

HEARING BEFORE THE CITY COUNCIL, DECEMBER 11, 2017

Hearing opened at 6:40 P.M. with Councillor Bodanza, Chair of the FINANCE COMMITTEE, presiding. All members were present.

Present at the hearing were William Mitchell, Chief Assessor; William Connor, Assistant Assessor; Richard Dondero, Assistant Assessor; and John Richard, City Comptroller.

The following COMMUNCIATION was the subject of the hearing:

C-21 Relative to determining the factor to be used in setting the Fiscal Year 2018 tax rate.

Mr. Mitchell said the classification hearing is to decide how the Council may or may not want to shift the burden of taxes from one class of properties to another and that there are four choices in front of the Council: splitting the tax rate, keeping it at a single rate where all classes are taxed the same, a small residential exemption, a commercial exemption and also an open space discount factor that can be applied. They always talk about timing in the assessor's office with regards to assessment versus market value and pointed out that they are always one year behind the market. The effective date of the assessment that is going to appear on folk's January 1, 2018 bill is the value determined as of January 1, 2017. He said the January bill is always the most important bill you receive each year because that is when you receive a new tax rate and a new assessment. It is also the time when you can come into the Assessor's Office if you feel your value is incorrect. This takes place from January 1st to February 1st every year.

Mr. Mitchell said they have targeted what is called an assessment to sale ratio where they compare our assessed values to area sale prices each year and will determine if they will be at 100% of market value, or depending on what they see in the market, if they are going to lag behind that a little bit. He said the market has gone up for the past two to three years now, so they are slightly behind the market they targeted at a 96% valuation. That doesn't mean that every property is going to be valued at 96% of its market value. When you take 328 single family homes and put them all in one group, there's going to be some outliers. At this point, they have had 331 single family sales that sold this year. The average sale price this year is \$276,220.00 which is up from last year. He referred everyone to pages 7 and 8 of the tax classification booklet that was prepared and distributed to the Council that reflect the change in the total valuation of the City over the past ten years and also the tax rate over past ten years. He said valuations have something to do with the tax rate but mostly it's the budget that drives the tax rate and the values will either offset it one way or another. He said throughout the book there are references regarding five classes of properties: 100's = residential; 200's = open space; 300's = commercial; 400's = industrial; 500's = personal property. He then referenced the comparison chart on page 12 for each of these classes of properties and pointed out that single family homes is the most predominant class in the City and it has gone up 7.2% this year which is a large increase, it is typically 4 to 5%, but the market has been increasing a lot. He mentioned Mr. Dondero had done a lot of research on this and he thought it was important to outline not only the way they assess properties but also what they are seeing in the market. Mr. Dondero has done all the sale reviews in the City each and every year. Every time a property sells, they inspect that property to ensure their data on that property is correct because they are using these sales to value everyone else's property in the City.

Mr. Dondero provided a summary of his research from the Multiple Listing Service ("MLS"). He did market research as an appraiser and not the Assistant Assessor to check if they are over assessing folks. He said they used the calendar year 2015 sales to arrive at the 2017 value meaning they are eighteen months behind the current market trend which is something that a lot of folks don't understand. He went a couple years back in his research for all classes of property, but tonight he is only speaking to the residential class. Using MLS and Bankers and Tradesman he found 363 total single family sales for calendar year 2015. These are what he deemed as arm's length transactions. The median sale price was roughly \$242,000.00. The average single family assessed value in 2017, which was based on the 2015 sales, was \$231,360.00. To find out where we are, based on market value as opposed to assessed value, he divided the assessed value by the market value and came up with 96% which is exactly what they target. For the 2016 calendar year he found 338 sales with a median sale price of \$258,769.00. This market research is how they arrived at the assessed values for 2018. The 2018 average single family assessed value is \$248,024.00. Dividing the assessed value by the market value, again, resulted in 96% of fair market value. Based on this research, he does not believe that they are over assessing folks. He also looked at where they are so far in 2017 and looked at the data up to November 1st, there were 330 total sales with a median sale price of \$271,508.00 and if they base that on a 96% assessment to sales ratio, the average value in Leominster for fiscal year 2019 would be \$260,648.00.

