

# Town of Danvers



## Tax Rate Classification Fiscal Year 2020

Report to the  
Danvers Board of Selectmen

By:  
Danvers Board of Assessors

Thursday, November 14, 2019 (amended November 20, 2019)

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## Purpose

Once property has been classified, the Board of Selectmen call and conduct a public hearing regarding the issue of allocating the percentage of tax levy to be borne by each class of property for the fiscal year. In this report and at the public hearing, the Board of Assessors will provide information and relevant data including the fiscal effects of the available alternatives. The Board of Selectmen will then make decisions and take votes that will apply for FY 2020.

The Board of Selectmen will make tax policy decisions and take votes on the following:

1. Selection of a residential factor
2. Open space discount
3. Residential exemption
4. Small commercial exemption

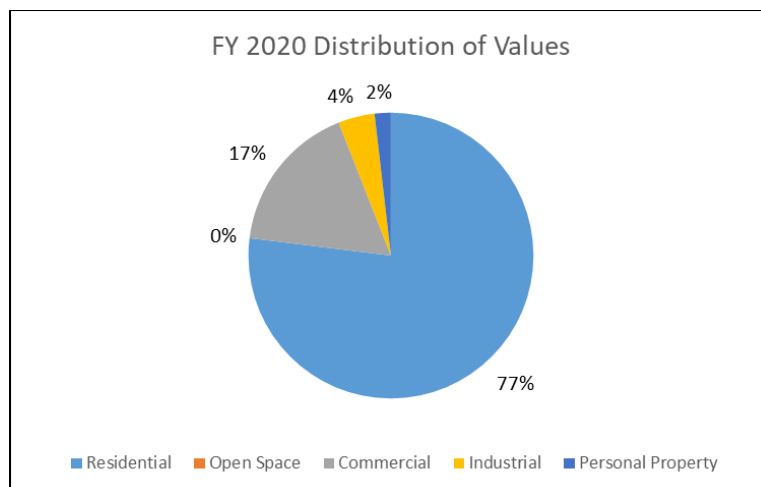
## I. Total Assessed Values for Fiscal Year 2020

### Distribution of Classes

The Board of Assessors has determined the classification of all real property as of January 1, 2019, for FY2020, in accordance with the definitions set forth in M.G.L. Chapter 59, Section 2A (b):

Class One	Residential
Class Two	Open Space
Class Three	Commercial
Class Four	Industrial
Class Five	Personal Property

The classification or Use Codes are issued in accordance with the Department of Revenue, Bureau of Local Assessment guidelines. A listing of the State Use Classification Codes is attached in Addendum 1 and the total valuation report for FY2020 is attached in Addendum 2, Form LA-4 “Assessment/Classification Report.”



