

Tax Classification Discussion Town of Wellesley

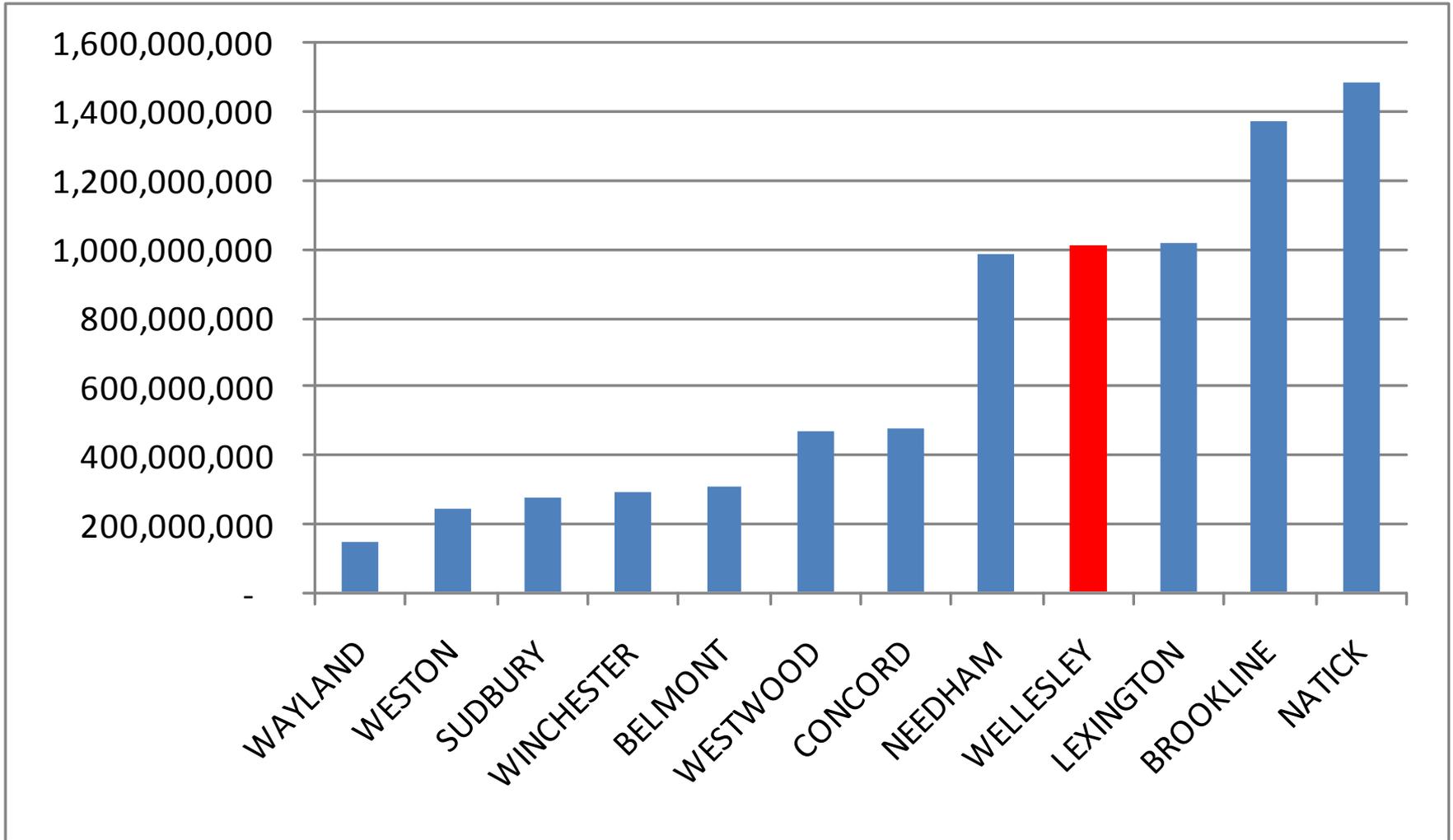
October 17, 2011

Board of Selectmen

Agenda

- Additional Staff Analysis
- Staff Recap
- Selectmen Questions

Comparable Towns CIP Distribution



Percentage of Levy

	% Residential	% CIP	Tax Rate	
			Residential	CIP
Wellesley	88.5	11.5	\$11.43	\$11.43
Needham	77.1	22.9	\$10.90	\$21.50
Lexington	78.3	21.7	\$14.40	\$27.28

