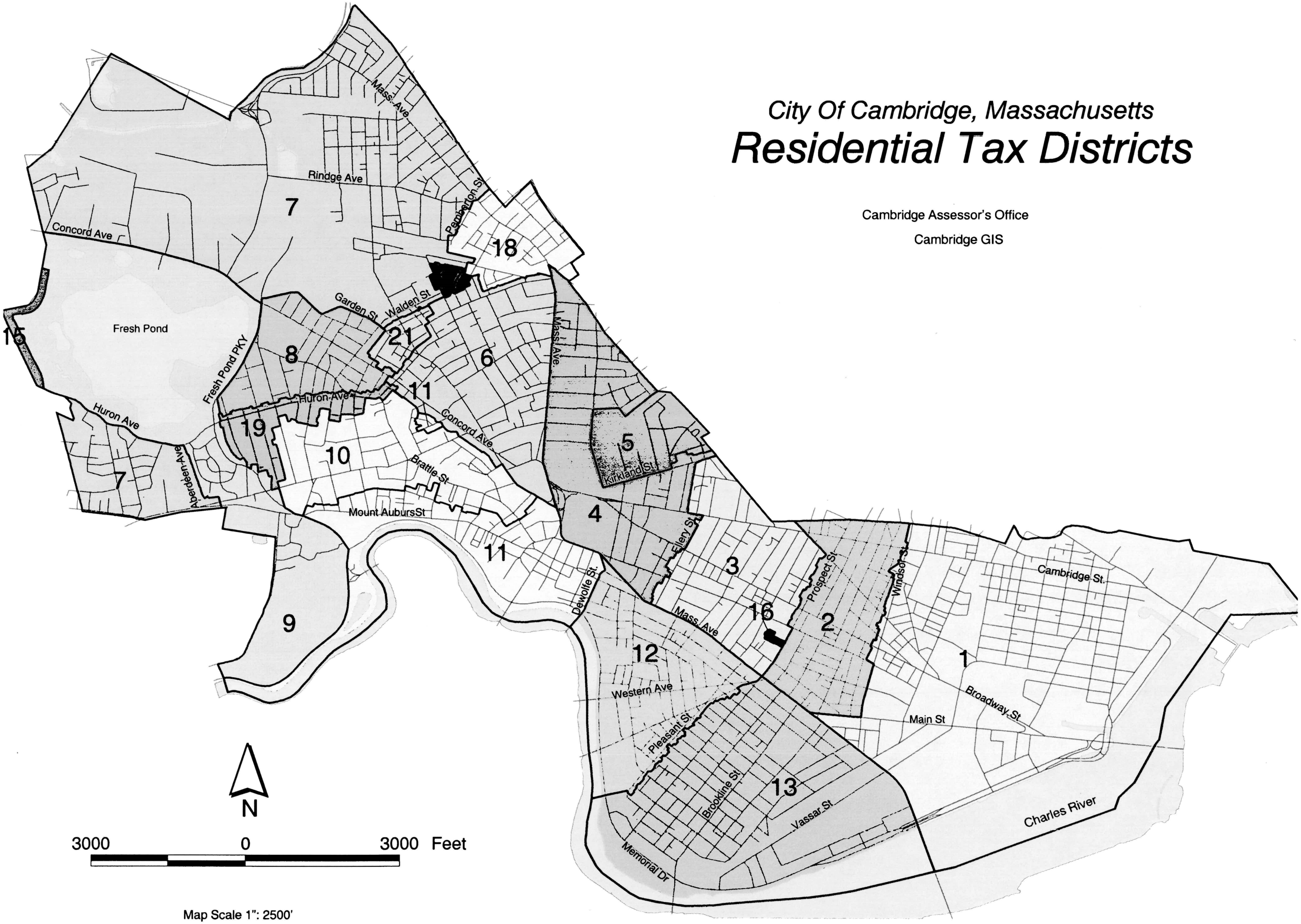
DIST	CHANGES BY NEIGHBORHOOD FY2002 TO FY2003						
	CONDOMINIUM UNITS						
	AVG 02 VAL	AVG 03 VAL	AVG 02 TAX	AVG 03TAX	VALUE CHANGE	TAX CHANGE	#
1	431,275	447,137	2,306	2,411	3.7%	5%	1035
2	237,804	271,964	910	1,139	14.4%	25%	345
3	274,863	294,894	1,177	1,306	7.3%	11%	1710
4	298,301	314,519	1,346	1,448	5.4%	8%	824
5	712,000	1,338,186	4,333	8,880	87.9%	105%	7
6	310,928	324,477	1,438	1,520	4.4%	6%	1606
7	280,606	286,640	1,219	1,246	2.2%	2%	992
8	373,520	388,960	1,889	1,988	4.1%	5%	230
9	354,111	365,811	1,749	1,820	3.3%	4%	38
10	1,061,387	1,109,267	6,856	7,218	4.5%	5%	33
11	679,578	704,239	4,099	4,277	3.6%	4%	505
12	330,443	340,435	1,578	1,636	3.0%	4%	506
13	280,775	297,837	1,220	1,327	6.1%	9%	689
16	206,000	273,683	680	1,152	32.9%	69%	6
17	317,750	330,455	1,487	1,564	4.0%	5%	20
18	365,923	385,548	1,835	1,964	5.4%	7%	270
19	515,447	528,092	2,914	2,999	2.5%	3%	111
20	328,294	341,424	1,563	1,643	4.0%	5%	17
21	383591	398,464	1,962	2,057	3.9%	5%	44