### Historic Distribution of Values

Fiscal Year	Res Value	Com/Ind	CIP Value	Personal Property	Residential %	CIP %
FY2000	1,528,269,077	701,311,737	742,039,097	40,727,360	67.3%	32.7%
FY2001	1,788,331,720	765,936,397	806,663,757	40,727,360	68.9%	31.1%
FY2002	1,942,379,010	801,874,601	842,601,961	40,727,360	69.7%	30.3%
FY2003	2,120,738,027	836,450,432	876,541,202	40,090,770	70.8%	29.2%
FY2004	2,703,232,840	893,874,523	940,890,617	47,016,094	74.2%	25.8%
FY2005	2,859,761,612	918,827,926	984,388,863	65,560,937	74.4%	25.6%
FY2006	3,133,415,989	926,217,300	992,673,745	66,456,445	75.9%	24.1%
FY2007	3,476,491,992	1,004,043,104	1,080,449,120	76,406,016	76.3%	23.7%
FY2008	3,301,085,963	986,742,264	1,062,504,620	75,762,356	75.7%	24.3%
FY2009	3,204,639,559	1,003,002,823	1,087,986,946	84,984,123	74.7%	25.3%
FY2010	3,050,092,607	954,885,295	1,046,866,317	91,981,022	74.4%	25.6%
FY2011	2,871,951,997	963,897,125	1,058,330,889	94,433,764	73.1%	26.9%
FY2012	2,875,693,392	960,274,625	1,046,888,073	86,613,448	73.3%	26.7%
FY2013	2,858,553,560	947,828,180	1,036,253,640	88,425,460	73.4%	26.6%
FY2014	2,887,313,241	957,855,333	1,046,897,326	89,041,993	73.4%	26.6%
FY2015	3,002,828,568	966,556,272	1,054,051,414	87,495,142	74.0%	26.0%
FY2016	3,286,484,018	1,010,535,159	1,105,216,395	94,681,236	74.8%	25.2%
FY2017	3,424,189,783	1,007,471,808	1,102,380,881	94,909,073	75.6%	24.4%
FY2018	3,732,846,022	1,081,638,691	1,173,151,096	91,512,405	76.1%	23.9%
FY2019	3,953,500,016	1,110,259,351	1,210,567,703	100,308,352	76.6%	23.4%
FY2020	4,201,007,040	1,109,708,464	1,210,567,703	100,859,239	77.0%	23.0%

### Total Taxable Value

The total taxable value for FY2020 is \$5,458,761,673. The total town valuation from FY2019 to FY2020 increased by 5.7%.

### Changes in Property Valuation

	FY 2019 Value	FY 2020	Overall
<b>Residential</b>	3,953,500,016	4,201,007,040	6.3%
<b>Open Space</b>	0	0	0.0%
<b>Commercial</b>	881,220,251	931,828,069	5.7%
<b>Industrial</b>	229,039,100	225,067,325	-1.7%
<b>Personal Property</b>	100,308,352	100,859,239	0.5%
<b>Total</b>	5,164,067,719	5,458,761,673	5.7%
<b>Overall Percent Change</b>	<b>5.7%</b>		

## II. Tax Levy

The Tax Levy is the amount the Town raises each year through property tax. The levy can be any amount up to the levy limit defined by Proposition 2 ½. The levy limit is the maximum amount the Town can levy in a given year. The levy limit can grow each year by 2 ½ percent of the prior year's levy limit plus new growth and any overrides. Excess levy capacity is the difference between the levy limit and the actual levy.

The following illustration compares this year's existing estimations with the prior year's actual:

<b>Levy Comparisons</b>			
	FY 2019		
Prior Year Levy Limit	75,516,164		
2.5% of Prior Year Levy Limit	1,887,904		
New Growth	794,896		
Levy Limit		78,198,964	
Debt Exclusion	0		
<b>Max Allowable Levy</b>		<b>78,198,964</b>	
<b>Actual Levy</b>		<b>78,154,410</b>	
Non-Exempt Levy	78,154,410		
Excluded Debt	0		
"Excess" Levy Capacity		44,554	
			78,198,964
			1,954,974
			840,083
			80,994,021
			0
			<b>80,994,021</b>
			<b>80,971,990</b>
			80,971,990
			0
			22,031
Increase: Debt Exclusions	0	0.0%	(% increase over FY-2019 Debt Exclusion)
Increase: Actual Levy	2,817,580	3.6%	(% of FY-2019 Actual Levy)

