In Municipal Council **NOVEMBER 4, 2015**
Special Meeting of the Municipal Council **7:01 P.M.**

MEMBERS PRESENT: President Frank B. Cook, Vice-President Peter Blais. Councilors: Richard Conti, Mark Cooper, Shannon Heagney (arrived at 7:20 P.M.), Brian Kirby, and Walter Thibodeau.

MEMBERS ABSENT: Ronald Churchill, Jeremy Denlea, Heather Porreca and Jonathan Weydt.

President Cook led the Council and the audience in the Salute to the Flag.

President Cook reminded Councilors and the audience to turn off all cell phone devices as it interferes with the cable broadcast.

Ms. Shockroo read the following Notice of Public Hearing:

Date: OCTOBER 26, 2015

To: Members of the Municipal Council

From: Frank Cook, Council President

Councilors:

By authority of Article 2, Section 2-7 (c) of the Attleboro Home Rule Charter, I hereby call a special meeting of the Municipal Council as follows:

Date: NOVEMBER 4, 2015

Time: 7 P.M.

Place: Council Chambers

Purpose: Continuation of the Public Hearing held on October 6, 2015 for the purpose of setting the tax classification so that the necessary votes can be taken to determine the percentage of the local tax levy to be borne by each class of property for fiscal year 2016 and any other matters and any other legal matter that may come before the Council.

PUBLIC HEARINGS:

Continued from the meeting of October 6, 2015:

PUBLIC HEARING for the purpose of setting the tax classification so that the necessary votes can be taken to determine the percentage of the local tax levy to be borne by each class of property for fiscal year 2016
President Cook explained that the purpose of the Special Meeting is to continue the Tax Classification Hearing and hopefully to wrap the Hearing up. President Cook also explained that given that the Tax Classification is something that needs to be done every year and he will ask people who want to come up to speak that have information on the issue, rather than asking for those who want to speak either for or against the issue.

Paul Danesi, of 15 Musket Road, Attleboro, MA, spoke on the issue. He stated that he is a member of the Committee on Tax Classification that was formed in 2013 to develop and recommend a fair and equitable approach on the tax rate split to the Municipal Council. He stated that this was delivered to the council on November 12, 2013.

Mr. Danesi went on to state that the recommendation was developed by the committee after examining over ten years of practices by past city councils and work that was done at the Assessor's Office and that the recommendation was that the Council set a yearly residential tax rate raising the average residential taxpayers property taxes by the same percentage as the overall property tax increase. The resulting tax rate split would stabilize and the tax revenues would gradually shift over to the residential base. Mr. Danesi went on to explain that the fact that the residential tax rate covers over 75% of the property values in the city and has more stability than the commercial/industrial/pp category allowed for a more consistent approach for the long term.

Mr. Danesi then went on to describe the chart that he handed out to the Councilors. He stated that the version of the worksheet was included in the November 2013 report and that he updated the actual results for 2014 and 2015 and included the 2016 recommendation. He went on to explain that the analysis illustrates the past de-facto practice of keeping the total residential tax percentage increase equal to or less than the total property tax increase. He stated that, for example, in 2013 and 2014 the overall tax increase was 3.5% and the residential tax increase was the same.

Mr. Danesi went on to state that in 2015, the Council voted to retain the existing tax split rate rather than focus on the percentage tax increase for the residential property. The result was a 4.3% increase in the average residential tax payer versus the 3.5% overall tax increase. This resulted in the largest dollar increase ($154) for the residential tax payer in over 5 years. He went on to state that he therefore recommends a 2016 return to the recommendation and de-facto policy and set the tax rate to yield a 3.4% residential tax increase which approximates the overall property tax increase of 3.3%. Mr. Danesi stated that doing this would mean that the average property tax increase would be $128 and that the residential tax rate that generates this result is $14.82 and holds the current rate split of 1.335, the rate that he is recommending be set.

Mr. Danesi went on to explain that the commercial/industrial/pp tax rate would be $21.42 and that the average Commercial/industrial/pp bill would decrease by .4%, which is 3.7% lower than the residential tax increase and supports the committee's conclusion of a stabilizing situation in the city property tax.

