



City of Cambridge

Executive Department

YI-AN HUANG
City Manager

October 2, 2023

To The Honorable, the City Council:

The establishment of the Fiscal Year 2024 (FY24) property tax rate by the Board of Assessors, subject to the approval of the Massachusetts Department of Revenue, is the final step in the fiscal process that begins with the submission of the annual budget to the City Council. The City's Operating and Capital Budgets, property classifications, and property valuations are major factors in determining property tax bills.

This memo includes recommendations for the required votes which will help minimize taxes on residential properties. In addition, there are analyses of the FY24 property tax levy, property values, and other supporting information.

OVERVIEW

The FY24 Adopted Operating Budget is \$883.8 million which is an increase of 10% (or \$82.3 million) over the FY23 Adopted Budget. It should be noted that a significant portion (\$24.6 million) of that increase represents a shift of funding for the Affordable Housing Trust from the Capital Budget to the Operating Budget. This does not impact the overall levy, however it is a more appropriate accounting of how funds are allocated towards affordable housing. Excluding the shift of affordable housing funds, the FY24 Operating Budget represents an increase of \$57.8 million or 7.2% over the FY23 Adopted Budget. While this is still a significant increase, the Budget responds to Council goals, feedback, and input, which is reflected in funding commitments across several key priority areas.

The FY24 Budget adopted by the City Council in June 2023 projected a property tax levy increase of \$48.8 million, or 9.2%, to \$580.3 million in order to fund operating and capital expenditures.

With approval of the recommendations in this memo, the actual FY24 tax levy required to support the FY24 Budget is \$575,418,489 which is an increase of \$43.9 million or 8.3% from FY23. This increase is lower than the estimated increase of 9.2% projected in June 2023 as part of the Adopted Budget, due in large part from higher than projected investment earnings, hotel motel taxes, and building permit revenue.

The property tax levy increase of 8.3% is above the FY23 increase of 7.45%. The property tax levy increase is also above the five-year (FY20-FY24) annual average increase of 7.03%, and the ten-year (FY15-FY24) annual average increase of 5.77%.

The Budget process for FY24 began in the fall of 2022. The FY24 Operating (\$883.8M) and Capital (\$185.2M) Budgets were formally adopted by the City Council on June 5, 2023, and include

significant investments in many programs and initiatives that are directly related to City Council goals.

The FY24 Budget is guided by policy direction set by the Council, based on City Council meetings, policy orders, and consistent communication which has allowed for feedback on existing initiatives and department operations, and helped to identify key city priorities.

The FY24 Budget includes over \$41 million in funding for affordable housing. As part of the FY24 Budget and consistent with previous years, the City has committed to using building permit revenue (\$10.2 million) to support affordable housing. In addition, \$14.1 million of General Fund revenue and \$300,000 in short-term rental impact fees will be used to provide funding to the Affordable Housing Trust. This totals \$24.6 million in the FY24 Budget to directly support the development and preservation of affordable housing. These funds will be supplemented by FY24 Community Preservation Act (CPA) funds (\$16.5 million).

The City has also committed significant funding to supporting the unhoused community with a total of \$15.9 million in FY24 primarily driven by investments in maintaining the City's shelter capacity as well as programs that support those who are not stably housed in our community including programs on eviction prevention, rental assistance, legal services, the winter Warming Center, and transportation for homeless children.

The City has continued to make major investments in universal pre-kindergarten (UPK) as we prepare to go-live in the fall of 2024. Total funding is \$34.4 million in FY24. There was a Free Cash allocation in FY23 of \$10 million toward a stabilization fund which will help mitigate the budget impact in FY25 of implementing UPK, which is projected to be approximately \$20 million. There was also \$1.2 million of new full-time positions added to the Office of Early Childhood (formerly Birth to Third Grade Partnership) to support program roll-out and operations and \$5.1 million of capital investment in Just-A-Start's Rindge Commons project to build new pre-kindergarten classrooms. The City increased property tax support for the School Department by 6.1% or \$12.6 million.

