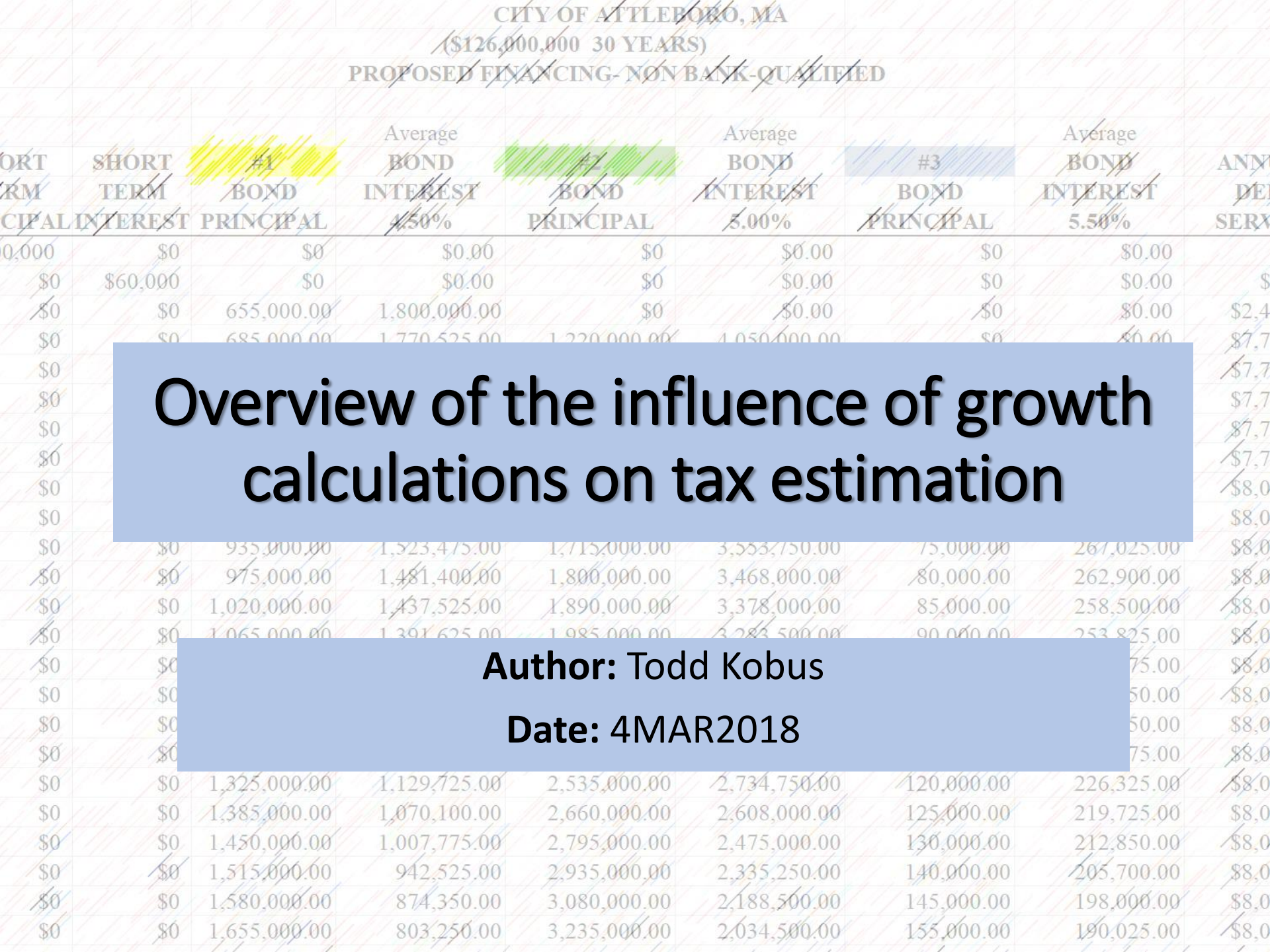


Overview of the influence of growth calculations on tax estimation

Author: Todd Kobus

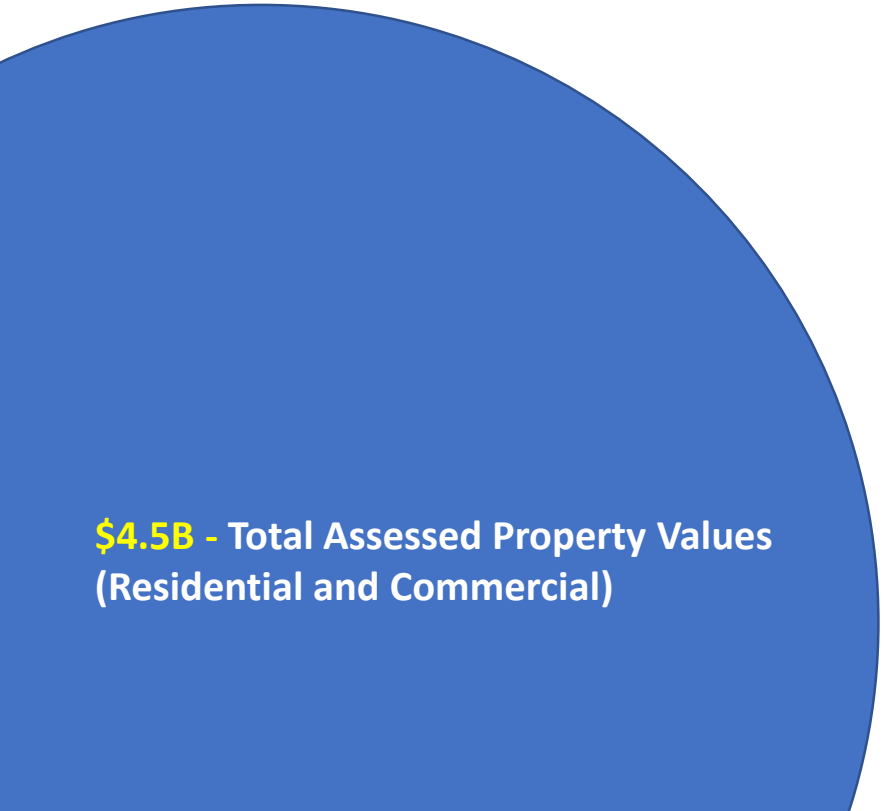
Date: 4MAR2018

First, how is your tax rate calculated?

Your property tax is calculated based on a ratio between the total amount of taxes to be collected and the total assessed value of all properties in the city.

$$\frac{\text{\$70M Levy}}{\text{Attleboro 2018 Total Assessed Values is approx. \$4.5B}} = \frac{\text{Property Tax}}{\text{Assessed Property Value}}$$

