

Will the rise in New Bedford home prices result in higher taxes and rents?

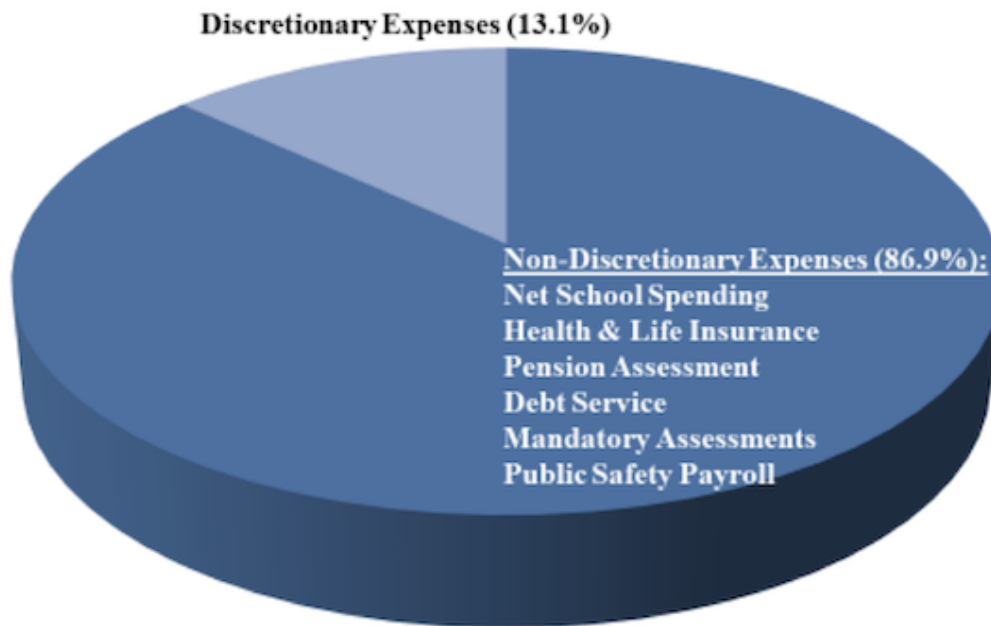
With home values in New Bedford rising nearly 16% from a year ago, expect a significant increase in property taxes and rents in New Bedford in 2021.

Home sales in New Bedford during April were down 27% pushing home prices nearly 16% higher to \$257,500, up from \$223,000 in April 2019. As the supply of homes for sale in Massachusetts during the coronavirus shrinks, home values will continue to rise putting pressure on municipal budgets. Overall, **home sales in Massachusetts during April were down nearly 14% with the median home sale price rising nearly 12% compared to April of 2019.** Based on this data, New Bedford home prices increased nearly twice as much as the rest of the state.

Without the City of New Bedford significantly cutting spending or receiving large amounts of state/federal funding, property taxes will rise significantly over the next few years. Spending cuts are difficult as the vast majority of New Bedford's budget is non-discretionary, or required spending. From **New Bedford's FY 2020 budget:**

"86.9% of the General Fund budget is predetermined by state mandates and regional agreements, and nearly 60% of the city government's General Fund payroll consists of unionized public safety positions that are subject to binding arbitration. As a result, only a relatively small portion of the budget can be considered truly discretionary, and we remain challenged to support current service levels and maintain the City's infrastructure."

FY 2020 General Fund Expenditures



A simple translation: The State requires New Bedford to spend 87% of its budget on specific items like education, most of the leftover 13% goes to the unions and we are already struggling to balance the budget. And this was before coronavirus. Without federal money coming to the rescue, higher property taxes or cuts will follow and there is very little left to cut. Higher property taxes will mean increased rents for residents and businesses.

In the past two years, residential property taxes went up on average **\$220 in 2019** and **\$114 in 2020**. With **Massachusetts tax collections falling in April by more than \$2.3 billion compared to last April**, the state will not be coming to the rescue without the federal government stepping in.

If state and municipal bailouts by the federal government don't come this year, expect much higher than \$220 increases in your residential property tax in 2021. Another solution

could be the state easing up on non-discretionary spending rules, but it's political suicide in Massachusetts to cut spending on education, pensions, health insurance, police, and fire which makes up the bulk of New Bedford's budget. It's either the federal government or the residential/commercial property taxpayer to the rescue, or more likely both.