City Of Cambridge, Massachusetts

Residential Tax Districts

Cambridge Assessor's Office

Cambridge GIS



CITY OF CAMBRIDGE • EXECUTIVE DEPARTMENT

Robert W. Healy, City Manager *Richard C. Rossi, Deputy City Manager*

1.

September 23, 2002

To The Honorable, The City Council:

RECOMMENDATIONS

1. That the City Council authorize the further use of Free Cash of $4,900,000 to offset the 2003 tax rate as follows:

   a. Operating Budget: $1,800,000 as adopted in the FY2003 Budget
   b. Public Investment: $3,100,000 as adopted in the FY2003 Budget

2. That the City Council classify property within the City of Cambridge into the five classes allowed for the purpose of allocating the property tax. It is further recommended that the City Council adopt a minimum residential factor of 56.7019%.

3. That the City Council approve the maximum residential exemption factor of 20% for owner occupied homes, which should result in a residential tax rate of $7.26 and commercial tax rate of $18.67 upon final approval by the Massachusetts Department of Revenue.

4. That the City Council vote to double the normal value of the statutory exemptions.

5. That the City Council vote to increase the exemption allowed under Massachusetts General Laws (MGL) Chapter 59, Section 5, Clause 17D from $210.72 to $219.78, as allowed by state statute.

6. That the City Council vote to increase the income limit for deferral of real estate taxes by elderly persons from $20,000 to $40,000, as allowed under MGL chapter 59, Section 5, Clause 41A.

SUMMARY

The establishment of the property tax rate by the Board of Assessors with the approval of the Massachusetts Department of Revenue is the final step in the annual fiscal process that begins in the Spring of each year with the submission of the annual budget to the City Council. The FY2003 budget adopted by the City Council in May called for a tax levy of $194,071,448, a 3.5% increase over FY2002. After a series of adjustments, the final levy for FY2003 is $197,720,545.

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F-118

Consent Agenda #1

Votes necessary to seek the Mass. Department of Revenue approval for the tax rate for FY2003:

In City Council September 23, 2002

REFERRED TO HEARING THE SCHEDULED FOR 6:30P.M. HEARING HELD.

A. Authorize the use of $4,900,000 in Free Cash to offset the 2003 tax rate as follows: Operating Budget $1,800,000 (as adopted in the FY01 Budget); and Public Investment $3,100,000 (as adopted in the FY01 Budget);

B. Classify property into five classes;

C. Adopt a minimum residential factor of 56.7019%

D. Approve the maximum residential exemption factor of 20% for owner occupied homes;

E. Double the normal value of the statutory exemptions for FY2003;

F. Increase the FY2003 exemption allowed under MGL Chapter 59, Section 5, Clause 17D from $210.72 to $219.78 and

G. Increase the income limit for deferral of real estate taxes by elderly persons from $20,000 to $40,000.

ORDERS ADOPTED. 8-0-1.