

**MINUTES
FINANCE COMMITTEE
FIREHOUSE
37 STATE ROAD
GREAT BARRINGTON MA 01230
AUGUST 20, 2015
6:30 PM**

1. CALL TO ORDER, APPROVAL OF AGENDA

The meeting was called to order at 6:30. In attendance were chair Michael Wise and members Walter Atwood, Thomas Blauvelt, Will Curletti and Leigh Davis. There were no changes to the agenda.

2. APPROVAL OF MINUTES

Minutes of the meeting of June 16, 2015 were approved unanimously (motion, Atwood; second, Blauvelt).

3. COMMITTEE BUSINESS

The chair advised that the Committee's Annual Report for 2015 had been submitted before the August 15 deadline. He also noted that at an upcoming meeting (to be determined), the members should come prepared to be photographed for the town's website.

4. REPORTS & STATEMENTS

Blauvelt reported on the Community Preservation Committee's current process. Three form 1 applications have come in already. The deadline is September 1.

5. PUBLIC COMMENTS ON PROPERTY TAX POLICY OPTIONS: PERSONAL EXEMPTIONS, RESIDENTIAL EXEMPTION, SPLIT RATE

The chair announced that the plan was to hear presentations, without time limits, about these issues, followed by a round of discussion and questions and answers if time remained. He said that consideration of these topics might continue at a later meeting, noting that some people who wanted to participate needed to attend other meetings that were simultaneous with this one.

Vice chair Blauvelt presiding:

Michael Wise (Castle Street, Great Barrington), speaking from the floor, described how the residential exemption could address the problem of affordability by reducing taxes on lower-valued properties. He also noted three potential costs that should be looked at carefully: higher rents, higher taxes for seniors, and reduced demand for second homes. His presentation summarized points and information, and used the graphic illustrations, from his August 14 report, *Revenue policy options for Great Barrington*, which was submitted for consideration at the meeting. He said that this report is a revision of the report he did in March, to incorporate the data that had been used at the August 11 workshop. (The report and the spreadsheet example from the workshop are attached to these minutes).

Michelle Loubert (Park Street, Housatonic-Risingdale) said that although she would benefit from the residential exemption she did not support adopting it. She reported what she had learned from contacting the assessors' offices in towns that have considered the residential exemption. None of them have adopted it. She read quotations from the responses to her inquiries to Concord,

Hingham, Mashpee, Newton, Sudbury, Weymouth and Lexington. (The texts of those responses are attached to these minutes).

Sharon Gregory (Hollenbeck Avenue, Great Barrington), addressing the effect of taxes on real estate markets and competitiveness, described her experiences as a one-time second-homeowner. She said that second homeowners are good for the economy, but that higher rates would penalize people who improve their homes and would drive buyers away. She compared the real estate markets in Great Barrington and other towns, noting that most sales here are for under \$300,000, while median sale prices are higher in Stockbridge and Alford, and that turnover of higher-priced homes looked slower in Great Barrington. She said the residential exemption would shrink the tax base, and the town could not afford to eliminate the high end of its housing market. She said the benefit of the residential exemption would be a one-time change, after which taxes would continue to rise. She said that differences in taxes among towns, and thus in competitiveness in the real estate market, are due to differences in the school assessments, which would not be affected by the residential exemption. (The slides accompanying the presentation are attached to these minutes).

Chair Wise presiding:

Vivian Orlowski (Lakeview Road, Great Barrington) warned against unintended consequences to affordability. She agreed with those seeking tax relief and observed that assessments rose 50 percent from 2003 to 2013. She said that most of the towns that have recently rejected the residential exemption were concerned about regressive effects on renters. She pointed out the Census data showing that 61 percent of renters here are paying more than 30 percent of income for rent. She said that the residential exemption could have regressive effects on people whose conditions have changed or for who property value and income are mismatched for other reasons. She said she understood that the issues were hard and that she was not asking the Committee to "just say no"; however, she said it was important to avoid unintended consequences, like those that have followed from the 50 year old school district agreement. She recommended channeling energy into "win-win" strategies, addressing the problem of affordability by prioritizing the housing items in the town's Master Plan, which do not include the residential exemption. (The two-page reprint of Master Plan goals and strategies about housing is attached to these minutes.)

Ron Banks (Hollenbeck Avenue, Great Barrington) said that commercial landlords pass property tax increases on to their tenants. He also said that by reducing the landlord's effective income tax increases would reduce building value. He said that a split rate would be a bad idea, because it would send a message to downtown businesses that we don't want them.

Dana Dapolito (Castle Hill Avenue, Great Barrington) described her personal experience remodeling a home on The Hill when it was considered a transition neighborhood. She said the residential exemption would discourage such improvements, reduce the tax base and reduce employment in the home improvement trades. She said that many places in town are for sale and that prices are lower than sellers have expected, because the risk of the residential exemption is depressing the market. She also said there was often no correlation between income and value of assets.

Chip Elitzer (Alford Road, Great Barrington) said that he appreciates the objective of making Great Barrington more affordable to those least able to afford it, but that the residential exemption would not accomplish that. He said that a frame of reference limited to local homeowners is incomplete, leading to a point of view that is politically regressive. He said the effect on renters is a significant problem, noting the Master Plan's finding that rentals are a major source of affordable housing. In Housatonic, the share of renter-occupied units 43 percent, and a large proportion of them are already paying high rents, according to HUD guidelines. He said that signals matter: raising taxes on second homeowners, even those who might not otherwise care

about a \$2000 difference in taxes, says “we don’t want you”. He criticized the residential exemption as a blunt instrument.

Nick Stanton (North Plain Farm, Housatonic) said he was concerned that something so potentially positive or negative has not been voted on even in a preliminary way. He criticized the chair of the finance committee for appearing to sell a proposal, and said that the materials about it that have appeared in the Berkshire Edge have gaps and untested assumptions, with percentages and averages for which context is missing. He inquired whether proper procedure had been followed in bringing this proposal forward. He said the residential exemption was aimed at the wrong problem, which is really the unfair level of school taxes. (The notes for this presentation are attached to these minutes.)

Steve Pichene (Seekonk Road, Great Barrington) described his experience as a resident and taxpayer and how he has invested to improve the economy and created an organization to try to attract business. He said that the future of the Berkshires requires economic development, and the proposal about tax policy is the wrong optics for attracting business to Great Barrington: the Committee should listen and not pursue it.

Patrick Fennell (Main Street, Great Barrington), on behalf of a Marc Sagan, a second homeowner on West Avenue, read the homeowner’s letter saying that a progressive tax system would divide, not unite. (The letter is attached to these minutes.)

Ron Blumenthal (Alford), who said that owns properties in Great Barrington, said the proposal looks like marketing, that it contains too many variables, its assumptions are not right and its numbers contradict. He said the residential exemption would be a short term solution, a brief dip before decay would resume. He said it would not attract people to invest here, and that he will sell his properties if taxes increase. He said businesses are already going elsewhere because they need access to broadband, and that the real issue is the school cost imbalance.

Brian Grossman (Brainerd Avenue, Great Barrington) noted that he is new in the area, and that at first the economics about moving here did not look favorable. He said that any proposal to deal with tax inequities should make the situation for low-income people coming here better, but that the residential exemption would makes things worse by discouraging business.

Ray Almorì, owner of Plaza Package on State Road, said that the town’s retail businesses depend on second homeowners and visitors. He said that retail business is good only for a few weeks of the year, and that it is tough for a small business to compete with the chains. He said he won’t build on the lot next door to his store if taxes go up, and that he can’t afford to double his tax payments.

Richard Stanley (South Egremont) said that although the intention is to create some measure of fairness, the result would be the opposite. He said that, as an owner of properties in Great Barrington, he would pass on tax increases to business and commercial tenants. He said that the residential exemption notion was ludicrous, a temporary one-year adjustment that would lead to a negative spiral with less investment in the long run. He said that instead, increasing investment requires incentives.

Anthony Dapolito (Castle Hill Avenue, Great Barrington) said that the process should be different, noting that other towns had these issues examined by independent committees. He said that tax problems cannot be solved by spreading things; instead, the town needs new revenues and lower expenses. He described the “across the board” and “individual expense review” methods of finding economies, noting that both approaches require educating employees about cost savings, and listed ten measures for saving on town operations.

George Klemp (Hurlburt Road, Great Barrington) said he is finding it difficult to sell his property in order to build another one elsewhere in Great Barrington, because buyers are discouraged by the taxes. He said that uncertainty about future tax policy is not good for this market and that he was heartened by the turnout and lively discussion at this meeting. He said that the benefits of the residential exemption, in dollar amounts, are not that great, and that the maximum benefit would only be \$450 per year. He said that new growth would increase values in Great Barrington, and pointed out that when the Burning Brook project is done the second home share will rise to 20 percent.

Tony Blair (Lake Avenue, Great Barrington) said that school inequity is the problem. He said it is important to promote and support downtown businesses, because our downtown is what makes Great Barrington "great", the only Berkshire county town with energetic pedestrian life. Those businesses are the only ones directly hurt by the current work on Main Street, and the town should not consider raising business tax as an adjunct of the residential exemption. He said that second homeowners make a disproportionate contribution already. He warned against assuming that everyone eligible for a residential exemption would apply for it, because some, such as the elderly, might miss the deadlines.

Blauvelt read a letter to the Committee from Gayle Moskowitz (Deer Hill Trail, Great Barrington) saying that taxes already make it hard to sell properties and this change will make that worse. (The letter is attached to these minutes.)

**6. RECOMMENDATION ON PROPERTY TAX POLICY OPTIONS FOR FY17
(DISCUSSION)**

The chair said that he had anticipated that the Committee would need to set another session for discussion or further input. He asked whether the Committee wanted to proceed with this agenda item now. Atwood said he was ready with a motion.

Motion (Atwood): that the Committee recommend a single rate for FY17, with no split rate and no residential exemption. Second, Blauvelt.

Atwood observed that the decision was up to the Select Board, which has asked for a recommendation, and that in the past the decision has always been to go with a single rate. Davis said that although she had not come prepared to speak, she felt strongly that we should stay with the single rate. Curletti said he was in favor of examining the residential exemption, without the split rate. Wise said that although he had made the proposal, he was serious about wanting to weigh the costs and benefits and had not finished thinking about it; however, seeing that there were three clear votes now, it would be efficient to proceed to a recommendation on these items.

The vote was called:

In favor: Atwood, Blauvelt, Davis;

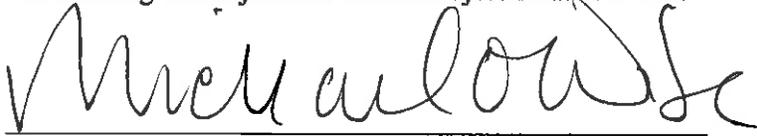
Opposed: Curletti, Wise.

Motion carried, 3-2.

7. CITIZENS SPEAK TIME (OTHER TOPICS): NONE

8. ADJOURNMENT

The meeting was adjourned without objection at 9:18 PM.

A handwritten signature in cursive script, appearing to read "Michael Wise". The signature is written in black ink and is positioned above a horizontal line.

Michael Wise, Chair

Revenue policy options for Great Barrington

Michael Wise
August 14, 2015

Submitted for consideration at the
Finance Committee hearing
August 20, 2015

Affordability: property taxes in relation to incomes

Taxes in Great Barrington are among the highest in Berkshire County. The average household tax bill here in FY2015 was \$5,138. Only Williamstown's \$5,552 was higher. Taxes in nearly all of the towns that are comparable to Great Barrington, in size and in range and quality of town services, are higher than the county-wide average. In the larger towns nearby the average bill is somewhat lower than ours, while in the small towns that provide few services it is much lower.

Municipality	Average Single Family Tax Bill FY2014	Average Single Family Tax Bill FY2015	Percent increase 2014-2015
Williamstown	\$5,294	\$5,552	4.9%
Great Barrington	\$4,871	\$5,138	5.5%
West Stockbridge	\$4,562	\$4,873	6.8%
Lenox	\$4,540	\$4,588	1.1%
Sheffield	\$4,194	\$4,420	5.4%
Stockbridge	\$4,026	\$4,334	7.7%
Dalton	\$3,736	\$3,922	5.0%
New Marlborough	\$3,534	\$3,614	2.3%
Lee	\$3,470	\$3,542	2.1%
Tyringham	\$3,298	\$3,316	0.5%
Egremont	\$3,099	\$3,313	6.9%
Monterey	\$3,245	\$3,153	-2.8%
Alford	\$3,069	\$3,074	0.2%
Adams	\$2,690	\$2,887	7.3%
Berkshire County	\$3,123	\$3,288	5.3%
Massachusetts	\$5,020	\$5,525	10.1%

Source: Massachusetts DOR

Affordability is the challenge. In relation to income, property taxes in Great Barrington are also higher than elsewhere in Berkshire County. Incomes in Great Barrington appear to be in the mid-range among its Berkshire County peers and neighbors, about equal to the state average and above the Berkshire County average, when measured by per-capita income. But comparison based on household and family incomes reveals sharper differences. Household incomes in Great Barrington, although equal to the county average, are below nearly all of the comparable towns, while

Revenue policy options for Great Barrington
August 14, 2015

Housatonic village, considered separately, is at the bottom of the ranking for the entire county. Family incomes are somewhat above the county average and nearly as high here as in Lenox and Sheffield, but they fall far short of Williamstown and West Stockbridge. By this measure too Housatonic village ranks lowest in the county. (In the following table, which ranks towns in descending order of median household income, the “CDP” entries are for the towns’ central neighborhoods).

