

Minutes for BFAC Modeling Subcommittee

Date: January 25, 2019

Time: 6:00PM

Subcommittee Attendees: M. Kolluri, J. Rudolph, P. Saner, N. Shpritz

Other Committee Attendees: D. Kirschner, M. Toeffel

Public Attendees: F. Frawley, M. Gray

The meeting commenced at 6:00PM

1) Gary McCabe, Town Assessor addressed the group.

Mr. McCabe began his presentation by providing handouts that he used to describe the overall tax base which includes:

- Property Taxes: residential, commercial, and industrial
- Motor Vehicle Taxes
- PILOTs (not technically a tax, but included)
- Local Options taxes

Mr. McCabe walked through a history of the composition of property values by type and Mr. Saner noted that Brookline's current total aggregate assessed property value is the fourth largest in the Commonwealth. He then went through some features of the largest taxpaying properties in Brookline and noted that the largest three taxpayers are nonprofits.

For modelling purposes, Mr. McCabe indicated that the assessors database tracks properties by deeded parcel that can be transacted and not by unit.

Approximately 75% of single family homes and 75% of condo units claim the residential exemption. The residential exemption, as a fixed numerical threshold, reduces the amount taxable on lesser valued parcels to a greater extent than on more valuable properties. Condominium units are presumed to benefit most.

There is a wide range of values of residences and apartments in town; Brookline tracks median values but Mr. McCabe indicated that signature buildings do attract investors from beyond Brookline.

Mr. McCabe then went on to describe the levy calculation and what changes to properties may result in a one time right to add to the levy beyond the 2.5% allowable increase, so called new growth:

- New construction (e.g. a new home)
- Condominium Conversion (the difference between the assessed values before and after)
- Renovations (e.g. new kitchen)

- Commercial Property renovations and change in use
- Additions to personal property such as utility poles, gas lines
- Property that becomes taxable – changes classification from tax exempt to taxable

The allowed levy increase exclusive of new growth is 2.5% and this is applied to the total tax levy from the prior year EXCLUDING any DEBT EXCLUSIONS.

Mr. McCabe continued with a discussion of target valuation percentages. Towns must remain within a band of 90% - 110% of market value and Brookline aims for 95% giving head room against a downturn. Tax policy is set by the Select Board and the Town aims for a balance between residential and commercial property and a fair difference in residential and commercial tax rates. It is generally agreed that split tax rates (commercial rates may be higher) make sense when the commercial, industrial, and personal property tax contributes more than 10% of total tax revenue. Paul Saner pointed out that too great a differential can have negative impacts on small business.

The Select Board also decides on residential exemption level, if any, which is capped at the state level at 35% of average value. The current residential exemption was moved from 20% of average value to 21%. Rental units bear the brunt of the impact of the exemption as unit owners pay applicable taxes on the total assessed value.

Mr. McCabe concluded his presentation by discussing modelling for future year revenue. His department looks at, but mostly ignores, specific projects as they gain approvals because projected timing has been suspect. There are long lags to construction. However, they have found that revenue projections associated with numerous small renovations have proven accurate.

2. David Kirschner reported that he had spoken with Ben Franco and that this subcommittee will likely receive some staff help. Mimi Kolluri will facilitate communication.
3. Nathan Shpritz discussed modeling considerations surrounding capital assets and measuring year to year deterioration. David Kirschner indicated that this issue had arisen in his professional career and that this issue requires study and can have significant implications. We discussed speaking with Matt Gilles.
4. We decided to start working on Melissa's spreadsheet to create meaningful assumptions tab inputs and thereby simplify the process for her. From there, we can begin building income statements. Mini, Jeff, and Nathan will independently work through the departmental and nondepartmental expenditure tabs along with the revenue tab and meet back on March 4 to review.
5. Minutes were passed unanimously.

6. Meeting adjourned at 8:15