



New Growth & Economic Development

Tuesday, October 21, 2025

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Proposition 2 ½

- Proposition 2.5 (also known as Proposition 2½) is a Massachusetts state law passed in 1980 that limits the annual property tax revenue a city or town can collect. It is designed to control municipal spending and is structured around two key tax-limiting provisions.
 - **The levy ceiling:** A municipality's total tax levy cannot exceed 2.5% of the total assessed value of all taxable property within that community.
 - **The levy limit:** A municipality cannot increase its total tax levy by more than 2.5% over the previous year's levy limit, plus an additional amount for "new growth".
- It is a common misconception that Proposition 2.5 limits an individual property owner's tax bill from increasing by more than 2.5%. This is not the case

New Growth

- New growth accounts for the increase in the tax base due to new construction, renovations, new lots, condo conversions and more.
 - To put simply, new growth is made up of new taxable items that did not exist the prior year.

New Growth- Some Examples

- Rebuilding an existing deck to the same size is not new growth. Adding a new deck is new growth
- A three-family converted to 3 new condominium units- each unit is new growth
- When building a detached ADU- only the building is new growth- the land stays the same
- When dividing a lot and building a new dwelling, the land and building are new growth. This may be captured over several years depending on the size of the project
- A new addition to a building is new growth
- When tearing down a building to build a new one, only the difference between the prior value and the new value is growth.
- If a new business opens and brings in all new equipment, it new growth if it doesn't fall below the \$5,000 exemption. If someone purchases an existing business and changes the name, but is using the same equipment that was there, it is not new growth.

New Growth

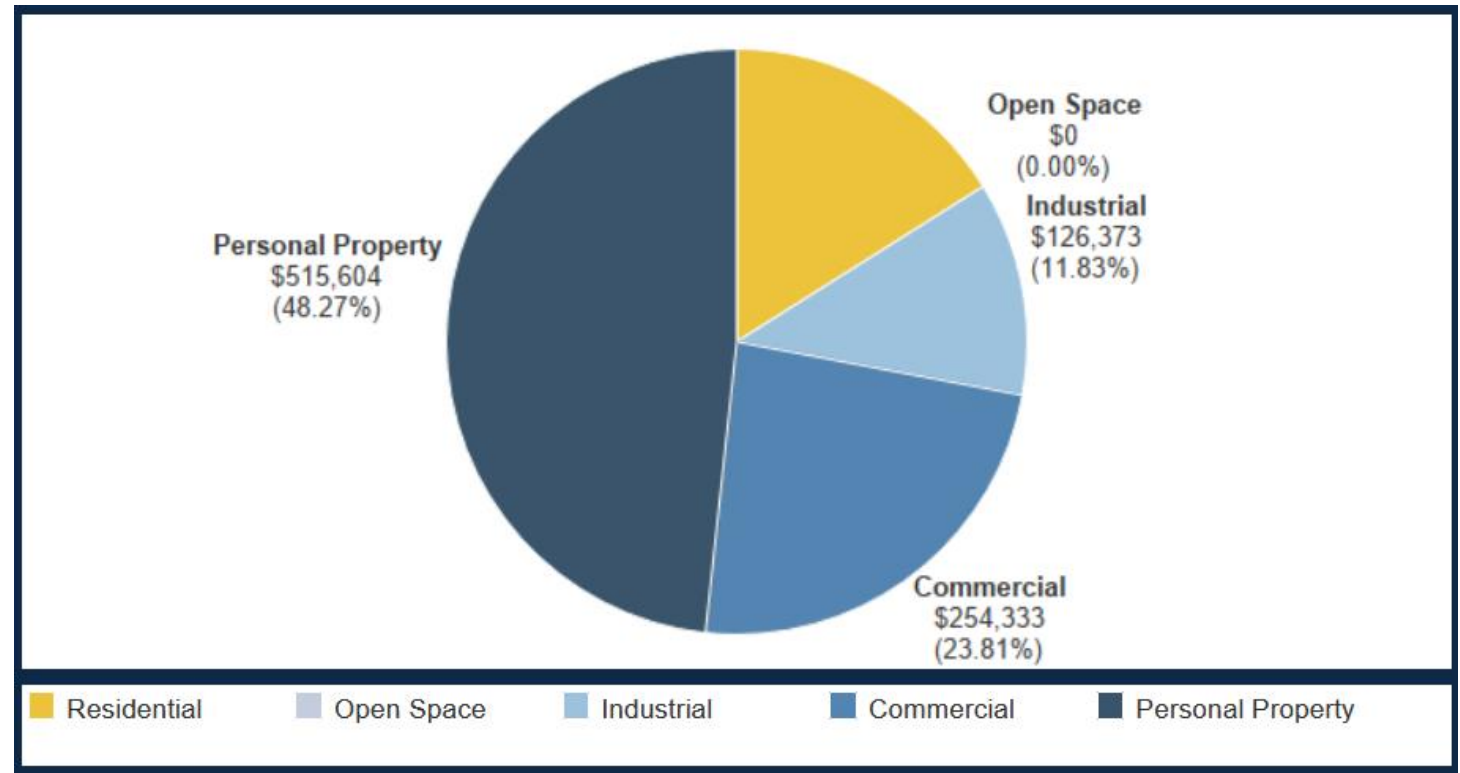
- New Growth will fluctuate year over year depending on the number of projects.
- Three-year average in Malden is around \$1,300,000
- FY21 New Growth was \$2,049,368, primarily because of the City Hall/JAG project.