Town		Per capita income	Median household income	Median family income	Population
Tyringham	Town	\$55,836	\$94,375	\$126,875	358
Alford	Town	\$49,272	\$85,833	\$102,750	501
West Stockbridge	Town	\$35,092	\$75,543	\$97,784	1,573
Williamstown	Town	\$39,451	\$72,743	\$97,060	7,828
New Marlborough	Town	\$32,451	\$67,528	\$68,750	1,499
Lenox	Town	\$33,405	\$54,622	\$74,844	5,013
Stockbridge	Town	\$31,821	\$53,698	\$69,038	1,755
Dalton	Town	\$26,854	\$52,285	\$61,739	6,753
Sheffield	Town	\$36,640	\$52,181	\$75,000	3,255
Lee	Town	\$28,270	\$51,835	\$67,407	5,932
Egremont	Town	\$39,236	\$50,848	\$66,500	1,043
Great Barrington	Town	\$34,585	\$48,561	\$73,369	7,131
Monterey	Town	\$32,404	\$42,083	\$46,021	793
Adams	Town	\$24,423	\$39,080	\$46,021	8,494
<i>Lenox</i>	CDP	\$37,192	\$48,158	\$62,569	1,349
<i>Williamstown</i>	CDP	\$31,808	\$46,622	\$100,833	3,652
<i>Lee</i>	CDP	\$27,549	\$43,750	\$70,417	1,843
Great Barrington	CDP	\$28,282	\$40,393	\$66,500	2,464
<i>Adams</i>	CDP	\$25,096	\$38,256	\$46,554	5,367
Housatonic	CDP	\$33,281	\$28,837	\$27,448	1,024
Berkshire County		\$29,294	\$48,450	\$65,216	130,545
Massachusetts		\$35,763	\$66,866	\$84,900	6,512,227
United States		\$28,155	\$53,046	\$64,719	306,603,772

Source: U.S. Census, 2009-2013 American Community Survey 5-Year Estimates

The most direct measure of the tax affordability would be the relationship between property tax bills and incomes. When average household tax bills are compared to median family incomes, Great Barrington leads in Berkshire County. Nearly all of the

comparable towns, as well as two of our smaller neighbors, are also above the county-wide norm. This comparison is an imperfect measure, because average taxes are significantly higher than median taxes in Great Barrington, and that might be true in other towns too. Comparing an estimate of median tax bills to median family incomes finds that Great Barrington still ranks highest. These estimates are summarized on the following table. The median tax bill was computed by applying each town's tax rate to an estimate of its median home value, using 2009 data. Median incomes and average tax bills are from 2011. Because of the age and inconsistency of the data sources, the particularly percentages on this table are unlikely to be an accurate measure of current conditions. Nonetheless, the ranking of the towns is probably still essentially accurate, and it supports the conclusion that, in relation to income, property taxes in Great Barrington are higher than elsewhere in Berkshire County.

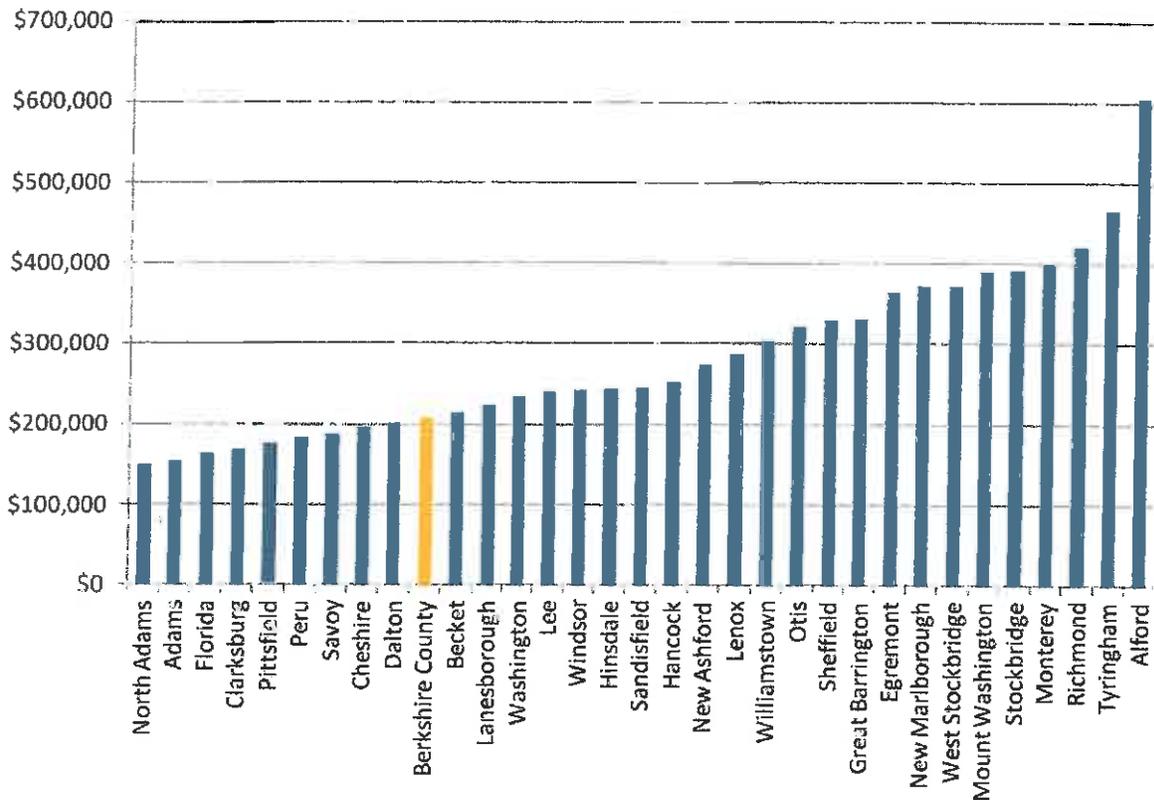
Municipality	Median tax/ median income	Average tax/ median income
Great Barrington	7.7%	9.7%
Sheffield	7.7%	7.6%
Adams	5.9%	5.8%
Dalton	5.7%	6.7%
Lee	5.6%	6.4%
Pittsfield	5.5%	6.3%
Monterey	5.0%	6.6%
Stockbridge	4.9%	7.0%
Lanesborough	4.8%	5.5%
Lenox	4.8%	7.7%
Williamstown	4.7%	6.8%
Savoy	4.7%	4.4%
West Stockbridge	4.5%	6.0%
North Adams	4.5%	5.2%
Egremont	4.4%	5.7%
Hinsdale	4.3%	4.1%
Washington	4.3%	3.8%
Richmond	4.2%	4.5%
Becket	4.0%	5.2%
New Marlborough	4.0%	4.6%
Peru	3.8%	4.1%
Sandisfield	3.6%	4.4%
Windsor	3.3%	3.2%
Mount Washington	3.2%	3.3%
Otis	3.2%	3.4%
Clarksburg	3.2%	3.5%
Cheshire	3.0%	3.5%
Alford	3.0%	3.3%
New Ashford	2.9%	3.0%
Tyringham	2.8%	3.2%
Florida	2.4%	2.7%
Hancock	0.9%	1.0%

Property values are also relatively high here. The value of the average single family home is now slightly higher than the statewide average. It was well below the statewide

average until 2008. Similarly, the average single family home tax bill here has risen since 2008 to slightly above the statewide average.

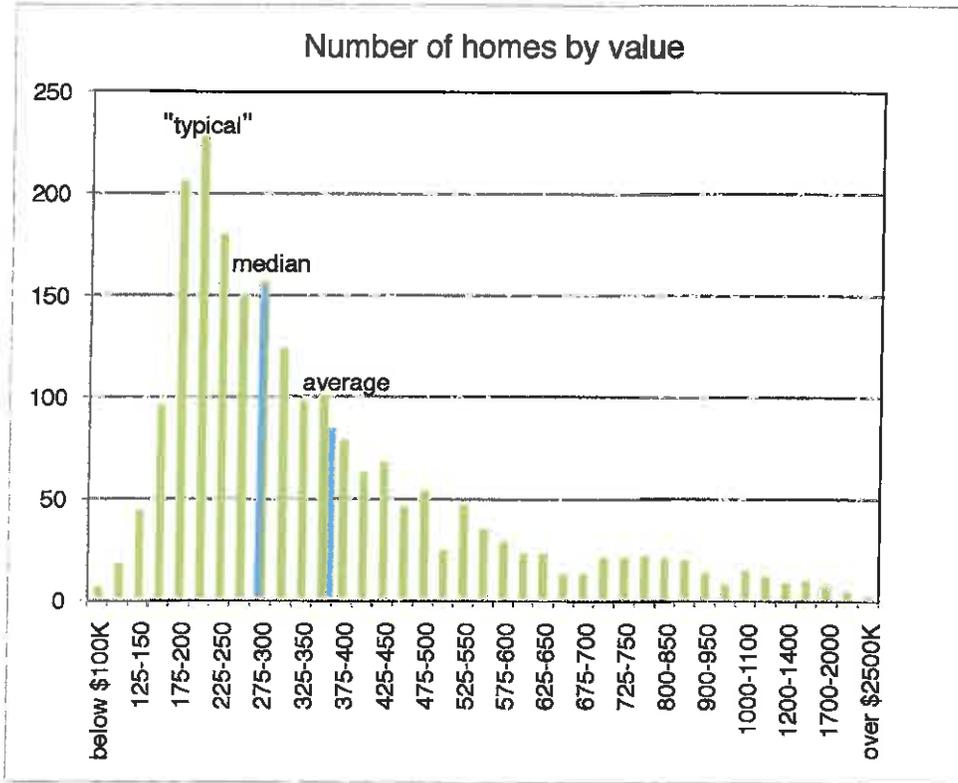
Compared to Berkshire county, the median home value in Great Barrington is about 50 percent higher than the county-wide value. Indeed, the median value here is higher than in the county's other large towns, although values in Williamstown and Lenox are nearly as high. Yet in some smaller towns around Great Barrington the median value is even higher, probably because they have a much higher proportion of expensive second homes and estates. Data about median values in the chart below is from 2009. Prices dropped somewhat since then because of the financial crisis, but the relative positions of the towns are probably still roughly accurate.

Median home values in Berkshire County



Source: Sustainable Berkshires, housing chapter, Figure 10: median value of owner-occupied home, 2009

Within Great Barrington, values vary widely. The average home value is much higher than the median value, and even that is well above the value of the typical home. In FY2015, two-thirds of the single family homes were assessed below the arithmetic average value of \$374,000. The median value was 22 percent lower: half of the single family homes in Great Barrington were assessed at or below \$294,400.

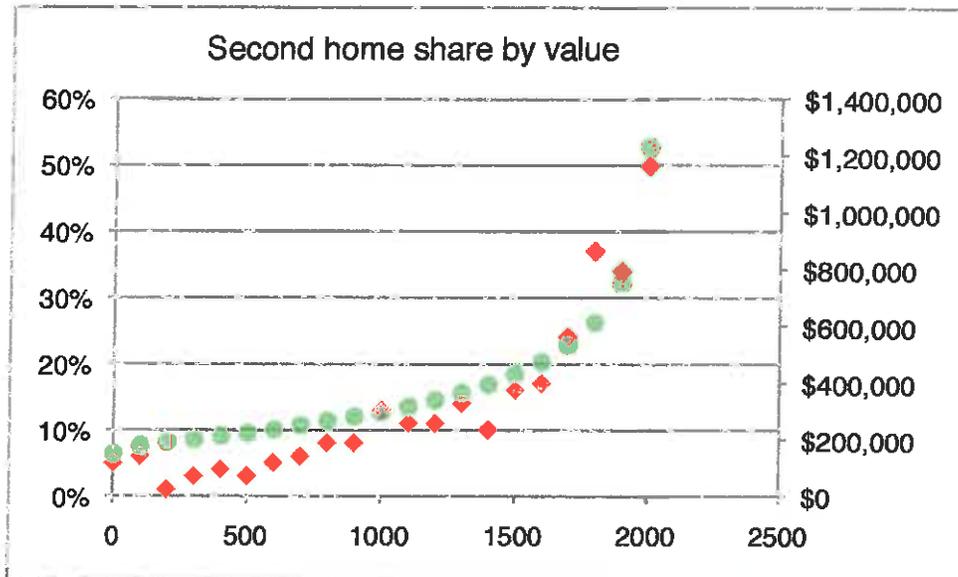


Yet even that figure is much higher than the value of the “typical” home, which was assessed at approximately \$200,000-\$225,000. The chart above shows the number of homes in different categories of value. The bottom scale is divided into increments of \$25,000 in assessed value. The left scale shows the number of single family homes in each segment. The peak is at the segment \$200,000-\$225,000, in which there are about 230 homes; there are more homes in Great Barrington in that value range than in any other. About one-quarter of the 2,113 single family homes in Great Barrington are valued between \$175,000 and \$250,000. These relatively modest-valued homes are concentrated in Housatonic village and Risingdale. In those neighborhoods, the average assessed value is \$230,000 and the median value is \$213,000. (At the high end, above \$800,000, the horizontal scale of this chart is compressed; otherwise, it would be three times wider and run way off the page to the right).