The City is making substantial investments towards our Climate Net Zero goal. The City recognizes that to accelerate our transition to carbon free, we will need to invest in technical assistance to assess and plan transitions across hundreds of buildings, which is reflected in the FY24 budget. The City has allocated \$18 million in FY24 toward reducing building emissions, vehicle electrification, and investments in renewable energy with significant City ordinances and programs rolling out this year.

Within Climate Resilience, there is funding of \$47 million in FY24 which will support major sewer and stormwater projects and investments in roofs and drainage to ensure the city will be prepared for greater extreme weather events. There is also funding included for open space (\$13.2 million), zero waste goals (\$7.6 million), and urban forestry (\$4.1 million).

Making streets safer is a key priority for the City and is reflected in investments in infrastructure to repair damaged roads, improve accessibility, and address dangerous intersections.

Infrastructure investment includes \$70.6 million in FY24, primarily driven by the Mass Ave Partial Reconstruction project, which is being allocated \$50 million in capital funding to be spent over FY24 and the following years. This will be the largest infrastructure investment related to the Cycling Safety Ordinance and was presented in the FY23 five-year capital plan.

The FY24 Budget includes 54 new full-time positions related to the ongoing expansion and increasing demands of important city programs and initiatives, such as within human services, library services, infrastructure, facilities, equity and inclusion, human resources, economic opportunity, zoning, inspectional services, public and community safety, and housing.

General Fund revenue for the FY24 Capital Budget (\$3,865,000) supports important investments in Pay as you Go capital projects, E-Gov projects, and Participatory Budgeting.

Based on a revised property tax levy of \$575,418,489 the FY24 residential tax rate will be \$5.92 per thousand dollars of value, subject to Department of Revenue approval. This is an increase of \$0.06, or approximately 1% from FY23. The commercial tax rate will be \$10.46, which is an increase of \$0.08, or 0.7% from FY23. Establishing the tax rate is a straightforward calculation: the total tax levy divided by the total assessed valuation (less any exemptions), equals the tax rate for FY24.

FREE CASH

It is estimated that the FY23 (as of June 30, 2023) Free Cash certification will be between \$180 million and \$190 million (which includes approximately \$4 million in unappropriated mitigation receipts). It is estimated that the Certified Free Cash amount will be a decrease from the previous year's certification. The Department of Revenue (DOR) does not allow formal authorizations of Free Cash by the City Council until the DOR has certified a Free Cash balance at the conclusion of the fiscal year.

Even with an estimated decrease, the City's Free Cash position demonstrates another benefit of long-standing fiscal policies and management. It also provides critical flexibility to effectively address key community needs while managing unplanned fiscal uncertainties.

In FY23, the City appropriated \$87.7 million in Free Cash. Free Cash was used throughout FY23 to support important and sometimes unanticipated expenditures related to City programs and initiatives including (but not limited to): \$15.4 million for the purchase and fit out of Webster Avenue properties; \$10 million to create a Universal Pre K (UPK) Stabilization Fund; \$18.8 million as a revenue source for the FY24 Budget; \$1.6 million for snow related expenses; \$2.35 million to purchase water from Massachusetts Water Resources Authority (MWRA); \$1.8 million for improvements to Dottie Doyle Way; \$750,000 for preschool classrooms at 402 Rindge Avenue; \$600,000 for softball improvements at Danehy Park; \$586,000 for Smart Box rodent control; \$555,000 for EGOV projects; \$400,000 for an electric packer truck; \$250,000 for emergency radio system infrastructure; \$200,000 for Central Square property needs assessment; \$150,000 for a Mass Ave planning study; and \$78,000 for additional printing and mailing costs for the City Clerk's office.

OTHER REVENUES, STATE AID, AND RESERVE FUNDS

The City was able to use certain additional non-property revenues than what was projected as part of the FY24 Budget (Interest earnings \$3,060,000; Hotel Motel Excise Tax \$1,000,000; Building Permits \$1,000,000) to help minimize the impact of the levy increase on residential taxpayers.

The use of additional non-property tax revenues allows for an overall reduction of \$4.8 million from the original projected property tax levy for FY24.