Mr. Mitchell pointed out again that if someone thinks that the valuation of their property is incorrect to come in or call their office so they can look into the situation. There could be instances where they have a wrong quality rating or wrong condition rating. Their office is responsible for assessing property. They can't control the budget or how much folks get taxed but they can make sure your home is valued correctly.

Councillor Bodanza pointed out that the abatement process, which is the only remedy available to a homeowner or any tax payer that feels they are over assessed, has a deadline. You have thirty days from receipt of the tax bill to file an abatement.

Mr. Mitchell said that is correct. He said they try to get out there and educate the people and encourage people to look closely at their tax bill when they receive it, because ultimately it is the responsibility of the Assessor's office to assess properties correctly, but they have 15,000 properties in the City so they are not going to get everything right. Also, by State law, it is on the onus of the property owner to make sure their tax bill is correct.

Councillor Freda asked Mr. Mitchell to define arm's length transactions.

Mr. Mitchell said that an arm's length transaction is a typical sale. There is no undue duress by either party. The buyer and seller are both knowledgeable and acting in prudence of themselves; there is no special circumstances behind the sale. So, bank sales and foreclosure sales are not considered arm's length transactions and not considered fair market value.

Mr. Mitchell said looking over other classes the trend is the same. Condominium values went up 8.5% in the past year, two families went up 22% and three families by 17%.

Councillor Marchand asked about how they are handling in-law apartments since the intent wasn't to turn them into a two family, it was to allow more than one resident in the property.

Mr. Mitchell said they are classed as a two-family property and valued as such. A single family with an in-law apartment is a different market than a straight up two family that an investor might be interested in, so they do separate out the two and assess them appropriately, but they are not in the same class.

Mr. Mitchell said that land did increase. Typically the way they price land in the City is to look at the acre that is worth the most. That was assessed at about \$73,180.00 per acre last year, and this year it went up to \$78,400.00. The excess price on acreage went from \$10,600.00 per acre up to \$11,300.00. He then referred them to page 17 of the tax classification booklet which shows the tax levy increase over the past fifteen years for each class of property. The residential class is the largest part of the levy because there are so many properties in this class. Last year, it increased from \$65,770,481.00 up to \$68,813,061.00 which is a difference of \$3,042,580.00. With that being said, there is still excess levy capacity available to them. They are still maintaining an excess levy capacity or unused levy capacity of \$5,236,092.00. This means they have that capacity to raise taxes above what they did, but that there are taxes that are left on the table for this year.

Councillor Bodanza asked if that is over and above 2.5%.

Mr. Mitchell said correct.

Councillor Bodanza pointed out this is the result of not having gone to the 2.5% increase in prior fiscal years.

Mr. Mitchell said correct, although we are raising 2.5% above because previous years that levy capacity is greater so we are not going up to that levy capacity. He then referred them to page 22 of the tax classification booklet which shows the growth in the different classes this year. It provides an idea of what's going on in the City and how the City's valuation increases. This is property that hasn't been taxed prior to this year which is considered growth. Every time someone puts an addition on their home, builds a new home, adds new machinery to a business, these are considered new tax dollars. It's defined as anything that hasn't been taxed before. With that being said, on the residential side they saw 38 new homes that were built in 2016 with a median value of \$370,000.00. So far, in 2017 there have been 22 new residential homes built with a median value of \$390,000.00. There are still six more months to go because the cutoff is July, but they are still seeing an increase in new home sales. With regards to commercial and industrial, in 2016 they saw O'Reilly's finish getting built, a new real estate office on Hamilton Street, the new Wendy's, King's Corner, an industrial shop on Lanides Lane and another office and shop built on Francis Street. What they are going to see hit the books for 2017 are an industrial shop and manufacturing facility, Cumberland Farms, 110 Grill. Next year they are looking at Aroma Joes, the new DCU building, another office building on old Mechanic Street, the McDonald's on Mill Street. These are some of the areas of growth they have seen. In addition, there is machinery and equipment for new businesses that also gets picked up such as new poles and new infrastructure.

Councillor Marchand asked if there are any TIFFs that are coming to their termination.