The property tax impact on most homeowners is lower than the average figure that is commonly reported. At the FY2015 tax rate of \$13.72, the tax bill on the average single family home was about \$5,140. The bill for the median value home was about \$4,050, and for the “typical” value home, about \$2,930.

Second homes, which tend to be more expensive, increase the average value. They only comprise about 15 percent of the residences in town, but their values tend to be much higher than those of the homes occupied by permanent residents. The average value of single-family parcels that are second homes is about \$596,000, which is more than 75 percent higher than the average value of those that are not. The more expensive the home, the more likely it is to be a second or seasonal home. Of the 100 single family homes in town that are assessed at more than \$850,000, half are second homes. Twenty-five second homes are valued over \$1 million. In the chart below, each dot represents a group of 100

single-family homes, increasing in value from left to right. The circles show the average value of the parcels within each group (right scale). The diamonds show the percentage in each group that are second homes (left scale).



Data on second-homeownership comes from the records of the Great Barrington town assessor. Some of properties listed in those records are condominiums and mixed use properties, which are not shown on this chart. Of the approximately 185 condominiums in town, about 40 are second homes.

Potential solutions

This report discusses several ways provided under state law to deal with the impact of property taxes on affordability. The three principal topics are:

- Split rate: The tax burden can be shifted among different classes of property, which results in a higher tax rate for commercial and industrial properties than for residences and open space.
- Residential exemption: By exempting from tax some of the assessed value of principal residences, this measure has the effect of making the property tax somewhat progressive. It reduces the taxes paid by those who own and live in less valuable homes, while increasing the amount collected from homes that are more expensive or that are not primary residences.
- Tax relief programs: State law authorizes several ways to relieve the burden of high property taxes, through exemptions or refundable credits. Most of these are aimed to help seniors.

Local governments can decide which, if any, of these programs to adopt and how to implement them, subject to parameters and limits set out in state law. The decision-making authority for this purpose is the Selectboard. Every year around Labor Day, after

the state Department of Revenue has signed off on the town's property evaluation data, the Selectboard holds a "classification hearing" at which it formally sets the tax structure and tax rate to collect the revenues needed to support the budget that was approved at town meeting. At that hearing, the Selectboard decides whether to use a split or flat rate, whether to authorize the residential exemption, and whether and how it will implement the other tax relief programs. The hearing this year is scheduled for August 24. To date, Great Barrington has not used either the split rate or the residential exemption, and it has used some, but not all, of the other tax relief programs.

Split rate

A split rate, charging different rates to different kinds of property, must be explicit. A town may not shift the tax burden by manipulating the assessed valuations while applying an ostensibly flat tax rate. The state monitors local assessment and taxation to ensure fair treatment. State law governs how much a town can shift the tax burden by reducing the percentage paid by residential property and correspondingly increasing the share paid by commercial and industrial property.¹

The rules for applying the split rate use two technical terms, the "residential factor" and the "CIP shift". The "CIP shift" is the proportion by which the amount raised from commercial, industrial and personal property exceeds the flat-rate levy. The CIP shift usually cannot be greater than 1.5.² The "residential factor" is the revised percentage of the flat-rate levy that is to be raised from residential properties. When the rate is not "split" at all this factor is 1. The residential factor must normally be at least 65 percent. The residential factor that a town can adopt depends on how much CIP property is there. In a town with little CIP property, increasing the CIP share of the levy even by the maximum amount would not change the residential factor very much.

To illustrate the computation, suppose residential properties in a town accounted for 80 percent of the total assessed value, and commercial and industrial properties for the remaining 20 percent. (These are roughly the proportions for Great Barrington). Then the maximum that can be collected from commercial and industrial properties is 1.5 times that proportion, or 30 percent of the total. With 30 percent of the total collected from commercial and industrial properties, the levy on residential properties drops to 70 percent of the total. That figure is 87.5 percent of what would have been collected by the single rate, so 87.5 percent is the "residential factor". If CIP property is only four percent of the tax base, then even the maximum CIP shift of 1.5 would cut the residential levy by just over two percent, to 97.9 percent of the flat-rate level. But if CIP property is 40 percent of the tax base, then the maximum CIP shift corresponds to a near-minimum residential factor of 66.6 percent and thus a tax cut of about one-third for residential property.³

One hundred ten towns and cities in Massachusetts used a split rate in FY2015. That number has increased 10 percent over the last decade. Six towns and cities in Berkshire County used a split rate in FY2015:

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Town	CIP % of total value	Residential factor	CIP shift	Residential tax rate	CIP tax rate
Adams	17.3	.97	1.15	21.37	25.38
Florida	51.8		1.46	9.03	26.36
Lenox	19.1	.96	1.18	12.33	15.18
New Ashford	18.9	.93	1.30	7.90	11.19
North Adams	23.0	.79	1.71	16.69	36.03
Pittsfield	21.6	.815	1.67	18.06	36.63

Source: DOR website

The following table shows the effect in Great Barrington of adopting a split rate in FY2015 at different degrees of CIP shift. Residential property and open space are 78.7 percent of assessed value here, and commercial, industrial and personal property are 21.3 percent. The median value of commercial and industrial parcels was \$366,000, and the average value was \$682,551. At the maximum CIP shift of 1.50, tax bills on residences would fall by 13.5 percent, but tax bills on CIP property would increase by 50.6 percent. At half of that level, or a CIP shift of 1.25, the tax rate on residences would fall by eight percent (from \$13.72 to \$12.79), and the average single family tax bill would drop from \$5,138 to \$4,790. At this rate, the “typical” single family home tax bill would drop from \$2,950 to \$2,750. The rate on CIP property would rise by 25 percent (from \$13.72 to \$17.15), and the average CIP tax bill would increase from \$9,365 to \$11,706.

CIP shift	Residential tax rate	CIP tax rate	Single family tax bill			CIP tax bill	
			Average	Median	“Typical”	Average	Median
1.00	13.72	13.72	\$5,138	\$4,047	\$2,950	\$9,365	\$5,022
1.05	13.53	14.41	\$5,067	\$3,991	\$2,909	\$9,836	\$5,274
1.10	13.35	15.39	\$5,000	\$3,938	\$2,870	\$10,504	\$5,633
1.15	13.18	15.78	\$4,936	\$3,888	\$2,834	\$10,771	\$5,775
1.20	12.98	16.46	\$4,861	\$3,829	\$2,791	\$11,235	\$6,024
1.25	12.79	17.15	\$4,790	\$3,773	\$2,750	\$11,706	\$6,277
1.30	12.61	17.84	\$4,723	\$3,720	\$2,711	\$12,177	\$6,529
1.35	12.42	18.52	\$4,652	\$3,664	\$2,670	\$12,641	\$6,778
1.40	12.24	19.21	\$4,584	\$3,611	\$2,632	\$13,112	\$7,031
1.45	12.05	19.89	\$4,513	\$3,555	\$2,591	\$13,576	\$7,280
1.50	11.86	20.58	\$4,442	\$3,499	\$2,550	\$14,047	\$7,532

Source: Assessor’s data for 2015

Implementation of the split rate would be straightforward. The town’s property records already classify properties into these categories. Programming the billing software to assign the correct tax rates would be a simple step.

Trying to shift too much of the burden onto CIP property could backfire, though. Charging a higher rate makes the town appear unfriendly to business. Setting it too high could drive out jobs and even reduce tax revenue, if it became too expensive for businesses to stay in Great Barrington. A modest increase would not put Great Barrington out of line with its neighbors. Lenox is the nearest large town with a commercial center and a split rate. In FY2015, Lenox’s CIP shift of 1.18 led to tax rate for commercial and industrial properties of \$15.18, nearly 11 percent higher than our rate of \$13.72, and an

average bill of \$15,600. The proportion of CIP property in Lenox (19.4 percent) is about the same as in Great Barrington (21.3 percent). In Lee, which does not use the split rate, the rate was \$14.08, slightly higher than ours, and the average bill was \$11,226. The proportion of CIP property in Lee is also higher, at 30.3 percent.

Residential exemption

The residential exemption option was created in 1979 as part of a general legislative reform of property taxation and assessment practices.⁴ In jurisdictions that have adopted it, the taxable value of an owner-occupied principal residence is determined by subtracting the fixed “residential exemption” from its assessed value. The amount of the exemption is the same for all, so the proportionate effect of the exemption is much greater for a less expensive home. The exemption reduces the taxable value of the town’s residential properties. To raise the same revenue from that class of property, the residential tax rate must be increased. The combined effects of reducing the taxable value and increasing the tax rate produce a “break-even” value where the tax bill is the same with or without the exemption. For homes above that value, using the residential exemption increases the tax bill. For homes below that value, the savings could be substantial.⁵

Second and seasonal homes do not get the exemption. The exemption could thus be seen as a way of raising more revenue from that aspect of the local “tourism” business. Rental houses and apartments also do not get the exemption. Condominiums and co-ops that are the principal residences of their taxpaying owners may get the exemption.

This local option has been adopted in fourteen towns and cities in the state. About one million people, or 15 percent of the state’s population, live in places where the residential exemption is used. Most of these are in the core of the Boston metro area inside Route 95: Boston, Brookline, Cambridge, Chelsea, Everett, Malden, Somerville, Waltham and Watertown. Due to special legislation, in Boston, Cambridge and Somerville the exemption is 30 percent of the average Class I value, rather than the 20 percent maximum that applies in the rest of the commonwealth. The residential exemption is also used on the Cape and the islands, in Barnstable, Nantucket and Tisbury, where it shifts property taxes toward expensive second and seasonal homes. Two towns, Marlborough and Somerset, that are neither in the core Boston area nor on the Cape also use it. Most jurisdictions that use the residential exemption adopted it shortly after the reform legislation 35 years ago. Towns that have considered it since then, or that are considering it now, include Concord, Hingham, Mashpee, Newton, Sudbury, and Weymouth.

In Great Barrington, the maximum exemption would be \$63,492 (based on data from FY2015). That is 20 percent of the average assessed value of residential property, which for this purpose is \$317,459. That average is based on residential property of all types, including condominiums, apartments, duplexes and triplexes, vacant residential land, multiple-home parcels and mixed use properties as well as single-family homes. There are 2,113 single-family residences in Great Barrington, with an average value of \$374,519 and median value of \$294,400, and 187 condominiums, with an average value of \$265,131 and median value of \$213,150. In addition, there are about 80 mixed-use parcels that are chiefly residences.⁶ Second homes account for 293, or 13.9 percent, of the

single-family homes. Most of the other 89 second homes in town are condominiums (42) or residences on multiple-home parcels (15) or mixed use properties (10).

The effect of the exemption depends on the proportion of property owners who are residents and claim the exemption. Predicting the effect thus requires knowing how many residences are rentals and second homes, which could not claim the exemption. The town maintains data about second home ownership, but not about which properties are rented. From the total of 3,399 parcels in town that are classified as residential, subtracting the parcels that are known to be second homes (and the vacant residential parcels) leaves 2,330 residential parcels that could be eligible to claim the exemption, unless they were occupied by renters.

Some idea about the number of rentals can be derived from Census data. According to the 2010 Census, 37.5 percent of 2,879 occupied housing "units" in Great Barrington were rented. Many of those would be apartments, but some would be houses, condominiums or parts of duplexes or triplexes. The Census found that 1,800 "units" were owner-occupied. Some of those would be units in duplexes and triplexes, for which the owner could claim the exemption. Second homes are treated as "vacant" under the Census definitions and thus would not be included in those figures. Although the Census definitions are not the same as the town's assessment classifications, nonetheless the 2010 Census figure of 1,800 owner-occupied units is roughly consistent with a current estimate based on the town's assessment data. Most of the 1,079 rented units would be in apartment buildings, accounting for about 300 units, and in duplexes and triplexes, accounting for another 464 units. Some would be single-family homes, condominiums, and homes on multi-home properties. If 20 percent of the 2,330 "eligible parcels" are occupied by renters, that would leave about 1,850 properties occupied by permanent residents.