President Cook asked if the Tax Classification Committee met to discuss the proposal.

Mr. Danesi responded that he prepared the proposal and discussed it with the Tax Classification Committee members: Jack Jacobi, Nancy Young, Jen Castro and Bill Larson, and that he copied the Mayor on his proposal when it was submitted to the Committee members. He also noted that the Committee looked at the revenue side of the process, while Mr. Nacewicz, as City Assessor, looked at it from the assessment side.

Mr. Conti thanked Mr. Danesi for the effort that he put into his proposal. He also stated that he pulled figures off the Department of Revenue website and what he learned was that in 2015 Commercial turned a corner and the combined commercial/industrial property valuation for the first time in seven years actually went up. He went on to explain that the value started going down in 2008 and continued to go down until last year when it continued to go back up.

Mr. Danesi responded that last year personal property went up $5M but the actual commercial/industrial base actually went down, primarily driven by the industrial.

Mr. Kirby also thanked Mr. Danesi for the work that he has done on his proposal, as well as the Tax Classification Committee members.

Mr. Conti went on to state that he did read Mr. Danesi's proposal twice before the meeting, and that he is talking Revenue and he is talking assessed value, and that the bottom line is that if we do nothing and the Council passes a tax split rate of 1.335, then the residential split will be the lowest percentage in four years.

Mr. Danesi agreed, stating that we overcompensated last year and therefore the residential values have increased higher than they have in the past four years, but in terms of the total amount that has been collected from the residential has increased by 4%.

Mr. Nacewicz also spoke on the issue.

Mr. Nacewicz stated that he put together two packets of information (that he handed out to the Councilors), and that in the first packet he provided more information in response to the Council's request at the last meeting about this matter, and that he also provided information in the second handout for the City of Attleboro and its neighboring cities, so that the Councilors can see how we are doing in comparison.

Mr. Nacewicz stated that the first packet of information (entitled "City Council's Meeting, FISCAL YEAR 2016, Pre-Classification Hearing 10/20/15) focuses on the median value of the average single family home, $210,000, rather than providing just the average value of $260,000 to show what the true increase on a median home in this fiscal year. He stated that the more expensive homes being built in Attleboro are bringing the average up, but that the median is staying the same. He went on to explain that the document shows how the median average has changed over the past three years, and what's happening in the City. He stated that a shift of 1.335 would result in an average annual tax increase of $14.82 for the median Residential Class. He stated that the average tax increase for the median would be $23.10 for the same 1.335 tax split.

Mr. Nacewicz went on to explain that the median for the Commercial Class is in the $300,000 range not the $860,000 range. He explained that a 1.335 tax split for the median of the Commercial/Industrial class would result in a $33.00 tax increase, and that the average tax increase would be $21.42. He explained that the second page of the document shows the median for single-family homes in FY16 in chart format (in the $210,000 range), and that the third page shows the median information for single family homes in FY15 in chart format (in the $210,000 range). He went on to explain that page four shows a chart form comparison of the median for single family homes in FY15 versus FY16, and that the next page shows that comparison for FY14-16 to give an idea about what has been happening over the last three years and what has been pulling the average up (homes sitting in the $300,000-$400,000 range that have been built in the last ten years)…the additional taxation of the increase in tax revenue based on the increase in the number of larger homes. He further explained that the chart shows a time period where the residential values are level and that in prior years there had been a collapse in the market in terms of values.

Mr. Nacewicz went on to state that the City of Attleboro is losing ground in terms of bringing on additional Commercial/Industrial businesses and that the Personal Property class values have seen artificial growth, increasing by $60M in the last five years in terms of growth, but that this class went from $113M to $122M and that the other $50M went into the levy and that someone is paying that tax… and that tax is going over to the Residential class. He went on to explain that when we report every year, it looks like Personal Property is at 4% but that it is artificial because it is great for increasing the levy and bringing in more tax dollars but that a higher split between Residential and Commercial classes results in a higher tax going over to the Residential side in later years.

President Cook asked Mr. Nacewicz to explain what he means by a levy, and what he means when he says that things are going over to the Residential side, and if he could explain how all of that actually works.