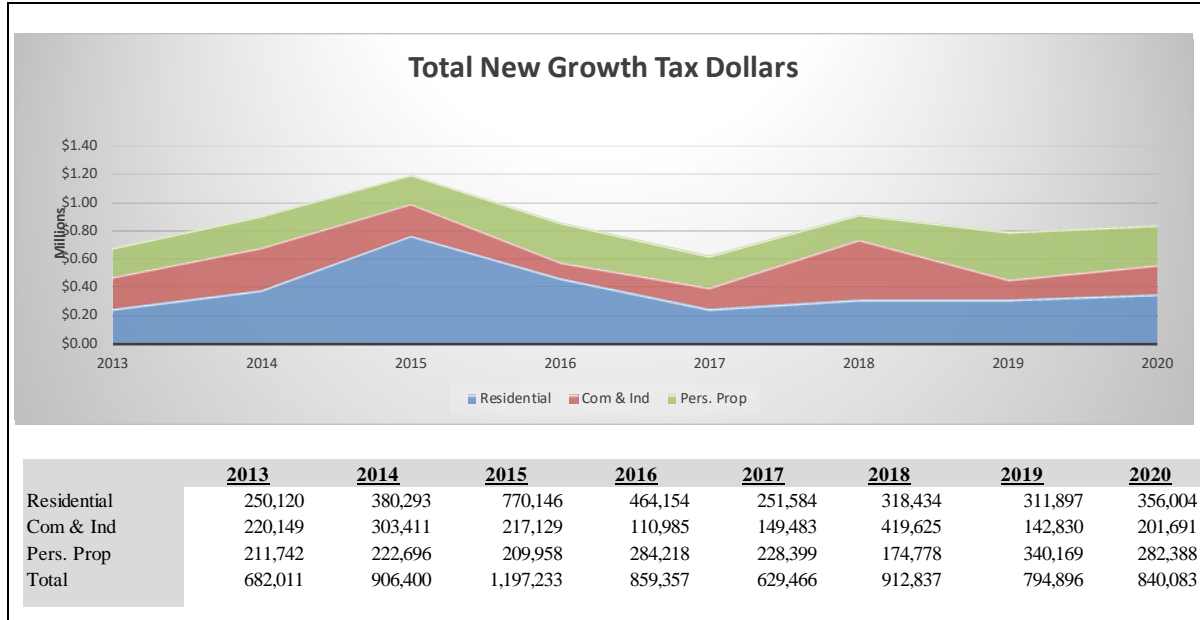
## III. New Growth

New growth is a calculation of the net increase in municipal property values because of new construction, improvements to properties, subdivisions, condo conversions or the return of exempt property to the tax rolls. New growth can be added to the Town's levy limit as defined by Proposition 2 ½, thereby increasing the Town's taxing capacity. Assessors must submit documentation of new growth to the Bureau of Local Assessment annually, and receive approval prior to setting the tax rate.