TABLE I
Summary of Changes from Adopted Budget

Tax Levy Changes	Amount
Property Tax Levy as Adopted	\$580,257,590
Net Cherry Sheet Change	299,036
Increased Non-Property Revenues	(5,060,000)
Overlay Adjustment	(78,137)
Actual Property Tax Levy	\$575,418,489

This letter also includes a recommendation to use \$2 million from the Overlay Surplus reserve to lower the property tax levy. Careful budgeting and monitoring of revenues have allowed the City to maintain stability in both current and future property tax increases while investing in significant capital and infrastructure projects. This strategy of using an increased amount of certain non-property tax revenues, and reserves, when applicable, to lower the property tax levy allows the City to stabilize property taxes during economic downturns, or during extraordinary events such as the COVID-19 pandemic, when there are significant reductions in other key non-property tax revenues.

The City's fiscal strategy and policies regarding budgeting and the use of reserves has also been positively recognized by the three major credit rating agencies and is reflected in our AAA credit rating.

IMPACT ON TAXPAYERS

It is important to recognize that a healthy balance of development between residential and commercial be continued to ensure homeowner's real estate taxes remain affordable. The City of Cambridge has a long-standing commitment and strategy to provide an adequate level of predictability and stability for tax bills.

Below is a comparison of the residential percent of the tax levy paid by Cambridge residents compared to neighboring towns. Cambridge continues to have the lowest residential and commercial tax rates compared to neighboring communities. Additionally, Cambridge residents are paying the lowest proportion of the levy when compared to other nearby towns. The amount of new growth for both last year and this year in the industrial class (labs) has allowed the city to lower the residential minimum factor and shift a larger percentage of taxes onto the commercial and industrial classes.

TABLE II
Comparison of Residential Percent of Tax Levy Paid

Municipality	Residential % paid of prop. tax levy	Commercial % paid of prop. tax levy	Residential Tax Rate	Commercial Tax Rate
Boston	41.7	58.3	\$ 10.74	\$ 24.68
Brookline	83.5	16.5	\$ 9.97	\$ 16.70
Cambridge*	33.8	66.2	\$ 5.92	\$ 10.46
Newton	84.2	15.8	\$ 10.18	\$ 19.07
Somerville	70.8	29.2	\$ 10.34	\$ 17.35
Watertown	60.9	39.1	\$ 13.58	\$ 19.73

*Cambridge rates are for FY24, all others are for FY23

The strength of the residential market continued during calendar year 2022, for single, two and three families in Cambridge. Similar to last year, the single-family class had the largest value increase at 8.41% over last year. Limited supply, remote work policies and upward pressure on rents caused significant value increases for these classes. Condominiums show a slight increase in value (2.5%) but are not seeing the larger increases of other residential properties. It is also important to point out that condominiums now compromise a very large percentage of the residential tax bills.

MEDIAN TAX BILLS

The analysis that follows explains in further detail how the City determined property values and property tax rates for FY24. There are three major factors which determine a property tax bill: 1) the Budget, 2) Commercial-Residential Property Tax Classification, and 3) Property Values. As discussed below, all three factors contributed to lower tax bills for many homeowners.

The Budget: If the City Council adopts the proposed recommendations, there will be a 8.3% increase in the property tax levy required to balance the FY24 Budget.

Commercial-Residential Property Tax Classification: Tax classification allows municipalities to tax commercial taxpayers at a higher rate than residential taxpayers. For this year, commercial property owners will pay 66.199% of the property tax levy, a higher share than in FY23. Consequently, residential property owners' share of the FY24 tax levy is 33.8010%, which is a lower share than the prior year.