Revenue policy options for Great Barrington
August 14, 2015

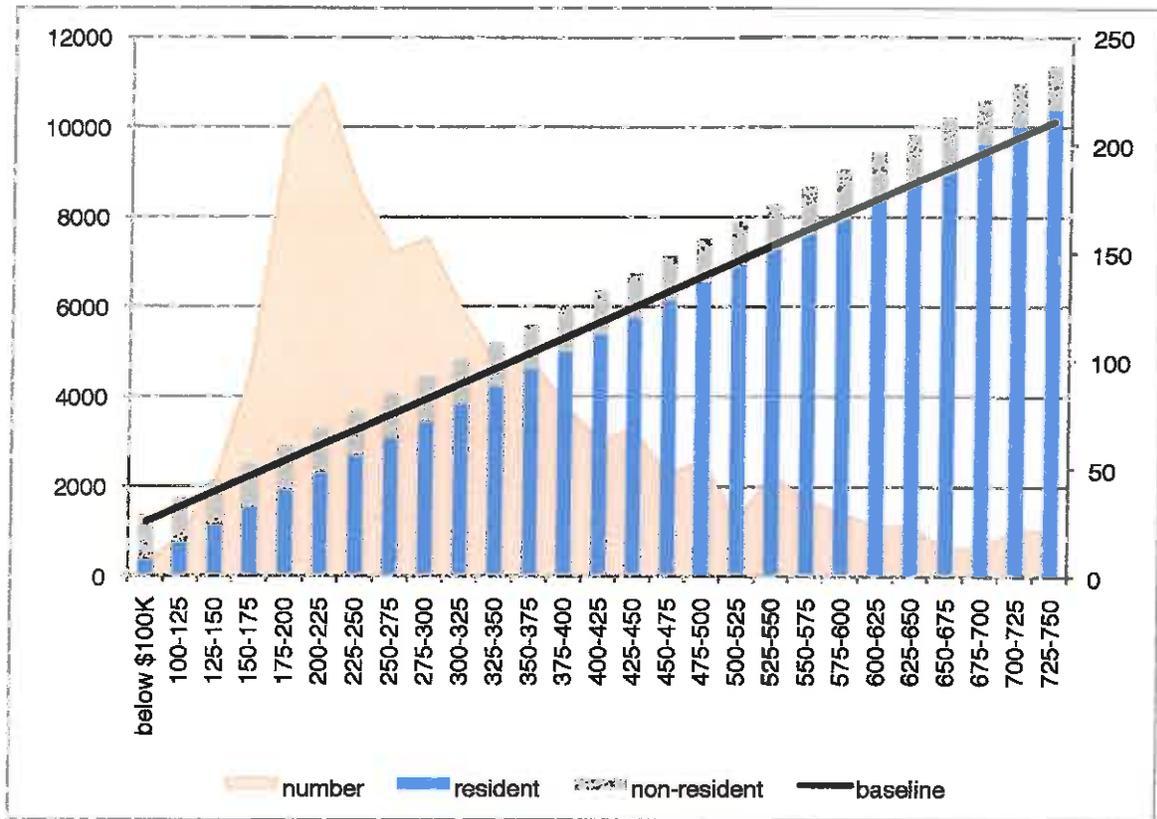
The following table shows how varying the assumptions about the rate of owner-occupancy would change the post-exemption tax rate and the break-even point. Reducing the proportion of owner-occupancy lowers the post-exemption rate and raises the break-even point. The table is based on the maximum 20 percent exemption. The first column shows the effect of the FY2015 tax rate without a residential exemption. The second shows the effect of the exemption if all eligible parcels claim it; that is, it excludes second homes but makes no provision about rentals. The last column shows the effect of the estimate derived above, based on the Census findings about rentals and owner-occupancy, that about 1850 owner-occupied parcels would claim the exemption. Varying the assumptions changes the post-exemption tax rate by about three percent, from \$15.90 to \$15.40, while increasing the break-even point by 38 percent, from \$463,000 to \$583,400.¹

FY2015	Baseline	All eligible parcels			"Owner-occupied"	
Total exemptions	0	2330			1850	
Residential rate	13.72	15.90			15.40	
Break-even value		\$462,996			\$583,124	
Value of owner-occupied home	Tax	Tax	%	Tax	%	
\$100,000	\$1,372	\$580	-58%	\$562	-59%	
\$150,000	\$2,058	\$1,376	-33%	\$1,332	-35%	
\$200,000	\$2,744	\$2,171	-21%	\$2,102	-23%	
\$250,000	\$3,430	\$2,966	-14%	\$2,872	-16%	
\$300,000	\$4,116	\$3,761	-9%	\$3,641	-12%	
\$350,000	\$4,802	\$4,556	-5%	\$4,411	-8%	
\$400,000	\$5,488	\$5,351	-3%	\$5,181	-6%	
\$450,000	\$6,174	\$6,146	0%	\$5,951	-4%	
\$500,000	\$6,860	\$6,941	1%	\$6,721	-2%	
\$600,000	\$8,232	\$8,531	4%	\$8,260	0%	
\$700,000	\$9,604	\$10,121	5%	\$9,800	2%	
\$800,000	\$10,976	\$11,711	7%	\$11,340	3%	
\$1,000,000	\$13,720	\$14,891	9%	\$14,419	5%	
\$1,200,000	\$16,464	\$18,071	10%	\$17,498	6%	
\$1,500,000	\$20,580	\$22,841	11%	\$22,117	7%	
\$2,000,000	\$27,440	\$30,791	12%	\$29,815	9%	

¹ The progressive effect of the residential exemption is demonstrated by assuming there were no second-homes or renters, so literally all residential parcels would claim the exemption. In that case the tax rate would be 16.33 and the break-even value would be about \$400,000. (One town that apparently uses it with that effect is Somerset, where most housing units are single family homes, there are virtually no second homes, and the owner-occupancy rate is 82 percent.) The "resort" effect is demonstrated by assuming there were few permanent residents. If 60 percent of the residential parcels were second homes or renters, the tax rate would be 14.66 and the break-even value would be about \$1 million; adding a split rate at a CIP shift of 1.2 would raise the break-even value to over \$6 million, and no residences, not even second homes, would have a tax increase.

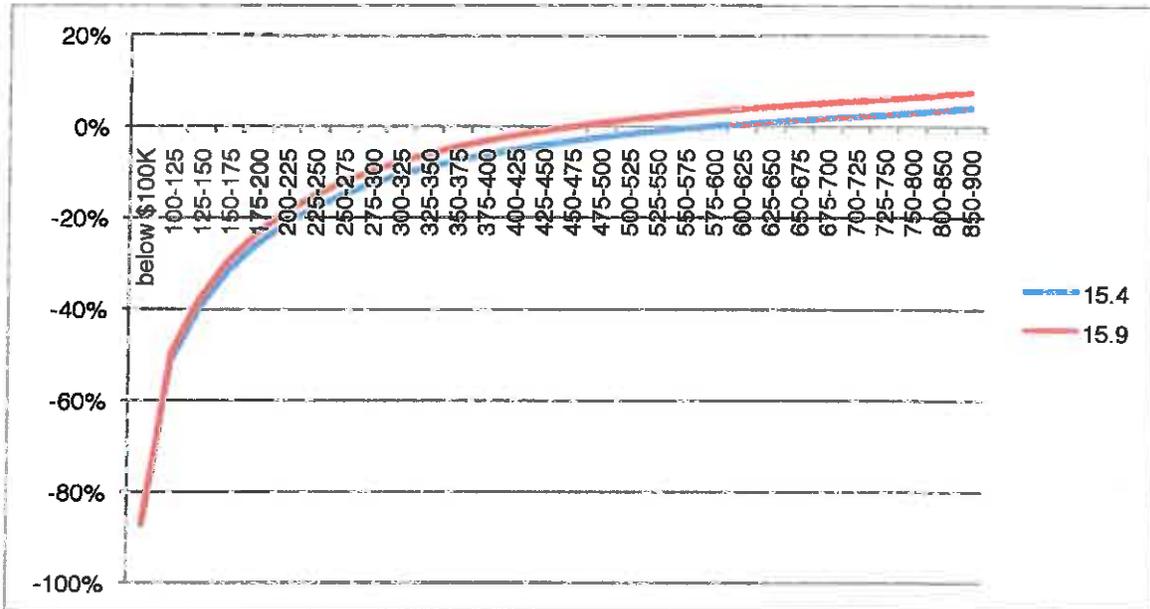
The following charts illustrate the potential impact of the residential exemption in Great Barrington, based on FY2015 data. The first shows the tax bills at different valuations for residents and non-residents, assuming a 20 percent exemption and the conservative “all eligible parcels” estimate. The shaded area behind the bars shows how many single family homes there are in each range of value (measured along the right axis). The darker part of each bar represents the tax bill for a resident who claims the exemption. The black line measures where the tax bill would be, for all, without adopting the residential exemption. The lower bars meet that line at the break-even point. The gray part at the top of each bar represents the value of the exemption, which in this estimate is \$978. At the low range of value, the exemption is much larger in relation to the tax bill. The bars and the line increase uniformly, because the nominal tax rate would be the same for all; the difference in the effective rate at different value levels results from subtracting the fixed exemption from the taxable amount.

Effect of Residential Exemption on Tax Bills (Dollars)



The chart below shows how important the difference would be for homes of different values. The lines show the percentage change in the household tax bill for properties in different value ranges. The red upper line shows what would happen at the 15.90 rate, which would have applied if all eligible parcels claimed the exemption. (That is, it shows the gap between the dark bar and the line on the chart above, as a percentage of the dark bar.) The blue lower line shows the effect of the 15.40 rate, which would have applied if the number of exemptions corresponded to the Census findings about the number of owner-occupied homes.

Effect of Residential Exemption on Tax Bills (Percent)



The sharp drop at the left side of the chart shows the dramatic reduction for taxpayers with less expensive homes. On the conservative assumption that produces a tax rate of \$15.90, the tax bill for the median home would drop by about nine percent, and for the “typical” home, by 19 percent. Assuming the level of owner-occupancy similar to the Census data, leading to a tax rate of \$15.40, the tax bill for the median home would drop by about 12 percent, and for the “typical” home it would drop by 21 percent.

Around the break-even point is a mid-range where changes would be small.⁷ For a post-exemption rate of about \$15.65, that point would be about \$515,000. Around that value is a range, from about \$400,000 to about \$675,000, within which the tax bill for residents would change three percent or less, up or down. In that range there are about 425 single family homes, plus about 30 condominiums and 50 mixed use and multiple residences, for which the tax bill would change three percent or less, up or down. At the high end, over \$850,000, the bill would increase by five percent or more, and about ten percent for the handful valued over \$2 million.

An exemption at a rate lower than 20 percent leads to a smaller benefit, but also to a smaller increase for those above the break-even point. For example, with a 10 percent exemption in FY2015, the tax bill for the typical residence would have dropped by nine

or ten percent, while for a residence valued at \$2 million it would have increased by about five percent.

Most residences in Great Barrington would benefit from implementing the exemption, because the median values are well below the break-even points under any of these scenarios. Under the “all eligible parcels” estimate, for over 70 percent of all residential parcels in town, and over 80 percent of the “eligible” parcels, the tax bill would be lower or unchanged. For over 40 percent of the eligible parcels, adopting a 20 percent residential exemption would cut the tax bill by 16 percent or more. Even more would benefit under the “owner-occupied” estimate.

Benefits would be substantial in Housatonic village and Risingdale. Each of Great Barrington’s four precincts contains a mix of high-end and modest houses. But in Housatonic village and Risingdale, virtually all of the homes are valued below the break-even points of these estimates. The average (\$230,000) and median (\$213,000) values in these neighborhoods are approximately the “typical” value for the town as a whole, for which tax bills would drop by about 20 percent. The bill for the median home in these neighborhoods, which in FY15 would have been about \$2,300, would be lower than the tax bills for the (similarly-valued) average households in Becket, Otis, Sandisfield or Pittsfield.²

Combination of split rate and residential exemption

All of the towns that use the residential exemption also use a split rate. The split rate by itself makes the rate paid by residences lower than the rate paid by businesses, while the residential exemption by itself makes the residential rate higher than the business rate. It is possible to set the split rate and the residential exemption independently, treating them as separate issues. But it is also possible to apply them together in a way that produces a virtually uniform nominal rate for both classes of property. Such a uniform rate could help overcome the concern that the split rate is disproportionately burdensome for businesses, while still providing a substantial benefit to residential taxpayers. On the other hand, keeping the CIP rate lower than the residential rate would provide some relief to second homeowners, by reducing the tax on their personal property.

If Great Barrington adopted a split rate with a CIP shift of about 1.1 along with the maximum residential exemption of 20 percent, the result would be virtually identical residential and CIP rates of \$15.38. Business properties would pay about ten percent more than under a flat rate. For residences, the break-even point would be about

² Most homes there appear to be owner-occupied and thus would be eligible for the exemption. For about 90 percent of the residential parcels in Housatonic village and Risingdale (296 out of 332), the owner named on the town’s property records is also on the town’s voting rolls at that address. There are 248 single family parcels in these neighborhoods for which the same name appears on the property records and the voter registration records. Their average assessed value is \$236,671, and the median is \$216,700. Only two of these are assessed above \$500,000. There are 33 such multi-family parcels, for which the average assessed value is \$267,173, the median is \$260,000, and the maximum is \$421,400. There are six such condominium units, for which the average assessed value is \$156,267 and the median is \$146,700. There are nine such multi-use or multi-dwelling parcels, for which the average value is \$368,256, and the median is \$386,600.

\$585,000. Using the Census-based estimate of owner-occupancy would produce lower, equal rates of 15.01 and a break-even value of \$744,000. If the residential exemption were set at 10 percent, equal rates of about 14.50 would be achieved through a CIP shift of 1.06, for which the break-even value would be about \$590,000 (or, using the Census-based owner-occupancy estimate, a rate of 14.33 and CIP shift 1.05, with a break-even value of \$742,000).

