The assessors have responded to the declining real estate market in several ways:

- reduction of values to reflect the market as of each fiscal year's assessment date,
- negotiation with property owners who appealed their values, to arrive at valuations reflecting individual properties' problems in the declining economy,
- avoided lengthy and expensive hearings before the Appellate tax board by negotiating settlements.

Issues:

The first two responses outlined above are a necessary part of the assessors' work. Even if a taxpayer fails to provide information until after a tax bill has been issued, the assessors must consider the information in estimating the fair market value of a property. The third response, however, must be avoided in cases where there is no apparent overvaluation and where settlement could result in disproportionate valuation.

Historically, the Assessing Department has retained outside counsel and appraisal experts to assist in Appellate Tax Board work since the first revaluation was completed for FY1984. The following figures are the budgeted other ordinary maintenance account for fiscal years 1988 through 1994.

1988	$193,105
1989	$275,215
1990	$274,665
1991	$237,890
1992	$194,214
1993	$162,575
1994	$143,445

Since 1989, the Assessing Department has stayed within the budget constraints mandated by the City's fiscal policy of level funding or funding with minimal increase. This has been accomplished by reducing the total number of Assessing Department employees form nineteen to seventeen, and by gradually allowing the other ordinary maintenance account to be reduced as seen above.

Since 1990, the Assessing Department has relied more heavily on inside counsel and will continue to do so. Besides in-house representation in several trials involving houses, condominiums, apartment buildings, and housing cooperatives, in-house counsel has taken over the legal work that is involved in resolution of ATB appeals in all cases except those which are referred to outside counsel. This work includes motion sessions with the required filings of affidavits to dismiss cases with jurisdictional problems such as late payment or missed filing deadlines.

As the real estate market tumbled over the period covered by fiscal years 1991 and 1992, a number of settlements were made for commercial properties which were caught in the downward spiral faster than was accounted for by general value adjustments. Fiscal year 1993 was a triennial revaluation certification year. As a result of the FY1993 revaluation, commercial values dropped 17% from the FY1992 level, which in turn was 11% lower than the FY1990 high point.

Because of (1) the overall lowering of values, (2) the full re-appraisal project that was required and completed for the FY1993 certification, and (3) the extensive review that was undertaken of the FY1993 abatement applications, the assessors believe it is imperative that the City defend against further erosion of the commercial property tax base which might result from avoiding Appellate Tax Board appearances by granting settlement abatements.

Therefore, the Assessing Department has retained attorney Joseph F. Dalton to represent the City before the Appellate Tax Board. Mr. Dalton was selected because of his extensive background and expertise in the area of property valuation. Over a period of more than twenty years, Mr. Dalton has been handling property valuation cases not only before the Appellate Tax Board, but also in State and Federal courts on valuation issues other than ad valorem tax assessments. Only those cases involving especially valuable properties or intricate valuation problems have been assigned to Mr. Dalton, as in-house counsel is capable of handling the remaining cases.

Attachment 3 to this report summarizes the types of properties which have been assigned to outside counsel and their dispositions to date. A total of seventy-three properties have been assigned to outside counsel, with a total FY93 valuation of $579 million. The number of cases is now down to fifty-five, as a result of settlements and withdrawals.

Appearance before the Appellate Tax Board also requires, as a practical matter, the hiring of recognized outside expert appraisal witness. The Assessing Department has retained T.H. Reenstierna & Son for this service. The services of Reenstierna & Son are used in three areas. First, for properties with whose owners the Assessors have held hearings and settlement discussions which have failed to find an acceptable middle ground, an appraisal is prepared for presentation at the hearing. Second, the expert is paid by the hour for actual appearance at the Appellate Tax Board. Thirdly, for those cases where the Assessors are still attempting negotiations, the outside expert reviews the values from the perspective of the type of analysis required for appellate appearance, then advises the assessors as negotiations continue, either to a settlement which represents a fair valuation of the property, or to the decision to pr
oceed to a hearing.

The complexity of some of these cases and the very length of some of the hearings before the Board have necessitated a revision in the estimate of the cost of defending the remaining outstanding appeals which are scheduled for hearing between now and the end of the fiscal year.

Parenthetically, the Assessing Department's other ordinary maintenance account has also been tapped to pay for outside appraisals required for disposition of the Kendall Square fire station and Riverside Road, and also for appraisals concerning the acquisition of parcels required for the Agassiz School and Haggerty School development projects.