Mr. Nacewicz explained that annually what happens is that there is a methodology called a levy, that takes what your previous tax basis was, increases it by 2.5% on what the previous number is (Mr. Conti refers to this later on in the meeting as Proposition 2 ½), and then we take all of the growth that we've had and times that by last year's previous tax year. He stated that in the case of Personal Property, there is a depreciation scale of about 5% and that's why five years ago it was $113M and today it is $123M. Putting in approximately $50-60M into the levy but growth has only been $10M and whatever we lose in the levy due to depreciation has to be paid in terms of taxation the following year. Mr. Nacewicz stated that in this case, that gets paid by the Residential class. Mr. Nacewicz went on to state that having a dual tax rate brings the growth number down 33% faster than if it was a single rate.

Mr. Nacewicz further stated that multi-family homes get the benefit of a Residential tax rate, but that they also get the benefit of being like a business in terms of the money that they get in rent increases. He stated that although this class will get a tax increase, that two family homes are sitting with a median within the $200,000 range and that this class may see a $200-$250 tax increase on their median assessment, but that this all falls into the calculation for the total that gets paid by the Residential class, and that is a segment because there are 12 different classes that have to be looked at within the Residential class, although the bulk of that class are the 101s.

Mr. Blais asked Mr. Nacewicz if all multi-unit buildings are still considered to be within the Residential class for the purposes of a tax rate, for example whether 6 family homes or 20 unit buildings or larger residential complexes would still be considered Residential for the purposes of their tax rate.

Mr. Nacewicz stated yes, that there is no limit or cut-off in terms of the number of units within a building for it to be included within the Residential class. Mr. Nacewicz also explained that the only thing that is done differently for larger complexes is that they are assessed on an income approach for four-family and larger complexes.

Mr. Blais asked Mr. Nacewicz if on an income bearing value as opposed to an assessed value if the income value is more than what the person could sell it for.

Mr. Nacewicz stated that it is basically the same thing.

Mr. Blais also asked if, for a home that is being assessed, if the value takes into the amount of rent that the building takes in and if that, therefore, inflates the selling price.

Mr. Conti interjected that the example that Mr. Blais used is a bad one, because three families are usually owner occupied and they have interests such as mortgage payments being covered by the rental income and that larger properties look at the length of time for their return on investment. Mr. Conti asked Mr. Nacewicz what percentage of the INEs he gets back from the larger building investors.

Mr. Nacewicz stated that the return was 65% to 75%.

Mr. Conti explained that what he was asking about is a state form that gets submitted to the assessor, that the information submitted is confidential, and that it shows what the intake is for these larger properties for rent and what their expenses are so that the assessor can more accurately assess the true value for these properties. Mr. Conti explained that this submission of information is very high at a 65% compliance rate.

President Cook asked Mr. Blais if the answer that he just got was the answer that he was looking for.

Mr. Blais asked if we are making a terrible mistake that can't be changed if we leave the tax rate as it is, and if the multi-family homes are being taxed too low.

Mr. Nacewicz stated that the State sets up classes, and therefore these larger buildings cannot be taken out of the Residential class for the purposes of their tax rate. He went on to explain trailer home owners get all of the benefits of a tax payer except that they do not pay a tax. He further explained that trailer home owners are taxed on a pad fee and not on the value of that trailer home because the homes do not get valued.

Mr. Conti also explained, stating that when an investor looks at buying a four-family home, they always look at the tax rate as part of the income formula, and because they know they are paying 1% as Residential in taxes and that they will be paying the Residential class rate instead of the Commercial/Industrial tax rate of 1.335% and that they are getting a good deal. He stated that although they are referred to as commercial properties that they are actually paying taxes as being within the Residential class. He also went on to state that as the Municipal Council over the years have lowered the tax rate from 1.5% down to 1.335%, any Municipal Council can raise that rate back up to 1.5% and that doing so would be frightening. Mr. Conti also explained that the information that Mr. Nacewicz is providing far exceeds what assessors from other cities and towns are providing.