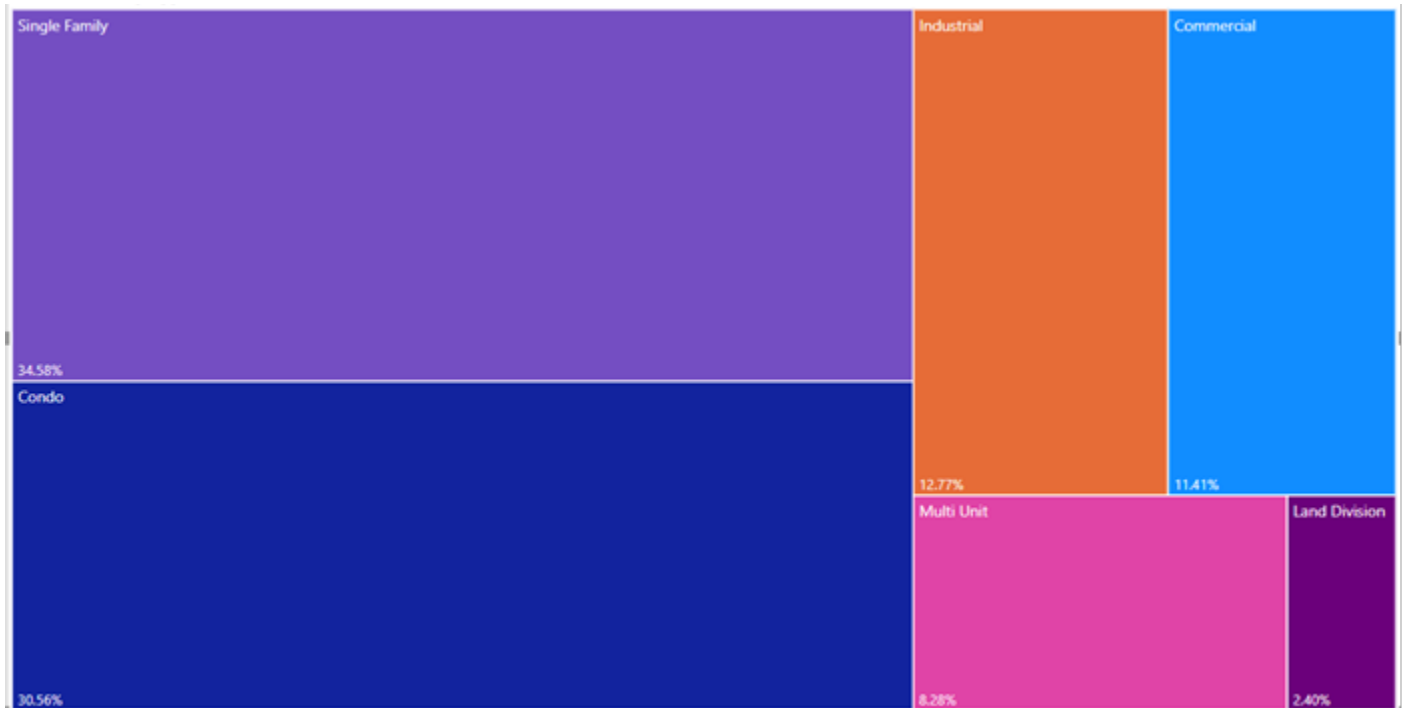
New growth is calculated by multiplying increases in value, which are not the result of a revaluation or interim adjustment, by the applicable tax rates of the previous fiscal year for each class of property. For example, FY 2018 new growth is determined by multiplying the new growth value for each class of property by the prior fiscal years tax rates.

The total New Growth for FY 2020 is \$49,652,194 in value or \$840,083 in tax dollars.

The following illustration details Growth in Tax Dollars:



The below treemap illustrates the components (stated in valuation) of the FY20 Real Estate Growth:



#### IV. Classification

The public classification hearing is for the Board of Selectmen to determine the allocation of the local property tax to be borne by the four classes of real property, plus personal property for Fiscal Year 2020. In deciding the allocation, the Selectmen must adopt a residential factor which is used

to determine the percentage of the tax levy to apply to each class of real and personal property. The Board of Assessors applies these percentages to the individual property classes (M.G.L. Chapter 40, Section 56). The Selectmen must also vote to adopt a factor for shifting the taxes among residential properties (Residential Exemption), among commercial properties (Small Commercial Exemption), and between residential and open space properties (Open Space Discount).

## **Tax Rate**

The tax rate, in its simplest form, is the tax levy divided by the town's taxable valuation. This is called the Uniform Tax Rate. Under this rate each class of property pays a share of the tax levy **equal** to its share of the total town value. For illustration purposes only, using the **preliminary** tax levy, the Uniform Tax Rate calculation for the Town of Danvers for FY 2020 would be:

$$\$80,971,990 / \$5,458,761,673 = 0.01483$$

**Or**

\$14.83 per thousand dollars of assessed valuation

### **A. Residential Factor**

The residential factor adopted by a community governs the percentage of the tax levy that is to be paid by the residential property owners. A residential factor of "1" will result in the taxation of all property at the same rate, the Uniform Tax Rate. The Uniform Tax Rate with a residential factor of "1" is calculated to be \$14.83 for FY2020.

### **Allowable tax shift for FY20**

As previously stated, a residential factor of 1 will result in the taxation of all property at the same rate. However, state law permits the town to adopt a residential factor of less than 1 and a CIP factor greater than 1, which would have the effect of increasing the commercial, industrial, and personal property tax rates and decreasing the residential tax rate.