Property Values: Each January 1st, the city of Cambridge must meet Department of Revenue requirements to certify that property values represent full and fair market value. As a result of the market activity in calendar year 2022, which is the basis of the FY24 property assessments, total residential property values increased by 5.3%. Total commercial property values increased by 8.2%. Similar to last year, the increase in total values reflects some classes that continue to rise such as Class A office and lab as well as classes that are mainly flat or slightly decreasing like retail, restaurant and office class b/b+. The impact of hybrid and remote work is still developing. We are seeing more subleasing of office space, but we feel that Cambridge is well positioned to weather future uncertainty due to its leadership position as a lab and research hub and the presence of two world class research universities. While the City has no control over the increase in property values, it does have control over levy increases, which ultimately impact taxes paid

by property owners. This year, both the residential and commercial property tax rates will increase. The impact of the levy increase has been tempered due to the large amount of industrial (lab) growth we have again this year. The new growth value for the industrial class is almost \$975,000,000 which allows the City to again lower the Minimum Residential Factor calculated by the Department of Revenue. Changes to the median value by residential class and tax bills can be seen in Table III below. Additionally, a major concern going forward is that if residential value increases outpace commercial/industrial/personal property increases, the City could hit the ceiling for the property tax classification shift. Once the classification ceiling is reached, the residential class will bear the majority of any tax levy increase.

TABLE III
Change in the Median Value and Tax Bill by Property Class*

	FY23 Value	FY23 Tax Bill	FY24 Value	FY24 Tax Bill	\$ Change Tax Bill
Single Family	\$1,618,400	\$6,725	\$1,754,550	\$7,468	\$743
Two Family	\$1,501,700	\$6,041	\$1,596,900	\$6,535	\$494
Three Family	\$1,737,900	\$7,425	\$1,848,300	\$8,023	\$598
Condominium	\$732,600	\$1,534	\$750,900	\$1,527	(\$7)

* Includes Residential Exemption

CITY-WIDE ASSESSED VALUES

FY24 values are based on market activity that occurred during calendar year 2022. Most residential classes saw an increase in values. The single families were most affected by a low supply of inventory, while apartments saw a leveling off in rents. Class A Office and lab sectors increased as well as the retail, restaurants and hotels with the effects of COVID-19 receding. A major component which impacts commercial values are the construction of life science buildings and the personal property associated with these developments.

For FY24, the total assessed value of taxable property in the City equals \$75,883,594,799, or a 6.7% increase, over prior year values. The actual FY24 total assessed values are greater than the projections presented to the rating agencies in February 2023 due to continued strength and resilience in the Cambridge real estate market.

The table below breaks out new construction values and tax base levy growth due to new construction by property type. This new construction growth, and new lab space in particular, has allowed the city to go below the Historical Lowest Residential tax percentage by using the 150% Shift and adopting the 65.0000% Minimum Residential Factor. This shift does not include the limit on Historical Lowest Residential Tax Percentage, allowing the City to shift a larger percentage of taxes onto the commercial and industrial tax classes. Additionally, this shift allows Cambridge to go below the lowest historical residential percentage for all future years. Lowering the Historical Lowest Residential Tax Percentage is advantageous to Cambridge homeowners by lowering their taxes when many residential values are increasing.

TABLE IV
New Construction Breakdown

Property Class	New Growth Value	FY24 Tax Base Levy Growth (New Growth)
Residential Property	\$522,348,990	\$3,060,965
Commercial Property	\$318,652,806	\$3,307,616
Industrial Property	\$974,271,744	\$10,112,941
Personal Property	\$638,049,986	\$6,622,959
Total New Growth	\$2,453,323,526	\$23,104,481

TABLE V
Assessed Values (in millions)

	FY20	FY21	FY22	FY23	FY24
Residential Property	\$32,335	\$34,136	\$35,118	\$37,466	\$39,460
Commercial Property	\$20,934	\$24,221	\$26,875	\$31,465	\$33,983
Personal Property	\$1,679	\$1,878	\$1,960	\$2,209	\$2,438
Total Assessed Value	\$54,948	\$60,235	\$63,953	\$71,140	\$75,881

For FY24, the City was able to increase its levy limit by approximately \$41.40 million, to \$773.96 million. Approximately \$23.1 million of this increase was due to new construction and amended FY23 new growth. State law allows the City to increase its tax levy limit by an amount equal to the total FY24 value of newly constructed or renovated property, multiplied by the FY23 tax rate. It should be noted that industrial property (lab space) values had a new growth value of \$974 million which translated into new levy growth of \$10.1 million. The remaining \$18.31 million is the 2.5% increase over the FY23 levy allowed by Proposition 2½.

