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Impact of Property Values on the Levy Ceiling and Local Revenues

City of Pittsfield

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INTRODUCTION

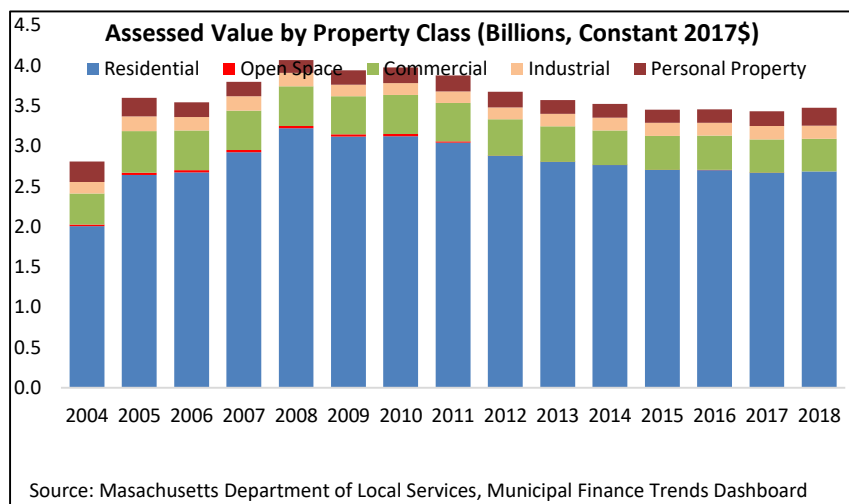
The City of Pittsfield has a long tradition as a regional center of commerce, initially for local agriculture and textiles, and later as an industrial powerhouse and birthplace of the first electrical transformer. But as with many former manufacturing-based economies in the U.S., Pittsfield's fortunes declined in the second half of the 20th century. The loss of well-paying industrial jobs hit the city hard, as the residential population declined from a high of almost 58,000 in 1960 to an estimated 43,000 in 2016, a drop of 26%. Today, while Pittsfield remains home to a vibrant community with many cultural and recreational attractions, the local economy has yet to regain its former strength.

Most recently, Pittsfield has struggled with declining property values, which impact the City government's ability to

raise municipal revenues. According to the Massachusetts Division of Local Services, the real (i.e., inflation-adjusted¹) value of all property in Pittsfield peaked at slightly over \$4 billion in FY2008, and has since declined by 15% to just under \$3.5 billion in FY2018. The annual tax levy (or revenue collected by the City), meanwhile, has grown consistently over the same period, from \$66 million to \$85 million (+30%) in real terms, requiring an increase in the effective tax rate from 1.62% to 2.46% (+52%) annually to maintain financial stability.

Pittsfield also falls towards the end of the spectrum on property values within Massachusetts. In FY2017, Pittsfield's average single-family property value was \$176,210, which was 314th out of the 337 municipalities for which this data was reported.² Nor has Pittsfield benefitted from the recent rise in property values observed in other parts of the state, with total valuation declining in the city by 3% from FY2013 to FY2018, while statewide it rose by 19%.³

This report takes a closer look at this decline in property value, to identify where and which properties are having the greatest impact on local revenues. It uses property-level assessments to compare values in FY2009⁴ and FY2018, and breaks these values down by property type and location.



¹ All dollar amounts in this report are adjusted for inflation into constant 2017 values, using the U.S. Bureau of Labor Statistics' Consumer Price Index for All Items (CPI-UX), unless otherwise noted.

² Ibid.

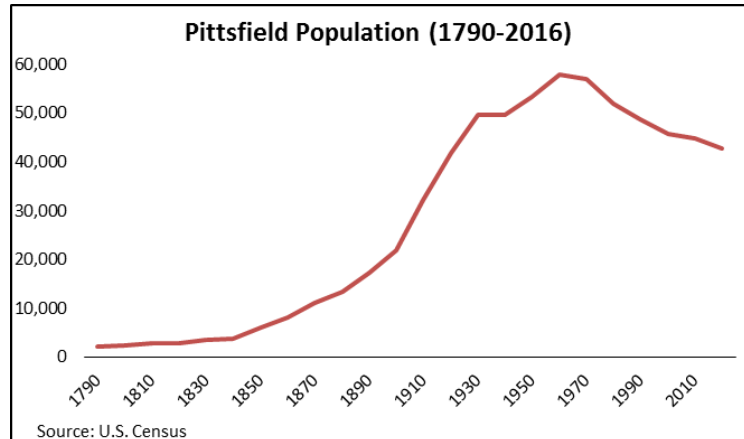
³ Values in all of Berkshire County also declined by 4% during this period, so regionally Pittsfield is performing on par with its neighbors.

⁴ Unfortunately, complete property-level data from FY2008 was not available, so the comparison period does not represent the full decade since the peak of property values in Pittsfield.

HISTORY

The first European settlers arrived in Pittsfield in 1743, and the community was incorporated in 1761 and named for British nobleman William Pitt.⁵ Residents initially came to Pittsfield because of the opportunities afforded by the Housatonic River and its many tributaries, which provided power for mills and irrigation for crops. The introduction of Merino sheep in the early 1800s sparked a boom in woolen manufacturing that elevated Pittsfield from a township to a major metropolitan area, with a population of almost 22,000 in 1900.

Pittsfield's fortunes rose even higher around the turn of the 20th century with the introduction of a new industry: electrical and chemical manufacturing. The Stanley Electric Manufacturing Company in 1893 developed the first transformer of electrical currents able to distribute electricity over large areas, and soon became a powerhouse of electrical engineering.⁶ The company was purchased in 1903 by General Electric (GE), which expanded the business and established Pittsfield as the



center of its transformer division. A decade later, GE developed a precursor to high-durability plastic, and eventually headquartered its entire plastics operation in the city as well. As GE grew so did Pittsfield, reaching 50,000 residents in 1930. Further innovation continued to grow GE's operations, most notably the invention of Lexan plastics in the 1950s. GE employed over 10,000 people at the Pittsfield factory through the 1970s.⁷

By the 1980s, however, GE was facing both local and national challenges that changed the course of its and Pittsfield's fates. Locally, pollutants from the GE plant deposited into the Housatonic River were causing environmental and health problems that could no longer be ignored. The Environmental Protection Agency (EPA) in 1991 declared part of the site an environmental hazard and forced GE to undertake a massive clean-up operation. While 99% of the contaminants were removed from the site and immediate area in Pittsfield, much of the damage done further down river has yet to be fully remediated.⁸

Nationally, the energy crisis of the 1970s drastically cut demand for electrical transformers and other products made by GE in Pittsfield. This drop in business, coupled with rising costs and foreign competition, created a downward spiral for GE's electrical division and the eventual shuttering of electrical operations in Pittsfield in 1986. While the plastics division remained, the bulk of the GE workforce in the city, estimated at 1,900 people, were laid off.⁹ Pittsfield's population, already in decline since peaking at 57,900

⁵ Pittsfield History, City of Pittsfield website. http://www.cityofpittsfield.org/residents/history_of_pittsfield/index.php

⁶ "The Rise and Fall of GE's Empire", *The Berkshire Eagle*, 7/1/2011, <http://www.berkshireeagle.com/stories/the-rise-and-fall-of-ge-empire.441538>.

⁷ Ibid.

⁸ "Nearly 20 years later, cleanup of what GE left behind in Housatonic River still underway", *MassLive.com*, 1/19/2016, http://www.masslive.com/news/index.ssf/2016/01/nearly_20_years_later_cleanup.html.