Attleboro 2018 Levy Limit is approx. $70M



Note: This formula is simplified. It does not account for the tax shift which shifts a portion of the responsibility from residential property to commercial. If interested in the full formula, see the Prop 2.5 Primer.

How does the bond impact your tax rate?

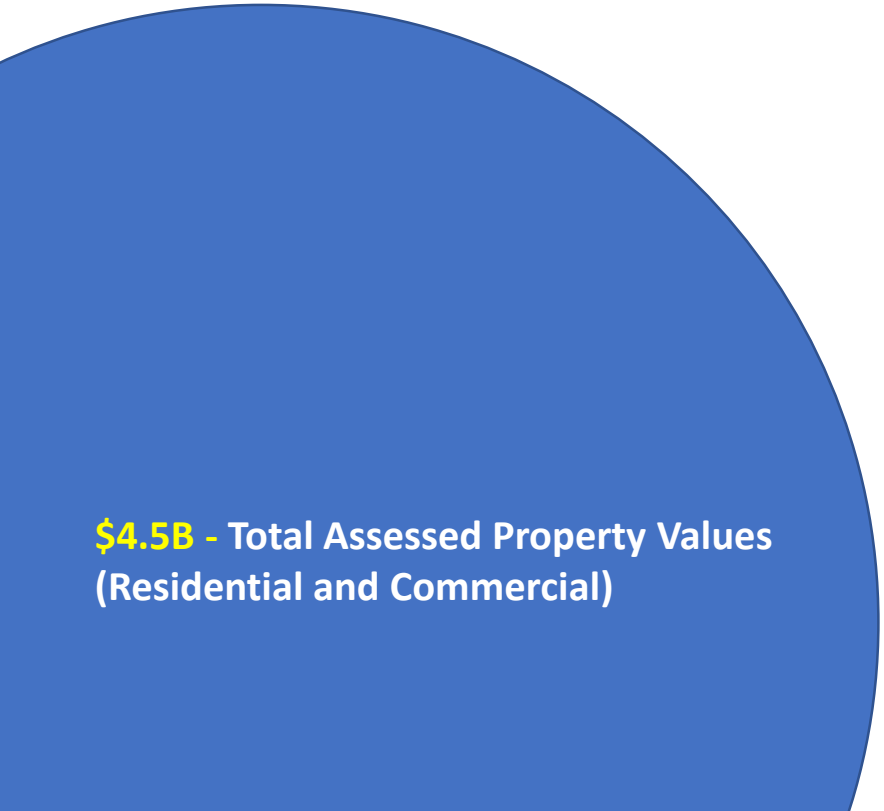
The annual bond payment amount is simply added to the total levy amount to be collected and impacts the ratio as follows:

- **$70M Levy + $8M Annual Bond Payment**

Property Tax (increases by approx 11%)

=

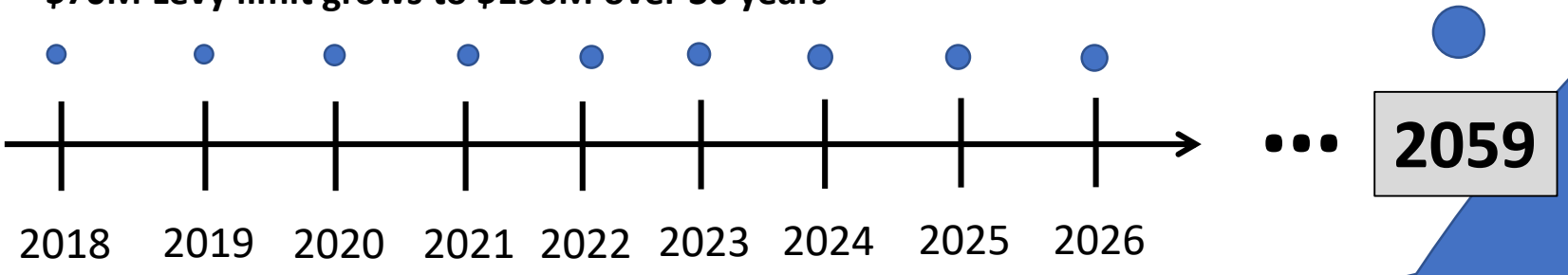
Assessed Property Value



Growth Calculated at 3.5%

Growth in the spreadsheet is calculated at 3.5% y/y. This applies to both the levy limit and the total assessed values. This growth rate is simplistic, but gets us close. Over thirty years, at a rate of 3.5% y/y, the levy grows from $70M to $196M and the total assessed values grows from $4.5B to $12.6B

$70M Levy limit grows to $196M over 30 years



Individual property value within the total of all assessed property values

$4.5B - Total Assessed Property Value grows to $12.6B over 30 years.

Where the problem arises…

When growth for an individual home value is not included in the calculation, each year into the calculation, the resulting values become increasingly inaccurate to the point where after 30 years, the predicted property tax is under-represented by 56%.

Year 30

$196M Levy / **Property Tax** = **Assessed Property Value**

At a growth rate of 1.5%, a $280k home would be assessed at $438k after 30 years. If …

$12.6B – Total Assessed Property Values (Residential and Commercial)

So what?

As a result of not incorporating growth, the values presented to the municipal council under-represent reality for the total impact, average impact and peak impact.

Impact to $280k home (not including growth)

Estimated Household Impact

Total household bond payments over 36 years for a house assessed at $280,000

$8,061

AVERAGE:

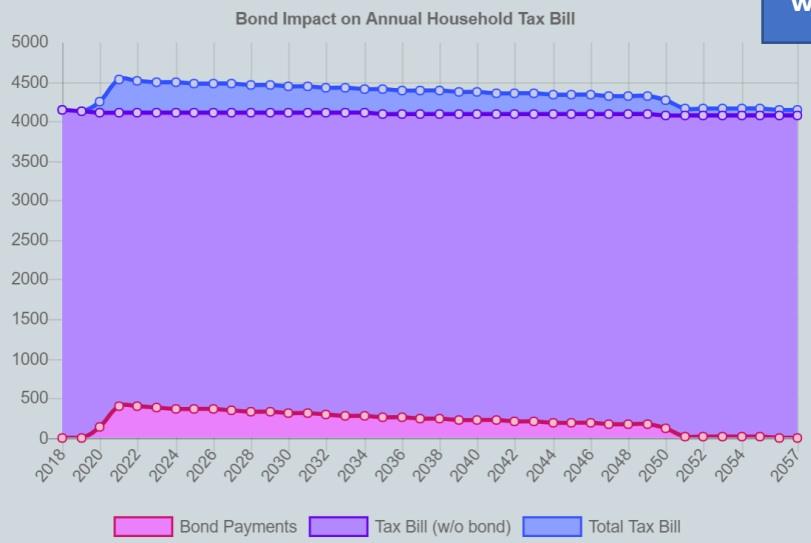
$224

($259 peak 30y avg)

PEAK (2021):

$404

($34/month)



w/ growth

Impact to $280k home (w/ 1.5% y/y growth)

Estimated Household Impact

Total household bond payments over 36 years for a house assessed at $280,000

$11,997

AVERAGE:

$333

($385 peak 30y avg)

PEAK (2021):

$438

($37/month)