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

	Actual FY20	Actual FY21	Actual FY22	Actual FY23	Estimate FY24
Levy Limit	\$628,479	\$659,697	\$691,327	\$732,560	\$773,962
Actual Levy	\$438,129	\$472,520	\$494,732	\$531,601	\$575,418
% Actual Levy Increase over Prior Year	6.9%	7.9%	4.7%	7.45%	8.3%
Excess Levy Capacity	\$190,350	\$187,177	\$196,595	\$200,959	\$198,544
% Change of Excess Levy Capacity Over Prior Year	.52%	(1.67%)	5.03%	2.2%	(1.2%)

In addition to providing greater flexibility under Proposition 2½, tax payments from newly constructed properties also work to mitigate increases on existing properties.

For a detailed listing of assessment changes by district, please see Attachment 1.

FY24 VALUATION PROCESS

Each year, the Board of Assessors conducts a reappraisal of all property within the City. The residential and commercial valuation models are refined each year to reflect market conditions which have impacted assessed values.

The FY24 valuation model is based upon sales of property that occurred during calendar year 2022, to establish the market value of all property as of January 1, 2023.

This year, modifications were made to the residential and condominium models, as well as to residential land values. The residential land had adjustments for neighborhood and lot size, while the residential model was recalibrated for use, grade, townhouse styles and condition adjustments. The condominium model was adjusted by neighborhood, unit type, and amenities for market conditions as of the assessment date. The analysis for determining property values depends on several factors: the trends of the real estate market in the areas of sales; property improvements; changes in the economics of real estate finance and the demand for real estate in the city. To arrive at full and fair cash values for all parcels, the Assessing Department uses a Computer Assisted Mass Appraisal system (CAMA). Market adjusted cost approach models, extracted from residential sales for calendar year 2022, were refined to best reflect the equity of comparable properties as demonstrated in the various neighborhoods.

COMMUNITY PRESERVATION ACT SURCHARGE

In November 2001, Cambridge voters approved adoption of the Community Preservation Act (CPA), a State law that allows the City to receive matching funds from the State for money raised

locally in support of affordable housing, historic preservation, and open space. The local portion of CPA funding is raised through a 3% surcharge on taxes.

However, the State match has enabled the City to provide additional funding for these initiatives. To date, Cambridge has received more CPA matching funds from the Commonwealth than any other participating community. Consequently, Cambridge residents will continue to benefit from affordable housing, historic preservation, and open space initiatives throughout the City for years to come.

To date, the City has appropriated/reserved a total of \$280.4 million in CPA funds, of which \$66.7 million can be attributed to the State match.

TABLE VII
Community Preservation Act Surcharge

	FY23 Median CPA Surcharge Amount	FY24 Median CPA Surcharge Amount	FY24 Median Tax	FY24 Median Tax & CPA Surcharge Amount
Single Family	\$184	\$206	\$7,468	\$7,674
Condominium	\$28	\$28	\$1,527	\$1,555
Two Family	\$164	\$178	\$6,535	\$6,713
Three Family	\$205	\$223	\$8,023	\$8,246

RECOMMENDATIONS

1. That the City Council vote to authorize \$2,000,000 in overlay surplus/reserves to be used for reducing the FY24 tax rate.
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 65.0000%.
3. That the City Council approve the residential exemption factor of 30% for owner occupied homes, which should result in a residential tax rate of \$5.92 upon final approval by the Massachusetts Department of Revenue. In addition, based upon final approval by the Massachusetts Department of Revenue the commercial tax rate is anticipated to be \$10.46.