⁹ Blalock, T. J. (1997). Transformers at Pittsfield: A History of the General Electric Large Power Transformer Plant at Pittsfield,

in 1960, fell further to 48,000 by 1990, and was estimated at just under 43,000 in 2016.¹⁰

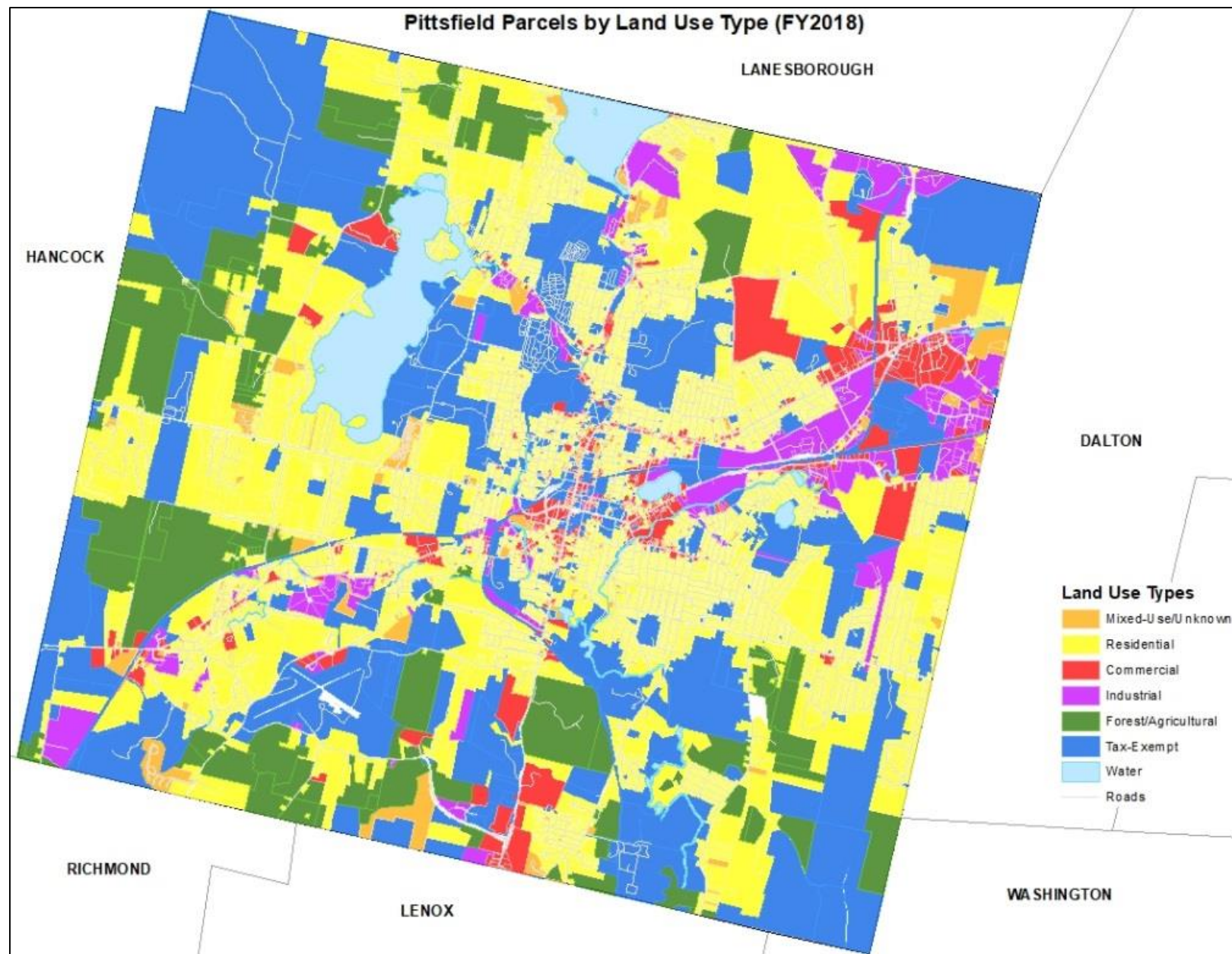
After several decades, the new manufacturing businesses that were started in the 1980s by former GE employees are well established and represent an important employment sector in the local economy. The remaining portions of GE's manufacturing presence were sold to SABIC and General Dynamic/Raytheon. Unfortunately, in 2016 SABIC relocated a portion of the operation to Texas. By comparison, General Dynamics continues to grow its operations and employment in the city. Still, per-capita income, at \$26,000 in 2015 (in real dollars), is in the bottom 20% among municipalities in the Commonwealth, and the local unemployment rate (4.8% in 2017) is in the top 10%.¹¹

Geographically, Pittsfield is marked by a high density center with a mix of commercial and tax-exempt (i.e., government or nonprofit-owned) properties, surrounded by mostly residential neighborhoods and industrial concentrations in the Northeast and Southwest. (See map.) Another large commercial center is located in the Northeast corner of the city, where the Berkshire Crossing and Allendale shopping centers straddle either side of Route 9. The main branch of the Housatonic River flows south from the downtown, while East, West, and Southwest branches radiate out to other corners of the city. Onota Lake is a popular spot for boating and fishing, with City-owned Burbank Park along its eastern shore, while the Pittsfield State Forest in the northwest corner offers miles of hiking and mountain biking trails.

Massachusetts. http://ethw.org/Archives:Transformers_at_Pittsfield_part_1.

¹⁰ U.S. Census Bureau

¹¹ Department of Local Services <https://www.mass.gov/service-details/municipal-finance-trend-dashboard>.



DATA SOURCES

This report uses data from the Massachusetts Division of Local Services (DLS) and the Pittsfield Board of Assessors (BOA). In the first section of the report, the analysis focuses on comparing real property, parcel-level values over time and includes all real property types including tax exempt property. Personal property which is defined as “movable items not permanently affixed to, or part of, the real estate” are not included in this real property analysis. Where appropriate, dollar amounts have been adjusted for inflation into constant 2017 values using the Bureau of Labor Statistics’ Consumer Price Index for All Items (CPI-UX). In the second section of the report on the levy ceiling, the analysis focuses only on the taxable assessed valuations of real and personal property. Tax exempt property is excluded and personal property is included. However, the valuations are not adjusted to constant 2017 dollars.

FINDINGS RELATED TO PROPERTY VALUES

1. **Pittsfield Board of Assessors data indicates there are 18,527 parcels in Pittsfield, with a combined value of \$3.99 billion**

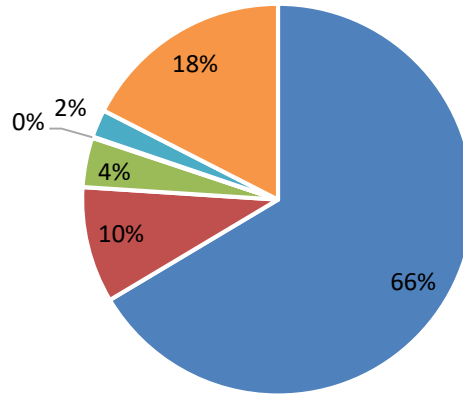
Parcels are classified by their taxable use, which fall into five major categories: Residential, Open Space, Commercial, Industrial, and Personal Property. As mentioned earlier, personal property is excluded from this parcel-level analysis and tax exempt property is included. In addition, Forest/Agricultural/Recreational (FAR), and Mixed-Use/Unknown are broken out separately in this analysis. Residential properties account for the largest share of total parcels and of property values, at 88% and 66.5% respectively, although they make up only 40% of total land area. Commercial properties are the next largest category by number of properties, at 4%, although their share of total property value is more than double that at 9.6%. Industrial properties, while representing only 1.4% of all parcels, have the second-highest average value per property (\$616,000).

Distribution of Properties in Pittsfield by Land Use Type (FY2018)						
Land Use Type	Parcels		Value		Acres	
	#	%	#	%	#	%
Residential	16,304	88.0%	\$2,655M	66.5%	9,829	39.5%
Commercial	740	4.0%	\$381M	9.6%	1,134	4.6%
Industrial	264	1.4%	\$163M	4.1%	1,395	5.6%
FAR	109	0.6%	\$2.5M	0.1%	3,553	14.3%
Mixed /Unk	395	2.1%	\$92M	2.3%	508	2.0%
Tax Exempt	715	3.9%	\$698M	17.5%	8,440	34.0%
Total	18,527		\$3,991M		24,859	
Source: Pittsfield Board of Assessors						

The highest average value (\$976,000) belongs to the 715 tax-exempt properties. Even though these properties account for less than 4% of total parcels, they represent 17.5% of total real property value and over one-third of all land area in Pittsfield.

Distribution of Properties by Value

■ Residential ■ Commercial ■ Industrial ■ FAR ■ Mixed /Unk ■ Tax Exempt



Characteristics of Properties in Pittsfield by Land Use Type (FY2018)			
Land Use Type	Acres/ Parcel	Value/ Parcel	Value/ Acres
Residential	0.6	\$162,867	\$270,171
Commercial	1.5	\$515,370	\$336,160
Industrial	5.3	\$616,146	\$116,604
FAR	32.6	\$23,285	\$714
Mixed /Unk	1.3	\$232,693	\$180,966
Tax Exempt	11.8	\$975,994	\$82,686
Source: Pittsfield Board of Assessors			

Per acre, commercial properties command the highest value at \$336,000, followed by residential at \$270,000.