*The following illustrates the past 15 years of CIP Shifts and the percentage of the Tax levy shared between the residential and CIP classes.*

YEAR	RES TAX LEVY	CIP TAX LEVY	TOTAL TAX LEVY	RES	CIP	CIP SHIFT
FY2019	52,502,480.21	25,651,929.63	78,154,409.84	67.2%	32.8%	1.40
FY2018	50,542,735.14	24,812,145.69	75,354,880.83	67.1%	32.9%	1.38
FY2017	48,589,253.02	24,064,974.63	72,654,227.65	66.9%	33.1%	1.36
FY2016	46,668,073.06	23,618,474.36	70,286,547.42	66.4%	33.6%	1.34
FY2015	44,772,173.95	22,577,781.29	67,349,955.24	66.5%	33.5%	1.29
FY2014	42,876,601.63	21,880,154.11	64,756,755.74	66.2%	33.8%	1.27
FY2013	41,563,368.76	20,963,411.14	62,526,779.90	66.5%	33.5%	1.26
FY2012	41,563,368.76	20,963,411.14	62,526,779.90	66.5%	33.5%	1.26
FY2011	38,484,156.76	20,963,411.14	58,243,194.46	66.1%	33.9%	1.31
FY2010	37,272,131.66	20,963,411.14	56,031,976.05	66.5%	33.5%	1.32
FY2009	35,924,009.46	20,963,411.14	53,984,592.76	66.5%	33.5%	1.36
FY2008	34,331,294.02	20,963,411.14	51,331,367.94	66.9%	33.1%	1.42
FY2007	32,400,905.00	20,963,411.14	48,845,340.97	66.3%	33.7%	1.40

*After adjusting the valuation model to reflect the real estate market, capturing new growth, and other changes to the database- the following illustrates the changes to the average values by class:*

Type	2015	2016	2017	2018	2019	2020	19-20 % Change
Single Family	\$ 358,838	\$ 392,387	\$ 407,393	\$ 444,964	\$ 468,307	\$ 493,913	5.47%
Condo	\$ 225,814	\$ 245,459	\$ 260,111	\$ 275,930	\$ 301,386	\$ 316,906	5.15%
Com-Ind	\$ 1,325,100	\$ 1,383,255	\$ 1,379,773	\$ 1,484,068	\$ 1,522,342	\$ 1,604,273	5.38%

*Options illustrated below to help explore the impact of different shifts on the Tax bill averages to prior year. Current shift highlighted in yellow. (Full list of option ranging from 1-1.5 are attached separately as addendum 3)*