The City Council has previously approved (1987) several tax exemptions to elderly taxpayers, blind taxpayers, veterans and surviving spouses who qualify by virtue of residency, income, and assets, including the doubling of the statutory amount of exemption for taxpayers whose tax bills have increased over the prior year's bill; 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); to increase the income and assets limits for elderly persons (age 65 or older) by the CPI percentage; and to increase the income limit for

deferral of real estate taxes by elderly persons (at least 65 years old). For this fiscal year will result in:

- 17D-Elderly (over 70), Surviving Spouse or Minor Child of Deceased Parent-An increase for FY24 in the asset requirements to maximum
 - a. Assets \$77,857
 - b. Exemption amount of \$394-\$788
- 41C-Elderly (65 or older) An increase for FY24 of maximum income and asset limits to
 - a. Single Income: \$32,193 and Assets: \$64,382
 - b. Married Income: \$48,290 and Assets: \$88,526
 - c. Exemption amount: \$1,000-\$2,000
- 22 (22A, 22B, 22C, 22D, 22E, 22P) Veterans-exemption amount from \$400 to full exemption
- 37A-Legally blind exemption amount \$500-\$1,000
- 41A-Tax Deferral over 65
 - a. Single Income: \$64,000
 - b. Married Income: \$96,000
 - c. The reduction of the interest rate to 4% for deferred taxes, which was approved by the City Council previously, will continue.

ISSUES/ REQUIRED VOTES

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 the recommended classification and residential exemption 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 (less any exemptions), equals the tax rate for FY24.

The following is a summary of the votes required by the City Council.

- **Transfer of Excess Overlay Balances.** The City is authorized to increase each tax levy by up to five percent as an “overlay” to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy, or transfers may be made from surplus balances from prior fiscal years.

Overall, the City has approximately \$15.7 million in overlay balances as of June 30, 2023. However, there are cases pending at the Appellate Tax Board for which the City must have sufficient balances to cover abatements if it loses these cases. Based upon the overall size of the overlay surplus, I am recommending that the City use \$2 million of this surplus to decrease the tax levy. This conservative approach will allow the City to maintain a sufficient overlay reserve while reducing the overlay balance to help lower the tax levy.
- **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. Under the 175% Shift state law allows the residential portion of the tax levy to be as low as 50% of what it would be if there were a single tax rate. However, there are two exceptions to the 50% minimum:

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

By using the 150% Shift and adopting the 65.0000% Minimum Residential Factor, the 150% shift does not include the limit on Historical Lowest Residential Tax Percentage, allowing the City to shift a larger percentage of taxes onto commercial and industrial tax classes.

Under the requirements for classification, 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 65.0000% this year will be a residential property share of the total tax levy of 33.8010%, which is below the lowest historical residential percentage. This means that Commercial property will pay the remainder, 66.199% of the levy. The commercial portion of the levy is 137.919% of what it would be with a single tax rate if classification was not adopted.

- **Residential Exemptions.** Home Rule Legislation allowing the City to increase the residential exemption from 20% to 30% was filed by a unanimous vote of the City Council and signed into law in September 2003. This change enables the City to grant owner occupants of residential properties a deduction of up to 30% of the average residential parcel value before the tax rate is applied. I am recommending that the City Council accept the Residential Exemption at 30%. This amount is deducted from the assessed value of each owner-occupied property prior to applying the tax rate. 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 this year there are approximately 13,700 residential exemptions on the Assessing Department files of owner-occupied homes. The Assessing Department conducts random audits and responds to inquiries about individuals claiming the residential exemption, to ensure the validity of the program.

