

Board of Selectmen Minutes 11/30/2015

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| Board of Selectmen | November 30, 2015 |
| Regular Session | Selectmen's hearing room, Town Hall |

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| Present: | Philip Crawford, Chairman |
| | Thomas Terranova Jr., Selectman |
| | Christopher Barrett, Selectman |

Chairman Crawford called the meeting to order at 7:00 p.m. He announced that the meeting was being recorded for transmission via cable television. He led those assembled in the Pledge of Allegiance.

Property tax classification hearing

Chairman Crawford read the following public hearing notice: The Board of Selectmen of the Town of Lynnfield will be conducting a public hearing as required by Massachusetts General Laws, Chapter 40, Section 56, as amended. The subject of the hearing concerns the allocation of the local property tax levy among the five property classes, as defined in Section 2-A of Massachusetts General Laws, Chapter 59, for the fiscal year 2016 beginning July 1, 2015. Residents, as well as all interested persons, are invited to attend the hearing to be held on Monday, November 30, 2015 at 7:00 p.m. at the Selectmen's Hearing Room, Town Hall. Oral and signed written testimony may be submitted at this time.

Chairman Crawford introduced former assessing manager Richard Simmons Jr., who is assisting the Town during this transition period. He said Mr. Simmons had served the Town well over many years. He also welcomed new assessing manager Raymond Boly to the Town. Mr. Simmons introduced Board of Assessors members Donald Garrity, Bonnie Celi and Richard O'Neil.

Mr. Simmons said that every year the selectmen must determine whether to tax all classes of property at a single rate or whether to shift a portion of the tax burden off residential property owners and onto the business property owners, and if so, to what extent. Lynnfield first adopted tax classification in fiscal year 2004 to offset the shifting of the tax burden onto residents due to the more rapid appreciation of residential property values relative to commercial property values. Over the last 11 years, the Board has voted to adopt a shift factor that would offset the relative changes in the average rate of appreciation or depreciation of values among classes, so that the average taxpayer in each category would see the same percentage increase in the annual tax bill. If the Board chose to return to the single rate, the tax burden would be shifted back to residential payers, who on average would incur an additional \$170 to \$200 in taxes above the increase related to budget growth.

Mr. Simmons said that the Board could adopt a commercial shift of up to 1.5, which would save the average residential property owner \$661 in taxes annually; the average commercial payer would incur an increase of \$16,569. The commercial shift adopted has varied between 1.06 and 1.164 over that period in which Lynnfield has split the tax rate. Should the Town choose to tax to the maximum allowable levy, the Town's excess levy capacity would be \$16,169.65.

Mr. Simmons broke down the \$1,119,769.11 in new growth: \$106,485 was from single-family homes, \$122,136 from condominiums, \$1,888 from multi-family homes, and \$103,138 from apartment buildings (Arborpoint). Commercial new revenue totaled \$691,440, of which 69 percent was attributable to Market Street. Personal property, which consists of business assets, totaled \$85,471, mostly from new accounts at Market Street. Miscellaneous new growth was \$9,209.22.

Mr. Simmons laid out the impact of various shift amounts. A 1.20 shift would lower the annual tax bill on a ranch home on Canterbury Road by \$188.54, and increase the annual tax bill on an office condominium at the Lynnfield Woods complex on Route 1 by \$794.74.

Mr. Simmons explained two optional programs the Board could consider: the residential exemption, which exempts from taxation on all owner-occupied residential properties a percentage of the average residential property chosen by the Board within the range of 10 to 30 percent. This does not lower the overall residential levy; the rate increases to compensate for tax revenue lost through the exempted percentage. This exemption is generally adopted in communities with a large number of apartment buildings, such as large cities, and in communities which have many vacation homes, such as communities on Cape Cod. In addition to increasing the tax burden for owners of rental properties, it also reduces the tax bills of residential property owners with homes valued below the Town average and increases the tax bills of residential property owners with homes valued above the Town average. The commercial exemption reduces tax bills on all commercial properties in properties valued at less than \$1 million in which all occupying businesses have fewer than ten employees. Only eight communities in the state have adopted the exemption. Lynnfield has never adopted either exemption.

Chairman Crawford asked for the recommendation of the Board of Assessors. Mr. Simmons said the Board of Selectmen has always followed the town administrator's recommendations on this matter since the adoption of a split tax rate. Mr. Boudreau explained the method by which the Town

has equalized the percentage tax increase for all classes of property by setting a shift factor that would achieve this result. He said adopting a single rate would have large adverse affect on residential taxpayers. By adopting a commercial shift of 18.4, or a residential factor of 0.970626, the Town will achieve an average tax increase of 2.28 percent both residential and commercial taxpayers. The resulting residential tax rate would \$14.50, up one cent from the previous fiscal year, Chairman Crawford pointed out. The commercial rate would be \$17.68. The average tax increase for single-family home owners will be \$183 annually; it will be \$879 annually for the average commercial taxpayer. Mr. Boudreau explained that the methodology excludes new growth to ensure the tax impact on existing properties will be equalized.