Implementation and other issues

Changing tax rules requires preparation and would encounter transition complications. This would be particularly true for the residential exemption. Taxpayers would need to show that they own the property and that it is their principal residence. For this purpose, some towns and cities require the application for the exemption to include a copy of the first page of the Massachusetts income tax return, showing the filing address.

Technical issues will come up in some cases. The Department of Revenue has issued guidance about questions involving trust ownership, which are relevant to claims for several kinds of property tax exemptions.⁸ Whether a property that is in a trust qualifies for exemption can depend upon details of the underlying legal documents. The taxpayer must retain sufficient beneficial interest and a record legal interest, in order to get a personal exemption or the residential exemption. For a personal exemption, the owner must have status both as beneficiary and as trustee. For an income-based qualification, all trustees have to meet the income test. The trust need not name the owner-beneficiary, as long as the beneficial effect is clear. A tenant holding under a life estate, having conveyed title to a trustee with other beneficiaries, is entitled to the residential exemption.

Most situations would be straightforward. Nonetheless, processing two thousand applications would inevitably require staff time and attention, particularly at first. Some towns report that when the residential exemption was first adopted, the telephone and foot traffic in the office more than doubled. The assessor's office would need additional resources to process inquiries and applications. Additional time and administrative expense could amount to about \$30,000 for the first year.³ But after the inventory of qualified properties has been set, annual upkeep would be simpler.

More abatement applications could be expected. Although most taxpayers would benefit from the residential exemption, for some taxes would increase, and they might be more inclined to challenge their valuations or the assessor's determination about whether they qualify for the exemption. Adopting the split rate would probably spur businesses to seek relief, too. There would thus be more work for the Board of Assessors. The budget allowance for abatements and exemptions should be increased, and there should be a provision for legal and consulting advice, to deal with these controversies.⁴

³ The town assessor has estimated that these costs would be \$24,400 in salary for a part-time employee and additional hours for the clerk, plus \$4,000 for postage, materials, document storage and similar administrative items.

⁴ The town assessor has estimated that the allowance should be increased by 20 percent, or \$31,400, and that legal and consulting help could cost another \$15,000.

Towns that have adopted the residential exemption advise maintaining some budget flexibility. In preparing the town budget and setting the tax rate, the effect of the residential exemption will necessarily be an estimate. Applications for exemption can be filed up to 90 days after tax bills are sent. If the actual number of exemptions turns out to differ very much from the estimate used to set the tax rate, the town's budget balance would change.

Because of the additional work and the complications involved in getting started, the towns that have already done this advise allowing a year of lead time for implementation. This practical advice could be difficult to follow. The Selectboard decides about the tax rates one year at a time, and it could not formally set the rate and classification to take effect in the following budget year. But it could announce an intention to change the policy. The annual classification hearing happens shortly before the start of the next year's budget process. If the Selectboard decides at the outset to base the next year's budget on changes in the tax structure, that would allow for nearly a year of lead time before tax bills would incorporate the changes. An election would have intervened by then, so the members who announced the intention to change the policy might not be the same ones who have to make the actual decision to do it.

Changing rules and rates could affect residential and commercial real estate markets. The split rate, by raising business taxes, would tend to encourage businesses to locate elsewhere. Great Barrington is the local commercial center and an attractive market, so it is unlikely that a small increase would drive many away. But a large increase would. Thus if the split rate is adopted, it should be at a modest level that keeps Great Barrington competitive. Setting a split rate to accompany the residential exemption and make the rates equal, which Great Barrington could do with a CIP shift of about 1.1, would keep the CIP rate similar to rates in neighboring towns.

The residential exemption would spread some ripples through the housing market. Lower taxes and thus lower monthly payments could inspire sellers to try to raise their asking prices. In the Boston area, where the residential exemption has been standard for thirty years, real estate advertisements often detail the effect of the exemption. It is hard to predict whether this tendency would increase housing prices significantly for homes below the break-even point. Perhaps the best way to test the real-world effect would be to examine patterns and trends of housing prices elsewhere in the state, in towns with and without the residential exemption but whose housing markets are in other respects similar.

At the high end of the market, the higher tax rate will make the town a less attractive place for second-home mansions and estates. Taxes on a \$1 million second-home are now \$13,720, and implementing a 20 percent residential exemption could increase that by from \$1,676 to \$2,180. (Second homeowners also pay tax on personal property, which adds a few percent.) It is hard to predict how much this tendency would discourage buyers. In the demand for expensive properties, relatively small variations in effective price are probably less important factors than they would be at the lower end of the market. Someone who is looking for a weekend place in the country is already looking in Alford or New Marlborough if taxes are a principal worry. Those who want to be closer to the "urban" center of south county will be looking in Great Barrington.

Because rental properties cannot take the exemption, landlords might try to pass through their higher tax payments to apartment dwellers, so rents might increase. Applying a rule of thumb that property taxes account for 25 percent of rent,⁹ an increase in the nominal tax rate of from 12 to 16 percent could increase rents by three to four percent. Not all rental units would be affected. More than half of rental apartments are parts of duplexes or triplexes, and some rentals are homes on multi-home parcels. For most of those, the owner is also an occupant and could claim the exemption. According to Census surveys, about a third of the people who are residents of Great Barrington live in rental units, so the overall effect on rents must be considered carefully.

Change is unsettling. Although most taxpayers would benefit from the residential exemption, if the town decided later to stop using it those beneficiaries would then face an unpleasant tax increase. Perhaps because that after-shock would be unacceptable, only one town has adopted the residential exemption and then dropped it later: Weymouth, which used the exemption from 1982 to 1986. (Tisbury recently reduced the amount of the exemption, while keeping the program in place.)

The residential exemption tends to make the property tax progressive. If owners of less expensive homes also have lower incomes, and owners of more expensive homes have higher incomes, then it succeeds. Owners of less expensive homes with comfortable incomes will also benefit, although they would not need the tax break. But for taxpayers living in expensive homes on low incomes, the residential exemption creates a problem. For some, the mismatch is a signal that they should move. For seniors on reduced, fixed incomes trying to stay in their homes, though, that looks unfair. Implementation of the residential exemption depends on making sure that this problem is addressed. To measure the extent of this problem accurately in Great Barrington could require a formal survey or census, which would be time-consuming and expensive. Information about the use of tax relief programs already in place gives some indication of how many seniors here could be in that situation.

Tax relief programs

Several programs under state law provide property tax relief for people with limited incomes, mostly for seniors to help them remain in their homes.

- Income tax “circuit breaker” relief:

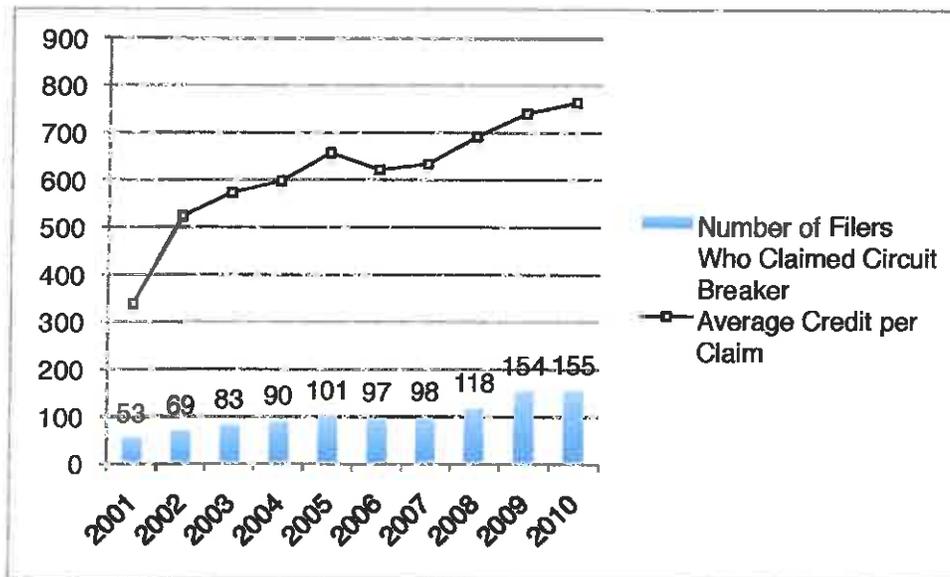
Seniors facing high property taxes may be able to take a refundable credit against their state income tax liability.¹⁰ People over 65 for whom the property tax on their principal residence exceeds 10 percent of income can get a credit for the excess over 10 percent.¹¹ Moreover, if this amount exceeds the income tax that is due, it can be received as a refund. Thus, a senior who owes no state income tax could still benefit from this help with property taxes. (Renters can also use the senior circuit breaker credit. The law assumes that 25 percent of rent goes toward property tax, so if 25 percent of rent exceeds 10 percent of income, the excess is the credit.) The maximum credit (or refund) is now \$1,050. Eligibility criteria are based on income and the value of the home. The annual income limits are \$56,000 for an individual, \$70,000 for a head of household, and

\$84,000 for a couple filing jointly.¹² The valuation limit for the principal residence is \$691,000. These limits and the maximum credit are adjusted annually for inflation.

Thus a senior couple in Great Barrington whose income was at the maximum level, \$84,000, living in a home valued at \$688,775, with a tax bill of \$9,450, would get the maximum credit (or refund) of \$1,050. At the other end of the economic scale, a senior on a fixed income of \$19,000 living in a “typical” Great Barrington home, valued at \$215,000 with a tax bill of \$2,950, would also get the maximum credit, which would most likely be paid as a refund, of \$1,050.

The home-value limit to qualify for the credit is much higher than the average home value in Great Barrington. Only about eight percent of the single family homes (plus three condominiums and 17 mixed-use residential properties) exceed the cutoff value. The income limits are also well above average incomes here. If seniors’ incomes and property values are similar to, or below, the community averages, then most should be able to take advantage of this relief if they need it.

Seniors in Great Barrington are already doing so. For 2010, which is the latest year for which a town-by-town report is available from the Department of Revenue, 155 tax returns from Great Barrington claimed the circuit breaker, receiving an average tax cut or refund of \$764. According to the Census that year, there were 1,297 people here over the age of 65, so about 15-20 percent of them were in a position to use this credit.



For some seniors with homes above the break-even value, the circuit breaker could dampen or eliminate the effect of adopting the residential exemption. This could happen where the change causes the tax bill for a property that is valued above the break-even point to cross the 10 percent threshold, or where the taxpayer was not already getting the maximum circuit breaker relief. For example, a couple with total income of \$84,000 and a home valued at \$600,000 now has a tax bill of \$8,232, which is below their circuit-breaker threshold of \$8,400. Implementing the residential exemption at a rate of 15.90 would increase the tax bill to \$9,540, which is \$1,140 over the threshold. The circuit breaker credit would thus pay all of the increase. For those whose homes are below the

Residential Value Parcel Count	Total Residential Value	Discounted Residential Value	Percent Exempt	Tax Rate
3,399	1,079,042,100	931,222,992	20%	13.72
Average Class 1 Value	Exempt Amount	Class 1 Tax Levy	Residential Exemption Tax Levy	Residential Exemption Tax Rate
\$317,459	63,492	14,804,458	14,804,458	15.90

Tax Rate without Residential Exemption	Tax Rate with Residential Exemption	Great Barrington data from Fiscal Year	Class 1 Value Exemption	Change in tax bill*	2330 Parcels Eligible	Tax Shift %	Parcel Count
13.72	15.90	2015	\$63,492				
Value of owner-occupied home	Tax bill w/o exemption	Tax bill with exemption					
\$77,246	\$1,060	\$219		-\$841		-79.4%	7
\$154,492	\$2,120	\$1,447		-\$673		-31.7%	138
\$231,738	\$3,179	\$2,675		-\$505	1934 PARCELS Benefit	-15.9%	645
\$308,984	\$4,239	\$3,903		-\$336	\$836,699	-7.9%	572
\$386,230	\$5,299	\$5,131		-\$168		-3.2%	351
\$463,476	\$6,359	\$6,359		\$0		0.0%	212
\$540,721	\$7,419	\$7,587		\$168		2.3%	133
\$617,967	\$8,479	\$8,815		\$336		4.0%	83
\$695,213	\$9,538	\$10,043		\$505	396 PARCELS Contribute	5.3%	48
\$772,459	\$10,598	\$11,271		\$673	(\$227,716)	6.3%	36
\$849,705	\$11,658	\$12,499		\$841		7.2%	28
\$926,951	\$12,718	\$13,727		\$1,009		7.9%	77

Great Barrington: Population (2010 Census): 7,104

"Most jurisdictions that use the residential exemption adopted it shortly after the reform legislation 35 years ago. Towns that have considered it since then, or that are considering it now, include Concord, Hingham, Mashpee, Newton, Sudbury, and Weymouth" (Michael Wise, The Berkshire Edge, Tuesday, March 31, 2015. Link: <https://theberkshireedge.com/great-barrington-tax-reforms-residential-exemption-split-rate-could-benefit-most-homeowners/>).