New Growth

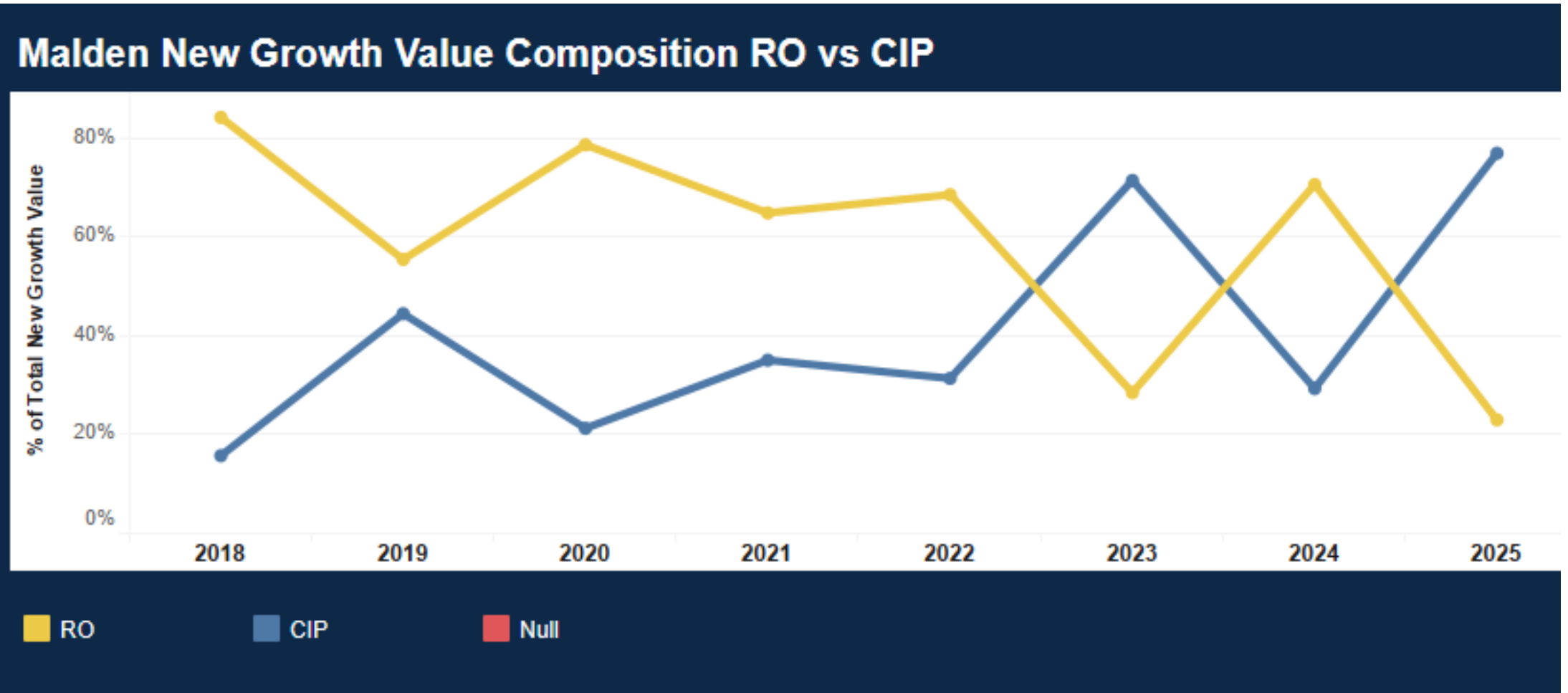
- Trends
 - How it affects levy growth
 - Commercial/Industrial Growth has been down the past few years because that market is struggling. High interest rates have caused a slow down in residential building permits.
 - What types of growth have been happening
 - Malden Hospital- not complete yet, but this project is taxable and the biggest project we have seen in a while.
 - National Grid- nearly \$17M in New Growth for FY26 (\$300k in tax dollars)
 - All the little projects add up- dormers, additions, patios, decks.