	Single Family				Condo				Commercial/Industrial			
		FY19	FY20			FY19	FY20			FY19	FY20	
Single Family Average		\$ 468,307	\$ 493,913		Condo Average	\$ 301,386	\$ 316,906		Com/Ind Average	\$ 1,522,342	\$ 1,604,273	
Residential Tax Rate		\$ 13.28			Residential Tax Rate	\$ 13.28			Commercial Tax Rate	\$ 21.19		
Property Tax Bill		\$ 6,219.11			Property Tax Bill	\$ 4,002.41			Property Tax Bill	\$ 32,258.43		
CIP Shift	Rate	Tax Bill	Difference	% Change	Rate	Tax Bill	Difference	% Change	Rate	Tax Bill	Difference	% Change
1.0000	14.83	\$7,324.73	\$ 1,105.62	17.78%	14.83	\$ 4,699.72	\$ 697.31	17.42%	14.83	\$ 23,791.37	\$ (8,467.06)	-26.25%
1.3990	13.06	\$6,450.50	\$ 231.39	3.72%	13.06	\$ 4,138.79	\$ 136.39	3.41%	20.75	\$ 33,288.66	\$ 1,030.24	3.19%
1.4000	13.06	\$6,450.50	\$ 231.39	3.72%	13.06	\$ 4,138.79	\$ 136.39	3.41%	20.77	\$ 33,320.75	\$ 1,062.32	3.29%
1.4010	13.05	\$6,445.56	\$ 226.45	3.64%	13.05	\$ 4,135.62	\$ 133.22	3.33%	20.78	\$ 33,336.79	\$ 1,078.37	3.34%
1.4020	13.05	\$6,445.56	\$ 226.45	3.64%	13.05	\$ 4,135.62	\$ 133.22	3.33%	20.80	\$ 33,368.88	\$ 1,110.45	3.44%
1.4030	13.04	\$6,440.63	\$ 221.51	3.56%	13.04	\$ 4,132.45	\$ 130.05	3.25%	20.81	\$ 33,384.92	\$ 1,126.49	3.49%
1.4040	13.04	\$6,440.63	\$ 221.51	3.56%	13.04	\$ 4,132.45	\$ 130.05	3.25%	20.83	\$ 33,417.01	\$ 1,158.58	3.59%
1.4050	13.03	\$6,435.69	\$ 216.57	3.48%	13.03	\$ 4,129.29	\$ 126.88	3.17%	20.84	\$ 33,433.05	\$ 1,174.62	3.64%
1.4060	13.03	\$6,435.69	\$ 216.57	3.48%	13.03	\$ 4,129.29	\$ 126.88	3.17%	20.86	\$ 33,465.13	\$ 1,206.71	3.74%
1.4070	13.03	\$6,435.69	\$ 216.57	3.48%	13.03	\$ 4,129.29	\$ 126.88	3.17%	20.87	\$ 33,481.18	\$ 1,222.75	3.79%
1.4080	13.02	\$6,430.75	\$ 211.64	3.40%	13.02	\$ 4,126.12	\$ 123.71	3.09%	20.89	\$ 33,513.26	\$ 1,254.84	3.89%
1.4090	13.02	\$6,430.75	\$ 211.64	3.40%	13.02	\$ 4,126.12	\$ 123.71	3.09%	20.90	\$ 33,529.31	\$ 1,270.88	3.94%
1.4100	13.01	\$6,425.81	\$ 206.70	3.32%	13.01	\$ 4,122.95	\$ 120.54	3.01%	20.92	\$ 33,561.39	\$ 1,302.96	4.04%
1.4110	13.01	\$6,425.81	\$ 206.70	3.32%	13.01	\$ 4,122.95	\$ 120.54	3.01%	20.93	\$ 33,577.43	\$ 1,319.01	4.09%
1.4120	13.00	\$6,420.87	\$ 201.76	3.24%	13.00	\$ 4,119.78	\$ 117.37	2.93%	20.94	\$ 33,593.48	\$ 1,335.05	4.14%
1.4130	13.00	\$6,420.87	\$ 201.76	3.24%	13.00	\$ 4,119.78	\$ 117.37	2.93%	20.96	\$ 33,625.56	\$ 1,367.14	4.24%
1.4140	12.99	\$6,415.93	\$ 196.82	3.16%	12.99	\$ 4,116.61	\$ 114.20	2.85%	20.97	\$ 33,641.60	\$ 1,383.18	4.29%
1.4150	12.99	\$6,415.93	\$ 196.82	3.16%	12.99	\$ 4,116.61	\$ 114.20	2.85%	20.99	\$ 33,673.69	\$ 1,415.26	4.39%
1.4160	12.99	\$6,415.93	\$ 196.82	3.16%	12.99	\$ 4,116.61	\$ 114.20	2.85%	21.00	\$ 33,689.73	\$ 1,431.31	4.44%
1.4170	12.98	\$6,410.99	\$ 191.88	3.09%	12.98	\$ 4,113.44	\$ 111.03	2.77%	21.02	\$ 33,721.82	\$ 1,463.39	4.54%
1.4180	12.98	\$6,410.99	\$ 191.88	3.09%	12.98	\$ 4,113.44	\$ 111.03	2.77%	21.03	\$ 33,737.86	\$ 1,479.43	4.59%
1.4190	12.97	\$6,406.05	\$ 186.94	3.01%	12.97	\$ 4,110.27	\$ 107.86	2.69%	21.05	\$ 33,769.95	\$ 1,511.52	4.69%
1.4200	12.97	\$6,406.05	\$ 186.94	3.01%	12.97	\$ 4,110.27	\$ 107.86	2.69%	21.06	\$ 33,785.99	\$ 1,527.56	4.74%
1.4210	12.96	\$6,401.11	\$ 182.00	2.93%	12.96	\$ 4,107.10	\$ 104.70	2.62%	21.08	\$ 33,818.07	\$ 1,559.65	4.83%