Mr. Mitchell said yes. They have 108 Adams Street that has been finished and is at 100% occupancy. That is fully valued and at its second year of their TIFF so they are still receiving a 90% discount on their taxes. Also, AIS is another huge special tax assessment. They are down at a 50% level so they have picked up almost \$3.4 million dollars of taxable value in that entity and next year they are down to 25% so that will be huge because it is a \$31 million dollar building. They are starting to see the influx of those tax dollars as well so that will come to them in the next two to three years.

Mr. Mitchell referred everyone to the table on page 37 of the tax classification booklet that shows the average tax bills for each class. The residential single family home is going to see an increase of \$229.00 with an average of \$4,794.00 tax bill. The industrial will see a \$54.00 increase with an average tax bill of \$10,043.00. The commercial properties will see a \$41.00 increase with an average of \$14,069.00. Since the residential class is the largest part of the City it will obviously bear a lot of the burden of the tax increase. With that being said, the tax rate that they can estimate at this point before they submit everything to the Department of Local Services would be \$19.33. This year we were at \$19.73 per thousand and that is going to come down by \$0.40 to \$19.33 per thousand. Although the tax rate is coming down, the budget still increases. It offsets and you are still seeing an increase. Everyone is always focused on the tax rate, but it doesn't really mean a whole lot because it involves two numbers - the budget and total valuation of the City. That number sets itself depending upon what is voted tonight.

Councillor Marchand asked where we were at with balance with the residential property versus the other classes.

Mr. Mitchell said it's probably about 11% on the commercial and 5% on industrial. In order to lift the burden off the residential class which is 83% of the total class, you would have to shift a lot of burden onto 16% of the City in order to relieve 80% of the burden on the other classes. Page 28 of the tax classification booklet shows the break down for every percent that they may want to split from residential onto commercial and what the resulting tax rate would be. For example, at 5% the residential rate goes down to 19.13 but the commercial rate goes up to \$20.10. As you increase the split or as you shift the burden the rate gets further and further apart.

Councillor Bodanza said because the industrial and commercial base is relatively small in comparison to the whole it takes a disproportionate increase in their taxes to offset any savings to the residential tax payer.

Mr. Mitchell said that is right. There is a summary on page 30 that shows a couple scenarios based on the 5% intervals. Every dollar reduction in the residential rate is \$3.77 added to the commercial and industrial rate.

Councillor Bodanza said the theory has historically been that to encourage industrial and commercial development in the City the factor of one is beneficial ultimately to the residential tax payer because if we discourage their growth, the burden is going to end up on the residential tax payer anyway.

Mr. Mitchell said that is correct. You will start to phase out the commercial and industrial class at a split rate.

Councillor Chalifoux Zephir asked why they are using the median price and not the average price when they are comparing the market value to the assessed value.

Mr. Mitchell said when you look at the median it is considered more accurate because it doesn't take into account the lower or higher outliers and that can skew your average which is your mean. It's better when you are using statistics and trying to get to a more accurate point to use the median.

Councillor Marchand expressed his concern with houses that are not up to code, i.e., "fixer uppers" and how they are affecting the market value.

Mr. Mitchell said these are perfect examples for people to call them because they have a way of adjusting those sales. If it is really affecting its market value because people aren't willing to purchase that home, that will affect the sale price and they want to know about it. They can adjust condition factors, quality of grade factors, or they can put functional obsolescence on those types of properties because there are some repairs that need to be done.

Councillor Marchand asked if the homeowner would have to go through an abatement process or whether this is something that they can just come into the office and they will do an adjustment after they inspect the property.

Mr. Mitchell said there are a couple of options. Obviously if they get their bill January 1st and if that is the case they should definitely come in and see them and they will go out to the property right away and get a handle on those types of issues that might exist at the property and see if there is a market adjustment that needs to be made and it also gives them an opportunity to show them what kind of exemptions that might be available to them.

Councillor David Cormier asked about the new bank on Main Street and what kind of growth it is adding and what the value of this building will be.

Mr. Mitchell said that they are based on timelines so certainly they are not even out there inspecting anything because the property isn't completed. Their cutoff is July 1st, so they will assess whatever is there on January 1st and its physical condition as of July 1st. At this point he can't answer what it will be worth.

Mr. Dondero said the timeline for this building looks like fiscal year 2019.

Councillor Freda asked whether they are paying attention to unaccepted streets because they are starting to get the attention of banks.

