

# The Community Preservation Act:

## A Brief Overview

*Preserving and enhancing the quality of life in Massachusetts –  
community by community, watershed by watershed*

The Community Preservation Act (CPA) enables communities to establish, through a ballot referendum, a local Community Preservation Fund dedicated to historic preservation, low and moderate income housing, and open space including active and passive recreational uses.

Revenue for the fund is generated through a surcharge of up to 3% of the local property tax. The State's Community Preservation Trust Fund is funded through new fees at the Registry of Deeds and Land Court.

While local adoption of the Act is optional, the Commonwealth is providing, as an adoption incentive, state matching funds totaling approximately \$26 million annually. This funding incentive will match up to 100% of the money raised annually by a community through its surcharge.

As Massachusetts continues to grow, each of its 351 cities and towns face the challenge of meeting critical community needs. Affordable housing, historic character, vital land and water resources, and recreational amenities are essential quality of life issues for residents.

Passed in 2000, the Community Preservation Act (CPA) is a critical tool to enable communities to meet these needs.

The CPA has been heralded by the Trust for Public Land and other organizations, as one of the most important environmental protection tools in the country.

The Act enables communities to collect and dedicate funds to smart growth projects they deem most appropriate. A state match of up to 100% of locally raised funds provides an extra incentive for community participation. To date, 58 communities have adopted the CPA, creating over \$35 million for smart growth in Massachusetts in 2002 and growing in future years.

The CPA complements other important planning tools including the buildout maps and analyses that the Executive Office of Environmental Affairs (EOEA) completed for cities and towns across the state, as well as the Community Development Plan program funded by EOEA, the Department of Housing and Community Development, and the Executive Office of Transportation and Construction. Together, these municipal/ state efforts help to control the effects that sprawl development has on our communities.

The Act allows communities to spend money for:

- Acquisition, creation, and preservation of open space
- Acquisition, preservation, rehabilitation, and restoration of historic resources
- Acquisition, creation, and preservation of land for recreational use
- Creation, preservation, and support of community housing
- Rehabilitation or restoration of open space, land for recreational use, and community housing that is acquired or created with CPA funds

### Conservation

Funds can be used to purchase land or easements in order to protect existing and future water supply areas, agricultural and forest lands, coastal lands, frontage to water bodies, habitats, nature preserves, and scenic vistas.

**Recreation**

CPA funds can be allotted for recreational uses after 10% of the funds have been used for open space. Lands can be purchased for active and passive recreational uses, including land for community gardens, trails, and non-commercial youth and adult sports such as parks, playgrounds, or athletic fields.

**Historic Preservation**

Funds may be used to purchase, restore, and rehabilitate historic structures and landscapes identified by the local historic preservation commission or state register of historic places.

**Affordable Housing**

Funds may be used to create and preserve affordable housing for low and moderate income individuals and families, including low or moderate income senior housing.

**Local Spending Procedure**

The CPA requires a community to adopt a community preservation committee to make spending recommendations to Town Meeting. Those legislative bodies approve or reject proposed spending plans.

**Requirements**

The CPA is designed to maximize spending flexibility to enable each community to meet its unique needs. A minimum of 10% of annual funds must be spent for each category of historic preservation, affordable housing, and open space. The remaining 70% of funds may be spent in any category. A community may reserve funds to be spent in later years.

Additionally, funds may not be used to supplant existing operating funds already dedicated to similar purposes. The CPA is meant to serve as a dedicated funding source for net improvements to a community's unique character, above and beyond year-to-year operating needs.

**Local Passage**

Passage of the Act on the community level is a two step process.

First, a community must place the CPA on the ballot by obtaining approval of Town Meeting. Alternatively, a petition of 5% of registered voters can place the CPA on the ballot.

Second, once on the ballot, a majority of voters is required to make the CPA law.

**Legislative Lifetime**

A community may choose to repeal the Act after five years through the same process as its adoption. Before that time, a community may reduce or increase the surcharge, or add or eliminate exemptions.

**Surcharge Exemptions**

Communities may utilize three different surcharge exemptions to help offset the impact on particular community members:

- \$100,000 of the value of each taxable residential parcel;
- property owned and occupied by persons who qualify for low income or low or moderate income senior housing;
- and commercial or industrial properties in communities with classified tax rates.

[www.mass.gov/envir/cpa](http://www.mass.gov/envir/cpa)

## CPA Calculator: The Costs and Benefits for Tewksbury

The CPA Calculator provides a convenient means of estimating the funding that can be raised under a variety of scenarios. The CPA Calculator answers the following questions:

- How much can be raised through CPA at various levels of surcharges and exemptions?
- How much will a typical homeowner pay as a CPA Surcharge?

- What is the likely amount of the State matching funds?