Malden's New Growth by Class for FY2025

- Residential 16%
- Commercial 24%
- Industrial 12%
- Personal property 48%
- Changes year-to-year based on what's happening



Percent of Growth as Residential or Commercial/ Industrial



Note on Market Changes

- Changes in property values do not affect total tax levy (amount City can tax)
- Changes in property values shift the tax burden among different property owners
- Example: when office building values decrease, they pay less in taxes; other property values pay relatively more

Economic Development

- Creating the conditions
 - Zoning and permitting
 - Taxes and incentives
 - Transportation and access – workers, customers, shipping
- Economic changes – not within our control
 - Be prepared for the upswing
- Implementation to Impact: 5-15 years is typical

Successes

- New Growth:
 - Malden Hospital
 - 735 Broadway (former Town Line Motel)
 - Overlook Ridge
 - 200 Exchange Street
- Reducing commercial vacancies:
 - Old Town Trolley
 - Many small businesses opening in the downtown

Successes

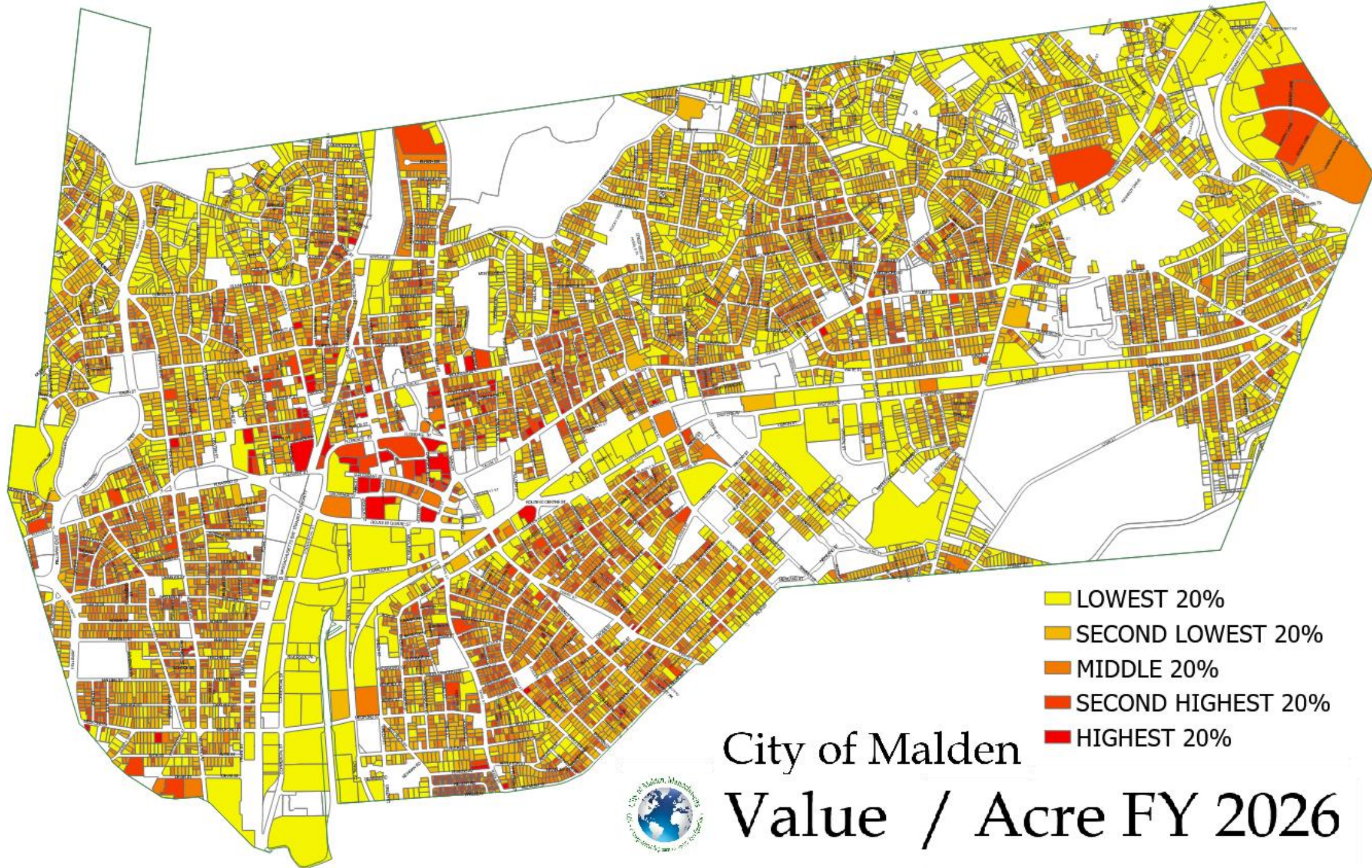
- Upgrades to infrastructure
 - Reconnecting Pleasant Street
 - New Police Station
 - Roadway improvements

New Programs

- Vacant Storefront Tax Credit Program
 - Malden just accepted into this competitive program – first time
- Gaming Commission-funded marketing plan – Gaming & Gourmet
 - Roughly \$50,000 to attract customers

Economic Development

- Where is new growth likely to happen?
- What kind of new growth is possible in this economy?
- What is the impact of new growth on Chapter 70?
- What strengths do we have that make us competitive?
- What could we change to be more competitive?
- What have other communities done that we could learn from?