Mr. Mitchell said they get complaints in their office every day regarding the streets.

Councillor Freda asked if they are adjusting for it.

Mr. Mitchell said they will adjust for it if it's reflective in the market.

Councillor Freda asked about private streets.

Mr. Mitchell said they look at all of them and it's all based on the research and data they get.

Councillor Freda asked about how they handle sale concessions.

Mr. Mitchell said they certainly look at them, but the issue they have is they are bound by recorded documentation so they are using the price that's on the deed which doesn't reflect the concessions, but where they target that median ratio, they can make up for that.

Councillor Feckley asked how to explain to constituents that it is a benefit that their values are going up even though the result is that they are paying more in taxes.

HEARING BEFORE THE CITY COUNCIL, DECEMBER 11, 2017, Cont.

Mr. Mitchell said they don't have control over the budget in the assessor's office but they understand that people don't like to pay taxes. When they receive complaints in their office they explain that it always comes down to a balance of what you want for services in your City. When you start considering we have a \$144 million dollar budget to run the City which includes the Police, Fire, DPW and more, if you want your taxes to go down, these are the cuts you are going to have to make. It's up to the tax payers, and I'm sure during budget season you have public hearings that people can be involved in. That's where they have to take initiative, but in order to reduce taxes, services will need to be cut.

Mr. Richard said that you have to remember that we did only go up 2.5% so if you take last year's average tax bill and you multiply it by 2.5%, it's really \$114.00. If your tax bill is increasing beyond this amount, it is because the value of your home has increased more than others so you are taking more of the burden. The tax levy isn't going up \$228.00. There are other factors that are coming into that equation.

Councillor Chalifoux Zephir said for the average tax payer their assessed value is a direct function of the market. Market rates are increasing so the average single family value is going up 7%. On the other hand, you have the City's budget that informs what the tax bill is going to be and that is going up 5%.

Mr. Mitchell said that is correct. To illustrate what she is saying he did a quick analysis on the numbers, and for instance, if the value of the City didn't not change from last year to this year but we still increase the budget like we are going to, that results in your tax rate going from 19.73 to 20.64 just by changing the budget. If we reverse this and say that the budget stays the same but the valuations do exactly what they are saying, the valuations would make the tax rate go from 19.73 down to 18.48. So those two things is how they affect the tax rate, but because the budget went up so much and the values went up so much, they offset each other and we end up at 19.33.

No one in the audience spoke in favor or opposition of the communication.

HEARING ADJOURNED AT 7:29 P.M.

Lynn A. Bouchard, City Clerk and
Clerk of the City Council

HEARING BEFORE THE CITY COUNCIL, DECEMBER 11, 2017

Hearing opened at 7:32 P.M. with Councillor Dombrowski, Chair of the LEGAL AFFAIRS COMMITTEE, presiding. All members were present.

The following PETITION was the subject of the hearing:

14-18 John P. Bulger & Dorothy Rouleau and ten (10) registered voters: Rezone the following parcels on Pleasant Street and Lowe Street from Residence B to Residence A:

- **Pleasant Street West Side**
 - Map 342, Lots 12 & 13
 - Map 481, Lots 16, 17, 18, 19, 20
 - Map 521, Lot 1 & 39
 - Map 488, Lots 1, 5, 6, 7, 8
 - Map 494, Lots 18, 3A, 3-1A, 3-2A, 3-2B, and 3-2C
- **Pleasant Street East Side**
 - Map 561, Lots 35A, 36A, 37A
 - Map 340, Lots 1 & 2
 - Map 410, Lots 1, 2, 3, 4, 5, 22, & 23
 - Map 496, Lots 1, 2, 3 4, 5, 6, 6A, & 7
 - Map 481, Lot 16
- **Lowe Street**
 - Map 488, Lot 5

Councillor Dombrowski said subsequent to filing the petition, the petitioners sent them three requests to amend the petition to delete certain parcels. They requested an opinion from KP Law as to the proper mechanism to handle these amendments. Essentially, once the petitioners have submitted the petition they cannot amend it. Only the Council has the ability to amend the petition. The question would be whether they request the petitioners start over with a brand new petition or if they amend the petition. He said he did speak to Mr. Bulger and indicated that given the circumstances he thought he should meet with him and put the amended petition together. Once we have the amended petition, they can seek further recommendations from the various department heads because a lot of the initial recommendations they got back were based on the initial petition. Also, there will be a new Council starting in January and given the circumstances of a rezoning it is probably better for the petitioners to attempt to get a supermajority from nine Councillors instead of eight. There was also a concern about the cost of advertising so he indicated they would try to amend so they could perhaps save the petitioners that cost. He thinks the order of business should be to give the petition further time and reschedule the public hearing.