Very truly yours,

Robert W. Healy

ATTACHMENT 1

CITY OF CAMBRIDGE: Value and Tax Data

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Old Res	1,631,706,491	1,751,519,451	2,091,117,311	3,523,089,420	3,567,248,760	4,293,970,640	4,469,480,381	4,545,826,597	4,141,974,933	3,961,106,695	3,993,545,044
New Res	11,200,000	28,600,000	39,800,000	55,400,000	34,100,000	90,400,000	153,300,000	106,577,000	12,832,410	13,437,600	13,123,299
TOT RES	1,642,906,491	1,780,119,451	2,130,917,311	3,578,489,420	3,601,348,760	4,384,370,640	4,622,780,381	4,652,403,597	4,154,807,343	3,974,544,295	4,006,668,343
Old Com	1,217,324,198	1,225,499,715	1,382,394,176	2,186,942,322	2,362,295,500	2,704,976,282	3,623,588,763	3,777,443,233	3,564,932,429	3,021,064,420	2,752,540,369
New Com	41,400,000	77,800,000	102,900,000	209,600,000	184,300,000	238,500,000	282,400,000	233,060,000	94,234,500	56,966,524	30,784,900
TOT COM	1,258,724,198	1,303,299,715	1,485,294,176	2,396,542,322	2,546,595,500	2,943,476,282	3,905,988,763	4,010,503,233	3,659,166,929	3,078,030,944	2,783,325,269

% CHANGE IN VALUATION OF EXISTING PROPERTIES

	84 to 85	85 to 86	86 to 87	87 to 88	88 to 89	89 to 90	90 to 91	91 to 92	92 to 93	93 to 94
Residential	6.61%	17.47%	65.33%	-0.31%	19.23%	1.94%	-1.66%	-10.97%	-4.66%	0.48%
Commercial	-2.64%	6.07%	47.24%	-1.43%	6.22%	23.11%	-3.29%	-11.11%	-17.44%	-10.57%

TAX RATES

TAX RATES

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Residential	17.00	15.26	14.29	9.81	9.79	9.23	9.51	10.13	12.21	13.33	13.79
Commercial	33.12	34.69	30.83	20.76	21.15	20.06	18.16	19.15	22.90	28.40	32.78

% CHANGE IN TAX RATE

	84 to 85	85 to 86	86 to 87	87 to 88	88 to 89	89 to 90	90 to 91	91 to 92	92 to 93	93 to 94
Residential	-10.24%	-6.36%	-31.35%	-0.20%	-5.72%	3.03%	6.52%	20.53%	9.17%	3.45%
Commercial	4.74%	-11.13%	-32.66%	1.88%	-5.15%	-9.47%	5.45%	19.58%	24.02%	15.42%

NET CHANGE IN TAXES FOR EXISTING PROPERTIES

Residential	-4.30%	10.00%	13.50%	-0.52%	12.41%	5.03%	4.75%	7.31%	4.08%	3.95%
Commercial	1.98%	-5.73%	-0.85%	0.42%	0.75%	11.45%	1.98%	6.30%	2.39%	3.22%

CUMULATIVE TAX INCREASES 1984 to 1994

	84 to 85	84 to 86	84 to 87	84 to 88	84 to 89	84 to 90	84 to 91	84 to 92	84 to 93	84 to 94
Residential	-4.30%	5.27%	19.48%	18.87%	33.62%	40.35%	47.01%	57.75%	64.19%	70.67%
Commercial	1.98%	-3.87%	-4.69%	-4.29%	-3.58%	7.46%	9.59%	16.49%	19.28%	23.11%

ATTACHMENT 3

MAP	LOT	UNIT	FY93 VAL	FY92 VAL	FY91 VAL	FY90 VAL	CLASS	WITHDRAWAL
160	53		696,001				13	12/30/93
TOTALS FOR CLASS 13:			696,001	0	0	0		
133	53		2,953,401	3,491,700			31	11/22/93
160	25		3,074,902	4,055,100			31	11/23/93
160	74		696,801	810,900			31	
44	79		24,200,000				31	
TOTALS FOR CLASS 31:			30,925,104	8,357,700	0	0		
100	68		8,030,000				300	
134	1		9,100,000				300	
165	34		4,655,500	5,544,200			300	
44	98		38,531,000	38,950,000	41,000,000		300	
9	31		22,854,600				300	
TOTALS FOR CLASS 300:			83,171,100	44,494,200	41,000,000	0		
75	149		241,300				316	1/05/94
TOTALS FOR CLASS 316:			241,300	0	0	0		
10	59		14,203,400	16,709,900	16,709,900		323	
8	86		13,323,000	15,674,100			323	
TOTALS FOR CLASS 323:			27,526,400	32,384,000	16,709,900	0		
132	97		564,900				325	11/23/93
157	26		685,000	1,353,800			325	
160	14		14,042,000				325	
160	66		1,582,899				325	3/21/94
162	54		6,572,302				325	12/28/93
175	75		1,540,360				325	3/24/94
TOTALS FOR CLASS 325:			24,987,461	1,353,800	0	0		
160	78		1,049,300	1,662,900			326	11/23/93
91	191		516,500				326	
TOTALS FOR CLASS 326:			1,565,800	1,662,900	0	0		