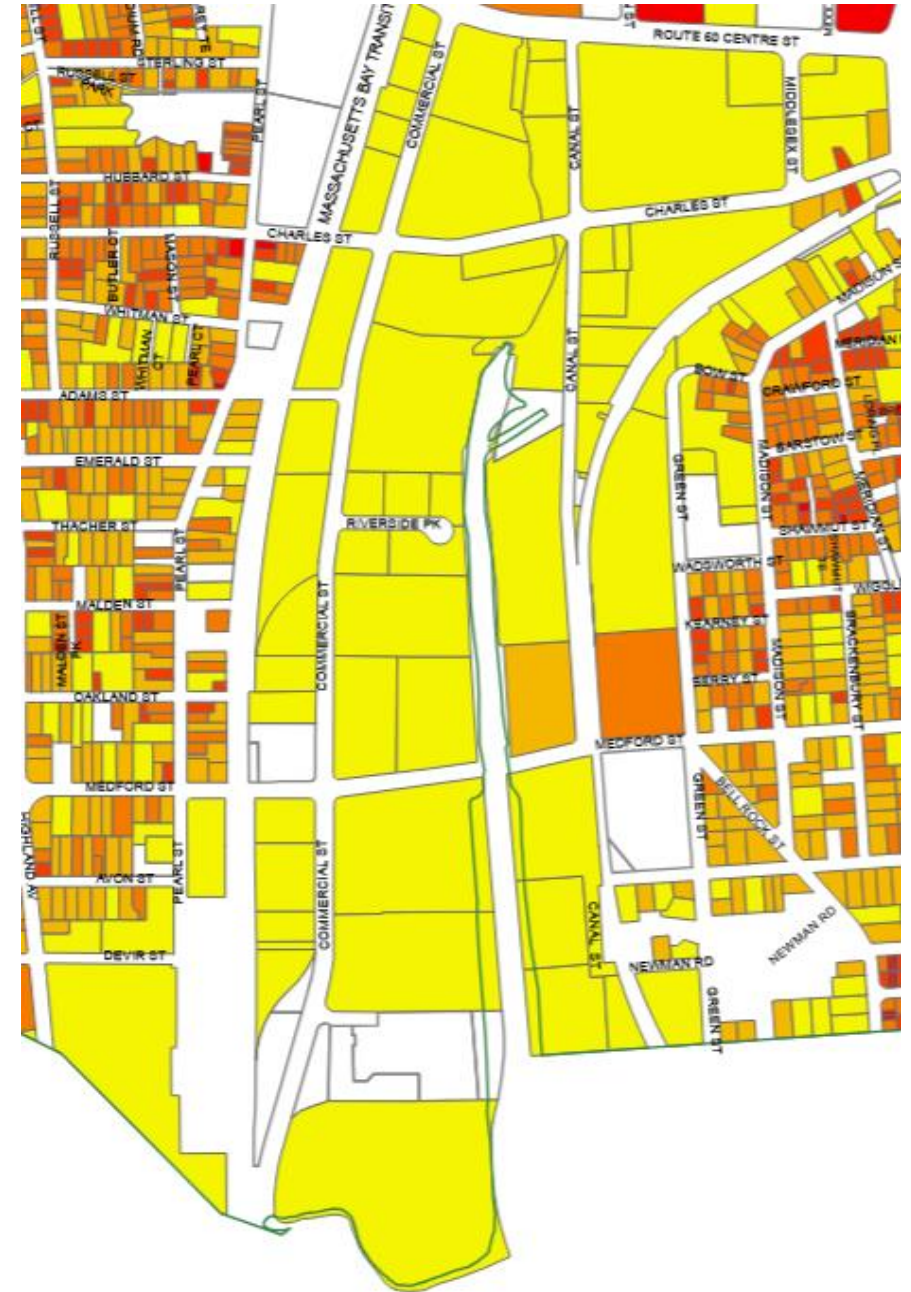


City of Malden
Value / Acre FY 2026



South of Centre Street

- Commercial Street
- Canal Street
- Charles Street
- Highland Ave



Eastern Ave and Broadway (south)



Broadway (north) and Overlook Ridge



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