November 7, 2018

Dear Board of Selectmen,

Thank you for the opportunity to provide comments for the Fiscal Year 2019 Tax Classification Hearing.

In the past five years, market conditions combined with Natick's use of a single tax rate, has resulted in a trend where residential property owners are paying an increasing share of the Town's tax levy and commercial property owners are paying a decreasing share. From 2014 to 2018, taxes on the average single-family home increased by 15% while the commercial share of the levy declined by 9% and Natick businesses, including McDonald's and the Natick Mall have seen their taxes decline.

Annual revaluation adjustments mirror market conditions and impact the percent of the tax levy paid by each property class. From 2014 to 2018, revaluation adjustments exceeded $1.5 billion which caused the tax rate to decline by 9%. Market conditions caused residential assessments (which are based on market values) to soar, while commercial assessments (which are based on net rental income) to remain relatively stable. Stable commercial assessments times declining tax rates result in lower commercial taxes and a corresponding decline in the percent of the tax levy paid by the commercial class. When the commercial class share of the tax levy decreases, the residential class share increases.

The fiscal year 2019 revaluation approved by the Department of Revenue reflects current market conditions. Revaluation adjustments of $440 million increased total assessments by 5.5% with $425 million of the adjustments (96.5%) applied to residential property owners. These results are consistent with recent years and when combined with a single tax rate will cause a fiscal year 2019 tax rate decline and result in a further tax levy shift from commercial to residential taxpayers.

Selectmen have the option to vote for a split tax for fiscal year 2019 to modify the percent of the tax levy paid by residential and commercial property owners and correct for market conditions. In Natick, market conditions combined with a single tax rate, have caused the tax levy to continuously shift from commercial to residential taxpayers. A split tax would reverse this trend and is used by virtually all similar towns to Natick.

The concern that businesses will not locate or flee is not borne out by experience or research studies. New commercial growth data indicate that real estate taxes are not a material factor in business location/relocation decisions.

It's time for Selectmen to more equitably distribute the tax burden and provide relief to residential taxpayers. Selectmen can vote for a tax rate between 100% and 150%. I recommend a middle ground split of 130% which will shift about $7 million and will reduce an average single single-family tax bill by about $600. With a 130% split, Natick's commercial tax rate will still be considerably lower than similar towns. In future years, market conditions should be monitored, and adjustments made accordingly.

Sincerely,

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