2. Single family homes account for 61% of all parcels in Pittsfield, and 52% (\$2 billion) of total value

The largest subset of residential properties, single family homes, occupy 23% of land area in the city (5,675 acres). With a total value of over \$2 billion, single family homes make up 51.5% of total real property value in Pittsfield.

Collectively, another 17.5% of Pittsfield parcels are residentially developed, and include two- and three-family houses (11.1%), condominiums (3.2%), and apartments with at least 5 units (2.4%). By value, these other developed residential properties total \$556 million (13.9% of total value), with two-family homes (\$223 million), condominiums (\$140 million), and apartment buildings (\$135 million) representing the highest value subsets.

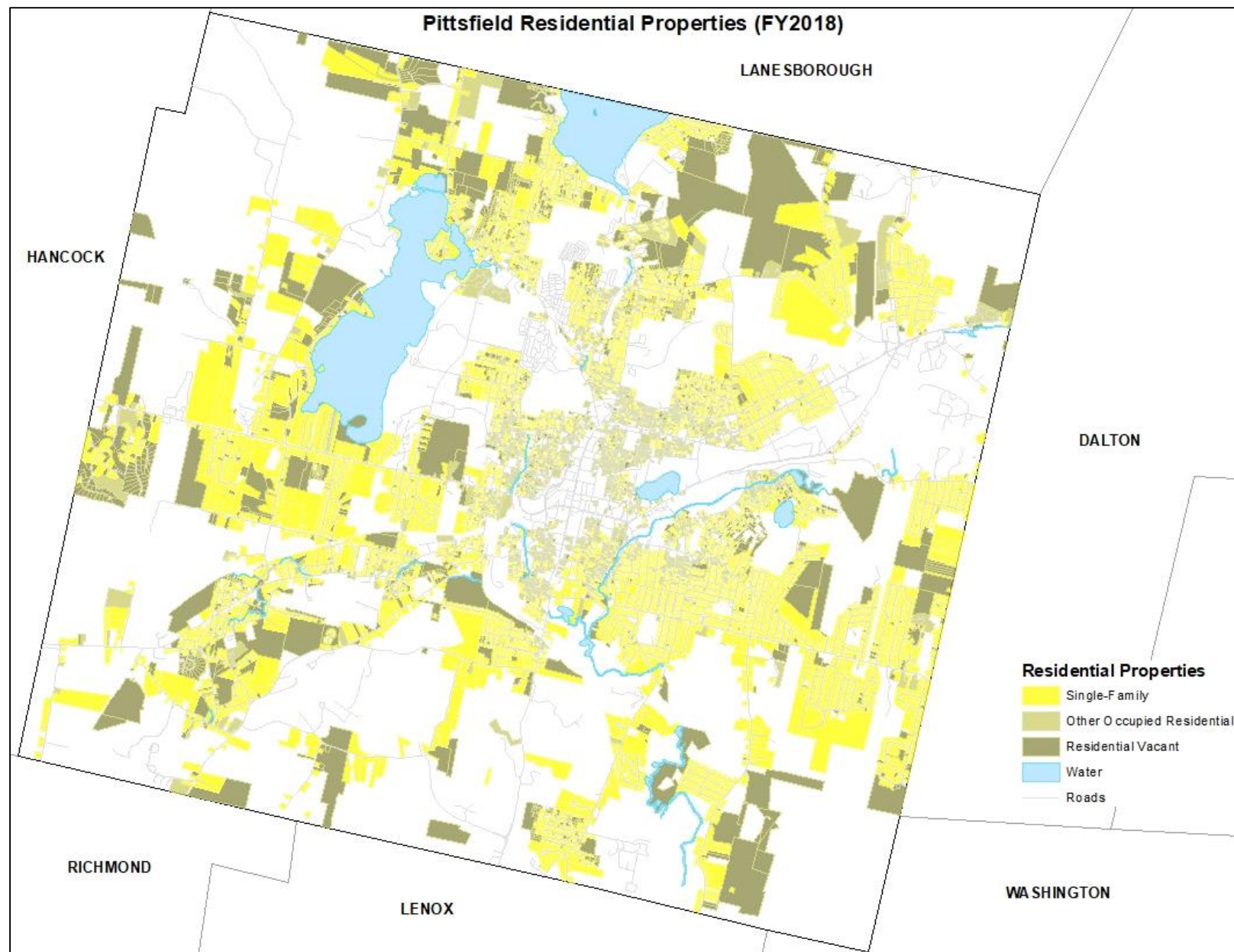
Residential Properties in Pittsfield (FY2018)						
Land Use Type	Parcels		Value		Acres	
	#	%	#	%	#	%
Single Family	11,332	61.2%	\$2,058M	51.5%	5,675	22.8%
Condominium	597	3.2%	\$140M	3.5%	NA ¹²	NA
Mobile Home	4	0.0%	\$4.7M	0.1%	65	0.3%
Two-Family	1,772	9.6%	\$223M	5.6%	377	1.5%
Three-Family	269	1.5%	\$35M	0.9%	57	0.2%
Apartments	440	2.4%	\$135M	3.4%	200	0.8%
Mult Hse on parcel	58	0.3%	\$13.5M	0.3%	89	0.4%
Group quarters	9	0.0%	\$2.1M	0.1%	3	0.0%
Land w/impr	97	0.5%	\$2.8M	0.1%	184	0.7%
Residential vacant	1,725	9.3%	\$42M	1.1%	3,176	12.8%
Child Care Facility	1	0.0%	\$0.4M	0.0%	1	0.0%
All Residential	16,304	88.0%	\$2,655M	66.5%	9,829	39.5%
Source: Pittsfield Board of Assessors						

The remaining 9.3% of properties taxed as residential land are vacant parcels zoned for residential use but with no habitable dwellings at present. Though low in value (\$42M), these parcels occupy 13% of land area in Pittsfield (3,176 acres).

As noted above, residential properties in Pittsfield are distributed throughout the city and integrated around commercial, industrial, and public lands. Single-family properties tend to be located away from the center, with high concentrations especially in the West, East, and Northeast sections of the city. Most of the other (non-single-family) developed residential properties are clustered closer to the center.

Some of the largest vacant parcels are found in the North part of the city, including 237 acres on Crane Ave and an adjacent 93-acre lot on Clark Road, while others are scattered around the city.

¹² The Assessors data does not list lot sizes for condominium properties, which generally share a parcel with several other condo properties.



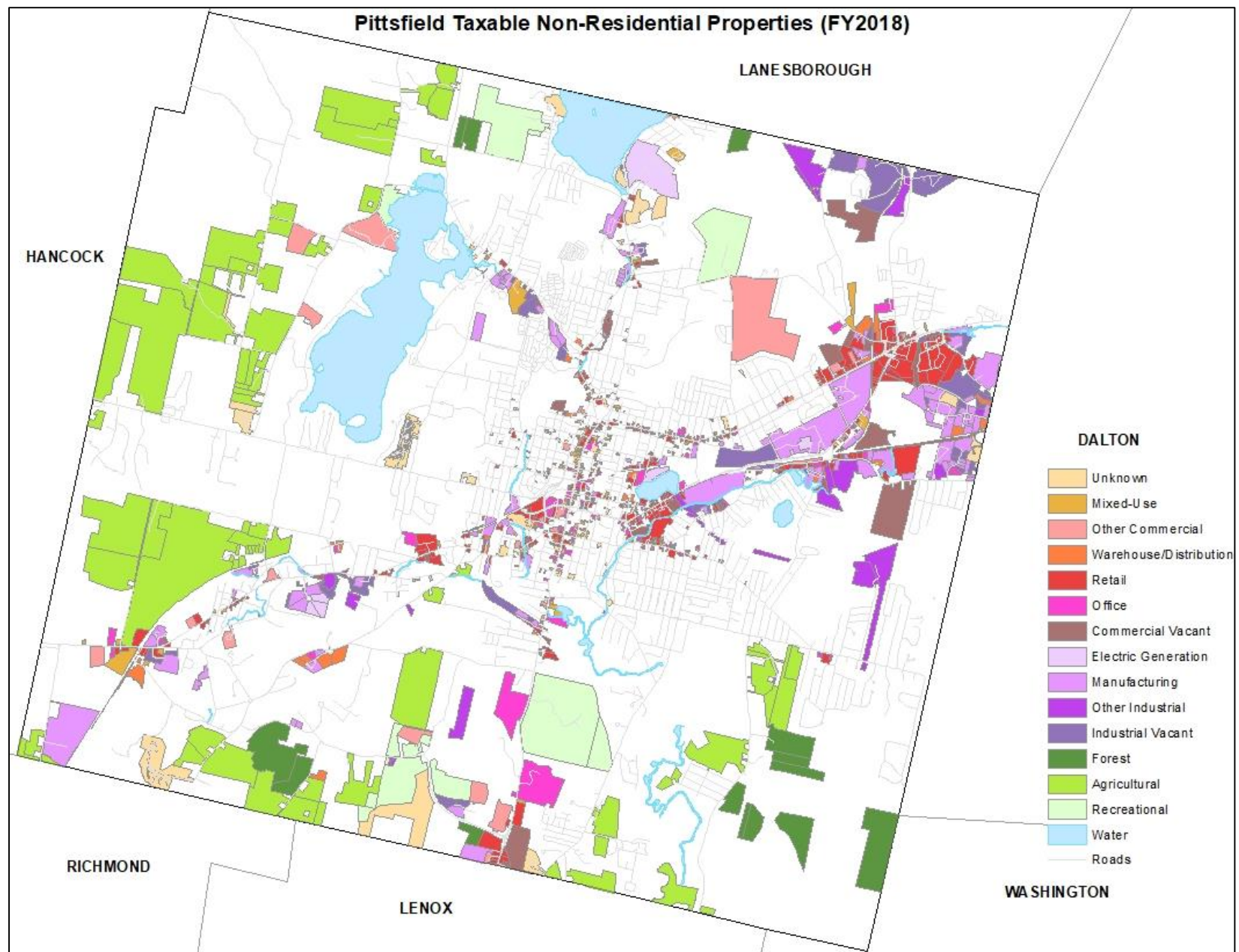
3. Non-residential taxable properties account for 8.1% of all properties in Pittsfield, and 16% of total property value (\$638 million)

