

CITY OF NEWTON

IN BOARD OF ALDERMEN

LONG RANGE PLANNING COMMITTEE REPORT

TUESDAY, NOVEMBER 13, 2012

Present: Ald. Linsky (Chairman), Danberg, Fuller, and Johnson
Present from Economic Development: Chris Steele (Chairman), Ron Lipof, Charles Eisenberg, Daphne Collins, Jane Ives, and Darryl Settles
City staff present: Candace Havens (Director of Planning), and Amanda Stout (Senior Economic Development Planner)

The Committee convened at 7 PM and met jointly with the Economic Development Commission to discuss the Economic Development Self-Assessment Tool (EDSAT) survey results as they relate to the commercial and industrial tax rates. One of the things that the survey alluded to was commercial tax rates. There was a reference in the survey results that stated that among the split communities, (those communities that have different rates for different classes of properties) Newton's tax rates seem to be comparatively high. The Long Range Planning Committee and the Economic Development thought that it was important to follow up on that observation. When the Board of Aldermen sets the tax rates, it is discussed and voted in one evening. By setting the rates in one meeting, there is not an opportunity for determining the impact of increasing or decreasing the commercial tax rate on developing and attracting new business to the City.

Historically, Newton has either voted to adopt the highest shift or close to the highest shift allowed under Massachusetts law, which is a shift of 175%. The City does this because the greatest basis of the City's properties fall into the residential classification and adopting 175% shift gives the greatest amount of benefit to that particular class. The Board Aldermen always has a discussion regarding the commercial tax rates and shifting towards commercial but the Board is hesitant to make that kind of shift unless they are sure that it effectuating something meaningful for business owners. If the Board were to make the shift towards commercial property rates, it would be the property owners and not necessarily the business, which received the break.

The question is: does reducing the taxes for the commercial and industrial property owners, in turn, impact the actual businesses if they are renting property? This, of course, is dependent upon the manner in which tax increases/decreases are passed along (through tax escalator provisions, etc.). Ald. Linsky has, in the past, suggested that tax reductions might not find their way to tenant businesses. Over the last 15 years, the percentage of tax revenue coming from commercial property in the city has dropped by about 11 or 12%, from 28% down to 17% because of the increasing value of the residential properties.

It would be helpful to bring a bit of science and scholarship to setting the tax rates. Ald. Fuller was able to connect the Committee and Commission with a volunteer, who recently graduated from Harvard College, who was willing to work on tax rate research. Ald. Johnson pointed out that it would be worth a conversation with the Planning Department or Economic Development Commission in Waltham and other surrounding communities that have done a lot of work to revitalize commercial areas in their cities and towns. She also suggested utilizing the Carroll School of Management students at Boston College for a survey of local business and commercial property owners regarding property taxes. .

If the Long Range Planning Committee and the Economic Development Commission were going to be looking at the tax picture and how it influences the overall behavior of business investments, it would be useful to look at that within the total cost environment. The property tax equation is a small part of what drives businesses to locate in a city or town. The tax issue is one part of a broader issue of attracting businesses to the City. There should be well thought out approach towards addressing how to attract businesses and whether a reduction in the commercial tax rate would make locating to Newton more attractive.

Ald. Linsky suggested that a working group consisting of members of both the Long Range Planning Committee and the Economic Development Commission be formed to work with the Planning Department on the commercial tax rate and the larger goal of attracting businesses to the City. Members of both the Long Range Planning Committee and the Economic Development agreed that establishing a working group was appropriate. The following members of the Committee and Commission volunteered to serve on the working group: Ald. Danberg, Ald. Johnson, Ald. Linsky, Charles Eisenberg, Daphne Collins and Daryl Settles. After the working group has an opportunity to meet, they will report to the Committee and Commission.

With that, the Long Range Planning Committee adjourned at 8 PM.

Respectfully submitted,

Alderman Stephen Linsky, Chair

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