Concord: Population (2010 Census): 17,668

Comment: *"Concord does not have the residential exemption and does not intend, at least in the near future, to accept it. When the majority of the homes are owner occupied, the exemption is only a tax shift from the lower valued properties to the higher valued properties. This on the surface seems like a reasonable move. However, all rental property will get the increase and pass it on to the tenants, who are, generally, the inhabitants of the town with the least ability to pay more. The residential exemption is discussed at every classification hearing, but no serious consideration is given to it"* (Lane Partridge, Assessor, Town of Concord, 8-7-15).

Hingham: Population (2010 Census): 22,157

Comment: *"A few years back there was discussion about looking at the residential exemption among other options, but after further study, the Board of Selectmen voted against making any changes at this time"* (Richard Nowlan, Assessor, Town of Hingham, 8-10-15).

Mashpee: Population (2010 Census): 14,006

Comment: *"Mashpee has indefinitely tabled the idea of a residential exemption. According to our research, this exemption is not an ideal situation for most communities. You need an overwhelming majority (upwards of 80%) of non-residents footing the bill. When you run the numbers, in most of the 13 or 14 communities with a residential exemption, even residents aren't seeing the benefits that were originally thought and they have a devil of a time undoing a residential exemption once implemented. It just shifts the tax burden to a very vocal group that uses the fewest town services but there is rarely enough of them to absorb the shift. It also negatively affects renters, who are often the most strained in their budget, particularly hard. Remembering that a town will always get the full levy at the end of the day, it was decided that there were other exemptions, budget methods, etc. that could more directly help those individuals that needed it.*

We held a public forum during the summer to get resident feedback prior to implementation. There were well over two hundred people in attendance. More than at some town meetings. Several people spoke including town officials, summer and year-round taxpayers, selectmen, etc. Some were for it, some against it. I gave the clinical overview of the process and ran the numbers for the audience. After strong debate, a straw vote showed that only two taxpayers were in favor and the remainder of the audience were not in favor. The issue will likely come up again in a few years. It seems to run on a six to eight year cycle depending on politics and the economy" (Jason R. Streebel, Director of Assessing, Mashpee, 8-5-15).

Newton: Population (2010 Census): 85,146

Comment: *"Newton did not vote to adopt the residential exemption. Since Newton is primarily an owner-occupied residential community, and since there are not many apartment buildings or second homes, the Board of Aldermen decided that shifting within the residential class, which is what the residential exemption does, was not in the best interests of the City. One tends to see adoption of the residential exemption in communities that have many vacation homes, where the owners' domicile is somewhere else or in communities with a high percentage of rental properties that are not owner occupied"* (Elizabeth Dromey, Director of Assessment Administration, Newton, 8-18-15).

Sudbury: Population (2010 Census): 17,659

Comment: *"...the residential exemption benefits those taxpayers in communities with a large non-domiciliary residential population. Over 95% of Sudbury's residential population is comprised of domiciled property owners. Each year at the Classification Hearing the Selectmen must vote on whether or not (to) utilize the exemption, however Sudbury's non-resident population does not vary much from year to year. It seems unlikely that instituting a chapter 59 Section 5C Residential Exemption would deliver a notable benefit to Sudbury's taxpayers. At this time Sudbury does not offer the M.G.L. Chapter 59 Section 5C Residential Exemption"* (Cynthia Gerry, Director of Assessing, Sudbury, 8-17-15).

Weymouth: Population (2010 Census): 53,743

Comment: *"...Weymouth does not have the residential exemption at this time. I have been in this office since 1995 and we have not had it nor has our Board considered recommending it...from my understanding, we always felt it was more for cities or towns that have many rental properties and was given as an advantage to those who lived in the homes they owned"* (Brenda O'Toole, Assistant Assessor, Weymouth, 8-10-15).

Loubert Note: According to the Concord report on The Residential Exemption, Weymouth did have the residential exemption beginning in 1982. However, *"Weymouth came out of the residential exemption in 1986 in response to complaints of the many taxpayers who were receiving higher bills"* (The Residential Exemption prepared by Jay E. Clouser for Concord, dated November 25, 1998).

Lexington: Population (2010 Census): 31,394

Comment: *"Lexington does not have a substantial volume of residential rental units. As a result, at the annual classification meetings, our Board of Assessors has consistently recommended to our Board of Selectmen to vote against the Residential Exemption option to avoid the up-taxing of the properties that are not owner-occupied, apartment buildings, and vacant land." The Director of Assessing cautions Great Barrington, "be careful because requiring out-of-town owners to pay disproportionate taxes **now** may lead to the unintended consequence of discouraging **future** taxable development in Great Barrington"* (Rob Lent, Director Assessing, Lexington, 8-12-15).

Real Estate Impact of Great Barrington Taxes

- **Comparison with Three Nearby Towns**
- **Residential Exemption: Boomerang Effect**

**Finance Committee Public Hearing
August 20, 2015**

Expanding the Tax Base Lowers Tax Rates

The Great Barrington Assessor's Presentation (8/20/15):

- **New Growth** serves to **expand the tax base** and the levy limit.
- **New Growth - Value created through:**
 - New construction
 - Additions to existing structures
 - Substantial remodels
 - Lot splits
 - Subdivisions
 - New personal property assets or accounts
 - General revaluation

*Dr. George McCarthy, President, Lincoln Institute of Land Policy,
"Municipal Fiscal Health and Quality of Life for Local Residents"
(at the American Institute for Economic Research 8/10/15):*

**"...higher property taxes drive people away from municipalities and
...when there are nearby towns or suburbs with much lower taxes,
people with money move out in droves."**

Relationship between Real Estate Vibrancy and Taxation

- Great Barrington has a larger base of homes and a capacity to grow and be competitive with nearby towns
- The R-E and higher tax rates in GB will dampen our growth
- The tax rate discrepancies among towns appears to come from school assessments and can't be solved by the R-E.

New Growth Falling Behind Rising Tax Levy; "Second Homes" buffer the decline.

Residential Values vs. Taxes 2000-2015

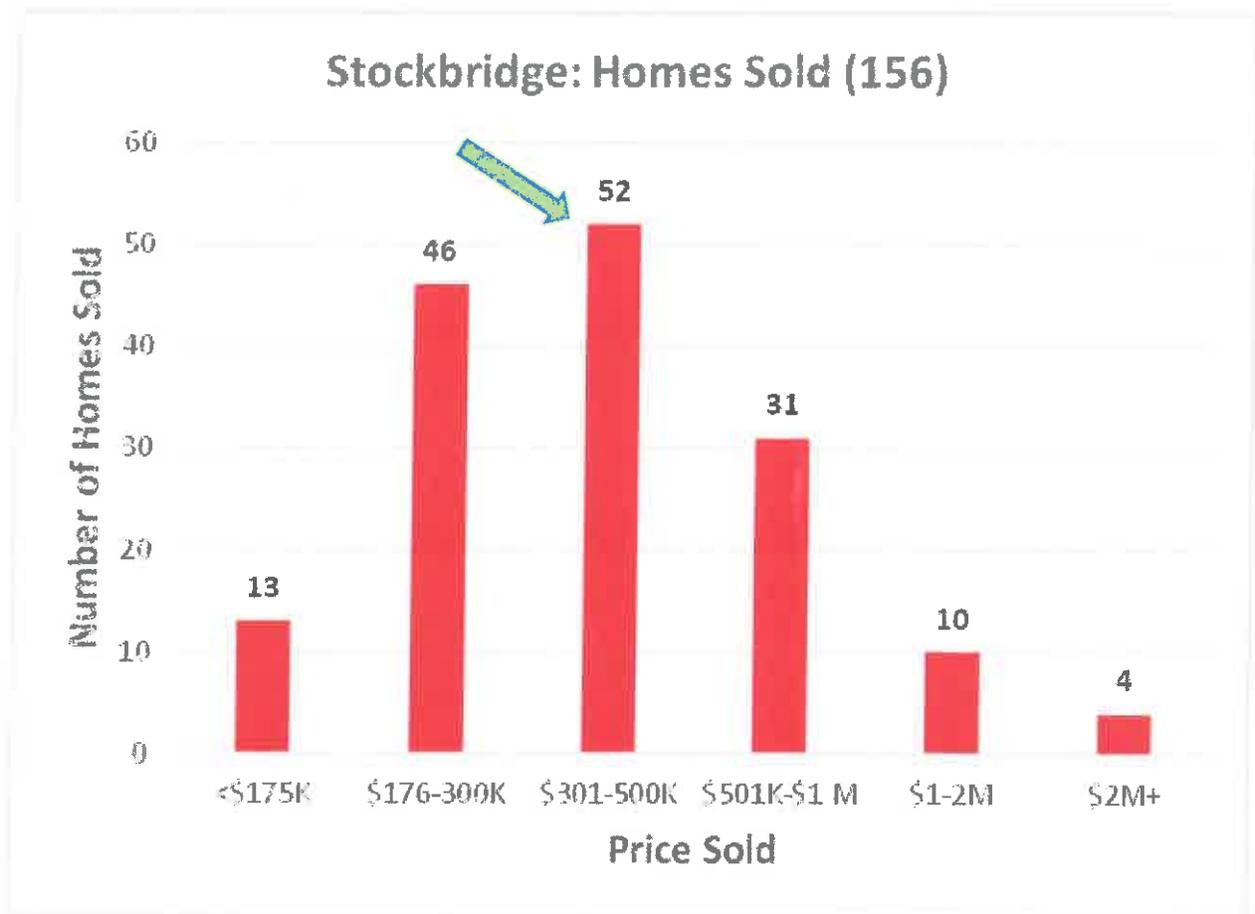


In a study of home sales in the past five years*, Great Barrington had 314 sales, most under \$300K



**through July YTD 2015*

STOCKBRIDGE COMPARISON



COMPARISON: Stockbridge is building a strong tax base in higher priced homes



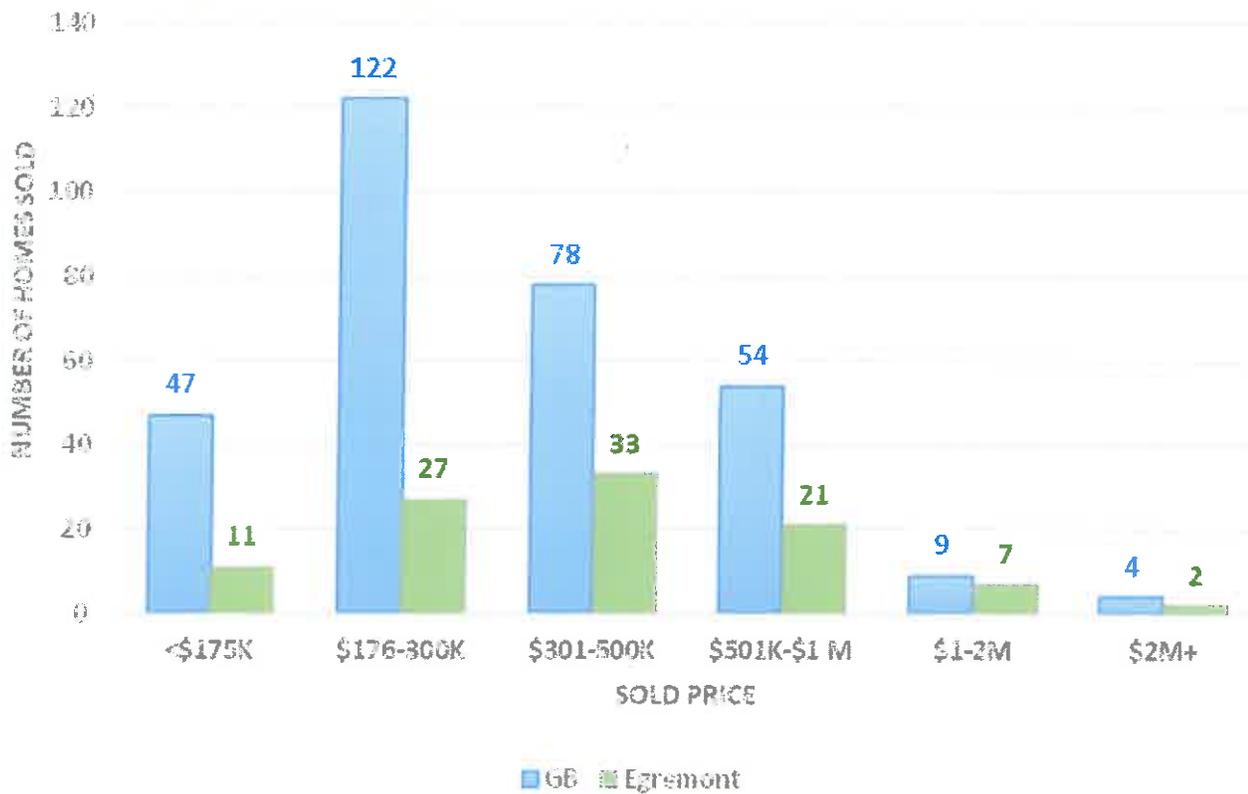
EGREMONT:
Egremont, similar to Stockbridge