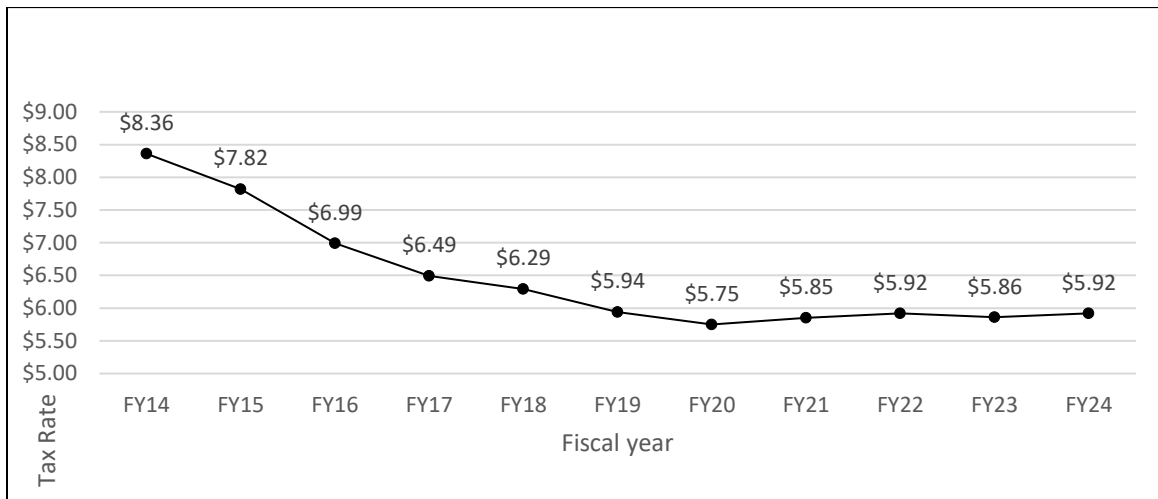
30% Residential Exemption

	<u>FY2022</u>	<u>FY2023</u>	<u>FY2024</u>
Value Exempted	\$443,056	\$470,823	\$493,012
Tax Savings	\$2,623	\$2,759	\$2,919

CONCLUSION

The City's strong fiscal position has allowed for continued and expanded investments in several key priority areas including affordable housing and homelessness, school services, early childhood, climate initiatives, transportation safety, municipal facilities, stormwater infrastructure, technology, and major street projects. It is important to point out that Massachusetts communities are limited in how they can raise revenues, resulting in a greater reliance on the property tax, since it is the largest and most stable revenue source. Sixty five percent (65%) of the revenues that fund the City's Operating Budget come from property taxes. As our Operating Budget continues to grow in order to address new and evolving community needs and goals, we need to also remain cognizant of the potential impact and burden placed on residential taxpayers.

TABLE VIII
Cambridge Residential Tax Rate FY14-FY24



The City has consistently been able to achieve a lower property tax rate and lower residential property tax bill than surrounding communities, while also continuing to make significant investments back into the community. A large part of our ability to do this is due to longstanding fiscal policies and practices; the ability to typically generate diverse non-property tax revenues; foster new construction; ability to control budget growth; prudent use of reserves; and the presence of a strong, stable commercial tax base. It is also important to recognize that a healthy balance of development between residential and commercial be continued to ensure homeowner's real estate taxes remain affordable. As noted in the credit ratings from the nation's three major rating agencies, the City's budgetary flexibility, strong policies and management, and healthy reserves, are considerable strengths.

As noted in this memo, the City will use additional revenues, and with City Council approval, \$2 million of reserves (overlay surplus) in FY24 to lessen the amount to be raised from the property tax levy, which translates into a lower property tax burden for the taxpayers of the City.

While the City has proven to be financially resilient, especially in the face of the significant challenges presented during the COVID-19 pandemic, we are not immune from economic trends and outside factors. We will continue to closely monitor market conditions, assessed values,

employment environment, as well as regional, national, and even global trends that can impact our fiscal situation. In addition, the City will continue to adhere to financial and capital plans, as well as debt and reserve policies, which provides an important level of flexibility and maintains our ability to respond to unforeseen circumstances.

Looking ahead, it will be increasingly important to recognize the relationship between the annual budget and the associated impact on property tax bills, particularly regarding goal setting, prioritization, and the appropriate level of budget growth. We are also currently exploring ways to bring more structured guidance and increased community engagement into the budget process.

We should be very proud of what we have been able to accomplish as well as our practice of setting ambitious, realistic, goals and priorities for the future. It has been a privilege to be a part of this journey.

I would like to thank the City Council for their support; the community for their trust; as well as staff for their hard work; as we continue to move forward in building an innovative and inclusive Cambridge for everyone, while also providing strong and prudent fiscal management.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Yi-An Huang', with a stylized flourish at the end.