Comparable Properties

	Dunkin Donuts Wellesley 951 Worcester St.	Dunkin Donuts Needham 1203 Highland Ave
FY11 Taxes per square foot	\$5.99	\$5.79
Taxes with Split Rate	\$8.99	

Comparable Properties

	Starbucks Wellesley 178 Linden St.	Starbucks Needham 910 Highland Ave
FY11 Taxes per square foot	\$4.59	\$3.04
Taxes with Split Rate	\$6.88	

Comparable Properties

	Comella's Wellesley 288 Washington St.	Comella's Needham 1095 Great Plain Ave
FY11 Taxes per square foot	\$4.36	\$4.26
Taxes with Split Rate	\$6.54	

Comparable Properties

	Roche Brothers Wellesley 184 Linden St.	Roche Brothers Needham 377 Chestnut St.
FY11 Taxes per square foot	\$4.59	\$3.63
Taxes with Split Rate	\$6.88	

Comparable Properties

	Dellaria Salon Wellesley 37 Central St.	Dellaria Salon Needham 328 Chestnut St.
FY11 Taxes per square foot	\$5.99	\$3.82
Taxes with Split Rate	\$8.99	

Comparable Properties

	Bertucci's Wellesley 380 Washington St.	Bertucci's Needham 1257 Highland Ave
FY11 Taxes per square foot	\$3.53	\$3.43
Taxes with Split Rate	\$5.29	

Comparable Properties

	Harvard Pilgrim Wellesley 93 Worcester St.	PTC Corporation Needham 140 Kendrick St.
FY11 Taxes per square foot	\$2.30	\$2.55
Taxes with Split Rate	\$3.45	

Comparable Properties

	Dunkin Donuts Wellesley 951 Worcester St.	Dunkin Donuts Lexington 10 Woburn St.
FY11 Taxes per square foot	\$5.99	\$11.13
Taxes with Split Rate	\$8.99	

Comparable Properties

	Starbucks Wellesley 178 Linden St.	Starbucks Lexington 1729 Mass Ave
FY11 Taxes per square foot	\$4.59	\$10.50
Taxes with Split Rate	\$6.88	

Comparable Properties

	Bertucci's Wellesley 380 Washington St.	Bertucci's Lexington 1777 Mass Ave
FY11 Taxes per square foot	\$3.53	\$6.81
Taxes with Split Rate	\$5.29	

Weighted Average Tax Cost per Square Foot

					FY2011		
	<u>*Total # of Properties</u>	<u>Total Sq Footage</u>	<u>Total Value</u>	<u>Value per Sq Ft</u>	<u>Tax Rate</u>	<u>Total Tax Bill</u>	<u>Annual Tax Cost/Sq ft</u>
Wellesley	203	3,879,464	843,592,972	217.45	11.43	9,642,268	2.49
Needham	374	6,255,689	786,953,700	125.80	21.50	16,919,505	2.70
Lexington	181	5,269,943	854,617,000	162.17	27.28	23,313,952	4.42

*includes 300 & 400 state use codes, excludes parking lots and vacant land

Weighted Average Tax Cost per Square Foot

	Annual Tax <u>Cost/Sq ft</u>	<u>Difference</u>	<u>Difference Attributable To</u>			FY11 <u>Single</u>	<u>CIP</u>
			<u>Value</u>	<u>Rate</u>	<u>Split</u>	<u>Rate</u>	<u>Factor</u>
Wellesley	2.49		-	-	-	11.43	
Needham	2.70	0.22	(1.05)	0.11	1.16	12.28	1.75
Lexington	4.42	1.94	(0.63)	0.75	1.82	16.05	1.70