Egremont: 101 Homes Sold



COMPARISON: Great Barrington has more diversity

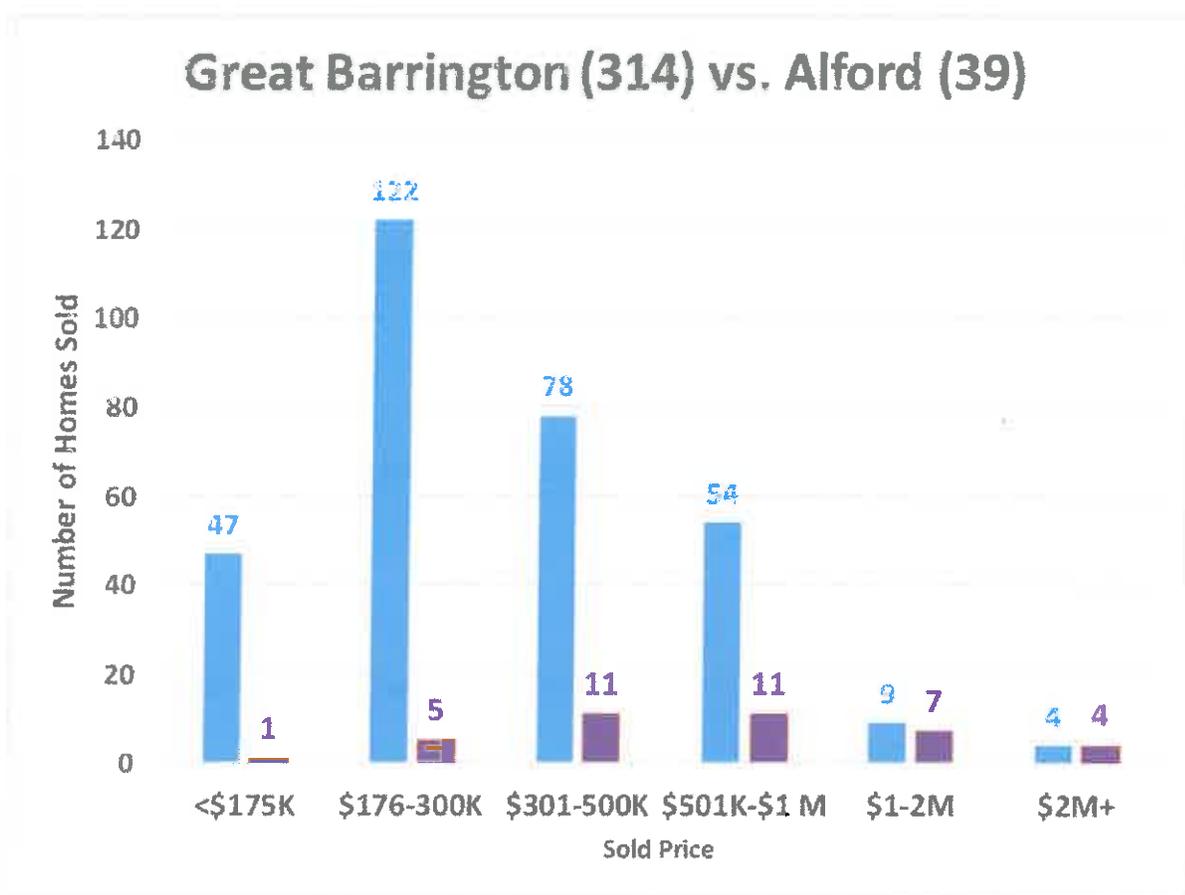
Great Barrington (314) vs. Egremont (101) Homes Sold



ALFORD:
Robust activity in higher priced homes,
despite its small size.

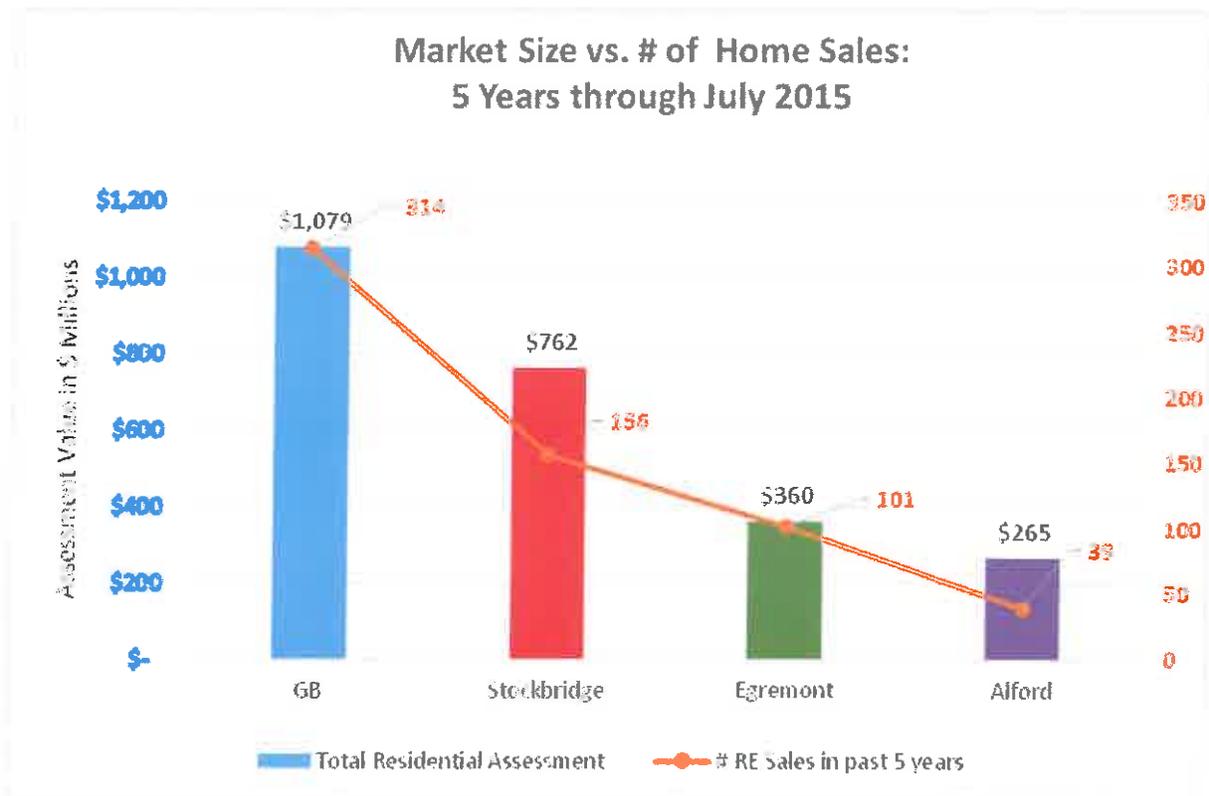


COMPARISON:
Alford is selling few homes, but higher priced ones.



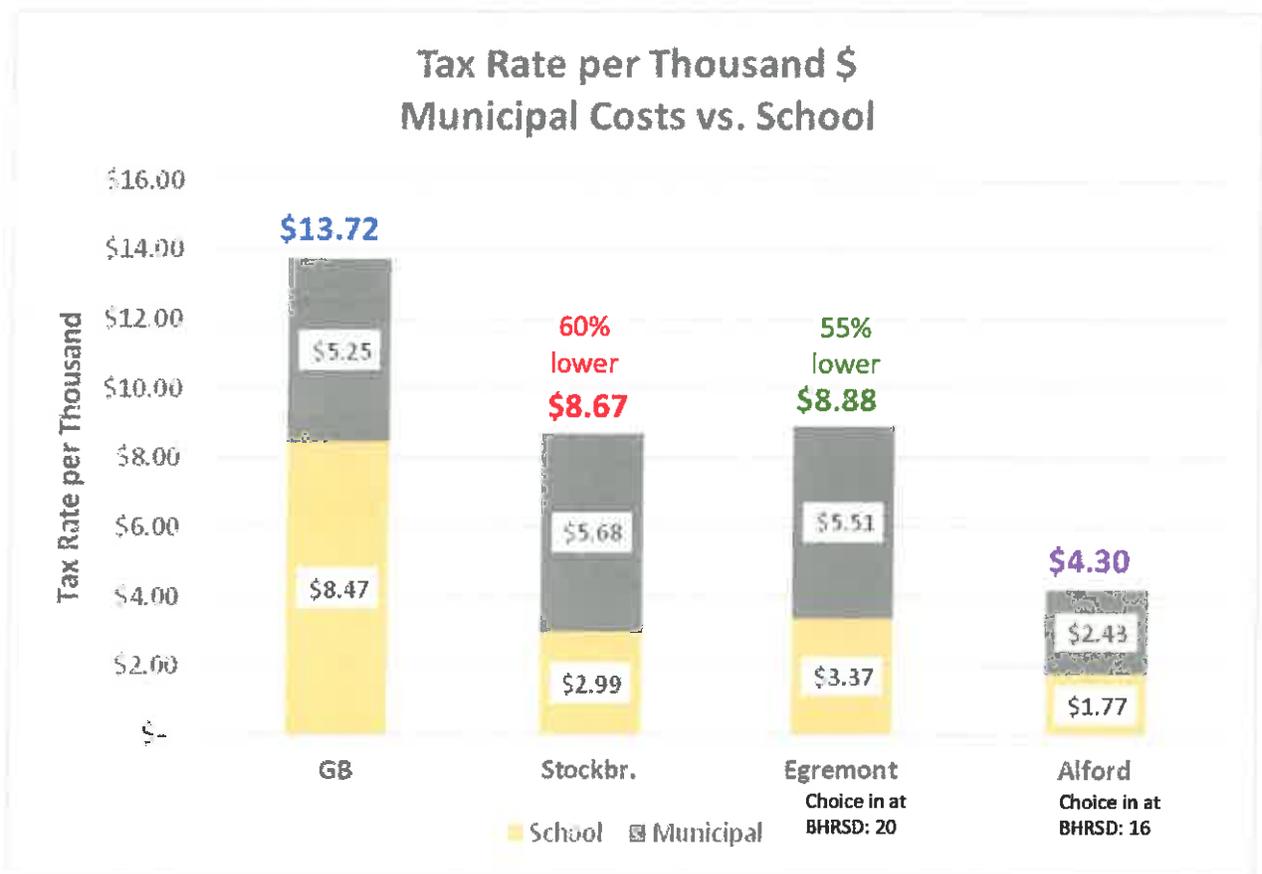
Comparative Assessment Values

When comparing assessed values, GB has a much larger base than the other 3 towns and more costs to support. Thus, it needs to remain competitive in all markets.



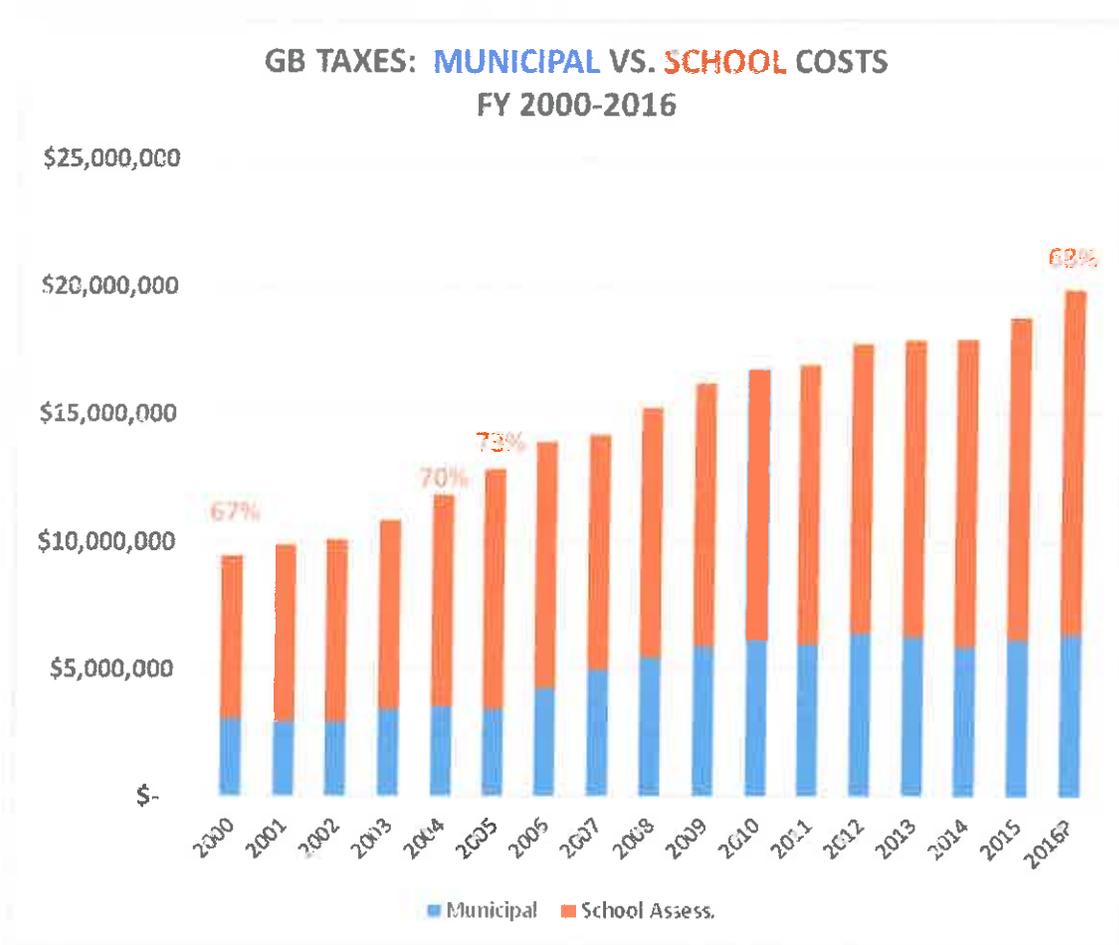
SCHOOL ASSESSMENT PORTION of TAX RATE:

Varies greatly as a percentage of the tax rate*.