President Cook explained that this type of meeting is very helpful as a means of educating the general public about this issue, especially the comparison in regards to what we are doing here in the City of Attleboro to that of other communities (in terms of their tax rate and the services that they get). He also stated Mr. Nacewicz has always been helpful to him in explaining this type of information to him so that informed decisions can be made.

Mr. Conti asked Mr. Nacewicz if he looked at the condominiums and if there are a similar set of outliers.

Mr. Nacewicz stated that he did look at condominiums, and that it is the same…that the higher priced condominiums are coming in and that is what is changing that average. He stated that there is nothing coming in at under $300,000 in terms of single residence homes. He stated that people who have pulled building permits is where we are getting our growth numbers from. He stated that there are those who are not getting their building permits, that because they do not have a building permit it gets included into the assessment but he cannot have their property value increases included in these numbers and it spreads the tax burden on the other classes, although it doesn't increase the levy. He explained that when they are finally caught they get assessed higher at today's dollars.

Mr. Conti stated that he wanted to make it clear that eventually building permit violators will get caught and that he doesn't want any member of the public to think that anyone who builds without a permit is not going to get caught because they will, and in the end will end up paying more.

Mr. Nacewicz also explained the information in his handout pertaining to New Growth in FY2016 and the average Growth Factor. He stated that the Residential Growth Factor takes in the 2.5% that he talked about earlier, and that it translates to approximately a .03% growth given what's happening in the Commercial/Industrial class. He explained that this class only had a $109,000 in growth with a sizable degradation because the Texas Instruments was sold for $22M, that over $72M in renovations were made, but that the numbers for the Commercial/Industrial class stayed the same because $72M was lost in the Commercial/Industrial class. He went on to explain that we used to have a sizable number of TIFs and were adding that growth to the levy capacity and because we don't have any more to bring in it is causing our Commercial/Industrial to go down.

Mr. Conti asked Mr. Nacewicz if he has conducted a Commercial/Industrial Vacancy Survey in Attleboro.

Mr. Nacewicz stated that he has not conducted such a survey, but that there is not a lot of vacancy, per se, in usable buildings that are not contaminated. He went on to explain that those that are now being rented, they are being rented at a lower amount per sq. ft. basis and that Commercial/Industrial values are not changed until every three years when the income approach has to be used. He stated that three years ago you could probably get $5/sq. ft. for an Industrial building, but today the price has lowered to $1.25/ sq. ft. He stated that people who are the smaller business owners are looking for 15,000 sq. ft. sized buildings and not the 80,000-100,000 sq. ft. buildings that are out there.

Mr. Conti stated that the information is shocking when you look at the new growth. He went on to state that because this is happening it is having less impact on the levy each year and that the levy is stabilizing because there is not a lot of new growth. He noted that Commercial/Industrial has dropped but that Personal Property is showing an increase.

Mr. Nacewicz stated that the city is losing ground in Commercial/Industrial, adding that we are becoming a bedroom community.

President Cook asked, rhetorically, who pays the bulk of taxes in a bedroom community.

Mr. Nacewicz replied, the residents.

Mr. Nacewicz went on to explain some of the other information that he provided in his handout for New Growth for FY16-FY10. He stated that we are losing ground in the Commercial/Industrial base and that he does not have the TIFs to bring any of that type of growth in. He explained that Personal Property growth has been sitting at $10M every year and that it is having a negative impact on the numbers and that the burden therefore gets transferred to the Residential class. He stated that the Commercial class still has some breath to it. He also stated that bringing on higher priced homes means that the services also have to be supported.

Mr. Nacewicz also explained the FY 2016 levy capacity and its changes each FY through FY 2012, as well as the levy growth for FY 2016 and the changes in the growth through FY 2011.

Mr. Nacewicz also explained the information contained in the second document that he presented to the Councilors. He explained that the information shows the average single-family tax bill in the City of Attleboro, $3,732.00, and the average tax bill for the neighboring towns and cities, what each of the segments are and where these cities and towns fare in their Commercial and Residential tax bases, and other general information.

Mr. Conti stated that the comparison by towns is based on geography and that the income per capita information is much more important for the deciding factor in determining who is paying what for taxes.