Comparable Properties Tax Bill Impact

	Address	FY2011 Assessed Value	Taxes at Single Rate \$11.43	Taxes at Split Rate \$17.15	Increase in Tax Bill
Comella's	288 Washington St.	304,886	3,485	5,229	1,744
Dellaria Salon	37 Central St.	628,992	7,189	10,787	3,598
Starbucks	178 Linden St.	645,947	7,383	11,078	3,695
Dunkin Donuts	951 Worcester St.	929,000	10,618	15,932	5,314
Bertucci's	380 Washington St.	1,432,568	16,374	24,569	8,195
Roche Brother's	184 Linden St.	16,418,298	187,661	281,574	93,913
Harvard Pilgrim	93 Worcest St.	54,270,000	620,306	930,731	310,425

Staff Recap

FY11 Pro Forma Split Rate Options

Tax Factor Shift	Residential				Commercial			
	Rate Change	Median Assessment	Median Tax Bill	Change	Rate Change	Median Assessment	Median Tax Bill	Change
1.00	11.43	786,000	8,984	-	11.43	1,811,000	20,700	-
1.10	11.27	786,000	8,858	(126)	12.57	1,811,000	22,764	2,065
1.20	11.12	786,000	8,740	(244)	13.72	1,811,000	24,847	4,147
1.30	10.97	786,000	8,622	(362)	14.86	1,811,000	26,911	6,212
1.40	10.82	786,000	8,505	(479)	16.00	1,811,000	28,976	8,276
1.50	10.68	786,000	8,394	(590)	17.15	1,811,000	31,059	10,359

Split Rate Tax Bill Scenario

	FY11	Split Rate	
	Single Rate	No Override	\$5M Override
Residential	11,430	10,680 (Save \$750)	11,220 (Save \$210)
Commercial	11,430	17,150 (Cost \$5,720)	18,020 (Cost \$6,590)

Assumptions			
Assessed Value	\$1,000,000	FY11 Single Rate	\$11.43
Split Rate - No Override		Split Rate - \$5M Override	
- Residential	\$10.68	- Residential	\$11.20
- Commercial	\$17.15	- Commercial	\$18.02

Split Rate Tax Bill Impact Snapshots

Assessed Value	Residential			Commercial		
	FY11 Rate (\$11.43)	Max Shift (\$10.68)	Decrease in Tax Bill	FY11 Rate (\$11.43)	Max Shift (\$17.15)	Increase in Tax Bill
600,000	6,858	6,408	(450)	6,858	10,290	3,432
800,000	9,144	8,544	(600)	9,144	13,720	4,576
1,000,000	11,430	10,680	(750)	11,430	17,150	5,720
4,000,000	45,720	42,720	(3,000)	45,720	68,600	22,880
6,000,000	68,580	64,080	(4,500)	68,580	102,900	34,320
8,000,000	91,440	85,440	(6,000)	91,440	137,200	45,760
10,000,000	114,300	106,800	(7,500)	114,300	171,500	57,200

Selectmen's Role

MGL Chapter 40, Section 56

“The selectmen... shall annually first determine the percentage of the local tax levy to be born by each class of real property...

“...in determining such percentages, the selectmen shall adopt a residential factor...”

Assessor's Role

MGL Chapter 59, Section 2A

“The assessors of each city and town shall determine the fair cash valuation of such real property for the purpose of taxation...”

“Classification of real property shall not be implemented in any city or town until the commissioner [of revenue] has certified in writing to the assessors... that the assessments on the real property that they propose to make are at full and fair cash valuation...”

Issue at Hand

- Need to set a tax rate for FY2012
- Wellesley is not taxing commercial property as much as permitted under the law – It is up to the Selectmen decide if that, by definition, is good/poor tax policy.
- What is the tax bill impact?

Conclusion: Options

- Must set tax rate and mail tax bills before January 1st
- Options before the Board of Selectmen:
 - A. Retain Single Rate in FY12
 - B. Split rate in FY12
- Override question could be placed on the ballot for FY13, or a subsequent fiscal year

Questions