*As the Board of Selectmen reviews these illustrations and makes their decision - it should keep in mind that the maximum allowable shift in FY20 is 1.50 or a minimum residential factor of .8503*

## B. Open Space Discount

Open Space is defined in M.G.L. Chapter 59, Section 2A as:

“...land which is not otherwise classified and which is not taxable under the provisions of chapters sixty-one, sixty-one A or sixty-one B, or taxable under a permanent conservation restriction, and which land is not held for the production of income but is maintained in an open or natural condition and which contributes significantly to the benefit and enjoyment of the public.” [Recently the law was changed to allow the inclusion of chapter land.]

State law allows properties classified as Open Space to be taxed at a rate discounted up to 25% from the Uniform Tax Rate. The tax dollars lost by the discount are shifted to the residential class of properties, which includes developable vacant land. The local Board of Assessors must develop the criteria

that must be met in order to classify a parcel as Open Space that meets the “significant contribution” for the benefit and enjoyment of the public criteria.

*The assessor’s office is only aware of one community in Massachusetts that grants an open space discount: **Bedford.***

Boards of Assessors use this classification sparingly since most land fits into other classifications, and the open space classification, on its own, makes no difference in the assessment of a property. Assessors have also observed that as the years have passed, many of the land parcels afforded a tax discount were developed anyway, regardless of the tax incentive employed to encourage protection of open land and/or be a deterrent to development.

***Presently, there are no parcels classified by the Board of Assessors as Class 2 – Open Space.***

### **C. Residential Exemption**

*Only fourteen cities and towns out of the 351 in the Commonwealth use the residential exemption. These are larger metropolitan communities with very high levels of renters or vacation resort type communities, where a large percentage are not owner occupied or owned as second homes.*

This mechanism provides for the redistribution of the tax levy among residential property owners, solely within the Residential Class (Class 1). “Exemption” is a misnomer since it is actually a tax shift among residential properties. It involves the following steps:

- Subtracting a standard dollar amount (a percentage of the average Class 1 value) from every qualifying owner-occupied residential parcel;
- Recalculating the Class 1 tax rate based on the new total of the Class 1 taxable value. The Class 1 tax levy must remain unchanged before and after this calculation.

This has the net result of shifting taxes from Class 1 parcels that are below the average value to parcels within the Class that are above the average. It also, however, results in substantially higher taxes on apartment and multi-family parcels that are not owner occupied, on vacant land parcels in the Class, and on any other residential property which is not owner occupied (**including, in many instances, properties that are owned by a trust**).

The selected percentage to calculate the standard qualifying assessed value reduction can be from 0 to 20%, but selecting a certain percent does not mean that everyone gets that exact percent tax reduction. This is because the tax rate for the Class must be raised. The impact of the exemption – who pays more and who pays less – is not conditioned upon the income status of the occupant. This option is based on the assumption that a lower value property indicates an occupant with lower income and vice versa.

#### **D. Small Commercial Exemption**

The Board of Selectmen may grant a small commercial exemption. This option allows the Town to grant an exemption of up to 10% of the value for commercial property that employs an average of ten or less employees at all locations and has an assessed value of less than one million dollars. This exemption is similar to the residential exemption in that it is a “Robin Hood Theory” and is borne by the commercial/industrial properties even though industrial properties cannot qualify for the exemption.