Selectman Terranova asked about taxing to the maximum allowed under Proposition 2-1/2. Mr. Boudreau said the Town will be under the allowed limit by \$16,000 due to rounding. Chairman Crawford said the amount to be raised is determined by spending that was approved at April town meeting. Mr. Boudreau agreed and added some additional spending was authorized by October town meeting.

Selectman Terranova said that Fiscal Year 2015 figures distributed in the handouts tonight differed from the Fiscal Year 2015 figures presented at last year's tax classification hearing. He said there is a \$2 million difference in the Fiscal Year 2015 base reported last year and this year, and there are other discrepancies as well. Mr. Boudreau was not town administrator at that time, and said he would have to look at the two documents and research why there is a discrepancy. He said that former Town Administrator William Gustus, who devised the system by which the shift factor is set to equalize the percentage tax increase on existing properties in all classes, worked on this year's calculation.

Mr. Simmons said the figures used in this computation were taken from the state LA-4 form, which has been approved by the Department of Revenue. Mr. Boudreau said that the growth figures may have been adjusted. Mr. O'Neil said it would be difficult to reconcile these differences at this time because the discrepancies were just now brought to the attention of town officials. Mr. Boudreau said the figures he used were obtained from the Department of Revenue's Division of Local Services website. Mr. O'Neil said that Mr. Terranova's questions are fair, but the important thing is that this year's calculation is based on the correct figures supplied by the Town and approved by the state. Selectman Barrett urged Selectman Terranova to share this information with the Board and town administrator before the meeting to allow time for him to look into it. Selectman Terranova said he had just found the discrepancy today. Resident Katy Shea said such sharing of information outside of a posted meeting would not be permitted. Mr. Boudreau said it would be permissible to share data among Board members outside of a meeting as long as there is no discussion of a course of action.

Thomas DeSimone of WS Development asked why the commercial rate was increasing at a greater rate than the residential rate. Mr. Boudreau explained that because residential property values are appreciating at a greater rate than commercial property values, the commercial rate was increased by a higher percentage to ensure the average tax bill in both classes would increase by the same percentage.

Resident Patricia Campbell said she is upset that taxes keep increasing and said she sees how money is being squandered when she scrutinized budgets, adding that town officials "refuse to explain it logically and intelligently." She referenced a chart in the local newspapers, and said she was told the chart was wrong, but said the essential point that taxes are increasing was correct. Chairman Crawford said that the tax classification hearing deals with dividing the current tax burden, which is related to the budget voted by town meeting, among the classes of property. He said that this meeting is not the place to discuss next year's budget, which will be the subject of several meetings starting in December. He said that there would be ample opportunities for residents to weigh in on spending matters. Selectman Barrett said that residents can also attend the Finance Committee's budget deliberations.

Chairman Crawford said that the incorrect tax data graph referenced by Ms. Campbell was included in the Lynnfield Advocate, of which Selectman Terranova is a part owner. Selectman Terranova said while he is an investor he does not manage, control or participate in the newspaper's process. He said that the graph, with a minor correction in the left column, is "spot on." Chairman Crawford said a corrected graph would show that the rate of increase in property taxes in Lynnfield tracks that of the state. Selectman Terranova said that the tax bill in Lynnfield is much higher than the state average.

Resident James Quinn said that the difference between the commercial tax rate and the residential tax rate is very small. He asked why the Board did not wish to increase the commercial rate even more. Mr. O'Neil said that the town administrator is recommending a rate that would equalize the percentage increase among tax classes. He noted that because there are far more residential properties in Town, a minor savings to the average residential taxpayer would result in a much larger increase for a commercial taxpayer. He said while the Town has some major commercial taxpayers, there are also many small business owners, including those in office condominiums on Route 1, who would be affected by a large increase.

Mr. Quinn said that he owns commercial property in Burlington and pays a much higher rate than that charged to commercial property owners in Lynnfield. He said commercial payers benefit more from Town services, such as the impact of commercial traffic on roadways, and Market Street is doing well. Selectman Terranova said he had brought up this issue in past years.

Mr. Boudreau said that one drawback to taxing commercial properties at the maximum allowable shift is that once this is achieved, there is no longer a mechanism available to offset the higher appreciation of residential property relative to commercial property.

Resident Gary Miller said that his annual property taxes have increased by \$5,000 over the 25 years he has resided here.

On the motion on Selectman Barrett, duly seconded by Chairman Crawford, the Board voted 2-1 (Selectman Terranova opposed) to adopt a residential shift factor of 0.970626 for Fiscal Year 2016 with no commercial or residential exemptions. Selectman Terranova said he thinks the

Town should shift the tax burden a little more to commercial properties.

On the motion on Selectman Barrett, duly seconded by Chairman Crawford, the Board voted unanimously to adjourn at 7:55 p.m.