Mr. Nacewicz agreed with Mr. Conti, explaining that is why he showed information that pertains to Bridgewater and Taunton. He stated that Taunton's ability to grow is phenomenal. He also stated that everything is based on statistics in terms of the local aid that the City receives. He stated that the last page should prove very interesting in regards to state aid and the City's percentage of taxation and that Attleboro is doing very well.

Mr. Nacewicz went on to state that given what is going on in the city, that there is an opportunity to move the rate down to 1.31. He explained that looking at the number and what it means on the median there would be $44 tax increase and that there would be an $84 tax increase on the $400,000 homes being built. He also explained that the tax increase would be doubled for the multi-family homes, but reminded the Councilors that these properties have the ability to generate rents. He also stated that the larger properties, like Carpianato, would be getting a tax break.

Mr. Cooper stated that it is Route 1 in Attleboro and that if someone else didn't develop Route 1 then someone else would have done it. He stated that he is not minimizing what Carpianato has done, but that Cerrone has built a new dealership, Kia has built one, and that there has been a lot of development in that area.

Mr. Conti asked Mr. Nacewicz if we are still generating 37% of our total tax base in Commercial on Route 1 between Attleboro and Rhode Island. He also asked if it has risen, since he thought that the number would have gone up.

Mr. Nacewicz responded that it may have risen slightly given some of the new dealerships, but that it takes a lot of millions of dollars in development for large increases to the tax base.

Mr. Thibodeau stated the difference on the percentage has to do with the development and that it has been stalled. Mr. Thibodeau went on to state that you cannot tax what has not been developed and although the landscape has changed that the development hasn't really been completed. He went on to state that there are projects that are in development of being built.

Mr. Nacewicz stated that the zoning ordinance in that area is not zoned commercial and that builders need to apply for special permits.

Mr. Conti distributed a handout to Mr. Nacewicz and to the other Councilors.

Mr. Kirby stated that Mr. Nacewicz had suggested the last time that he came before the Council about personal property and the $10,000 limit, making reference to the New Business item that Mr. Conti had introduced to the Council the night before, asking what it would cost and how it will effect what gets brought in and the levy.

Mr. Nacewicz stated that he is still exploring how many accounts would be taken out of the mix, and what dollar amount, if he takes out the $10,000 then he'll need to take out 310 accounts. In terms of money, Mr. Nacewicz stated that he would take out $1.6M in taxation, which stays in the levy.

Mr. Conti stated that the money stays in the levy and that it never comes out, and that you don't lose a buck. Mr. Conti stated that the money that would have gotten collected gets passed to the Residents and to the other Commercial accounts, and that the money that would have been collected from those 300 accounts and must be collected every year because it is in the levy. He went on to state that this money has to still be collected and that the $1.5M owed would be shifted to the other 16,000 tax payers.

Mr. Nacewicz stated that the state's limit is $10,000 and that he would be making a move towards that. He went on to explain that he looked at who was not paying their taxes, and that around the $5,000 assessment value range the money can be collected. He further explained that about 113 accounts would be pulled off is the amount was $5,000 instead of $10,000 and that we would only have to take out about a half of a million dollars.

Mr. Nacewicz requested some time to study the issue a bit longer and come back to the Council to report about what makes the most sense.

President Cook asked Mr. Nacewicz about giving him a drop dead date in regards to when the Council has to make a decision.

Mr. Conti stated that the Council has about 11 months.

President Cook asked Mr. Nacewicz if he is recommending a 1.31 rate and the Tax Classification Committee is recommending a 1.335 rate.

Mr. Nacewicz confirmed that he was recommending a 1.31 tax rate.

President Cook thanked the presenters for their information.

President Cook announced that he was calling for a Special Meeting on November 10 for the purpose of setting the tax classification rate. Copies of the notice was distributed to all members.

VOTED: TO ADJOURN at 9:07 P.M.

A TRUE COPY

ATTEST:______________________________________
City Clerk/Clerk of the Council

MINUTES APPROVED BY COUNCIL:____________
(DATE)

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City Clerk/Clerk of the Council