Some drawbacks of this option are 1) the owner of the property and not the owner of the small business receives the exemption 2) if one business doesn't qualify, the property doesn't qualify 3) only a small number of properties would benefit for a small amount of money 4) it would be very time consuming to administer, is not equitable and not easily explainable. It would be very difficult to estimate the impact of this exemption as it is done by value on a parcel-by-parcel basis. If adopted, we would then have to estimate the loss in value to recalculate the CIP tax rate. The Assessors office is only aware of ten communities that have adopted this exemption: Auburn, Avon, Bellingham, Braintree, Dartmouth, New Ashford, Seekonk, Somerset, Westford and Wrentham.

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# Addenda

## **Addendum 1**

### **State Use Code**

#### Residences

101	Single Family
102	Condominium
103	Mobile Home
104	Two-Family
105	Three-Family
106	Accessory Land with Improvement
109	Multiple Houses on One Parcel

#### Apartments

111	Four to Eight Units
112	More Than Eight Units

#### Non-Transient Group Quarters

125	Other Congregate Housing
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#### Vacant Land in a Residential Zone or Accessory to Residential Parcel

130	Developable Land
131	Potentially Developable Land
132	Undevelopable Land

#### Other

140	Child Care Facility
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#### Open Space

201-202	Open Land in Residential Area
210-211	Open Land in Rural Area
220-221	Open Land in Commercial Area

#### Commercial

300-393	Transient Group Quarters, Warehouse and Distribution Facilities, Retail, Office Buildings, Public Service and Recreational
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#### Industrial

400-452	Manufacturing, Utilities, Mining
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#### Personal Property

501-552	
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#### Forest Land (CH 61), Agricultural/Horticultural (CH 61A),

##### Recreational CH 61B)

601	Forest Land
710-722	Agriculture/Horticulture Land
801-814	Recreational Land

#### Exempt

900-939	Government-owned, Educational, Charitable, Religious
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## Addendum 2

MASSACHUSETTS DEPARTMENT OF REVENUE  
 DIVISION OF LOCAL SERVICES  
 BUREAU OF LOCAL ASSESSMENT

**Danvers**  


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 TOWN

### ASSESSMENT/CLASSIFICATION REPORT as of January 1, 2019 Fiscal Year 2020

Property Type	Parcel Count	Class1 Residential	Class2 Open Space	Class3 Commercial	Class4 Industrial	Class5 Pers Prop
101	6,153	3,039,048,400				
102	1,669	528,916,700				
MISC 103,109	32	28,885,800				
104	442	237,898,000				
105	88	45,623,500				
111-125	90	278,213,800				
130-32,106	193	15,419,100				
200-231	0		0			
300-393	540			877,392,000		
400-442	146				223,139,000	
450-452	0				0	
CH 61 LAND	0	0	0	0		
CH 61A LAND	5	4	0	101,937		
CH 61B LAND	1	0	0	264,300		
012-043	75	27,001,740	0	54,069,832	1,928,325	
501	674					15,239,526
502	611					24,206,533
503	1					26,641
504	3					24,135,298
505	4					19,083,800
506	2					16,610,000
508	4					1,557,441
550-552	0					0
<b>TOTALS</b>	<b>10,737</b>	<b>4,201,007,040</b>	<b>0</b>	<b>931,828,069</b>	<b>225,067,325</b>	<b>100,859,239</b>
<b>Real and Personal Property Total Value</b>						5,458,761,673
<b>Exempt Parcel Count &amp; Value</b>						324 750,285,204

For CH 61, 61A and 61B Land: enter the mixed use parcel count in the left-hand box, and enter the 100% Chapter land parcel count in the right-hand box.

Signatures
<p><b>Board of Assessors</b></p> <p>Stephen Poulos, Chief Assessor , Danvers , spoulos@danversma.gov 978-777-0001   10/22/2019 9:05 AM</p>