Councillors Freda, Marchand, Bodanza, and Chalifoux Zephir agreed with the recommendation.

Councillor Dombrowski requested a date to continue the hearing.

HEARING BEFORE THE CITY COUNCIL, DECEMBER 11, 2017, Cont.

No one in the audience spoke in favor or opposition of the ordinance.

HEARING ADJOURNED AT 7:37 P.M. AND CONTINUED TO JANUARY 22, 2018 AT 7:00 P.M.

Lynn A. Bouchard, City Clerk and
Clerk of the City Council

REGULAR MEETING OF THE CITY COUNCIL, DECEMBER 11, 2017

Meeting was called to order at 7:30 P.M.

Attendance was taken by a roll call vote. All members were present.

The Committee on Records reported that the records from November 13, 2017 and November 27, 2017 were examined and found to be in order. The records were accepted.

A recess was called at 7:31 P.M. to conduct a public hearing and hold a public forum.

Meeting reconvened at 8:09 P.M.

The following COMMUNICATIONS were received, referred to the FINANCE COMMITTEE and given REGULAR COURSE.

- C-23 Relative to the appropriation of \$597,345.00 to the Recreation Department Capital Outlay Expense Account; same to be transferred from the Stabilization Fund.
- C-24 Relative to the appropriation of \$14,300.00 to the Highway Department Capital Outlay Expense Account; same to be transferred from the Stabilization Fund.

The following PETITIONS were received, referred to the LEGAL AFFAIRS COMMITTEE, given REGULAR COURSE and referred to the Traffic Department and the City Solicitor.

- 19-18 David R. Cormier: Place a stop sign on Jay Avenue against southbound drivers at Beth Avenue.
- 20-18 David R. Cormier: Place a stop sign on Beth Avenue against northbound drivers at Debbie Drive.

Upon recommendation of the WAYS AND MEANS AND VETERANS AFFAIRS COMMITTEE, the following COMMUNICATION was GRANTED. Vt. 9/0.

- C-18 Dean J. Mazarella, Mayor: Exempt Greg Chapdelaine, Purchasing Agent, from the Conflict of Interest Law as provided for in M.G.L. Chapter 268 A, Section 20B as he is currently employed by the City of Leominster as the Purchasing Agent and will be taking a position with the City Clerk's Office for the set up and breakdown of election equipment.

Upon request of the LEGAL AFFAIRS COMMITTEE the following PETITION was given FURTHER TIME. Vt. 9/0. Councillor Freda requested input from Lake Samoset regarding public access to this property if the City were to obtain the land. Councillor Chalifoux Zephir requested the Mayor provide them detail as to his intended use of the land and the Building Department provide an estimate to demolish the structures currently located on the land.

- C-19 Dean J. Mazarella, Mayor: Authorize the Mayor to acquire, by gift and/or eminent domain for no consideration, for general municipal purposes and/or active or passive recreational purposes, the parcels of land located at 15 Narcissus Road and Olive Road and described more particularly in deeds recorded with the Worcester North District Registry of Deeds in Book 7543, Page 78 and Book 7543, Page 67.

Upon recommendation of the LEGAL AFFAIRS COMMITTEE the following PETITION was GRANTED. Vt. 9 "yeas".

- C-20 Dean J. Mazarella, Mayor: Authorize the Mayor to enter into a lease-purchase financing agreement for a five year lease purchase from FootSteps2Brilliance with financing through Government Capital Corporation.

REGULAR MEETING OF THE CITY COUNCIL, DECEMBER 11, 2017, Cont.

Upon request of the LEGAL AFFAIRS COMMITTEE the following PETITION was given FURTHER TIME. Vt. 9/0 (Hearing continued to January 22, 2018 at 7:00 P.M.)