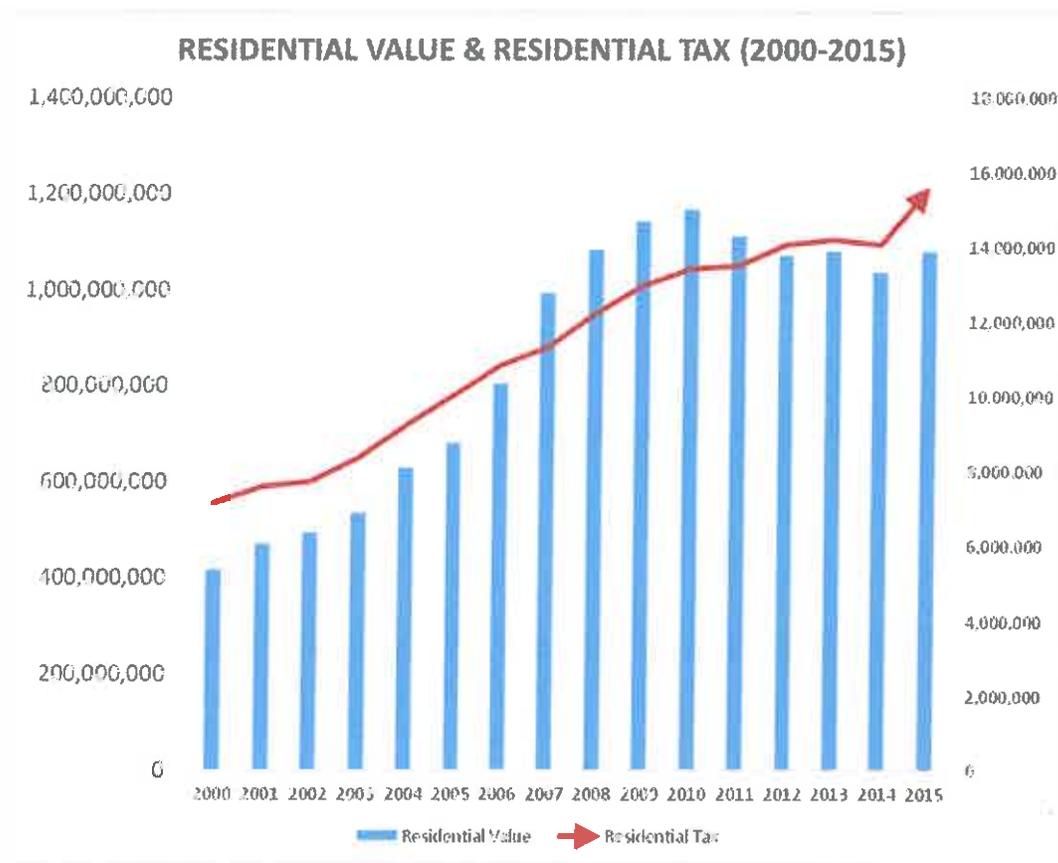


****This is driven by the Dept. of Education's Regional School guidelines which provide advantages to smaller towns with high assessed values.***

A very large proportion of our taxes has been School apportionment; a long-standing case



The Residential Exemption will deepen our disadvantage, shrink our tax base, and result in more taxes for all



Residential Exemption: Impact on 3,400 Homes

- Of 2,330 eligible^{**}:
 - **1,000 homes are projected to get less than -5% reduction**
 - The reduced rate would only be secure for about year on average. Thereafter, taxes would rise normally, or even more, if capital expenditures were adopted
 - 212 would see no change
- **1,070 non-qualifying homes would see a projected tax increase of 16%**
- It is **UNKNOWN** how many taxpayers would see significant decreases in their tax bills*.

* We will not know until (and if) the R-E is adopted;
Michael Wise's estimates differ from those of the Assessor's Office.

** Estimate from Assessor's Office

Thank You!



TAX POLICY & RATES

Homeowners and businesses make real estate decisions on a **long term basis**.

We have built a balanced **community** with a single tax rate thus far

OUR SENSE OF COMMUNITY IS GREAT IN GREAT BARRINGTON; LET'S NOT DIVIDE IT.

Town of Great Barrington Community Master Plan

Housing Goals and Strategies

Goal HO 1: Allow for a diversity of housing opportunities available at a variety of price levels and in infill locations.

- 1.1 **Ensure zoning and development regulations encourage, and do not preclude, a variety of housing options in appropriate locations, including smaller homes and apartments and continuing care options for seniors.**
- 1.2 **Revise zoning to allow two-family housing by right in all zoning districts. Allow multi-family housing by right where it is by special permit now, and by special permit in all other districts.**
- 1.3 **Allow mixed use and multi-family buildings by right in downtown and Housatonic village.**
- 1.4 **Facilitate the development of infill and rear lots, including creating criteria to permit rear lots where zoning district boundaries split lots and revising minimum lot width where practical, and investigating new provisions to cluster homes, such as cottage zoning.**

Goal HO 2: Proactively create lower cost and affordable units.

- 2.1 **Target blighted properties to create new affordable housing units.** Provide zoning or financial incentives in order to spur redevelopment and the creation of affordable units. Contact the owners and work with realtors and banks to identify opportunities where multi-unit buildings are appropriate and can raise much needed revenue to make repairs and improvements.
- 2.2 **Promote an accessory dwelling unit (ADU) program, in partnership with realtors and housing advocacy groups,** to educate homeowners about the opportunities and procedures for creating ADUs. Consider whether to ease permitting requirements for ADUs.
- 2.3 **Identify owners of two-family and multi-family properties that are below median value or in need of repair to connect them with professional resources and funding sources** like CDBG to make improvements to their properties. In return, owners would restrict rents to affordable levels for a period of years, for example. Work with realtors and housing advocacy groups.
- 2.4 **Create a municipal affordable housing trust fund.** Such a fund, once created by Town Meeting, could be independently funded and would need only executive approval to dispense funds to worthy projects. It could be funded by donations, grants, contributions from B-3 mixed use developments, and other money, including CPA funds, to fund grant and loan programs on both the supply side (e.g., to create new affordable units and purchase or renovate distressed properties) and the demand side (e.g., to assist young families and first time homebuyers with homeownership costs). A housing committee would oversee and manage the fund. Proactively advertise this fund.
- 2.5: **Working with partners such as Construct, Inc.,** identify and create locations for transitional housing, for those in domestic or economic crisis or in the case of a natural disaster.
- 2.6 **Explore and, if feasible, implement a property tax abatement program for those property owners who rent units below the market rent.**
- 2.7 **Offer grants to property owners and organizations that rehabilitate or convert existing single family homes into two-family homes or create accessory dwelling units.**
- 2.8 **Explore monetary incentives to create accessory dwelling units.**

When I first read Wise's proposal I was impressed. I have since changed my mind.

I would like to base my initial remarks on the Mission Statement of the Finance Committee:

MISSION STATEMENT: The Great Barrington Finance Committee shall provide advice and assistance to the Town Manager, Select Board and other town officials on financial matters by efficiently identifying, analyzing and making recommendations on financial matters that have a material impact on the well-being of the Town of Great Barrington.

After further reading of the proposal and related articles, I now see that it is biased, personally motivated, confusing, lacking a documented purpose, based on untested assumptions, outside established procedure

- A. Biased: It is written not as an objective analysis but with the intent to convince the reader.
- B. Personally motivated: The way you have promoted your project in the Edge and your body language when discussing it both give clear indication of your personal attachment to your project, this is unacceptable as the Chair of a Town committee.
- C. Confusing: There are contradictory statements and figures in various places:
 1. In an article in the Edge titled: *Property tax reform battle looms; Great Barrington combatants dig in* By Heather Bellow, Aug 12th, it says "Under state law, towns can decide which measures to use and how to implement them." and in the next paragraph "To compensate for how it shrinks the residential tax base, state law requires raising the residential tax rate." I don't doubt that technically they are both correct, however since they appear to contradict each other they are confusing.
 2. Concerning the number of homes the proposal might "benefit":
 - a) From: *Great Barrington tax reforms: Residential exemption, split rate could benefit most homeowners* By Michael Wise, 3/31/15: "while 80 percent of the homeowners living in Great Barrington would have lower tax bills than they are paying now"
 - b) In an Editor's Note (presumably) David Scribner writes: This article details a proposal for reforming the Great Barrington tax structure in order to reduce property taxes for 80 percent of the residents of Great Barrington. To read Michael Wise's accompanying advocacy of this approach. David Scribner introducing: *Great Barrington tax reforms: Residential exemption, split rate could benefit most homeowners* By Michael Wise, 3/31/15.
 - c) Wise later said that he calculated that "83 percent of all parcels would benefit or be neutral. If you include second homes, that changes to 74 percent." (emphasis mine)
 - d) So there are 80% or 83% showing up three times and 74% only once. I think that's confusing. What is the real number?
 3. A caption to a photo of Meadow St. "Meadow Street in Housatonic, a residential neighborhood like many in Housatonic and Great Barrington, where homeowners are likely to have their annual property tax bill decrease by 20 percent if progressive tax reforms are adopted."
 - a) I understand that the exemption is a sliding scale, therefore, using the word "likely" in connection with "20%" is confusing. What does it mean?
- D. Lacking a documented purpose:
 1. So far I have found only a very general statement about "lowering taxes".
 - a) Of course, if you ask people if they would like lower taxes, they will say, "Yes." That is too simplistic to be relevant.
 - b) We didn't say, "No." to our Town taxes; we said, "Yes."
 - c) We said, "No." to the MMHS Renovation for many reasons. One of which was our gut feeling and dawning awareness that our share of the cost was unfairly high.
 - d) That, I believe, is the 500 pound gorilla in the room that no one is talking about.
 2. In a paragraph above, Wise says, "If you include second homes...", does he think they are to be left out? Personally, I find such a careless, cavalier statement regarding an important segment of our community offensive and an indicator of how out of touch Wise is with the people whose lives he is theorizing about.

Marc Segan
126 West Avenue
Great Barrington, MA 01230

August 19, 2015

To the Great Barrington Town Manager, Jennifer Tabakin
For the Board of Selectman meeting August 20, 2015

My wife, daughter, son and I have made Great Barrington our home, albeit a second one, for thirty years. During that time we have established friendships and a sense of belonging to a community that is, to my mind, irreplaceable. We are very fond of our home here. It is the only place that our family has continuously occupied for all these years, so at an emotional level, it means a lot to us. The kids grew up here, learned to cross the street, spent time with nature, played sports and got to know neighbors and local merchants in a way pretty much impossible in New York City.

During those thirty years, our real estate taxes have risen with the assessed value of our house. Of course, not being here all the time, we are lighter users of local services, and although the house certainly figures hugely in the memories of our children, they didn't attend what we know from our neighbors are the fine local public schools. Instead the kids attended public school in New York, where our work keeps my wife and me much of the time.

At the same time, we have never begrudged the needs of our community for all the services it must provide to all of us, including those schools and much else. We are a part of this lovely place and we appreciate it greatly.

It is for these reasons, including our history here, that I write now to ask that we as a town not institute any sort of progressive real estate tax system. Such a rule would divide us, create myriad complications and intrusions and make second home owners like us feel suddenly like outsiders or tourists, all presumed to be the same: rich and interesting mainly for the money they bring. Like the wider world, Great Barrington's real riches lie in the diversity of our community -- including widely different second home owners with varying economic circumstances.

Is a tax plan like this the sort of message we want to send? There are lots of practical reasons to oppose this idea. But for me, at a most personal level, it doesn't reflect the spirit of the town I know, whatever our politics.

Thank you for the work you all do in keeping our town humming and for taking the time to air all our views on this and other matters.

Sincerely,

Marc Segan
126 West Avenue

August 20, 2015

To: The Great Barrington Finance Committee

We own a large beautiful home in Great Barrington and are year-round residents. Financial considerations make it necessary to sell our house, and the high property taxes have added an additional burden. We have been trying to sell the house for several years, but the current tax structure discourages buyers from even considering Great Barrington. They can go next door to Egremont or Monterey and enjoy home ownership for a fraction of our taxes.

As bad as things are, this new proposal will surely make things worse by creating an environment that further discourages weekenders and businesses from feeling comfortable about committing to life in Great Barrington. Is that what this town is all about; finding ways to shift revenue at the expense of a segment of the population that already pays high taxes and yet uses virtually none of the facilities of the community, especially the schools?

Just because I own a large home does not mean that I can afford an increase in taxes to justify someone's idea that all residents with large homes are not struggling with taxes.

Please read my letter into the record at the Finance Committee Meeting on August 20, 2015.

Gayle Moskowitz

8 Deer Hill Trail

Great Barrington