Yi-An Huang
City Manager

Attachments

ATTACHMENT 1

FY2024 Single Family Assessment Data				
Median Assessed Values				
NBHD	Count	FY23 Median Value	FY24 Median Value	Change
R1	390	\$992,200	\$1,084,800	9%
R2	202	\$1,212,450	\$1,283,400	6%
R3	237	\$1,809,900	\$1,937,200	7%
R4	83	\$1,735,900	\$1,797,900	4%
R5	64	\$4,158,000	\$4,384,350	5%
R6	377	\$2,793,000	\$3,057,700	9%
R7	660	\$1,073,950	\$1,155,250	8%
R8	203	\$1,437,700	\$1,600,300	11%
R9	203	\$2,194,500	\$2,364,000	8%
R10	342	\$5,035,150	\$5,449,350	8%
R11	171	\$2,211,800	\$2,379,000	8%
R12	185	\$1,275,200	\$1,353,700	6%
R13	234	\$1,483,800	\$1,586,250	7%
R14	181	\$2,388,200	\$2,557,200	7%
R15	33	\$1,781,900	\$1,921,700	8%
R16	154	\$1,934,250	\$2,053,850	6%
R17	197	\$1,404,000	\$1,509,600	8%

FY2024 Two Family Assessment Data				
Median Assessed Values				
NBHD	Count	FY23 Median Value	FY24 Median Value	Change
R1	272	\$1,127,450	\$1,229,500	9%
R2	161	\$1,333,900	\$1,403,300	5%
R3	197	\$1,920,200	\$2,044,400	6%
R4	43	\$2,065,100	\$2,184,000	6%
R5	4	\$3,042,100	\$3,626,100	19%
R6	69	\$2,275,500	\$2,367,800	4%
R7	553	\$1,268,300	\$1,364,500	8%
R8	170	\$1,534,200	\$1,619,050	6%
R9	10	\$1,559,450	\$1,662,950	7%
R10	12	\$4,286,500	\$4,099,650	-4%
R11	31	\$2,360,300	\$2,510,300	6%
R12	148	\$1,403,850	\$1,466,450	4%
R13	202	\$1,703,400	\$1,828,600	7%
R14	187	\$1,891,100	\$1,987,500	5%
R16	84	\$1,861,850	\$1,953,600	5%

R17	125	\$1,515,700	\$1,619,300	7%
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FY2024 Three Family Assessment Data				
Median Assessed Values				
NBHD	Count	FY23 Median Value	FY24 Median Value	Change
R1	218	\$1,410,450	\$1,539,550	9%
R2	139	\$1,667,100	\$1,742,800	5%
R3	116	\$2,259,100	\$2,384,650	6%
R4	33	\$2,674,500	\$2,810,200	5%
R5	3	\$6,041,800	\$6,404,700	6%
R6	31	\$2,741,100	\$2,859,000	4%
R7	159	\$1,558,700	\$1,667,400	7%
R8	42	\$1,716,900	\$1,818,100	6%
R9	1	\$1,610,000	\$1,732,800	8%
R10	1		\$3,552,200	
R11	15	\$2,617,100	\$2,618,900	0%
R12	114	\$1,644,600	\$1,704,750	4%
R13	147	\$1,883,400	\$2,005,100	6%
R14	43	\$2,059,500	\$2,159,200	5%
R16	44	\$2,265,300	\$2,320,850	2%
R17	60	\$1,820,750	\$1,900,350	4%

FY2024 Condominium Assessment Data				
Median Assessed Values				
NBHD	Count	FY23 Median Value	FY24 Median Value	Change
R1	1397	\$788,700	\$814,700	3%
R2	807	\$731,000	\$751,900	3%
R3	2108	\$696,900	\$708,100	2%
R4	690	\$671,500	\$660,500	-2%
R5	17	\$3,181,700	\$3,565,500	12%
R6	1652	\$641,250	\$635,700	-1%
R7	1919	\$671,300	\$693,500	3%
R8	466	\$891,950	\$938,650	5%
R9	50	\$797,100	\$829,450	4%
R10	44	\$2,618,650	\$2,891,050	10%
R11	517	\$1,172,300	\$1,211,700	3%
R12	1153	\$706,300	\$719,600	2%
R13	1225	\$812,400	\$838,900	3%
R14	412	\$907,800	\$950,500	5%
R16	399	\$744,900	\$771,400	4%
R17	637	\$886,600	\$921,400	4%

Residential Tax Districts

FY2024

City of Cambridge, Massachusetts

Cambridge Assessor's Office