These 1,508 commercial, industrial, FAR, and mixed-use parcels cover 6,600 acres (26.5% of total land area). Among them are 377 retail properties (2.0% of all parcels), 148 office properties (0.8%), 144 manufacturing properties (0.8%), 75 agricultural (0.4%), and 179 commercial/industrial vacant (1.0%).

By value, retail properties are worth the most, at \$206 million (5.1%), followed by manufacturing at \$102 million (2.6%), and offices at \$100 million (2.5%). The 51 other industrial properties, which include a cogeneration plant and 12 solar sites, represent only 0.3% of all properties but account for 1.2% of all value (\$50 million), and thus have the highest average value of all taxable non-residential properties (\$972,000). Altresco, the cogeneration plant, is the largest taxpayer in the City.

The distribution of land area among these properties is very different from their value, with the 109 forest, agricultural, and recreational properties accounting for just 0.6% of all properties, but 14.3% of the acres in Pittsfield. Industrial properties likewise are disproportionately large.

Taxable Non-Residential Properties in Pittsfield (FY2018)						
Land Use Type	Parcels		Value		Acres	
	#	%	\$Mill	%	#	%
Commercial	740	4.0%	\$381	9.6%	1,134	4.6%
Retail	377	2.0%	\$206	5.1%	429	1.7%
Office Building	148	0.8%	\$100	2.5%	198	0.8%
Warehouse/ Distr.	60	0.3%	\$17	0.4%	74	0.3%
Other Commercial	45	0.2%	\$54	1.3%	285	1.1%
Commercial Vacant	110	0.6%	\$5	0.1%	148	0.6%
Industrial	264	1.4%	\$163	4.1%	1,395	5.6%
Manufacturing	144	0.8%	\$102	2.6%	665	2.7%
Other Industrial	51	0.3%	\$50	1.2%	353	1.4%
Industrial Vacant	69	0.4%	\$11	0.3%	377	1.5%
FAR	109	0.6%	\$2.5	0.1%	3,553	14.3%
Forest	16	0.1%	\$0.1	0.0%	478	1.9%
Agricultural	75	0.4%	\$0.9	0.0%	2,143	8.6%
Recreational	18	0.1%	\$1.6	0.0%	932	3.7%
Unknown	199	1.1%	\$38	1.0%	408	1.6%
Mixed-Use	196	1.1%	\$54	1.3%	100	0.4%
Total Taxable Non-Res	1,508	8.1%	\$638	16.0%	6,591	26.5%
Source: Pittsfield Board of Assessors						



4. Tax-exempt properties, which include land owned by governments, charities, and religious organizations, account for 34% of the land area in Pittsfield, but just 3.9% of all parcels

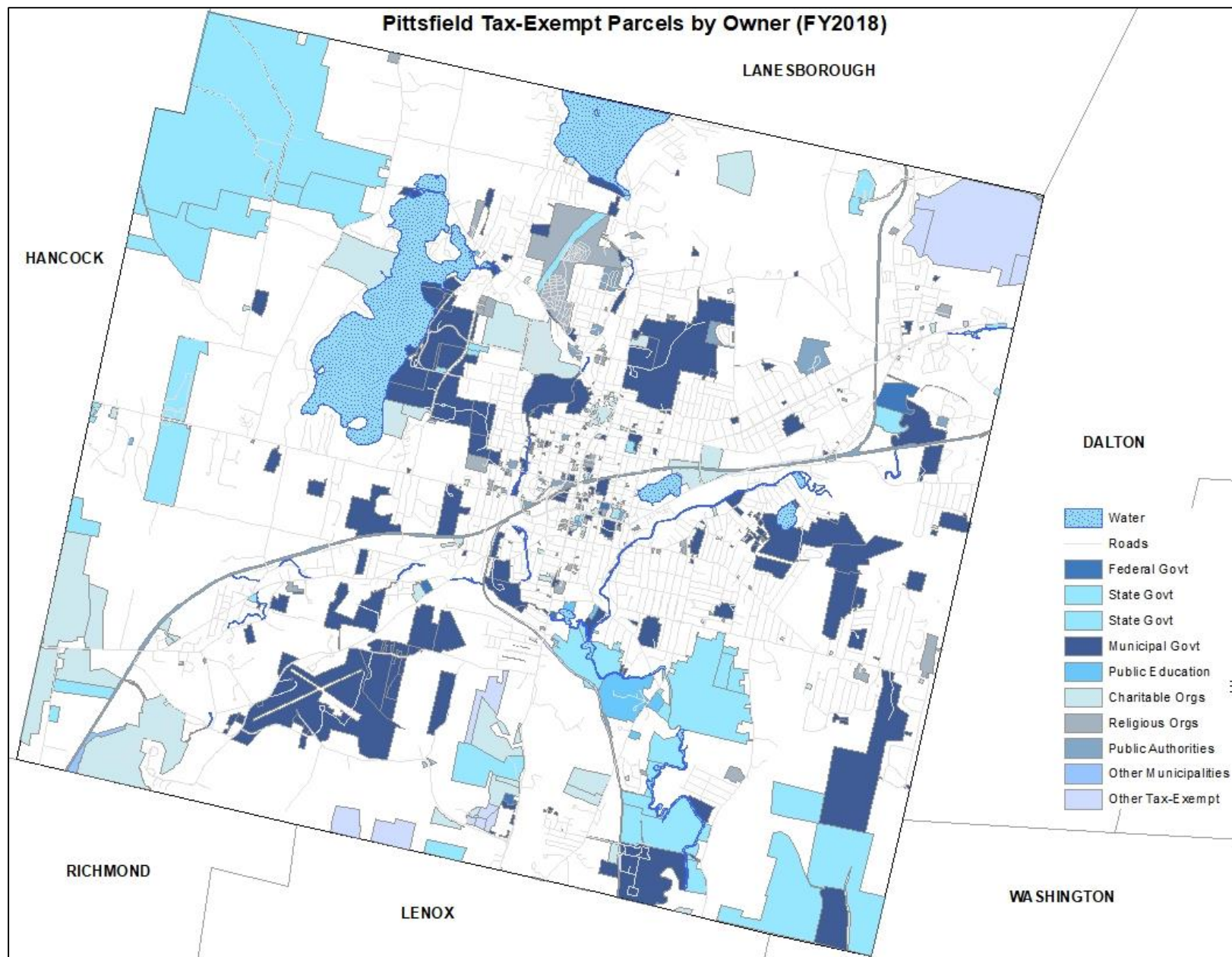
Though these properties are not taxed, their value is still worth examining as public and non-profit development is often used as a tool to stimulate private investment. In the case of Pittsfield, the nearly \$700 million in estimated property value that is assessed as tax-exempt represents more than one-sixth of all property values in the city.

