Appropriations Committee

Chairman Brodeur, Boisselle, Mortimer, Infurna, Tramontozzi, Forbes, Wright, McAteer-Margolis, Seaboyer, Medeiros, Conn
In attendance: Chief Assessor Don Dragt

Appropriations called to order by Chairman Brodeur at 8:00 p.m. Order No. 09-058, CLASSIFICATION OF PROPERTY Requesting a Public Hearing on Classification be held on Monday, November 10, 2008 At 8:00 P.M. and subsequently determine the classification of property.

President Conn says it is his understanding of the options is that the maximum shift that may be adopted is 1.50. Chief Assessor Dragt says yes; the 1.50 shift is the maximum for the residential rate. President Conn says that is the lowest possible tax rate for residential property. Mr. Dragt says yes; if there is a single tax rate it would be $11.71 for both residential and commercial properties. President Conn asks what the tax rate will be with the 1.50 shift; Mr. Dragt says the residential tax rate will be $11.36. President Conn says that will result in the lowest residential rate possible; Mr. Dragt says that is the lowest shift, yes.

President Conn says it is his understanding of Prop 2½ that the City can increase the amount of money spent last year by 2½ percent. It does not translate into someone's tax rate increasing by 2½ percent. The increase in the tax bill could be influenced by the increase or decrease of the property valuation. Mr. Dragt says that is correct; a Victorian home could be more desirable in good economic times and less so in an economic downturn. A ranch may be less desirable in good economic times and more so in an economic downturn. He says he revises the letter each year to address the question how it can be that the market value of a home today is not what the assessment is. The market value in 2009 is based on 2007 sales. He has to use 2007 sales because 2008 isn't over yet. Every municipality in the state does it the exact same way.

Chairman Brodeur says when a property is valued it is an exercise to determine a homeowner's piece of the tax pie, not the number the house can be sold for. Mr. Dragt says that is correct; it is the tax levy. Chairman Brodeur says the figure the exercise is shooting for is 2½ percent of the revenue plus growth and debt exclusion; Mr. Dragt says that is correct.

Alderman Boisselle says there is a restriction; Conservation Commission easements. He asks if the homeowners granting the easement bring the information to the Assessor's office or to the local office in Cambridge. Mr. Dragt says new deeds come to his office but easements are slippery; he doesn't always see them. The homeowners should come in to his office.

Alderman Mortimer says this is the first year the debt exclusion is included in the tax rate. Mr. Dragt says it's the first year at its maximum. Alderman Mortimer asks if it's between $190 and $200; Mr. Dragt says yes. Alderman Mortimer says the sale of homes in Melrose and the property values are holding up pretty well. $200 for 20 years equals $4000, which is a good investment when someone goes to sell a house with a good school.

Alderman Mortimer recommends the 1.5 tax shift.

Chairman Brodeur says he believes the motion is to adopt the residential factor of 97.0016. So moved by Alderman Mortimer, 2nd by President Conn.

On discussion Alderman Medeiros says that looking at Example D the actual shift in 2008 was 1.62 with the option of going to 1.75. She says different towns have different shifts and asks why 1.50 is the maximum shift for Melrose. Mr. Dragt says it is because Melrose has such a small commercial base; as long as residential property valuation increases the shift could go up to 1.75. Shift segments are intended to keep a community from hammering one sector over another. Shifts are a balancing mechanism. Alderman Medeiros says not all houses have been reassessed this year. Mr. Dragt says every house is reassessed every year. Alderman Medeiros says that homeowners may not realize this is happening except on their tax bill. She says the only way to get the tax rate down is to spend less money. Mr. Dragt says that's correct. Alderman Medeiros asks about the timing and limitations of setting the rate now and why it's not set in July. Mr. Dragt says that assessments are determined during the summer months and all classifications take place in November and December. Alderman Medeiros asks if there is $600,000 in new growth; Mr. Dragt says yes.

Alderman Infurna says tax bills go up more than 2½ percent. She asks if there is a simple answer to pass along to constituents. Mr. Dragt says the answer is not that easy. Every increase is 3½ to 5½, even without an override. Part of the problem is the shift in the increase of residential property. If commercial property is lost, the residential property will pick up the difference. When businesses move out of town, all personal property is lost. That contributes to the increase in the residential rate.

Alderman McAteer-Margolis asks if some communities don't tax up to the levy limit. Mr. Dragt says the tax levy is the amount of revenue the City can take from real estate. The levy limit is 2½ percent of whatever that amount was in the previous year. The real estate portion of revenue is the only one restricted to 2½ percent. Alderman McAteer-Margolis says the modus operandi is to tax to the max. Mr. Dragt says yes. Alderman McAteer-Margolis asks if new growth is added in. Mr. Dragt says it is new growth plus the tax levy from last year. Alderman McAteer-Margolis asks if $600,000 in new growth is a large amount. Mr. Dragt says yes; it's from Oak Grove Village and Walgreen's and tremendous growth in utilities. Alderman McAteer-Margolis says the majority of new growth was in commercial real estate; Mr. Dragt says yes. Alderman McAteer-Margolis says to the homeowners in Melrose, she would have to say that the City has to back off on the commercial rate but there was in increase in revenue brought in by commercial property. Mr. Dragt says yes. Alderman McAteer-Margolis asks if there is no property that qualifies as open space. Mr. Dragt says that "Open Space" is a catchall category and includes forestland and recreational land. People who own 5+ acres and use the lands in accordance with the provisions in Chapters 61A or 61B may apply for a discount but there must be sales of forest products from that land.

Alderman Medeiros says Melrose doesn't have any of that. Mr. Dragt says the golf courses are open space but the City doesn't categorize them as such. Chapter land property is taxed at the commercial rate but not assessed at chapter land use rates. Alderman Medeiros asks if there is the opportunity for residential property with extra land to be considered open space or with a conservation restriction. Mr. Dragt says the Conservation Commission would have to declare the land as conservation to receive that benefit. Open space is a catchall category; open land is considered as open to the public with considerable public benefit so yes, it could be considered open space. Alderman Medeiros asks if the conservation easements in the City affects the value of the property. Mr. Dragt says yes; anything that would restrict the natural expansion of a house would affect the value of the property. Alderman Medeiros asks who a homeowner would go to to discuss it; Mr. Dragt says he's the person. Alderman Medeiros asks Mr. Dragt if he has any feeling of how the tax rate will go next year. Mr. Dragt says he has no idea about the shift but property values have decreased and the tax rate will be higher.

Chairman Brodeur asks if state aid is not related to a town maxing out on the levy limit. Mr. Dragt says it has nothing to do with it. Chairman Brodeur asks if a charitable property converts to non-charitable use if the conversion would be considered new growth. Mr. Dragt says yes.

On the motion to recommend the residential factor of 97.0016, All in favor.

Alderman Mortimer motions to adjourn, 2nd by Alderman McAteer-Margolis. All in favor.

Appropriations adjourns at 8:40 p.m.

Maribeth Harrington
Clerk of Committees