MAP	LOT	UNIT	FY93 VAL	FY92 VAL	FY91 VAL	FY90 VAL	CLASS	WITHDRAWAL
44	95		5,081,900				336	
TOTALS FOR CLASS 336:			5,081,900	0	0	0		
133	54		40,000	50,000			337	11/29/93
133	56		40,000	50,000			337	11/29/93
75	48		635,420				337	1/05/94
TOTALS FOR CLASS 337:			715,420	100,000	0	0		
13	23		52,200,000				340	2/15/94
14	36		45,900,000				340	2/15/94
166	24		967,601	1,045,000			340	3/16/94
168	25		3,816,900				340	
168	48		1,224,199				340	3/21/94
168	60		8,706,297	11,780,000			340	
17	74		6,097,801				340	
17	84		11,354,003				340	
175	77		133,200				340	3/21/94
19	23		7,017,100				340	
1A	82		6,138,100				340	
267.2	197		561,600				340	
267.2	203		2,811,602				340	
267.2	230		7,614,296				340	
267.2	256		1,847,500				340	
267.2	257		10,047,508				340	
267.2	258		8,125,499				340	
41	26		18,810,000				340	
44	100		31,273,600				340	
44	82		22,031,000				340	
TOTALS FOR CLASS 340:			246,677,806	12,825,000	0	0		
91	118		4,003,703	4,560,100			341	
TOTALS FOR CLASS 341:			4,003,703	4,560,100	0	0		
121	2		6,574,400				345	2/07/94
133	33		5,595,700				345	2/07/94
134	30		9,127,097				345	2/07/94
14	26		5,746,400				345	
160	57		5,883,496				345	3/21/94
160	59		4,091,602				345	
160	64		3,463,601				345	3/21/94
160	67		2,523,303	2,449,800	2,578,700		345	9/13/93
162	64		1,055,900				345	
162	65		864,501				345	
168	13		9,703,910	10,450,000			345	
168	36		15,627,400				345	

MAP	LOT	UNIT	FY93 VAL	FY92 VAL	FY91 VAL	FY90 VAL	CLASS	WITHDRAWAL
169	50		2,950,803				345	3/21/94
169	81		1,806,201	1,900,000			345	3/16/94
44	99		14,600,000				345	
TOTALS FOR CLASS 345:			89,614,314	14,799,800	2,578,700	0		
160	38		1,873,200	2,280,600			353	3/16/94
TOTALS FOR CLASS 353:			1,873,200	2,280,600	0	0		
162	26		1,365,040				390	
267.2	231		1,219,920				390	
267.2	251		127,280				390	
267.2	259		537,280				390	
267.2	260		71,120				390	
75	130		236,000				390	1/05/94
TOTALS FOR CLASS 390:			3,556,640	0	0	0		
267.2	252		196,000				391	
TOTALS FOR CLASS 391:			196,000	0	0	0		
261	167		3,339,704	4,249,900	4,473,600		400	
70	85		3,875,900				400	1/05/94
TOTALS FOR CLASS 400:			7,215,604	4,249,900	4,473,600	0		
30	35		9,230,000				404	
43A	20		41,548,100				404	
TOTALS FOR CLASS 404:			50,778,100	0	0	0		

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

8.

March 24, 1994

To the Honorable, the City Council:

The Assessing Department has requested a transfer of $150,000 to the Department's other ordinary maintenance account.

The funds are needed for payment to the appraiser and expert witness retained by the Assessing Department to prepare appraisals and appear before the Appellate Tax Board, and for the attorney who handles the specialized legal aspects of such appeals.

Background:

From the year of the City of Cambridge's first Revaluation of all taxable property at 100% full and fair cash value in Fiscal Year 1984, through the FY90 Revaluation, property values in general and particularly in certain sectors of the Cambridge market climbed and even surged through the mid-1980's. Assessed values followed this market, with first half tax bills reflecting the market as of the previous January 1. Then, the real estate market peaked and began the downward cycle which is only now showing signs of stabilization. Among real estate professionals, the peak is generally recalled as having occurred in late 1988 through early 1989 -- an observation corroborated in the Assessing Department's sales analyses.