Forty percent of these properties are owned by the City, representing 1.5% of all parcels, 5.1% of value and 10.5% of land area. Among these parcels are the Pittsfield Municipal Airport and park and conservation land. Half (140) of the city-owned parcels, with a total land area of 686 acres, are vacant, while an additional 50 parcels covering 704 acres are designated conservation land. A separate category covers properties owned by local public authorities, such as the Pittsfield Housing Authority, and includes an additional 212 acres (0.9%) of land area in the city.

Tax-Exempt Parcels in Pittsfield (FY2018)						
Land Use Type	Parcels		Value		Acres	
	#	%	\$Mill	%	#	%
Government-Federal	31	0.2%	\$79.8	2.0%	47	0.2%
Government-State	70	0.4%	\$100.2	2.5%	3,375	13.6%
Government-Municipal	286	1.5%	\$202.6	5.1%	2,601	10.5%
Public Education	12	0.1%	\$15.2	0.4%	95	0.4%
Charitable Orgs	164	0.9%	\$195.0	4.9%	1,073	4.3%
Religious Orgs	81	0.4%	\$56.8	1.4%	294	1.2%
Public Authorities	46	0.2%	\$45.4	1.1%	212	0.9%
Gov.-Other Munis	3	0.0%	\$0.7	0.0%	13	0.1%
Other Exempt	22	0.1%	\$2.1	0.1%	729	2.9%
All Tax Exempt	715	3.9%	\$697.8	17.5%	8,440	34.0%
Source: Pittsfield Board of Assessors						

State agencies, meanwhile, own just 0.4% of all parcels in Pittsfield, but 13.6% of the land area. These agencies include the Department of Conservation & Recreation, Department of Fisheries and Wildlife, and the Massachusetts Department of Transportation.

Non-profit and charitable organizations own parcels worth nearly 5% of total city property value, including several properties associated with the Berkshire Medical Center.



5. The total value of all real property in Pittsfield, as reported by the Board of Assessors, declined by 10.6% in real dollars, from \$4.47 billion in FY2009 to \$3.99 billion in FY2018

Ninety-three percent of property value lost was among residential properties, which declined in real terms by 14.2% over the nine-year period. Commercial properties also declined by 13.6%, and forest/agricultural/recreational properties by a striking 45.2%. Industrial properties, meanwhile, increased in value by 12.6%, netting over \$29 million in added value. Tax-exempt and mixed-use/unknown type properties also increased slightly in value.

This loss of real property value over this period has been the cause of falling revenue for the City, and the commensurate increase in tax levy rates.

Change in Real Property Values (\$Millions) by Land Use Type (FY2009-FY2018)				
Land Use Type	FY2009 value	FY2018 Value	Change	Percent Change
Residential	\$3,095	\$2,655	-\$440	-14.2%
Commercial	\$441	\$381	-\$60	-13.6%
Industrial	\$144	\$163	\$18	12.6%
FAR	\$4.6	\$2.5	-\$2.1	-45.2%
Mixed /Unk	\$87	\$92	\$4.9	5.6%
Tax Exempt	\$694	\$698	\$3.7	0.5%
Total	\$4,467	\$3,992	-\$475	-10.6%
Source: Pittsfield Board of Assessors				

6. Compared to other municipalities in Berkshire County, Pittsfield's property value losses are on par for the region

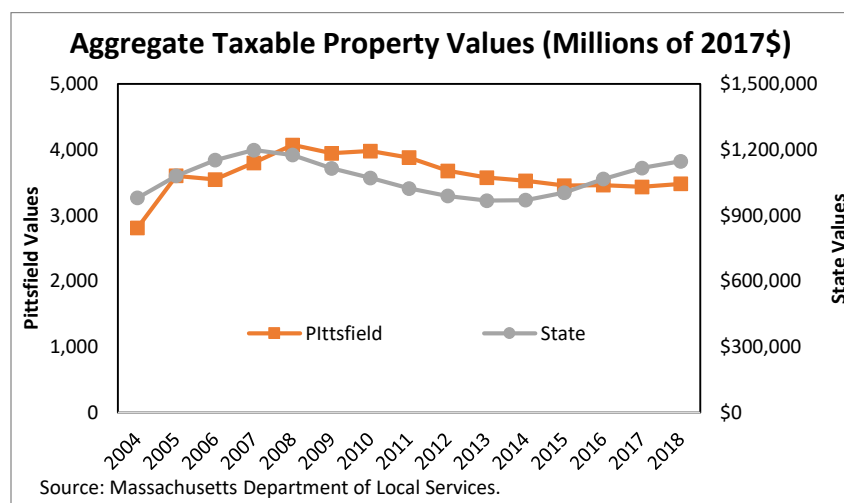
The Massachusetts Division of Local Services (DLS) reports aggregate taxable real and personal property values by type for all cities and towns in the Commonwealth. Inspection of this data is instructive in considering Pittsfield's status relative to other communities in the region.

The total decline in value observed by the DLS data, at -11.8% in real dollar values, is actually slightly less than the -13.7% decline reported for all municipalities in Berkshire County. And while Pittsfield has by far the highest property values in the county, the two next-closest municipalities, Lenox and Great Barrington, also had declines of 15.9% and 11.6%, respectively.

Change in Real Property Values (\$Millions) by Land Use Type (FY2009-FY2018)				
Land Use Type	FY2009 value	FY2018 Value	Change	Percent Change
Residential	\$3,119	\$2,686	-\$432	-13.9%
Open Space ¹³	\$27.6	\$0	-\$27.6	-100.0%
Commercial	\$475	\$407	-\$68	-14.4%
Industrial	\$144	\$163	\$18	12.7%
Personal Property	\$177	\$223	\$46	25.8%
Total	\$3,943	\$3,478	-\$464	-11.8%
Source: Massachusetts Department of Local Services				

Indeed, the only community in Berkshire County to record an increase in property values over this period was tiny Washington, with only \$81 million in total value in FY2018, up 9.7% from FY2009.

The patterns of property value losses in Berkshire County do differ, however, from statewide trends. For the Commonwealth as a whole, aggregate property values increased by 2.9% between FY2009 and FY2018. Indeed, while both Pittsfield and the state experienced declines in aggregate taxable property values from the late-2000s through the middle of this decade, the statewide recovery since then has failed to materialize in Pittsfield.



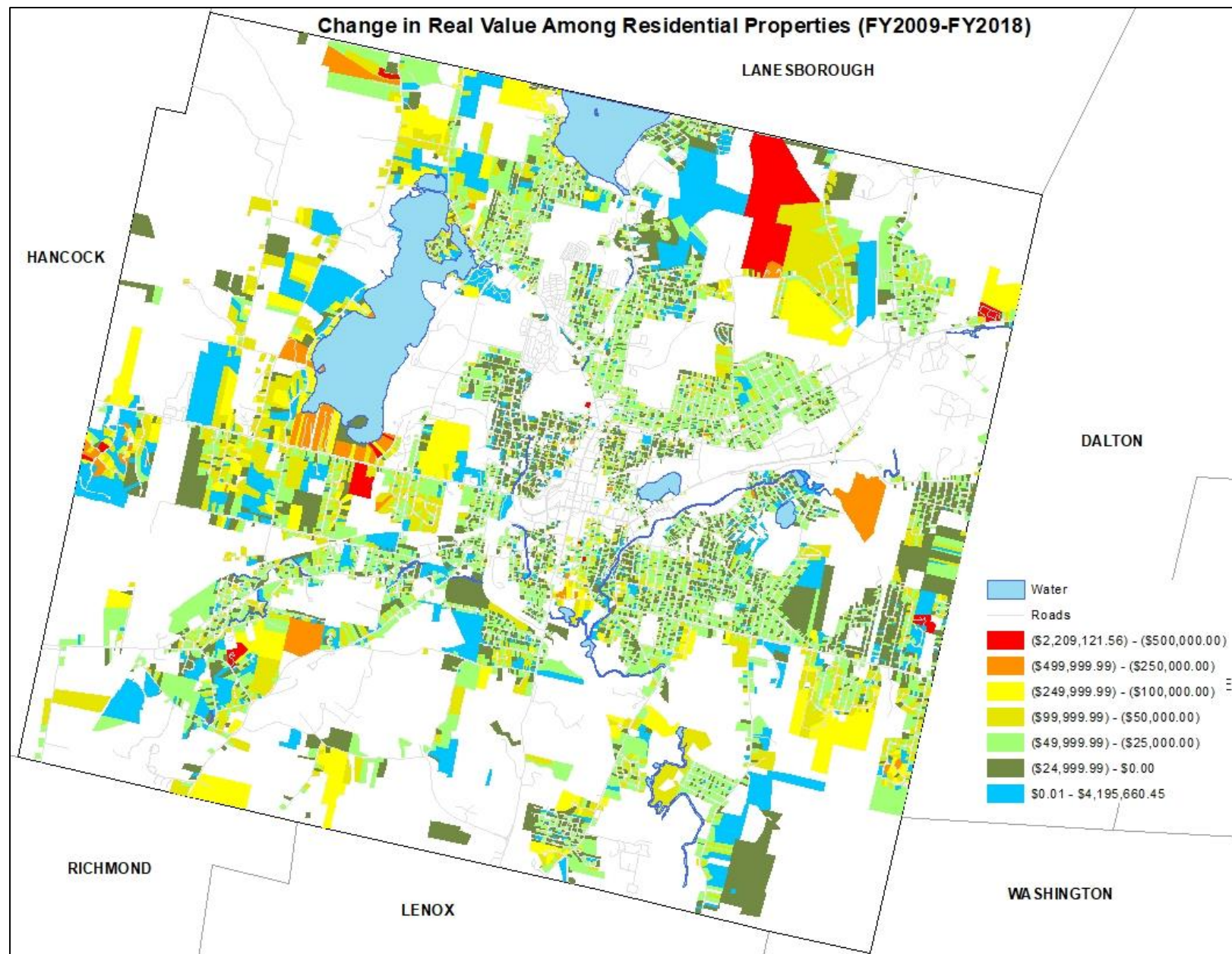
¹³ Pittsfield, like many other Massachusetts municipalities, has moved away from classifying land as open space and instead counts these parcels under their relevant taxable status by use and ownership.