14-18 John P. Bulger and ten (10) registered voters: Rezone the following parcels on Pleasant Street and Lowe Street from Residence B to Residence A:

- **Pleasant Street West Side**
 - Map 342, Lots 12 & 13
 - Map 481, Lots 16, 17, 18, 19, 20
 - Map 521, Lot 1 & 39
 - Map 488, Lots 1, 5, 6, 7, 8
 - Map 494, Lots 18, 3A, 3-1A, 3-2A, 3-2B, and 3-2C
- **Pleasant Street East Side**
 - Map 561, Lots 35A, 36A, 37A
 - Map 340, Lots 1 & 2
 - Map 410, Lots 1, 2, 3, 4, 5, 22, & 23
 - Map 496, Lots 1, 2, 3, 4, 5, 6, 6A, & 7
 - Map 481, Lot 16
- **Lowe Street**
 - Map 488, Lot 5

Upon request of the LEGAL AFFAIRS COMMITTEE the following PETITION was given LEAVE TO WITHDRAW WITHOUT PREJUDICE. Vt. 9/0

16-18 David R. Cormier: Install a stop sign on Dogwood Road against north bound drivers at Queens Road.

Upon recommendation of the LEGAL AFFAIRS COMMITTEE the following PETITION was GRANTED. Vt. 9/0

17-18 David R. Cormier: Install a stop sign on Queens Road against east bound drivers at Dogwood Road.

Upon request of the LEGAL AFFAIRS COMMITTEE the following PETITION was given FURTHER TIME and referred to the City Solicitor. Vt. 9/0

18-18 David R. Cormier: Install a stop sign on Queens Road against west bound drivers at Dogwood Road.

Councillor Bodanza, Chair of the FINANCE COMMITTEE, read the Financial Report for the City into the record. Account balances are as follows:

Stabilization Account: \$11,259,544.00

Upon recommendation of the FINANCE COMMITTEE, the following COMMUNICATION was GRANTED and a factor of 1 was ADOPTED. Vt. 9 “yeas”.

C-21 Relative to determining the factor to be used in setting the Fiscal Year 2018 tax rate.

Upon request of the FINANCE COMMITTEE the following COMMUNICATION was RATIFIED. Vt. 9/0 (Granted with an Emergency Preamble on November 27, 2017)

C-22 Relative to the appropriation of \$8,000.00 made to the Election & Registration Expense Account; same to be transferred from the Stabilization Fund.

The following RESOLUTION was referred to the WAYS AND MEANS AND VETERANS AFFAIRS COMMITTEE and given REGULAR COURSE.

RESOLUTION – To file and accept grants with and from the Commonwealth of Massachusetts, Executive Office of Energy and Environmental Affairs for the Parkland Acquisition and Renovation for Communities Program for a new park at the corner of Mechanic Street and Laurel Street.

Under old business, Councillor Feckley read the following letter from the Mayor into the record.

December 11, 2017

Lynn Bouchard, City Clerk
Leominster City Council
25 West Street
Leominster, MA 01453

Dear Lynn,

In response to the City Council's request for information, I would like to request time during the first meeting in February to update the Council on progress on the police station.

With respect to the school audit and the DOR review, I have attached my letter to the Council from July 24, 2017.

Thank you.

Sincerely,
/s/ Dean J. Mazarella
Mayor

Councillor Feckley said with regards to the DOR review, she will review the letter the Mayor attached to this communication and will follow up with the constituents who had asked her to bring this question forward and she will report back at the next meeting.

Council President David Cormier announced that he will be calling a Special Meeting of the City Council for December 21, 2017 at 6:00 P.M. to address Communication C-23 and the Resolution that need to be voted on before the end this year.

In addition, Council President David Cormier requested the Chairman of Finance to follow up with the Mayor's Office in regards to allowing to deficit spend in the snow and ice account.

In accordance with Section 3.6 of the Leominster City Charter, a vote was taken to bring down the Roger Brooks to the January 8, 2018 meeting to discuss the status of the infrastructure in the area of Beth Avenue. Vt 9/0.

MEETING ADJOURNED AT 9:14 P.M.

Lynn A. Bouchard, City Clerk and
Clerk of the City Council