The attached chart, Attachment 1, tracks the City's residential and commercial values and taxes from 1984 through 1994. The peak of the 1980's market is seen in the FY90 valuations which have an assessment date of January 1, 1989. Although the total valuation of the city rose from FY1990 to FY1991 due to completion of several major construction projects which were initially undertaken in the exuberant early eighties, the chart, and the graph, Attachment 2, show FY1991 as the beginning of the decline in the valuation of existing properties. From 1990 to the current fiscal year (1994) the values of existing commercial properties have dropped on average by 36.5% and the values of the residential stock after adjusting for new construction have dropped by 17%.

Consent Agenda #8

Transmitting comm. from R.W. Healy relative to a request by the City COuncil for further info. on the Assessing Dept.'s transfer of $150,000 to their Other Ordinary Maintenance Accoutn.

In City Council March 28, 1994

Referred to Calendar Item no. 7.

Calendar Item # 7
~~Consent Agenda # 9~~

CITY COUNCIL
CITY OF CAMBRIDGE
~~March 21, 1994~~
March 28, 1994

INTRODUCED BY CITY MANAGER ROBERT W. HEALY

AN ORDER CONCERNING AN APPROPRIATION FOR THE FISCAL YEAR BEGINNING JULY 1, 1993

ORDERED: That the following transfer be made in the General Fund of the City of Cambridge:

FROM	AMOUNT	TO	AMOUNT
Employee Benefits Salary & Wages Account	$150,000.00	Finance/Assessing Department Other Ordinary Maintenance Acct.	$150,000.00

REASON (S) The funds are needed for payment to the appraiser and expert witness who the Department has retained to prepare appraisals and appear before the Appellate Tax Board.

In City Council March 28, 1994.
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

C. C. 106

City of Cambridge

K T [illegible]

MASSACHUSETTS

In City Council 3/28 1994

On The Table #7

	YEA	NAY	ABSENT	PRESENT	
Ms. Kathleen L. Born	✓				
Mr. Francis H. Duehay	✓				
Mr. Jonathan S. Myers	✓				
Mrs. Sheila T. Russell	✓				
Mr. Michael A. Sullivan	✓				
Mr. Timothy J. Toomey, Jr.	✓				
Ms. Katherine Triantafillou	✓				
Mr. William H. Walsh			✓		
Mayor Kenneth E. Reeves	✓				
	8	0	1	0	

9.

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

March 21, 1994

To The Honorable, The City Council:

Attached is an order requesting the transfer of $150,000 in the General Fund from the Employee Benefits Salary & Wages Account to the Finance/Assessing Department Other Ordinary Maintenance Account.

The funds are needed for payment to the appraiser and expert witness whom the Assessing Department has retained to prepare appraisals and appear before the Appellate Tax Board, and for the attorney who handles the specialized legal aspects of such appeals.

Since FY89, the Assessing Department has stayed within the budget constraints mandated by the City's fiscal policy of level funding or funding with minimal increase. This has been accomplished by reducing the total number of Assessing Department employees from nineteen to seventeen, and by gradually allowing the other ordinary maintenance account to be reduced from a high of $275,215 in FY89 to this fiscal year's $143,445.

This year, FY94, the Assessors are working with an Appellate Tax Board docket made up primarily of cases contesting our last revaluation certification year values (FY93). It is extremely important that the City apply its resources to maintain those values, which are the basis of the FY94 and FY95 assessed values, in those cases where the Assessors do not see overvaluation.

The Assessing Department has limited the cases assigned to these experts to only the most valuable commercial properties whose owners have appealed their assessments. The complexity of some of these cases and the very length of some of the hearings before the Board have necessitated a revision in the estimate of the cost of defending the remaining outstanding appeals which are scheduled for hearing between now and the end of the fiscal year.

Very truly yours,

Robert W. Healy
City Manager

RWH/mev

Consent AGneda #9

F-49

Transmitting comm. from R.W. Healy relative to the transfer of $150,000 in the General Fund from Employee Ben. Salary and Wages to provide funds needed for payment to the appraiser and expert witness whom the Assessing Dept has retained for appraisals and appear before the Appelate Tax Board.

In CIty COuncil March 21, 1994

Tabled pending receipt of additional info. from City Mgr

3/28/94 Order adopted

8-0-1