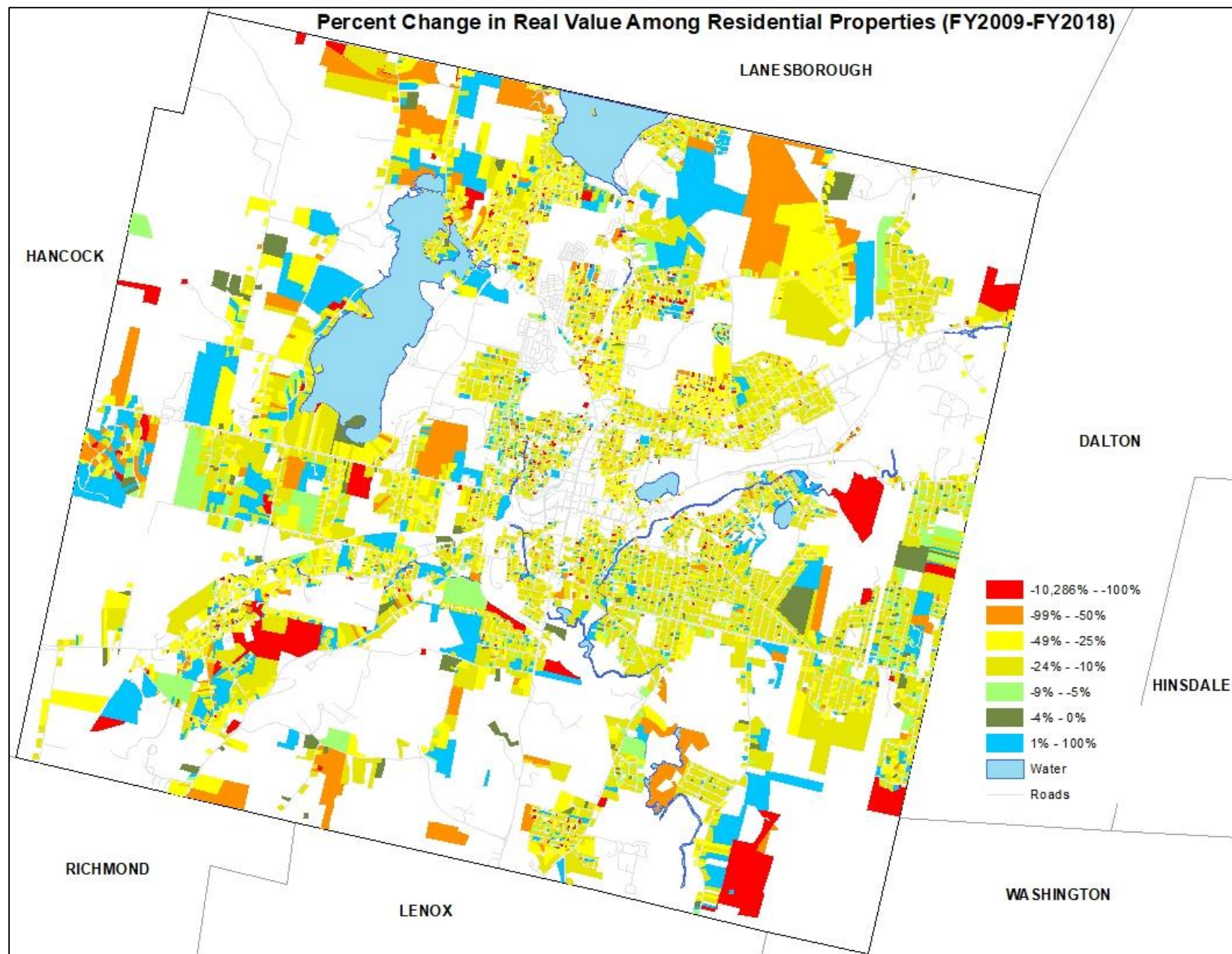
7. Over 90% of residential parcels lost value between FY2009 and FY2018

Only 7.6% (1,247) residential parcels increased in real value over the nine-year period. An additional 0.5% (74 parcels) were unmatched to FY2009 BOA records, so no change in value was available. The remaining 92% of single family parcels recorded real losses, with 33% losing less than \$25,000, and 44% losing between \$25,000 and \$50,000.

By dollar value, the Westside neighborhood (where values were lower to begin with) appears to have had the smallest value losses and even a few gainers mixed in. Neighborhoods with higher initial values typically saw a more significant absolute drop in value. Other properties with value gains are located around the city periphery. Percentage-wise, most residential properties lost between 10 and 25% of their real value, though farther north are several properties that lost between 25 and 50% of their value.

Among residential parcels in Pittsfield, single family properties declined in value by \$365 million (-15.1%). The value of two- and three-family homes declined by an even greater \$61 million (-19.1%), though condominiums fell by only \$3.4 million (-2.4%). Group quarters was one of the only residential property types in increase in value, by \$391,000 (22.3%), as the number of these parcels also increased from 6 to 9





8. Commercial property values fell in most sub-categories

Overall, commercial property values fell -13.6% or \$59.8 million. Declines were seen across most sub-categories except service and transportation and outdoor recreation. However, these sub-categories each represent only 0.1% of all properties in Pittsfield.

The major sub-categories of commercial properties include retail, retail-automotive, and office building. All three of these sub-categories experienced decline in property values in real dollars. The value of retail properties fell by \$3.2 million (-1.9%) while retail-automotive properties experienced a decline of \$4.2 million (-10.4%). Office building properties saw the most significant decline at \$52.4 million (-34.3%).

9. Unlike residential and commercial properties, industrial property values increased by \$18.2 million (12.6%) from FY09 to FY18

All that increase came from the additional value at the Altresco cogeneration property and 10 new solar energy generation facilities, which collectively added \$29.5 million to total valuations; Altresco alone increased by \$27.1 million in value.

The number of manufacturing properties, meanwhile, declined by four, and their total value declined by \$4.2 million (-3.9%).

All four of the former manufacturing sites were converted to vacant industrial properties, which as a group grew by 10 but still lost \$5.4 million (-33.5%) in value.

10. The value of tax-exempt properties overall increased by \$3.7 million (+0.5%) between FY09 and FY18

Tax-exempt properties are among some of the individual properties to gain the most value over this period, including three properties owned by Berkshire Medical Center that each increased by at least \$4 million between FY09 and FY18 and the property owned by Berkshiretown LLC. In all four instances, the increase in value represents significant investments made in facility renovations and upgrades.

Due to a reclassification of tax-exempt properties in Pittsfield in 2011, precise data on changes within subcategories of these properties are not available.

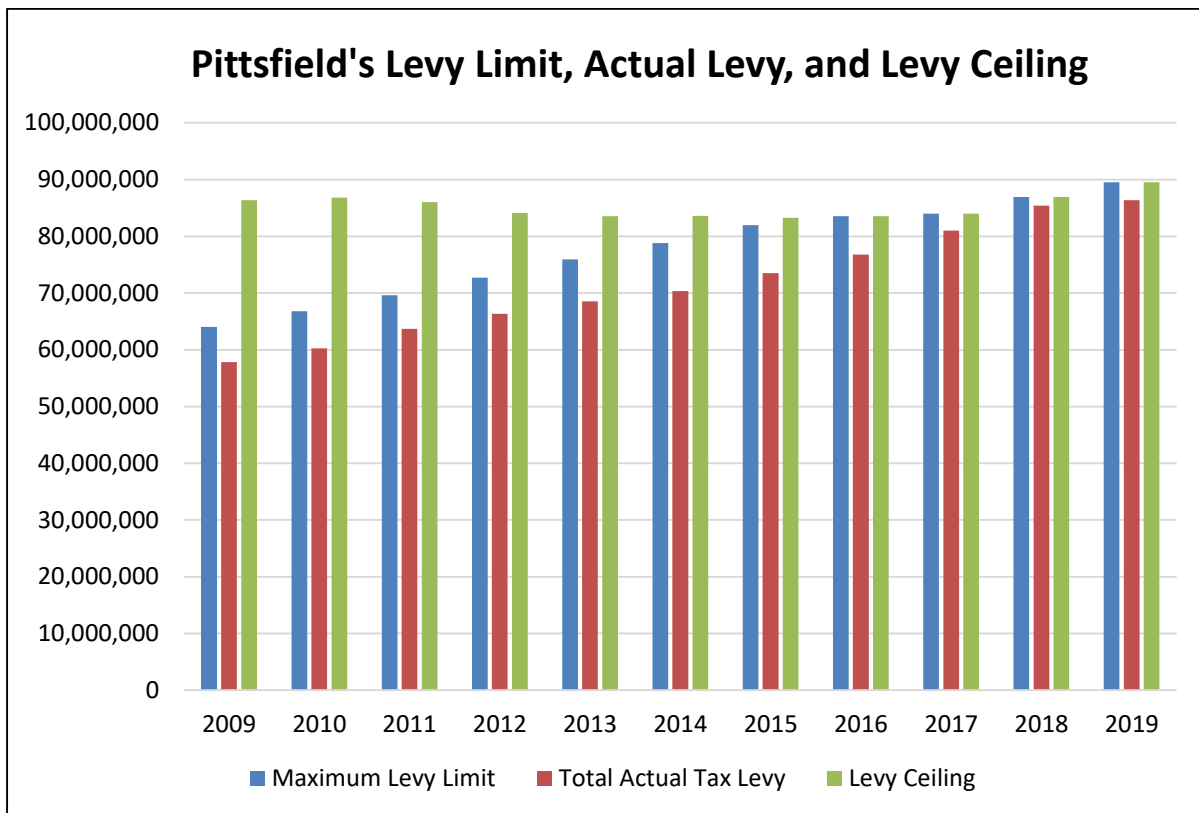
Largest Value Gain Among Tax-Exempt Properties in Pittsfield, FY09-FY18				
Address	Owner in 2017	Value in FY09	Value in FY18	Change in Value
777 North St	Berkshire Medical Center	\$7,436,280	\$11,434,540	\$3,998,260
725 North St	Berkshire Medical Center	\$45,647,668	\$49,739,200	\$4,091,532
176 Columbus Ave	Berkshiretown LLC	\$2,338,340	\$6,534,000	\$4,195,660
5 Wahconah St	Berkshire Medical Center	\$256,603	\$8,003,500	\$7,746,897

FINDINGS AND RECOMMENDATIONS RELATED TO THE LEVY CEILING COLLISION AND ITS IMPACT ON REVENUES

Annual tax levy growth in Massachusetts is constrained by Proposition 2 ½, the General Law that limits the annual growth in a municipality's total tax levy to 2.5 percent, plus an allowance for certain new construction and other additions to the tax rolls also known as new growth. A second, overarching constraint of Proposition 2 ½, limits the total tax levy (i.e., revenue generated by property taxes) to no more than 2.5 percent of the municipality's total taxable assessed valuation. This limit is referred to as the "levy ceiling." In communities at or near their levy ceiling, this constraint can impinge on annual tax levy growth such that the community may not be able to increase its annual levy limit by 2.5 percent or add amounts generated by new growth if this will bring levy limit above the levy ceiling.

In FY2016, Pittsfield's levy limit had grown to the point where it collided with the City's levy ceiling (2.5 percent of total assessed valuation). At the same time, stagnant and declining property values also drove down the City's levy ceiling, causing it to drop to a low point of \$83,291,159 in FY2015. Due to this levy ceiling collision, Pittsfield was unable to increase its levy limit by the full 2.5 percent annual increase allowed by Proposition 2 ½, or by the allowance for new construction. To compensate for these levy limit constraints, the City had little choice but to draw down some of the City's excess levy capacity. The excess levy capacity was drawn down from the eleven year high (FY2009-FY2019) of \$8.489 million in FY2014 to a low of \$1.5 million in FY2018. Fortunately, the City was able to build this excess capacity back up to \$3.1 million by FY2019, when the levy ceiling increased by close to \$2.6 million and the City only increased the actual tax levy by a little less than \$1 million between FY218 and FY2019.

Levy Limit, Actual Tax Levy and Levy Ceiling FY2009 - FY2019							
Fiscal Year	Levy Limit w/o Debt & Capital Exclusions	Maximum Levy Limit	Total Tax Levy	Excess Levy Capacity	Levy Ceiling	Override Capacity	Total Assessed Value
2009	64,013,270	64,013,270	57,836,322	6,176,948	86,363,823	22,350,553	3,454,552,912
2010	66,808,427	66,808,427	60,258,991	6,549,436	86,814,652	20,006,225	3,472,586,080
2011	69,604,164	69,604,164	63,722,459	5,881,705	86,037,162	16,432,998	3,441,486,470
2012	72,703,828	72,703,828	66,351,357	6,352,471	84,113,244	11,409,416	3,364,529,748
2013	75,958,348	75,958,348	68,567,361	7,390,987	83,545,094	7,586,746	3,341,803,760
2014	78,838,373	78,838,373	70,349,001	8,489,372	83,612,148	4,773,775	3,344,485,910
2015	81,964,865	81,964,865	73,514,528	8,450,337	83,291,159	1,326,294	3,331,646,372
2016	83,579,125	83,579,125	76,785,456	6,793,669	83,579,125	0	3,343,164,997
2017	84,001,992	84,001,992	81,004,319	2,997,673	84,001,992	0	3,360,079,672
2018	86,959,318	86,959,318	85,421,615	1,537,703	86,959,318	0	3,478,372,726
2019	89,534,132	89,534,132	86,381,078	3,153,054	89,534,132	0	3,581,365,272



As shown below, there has been some recent positive upticks in the City's total assessed values. Particularly in FY2018 and FY2019, the City's total assessed values increased by \$118 million and \$103 million respectively. Driving these increases are increasing values in the Residential and Personal Property classes. After declining or being stagnant for several years, residential values increased about \$73 million in FY2018 and then another \$75 million in FY2019, or almost 2.8 percent each year. Values for single-family homes increased by about \$60 million or 3% in FY2018 and then by another \$54 million or 2.6 % in FY2019. Condominium values increased by about \$4 million or 2.9% in FY2018 and then by more than \$4 million or nearly 3 percent in FY2019. According to the City Assessor, based on recent sales trends, values for single-family residential properties in the \$150,000 to \$350,000 range are expected to continue to increase going forward. Increases in value for two and three-family homes and some larger apartments have not kept pace with the growth in single-family and condominium values. Many of these properties are owned by non-resident owners that, in some cases, have not done an adequate job of maintaining these rental properties.

Personal property values have also grown in recent years, increasing by close to \$90 million between FY2016 and FY2019. Driving the recent personal property valuation increases is the siting of new solar electric generating facilities and a change in the manner in which the City values the personal property of utility companies. The City no longer relies on the central valuation provided by the State and like other communities, such as Boston and Worcester, use the values they determine with the assistance of a consultant. This growth in the value of personal property has contributed substantially to the City's certified new growth in recent years, constituting more than 80 percent of the City's certified new growth

from FY2017 to FY2019.

Assessed Values by Property Class FY2009-FY2019						
Fiscal Year	Residential	Open Space	Commercial	Industrial	Personal Property	Total
2009	2,732,591,204	24,224,500	416,272,988	126,407,240	155,056,980	3,454,552,912
2010	2,729,423,890	23,354,900	423,360,590	128,942,170	167,504,530	3,472,586,080
2011	2,702,685,940	12,513,760	425,061,460	126,567,130	174,658,180	3,441,486,470
2012	2,638,250,280	545,700	413,770,514	133,912,074	178,051,180	3,364,529,748
2013	2,623,409,910	372,500	411,339,410	146,315,100	160,366,840	3,341,803,760
2014	2,623,188,460	372,500	408,418,470	150,227,300	162,279,180	3,344,485,910
2015	2,612,643,756	370,700	403,746,320	157,718,796	157,166,800	3,331,646,372
2016	2,613,898,940	370,700	411,463,839	156,852,248	160,579,270	3,343,164,997
2017	2,613,060,177	322,000	407,407,067	160,253,058	179,037,370	3,360,079,672
2018	2,686,215,564	0	406,906,940	162,662,492	222,587,730	3,478,372,726
2019	2,761,142,888	0	406,721,901	163,353,423	250,147,060	3,581,365,272

Residential Values by Property Type FY2016-FY2019						
Property Type	Classification Code	FY2016	FY2017	FY2018	FY2019	Percent Change
Single-Family	101	1,996,727,170	1,997,198,000	2,057,572,100	2,111,195,000	5.73%
Condominium	102	135,426,980	135,675,200	139,646,700	143,783,700	6.17%
Mobile/Multiple	MISC 103,109	18,022,900	18,433,400	18,690,350	19,211,650	6.60%
Two-Family	104	225,863,880	223,474,800	222,713,400	229,345,100	1.54%
Three-Family	105	36,189,400	35,757,800	35,189,000	36,205,100	0.04%
Apartments/Group	111-125	128,048,410	128,401,900	136,662,700	138,338,250	8.04%
Vacant Land	130-32,106	43,643,200	44,201,400	44,905,200	43,810,800	0.38%
Multiple Use	012-043	29,977,000	29,917,677	30,836,114	39,253,288	30.94%
	TOTAL	2,613,898,940	2,613,060,177	2,686,215,564	2,761,142,888	5.63%

Lost Levy Limit Growth					
Fiscal Year	Total New Growth Applied to Levy Limit	2.5% Increase	Total Increase	Levy Ceiling Increases	Lost Levy Limit Growth
2016	1,271,090	2,049,122	3,320,212	1,614,260	1,705,952
2017	1,555,705	2,089,478	3,645,183	422,867	3,222,316
2018	1,566,185	2,100,050	3,666,235	2,957,326	708,909
2019	1,967,739	2,173,983	4,141,722	2,574,814	1,566,908
Totals	6,360,719	8,412,633	14,773,352	7,569,267	7,204,085

Since the City collided with its levy ceiling in FY2016, it has had certified new growth totaling \$6.36 million

and a 2.5 percent annual levy increase totaling \$8.4 million, for a combined potential levy limit increase of \$14.77 million. However, due to the levy ceiling collision, the City was able to recognize only \$7.57 million of this potential \$14.77 levy limit increase and lost an additional \$7.2 million from its levy limit due to the ceiling collision. If not for the increases in values and the corresponding increases to the levy ceiling in the last two years, the amount lost due to the ceiling collision would have been greater.

1. Recent upticks to Pittsfield's assessed valuations have increased the City's levy ceiling

Recent upticks to Pittsfield's assessed valuations have increased the City's levy ceiling by close to \$3 million in FY2018 and nearly \$2.6 million in FY2019. While this appreciation in values is very encouraging given the relative stagnation of these values in earlier years, the City will need to carefully manage its tax levy and excess levy capacity going forward. The City benefited from having excess levy capacity in the years when the levy limit was limited by the levy ceiling (FY2016 and later). This excess levy capacity can be drawn on in future years in the event that slower growth in assessed values limits the new levy growth the City can capture in its levy limit.

Recommendation 1.1 – The City should plan to re-building its excess levy capacity if values continue on the recent upward trend. As a goal, the City should try to restore the excess capacity to the \$6 to \$8 million range incrementally over the next few years. The City has already taken steps in this direction in FY2019 when it exercised fiscal restraint by increasing the actual tax levy by less than \$1 million. This conservative approach allowed the City to increase its excess capacity in FY2019 to slightly above \$3.1 million. Building excess capacity while values are on the upswing will provide the City with additional excess levy capacity that it can draw on if property values decline in future years.

2. Personal property new growth has been a substantial contributor to the City's total new growth

Personal property values have increased close to \$90 million between FY2016 and FY2019 and personal property new growth has been a substantial contributor to the City's total new growth (see table below). However, personal property new growth can have a downside in that new personal property tends to depreciate more rapidly than it did years ago. Since much of today's utility personal property is now technologically based, it tends to be depreciated more quickly over fewer years. Therefore, in a community that levies to its levy limit, the impact of rapid personal property depreciation is that the personal property class may not bear the new growth taxes it generates. When this occurs, it can result in a shifting of this tax burden to the other property classes.

New Growth by Property Class FY2016-FY2019				
Property Class	FY2016	FY2017	FY2018	FY2019
Residential	122,235	108,172	249,839	104,246
Open Space	0	0	0	0
Commercial	324,026	108,124	56,887	161,891
Industrial	0	49,796	38,995	53,135
Personal Property	824,829	1,289,613	1,220,464	1,648,467

TOTAL	1,271,090	1,555,705	1,566,185	1,967,739
<i>Personal Property Growth as % of Total</i>	<i>64.89%</i>	<i>82.90%</i>	<i>77.93%</i>	<i>83.77%</i>

Recommendation 2.1 – As assessed values grow and the City is able to recognize more of its annual new growth and 2.5 percent annual levy limit increases, the City should be cautious about its personal property new growth. Care should be exercised to ensure that large increases in personal property new growth are not increasing the tax burden on other property classes. Many communities are now recognizing how large amounts of personal property new growth can be offset by rapid personal property depreciation such that the personal property class does not bear all of the new levy growth that it generated. When this occurs, the tax burden is increased on the other property classes. The portion of the personal property new growth that will not be borne by the personal property class can be set aside (not taxed) to build unused levy capacity as recommended above.

3. A significant portion of the City’s two and three-family homes and apartments are owned by non-resident owners and offered as rental properties

A significant portion of the City’s two and three-family homes and apartments are owned by non-resident owners and offered as rental properties. In some cases, these properties are not well maintained, and when clustered together, can cause a neighborhood to look run-down or blighted. This can contribute to stagnant or declining property values in a neighborhood. Given its recent experience with the levy ceiling collision, the City is well aware of the crucial link between growing property values and the fiscal health of the City. In fact, the Mayor proposed a housing rehabilitation loan program to assist property owners in improving the exterior of their structures. Lack of consensus over the funding source and terms of the program caused the City Council to reject the program.

Recommendation 3.1 – The City should continue its efforts to support growth in property values, including re-shaping the proposed housing rehabilitation program. One way to do this is to ensure that the City’s Inspectional Services department has the resources to enforce City Code around making sure that buildings are safe and maintained at a level that complies with City Code. While this enforcement must be administered equitably and fairly, it may result in out-of-town property owners doing a better job of maintaining their properties and avoiding the cumulative impacts that lead to neighborhood blight.

Recommendation 3.2 - Another potential means of supporting property values, particularly in areas that have experienced significant real declines in values, is to prioritize the support of property values in the process for ranking capital projects. Areas that have experienced the largest declines could be given added points in the ranking process in the City’s capital plan. This could result in some targeted capital investments such as sidewalk improvements, crosswalks or improvements to neighborhood park(s) in these areas.

4. The City has a considerable amount of exempt property that is not subject to the annual property tax

The City has a considerable amount of exempt property that is not subject to the annual property tax. In FY2019, the City had 722 parcels valued at \$695 million. While some of these exempt properties are relatively small, others are significant and exert demands on City services.

Recommendation 4.1 – The City should continue to engage the larger exempt property owners in discussions around making payments in lieu of taxes (Pilot). Data around City services provided to these properties could serve as a basis for determining a fair and appropriate annual payment to defray some of the City’s expenses in providing these services. Many communities find that a successful Pilot program takes several years to gain traction and become successful, so persistence is important to establishing a sound Pilot program.