The calculations in this section are based on DOR data for Fiscal Year 2004 as to local tax rates and assessments. Given the structure of the Community Preservation Act, however, several simplifying assumptions are required to reflect the effect of exemptions and other program rules. Therefore, the estimates reported below represent only **approximations**.

### How much can be raised through CPA at various levels of surcharges and exemptions?

Primary funding for the CPA comes from a surcharge of up to 3.0% on the local real property tax levy. The surcharge, however, may be offset in part by certain exemptions, including: (Planning Board recommendation highlighted.)

- For the first \$100,000 of taxable value of residential real estate
- For property owned and occupied by a person who qualifies for low-income housing or for low- or moderate-income senior housing
- For the full value of commercial/industrial properties in communities with a classified tax structure

The Planning Board recommendation provides for a 1.5% surcharge, exemptions of the first \$100,000 and the low income/ low -moderate income senior housing.

The following table shows the amount of CPA funds that could be raised at various surcharge rates and types of exemptions: (Planning Board recommendation highlighted.)

	1.5% Surcharge	2% Surcharge	2.5% Surcharge	3% Surcharge
No Exemptions	\$603,213.	\$804,283.	\$1,005,354.	\$1,206,425.
First \$100,000	\$456,324.	\$608,432.	\$760,540.	\$912,648.
Low/mod income	\$588,532.	\$784,709.	\$980,886.	\$1,177,063.
First \$100,000 & low/mod	\$448,983.	\$598,645.	\$748,306.	\$897,967.
Comm/Industrial	\$434,530.	\$579,374.	\$724,217.	\$869,061.

These estimates are based on DOR data for Fiscal Year 2004.

	.5% Surcharge	1% Surcharge
No Exemptions	\$201,071.	\$402,142.
First \$100,000	\$152,108.	\$304,216.
Low/mod income	\$196,177.	\$392,354.
First \$100,000 & low/mod	\$149,661.	\$299,322.
Comm/Industrial	\$144,843.	\$289,687.

### How much will a typical homeowner pay as a CPA Surcharge?

At the current residential tax rate of 10.39 per \$1000 of value in Tewksbury, the following tables illustrate the CPA tax that would be paid by a typical homeowner given a range of property values, surcharge rates, and exemptions: (Average home value \$320,000.00)

(1) Typical CPA Tax with no exemptions:

No Exemptions	CPA Tax for Residential Property Valued At:				
	\$192,000	\$256,000	\$320,000	\$384,000	\$448,000
Surcharge	\$19.95	\$26.60	\$33.25	\$39.90	\$46.55
1%	\$39.90	\$53.20	\$66.50	\$79.80	\$93.09
2%					

1.5%	\$29.92	\$39.90	<b>\$49.87</b>	\$59.85	\$69.82
------	---------	---------	----------------	---------	---------

(2) Typical CPA Tax with first \$100,000 exempt:

<b>\$100,000 Exempt</b>	<b>CPA Tax for Residential Property Valued At:</b>				
Surcharge	\$192,000	\$256,000	<b>\$320,000</b>	\$384,000	\$448,000
1%	\$9.56	\$16.21	<b>\$22.86</b>	\$29.51	\$36.16
2%	\$19.12	\$32.42	<b>\$45.72</b>	\$59.02	\$72.31
1.5%	\$14.34	\$24.31	<b>\$34.29</b>	\$44.26	\$54.24

Based upon spreadsheet model from MA Executive Office of Environmental Affairs.

## What is the likely amount of the State matching funds?

As part of the CPA, the state has created a Community Preservation Trust Fund, which is funded through new fees at the Registry of Deeds and Land Court. State officials estimate that this trust fund will aggregate at least \$26 million per year. These monies will then be used to match funds raised through the local real estate tax surcharge. The total state match received by a municipality cannot exceed the amount of the local tax surcharge collected in a given year; i.e., no community can receive more than a 100% match.

In order to estimate Tewksbury's state match, several assumptions must be made.

- First, the balance in the CPA Trust Fund each year must be estimated. This amount was originally projected at \$26 million annually; the balance is currently ahead of that estimate due to the startup phase when no draws were made and due to the continuing strong real estate market.
- The next and most important assumption regards the number of other communities that pass the CPA each year. There are 36 communities who passed the CPA in 2001 and will receive matches in 2002. An additional 22 cities and towns passed the CPA in 2002 and received matches in 2003. Those cities and towns that pass the CPA in 2004 won't be eligible for state matching funds until October, 2005 at the earliest.
- Lastly, in future years it will be necessary to analyze the communities eligible for the second or equity round of the state match and determine the likely ranking of Tewksbury relative to these other cities and towns.

Based on the current CPA Trust Fund balance and the number of communities that will be eligible for a match in 2004, a reasonably conservative estimate is that all participating communities will receive a 100% match for the next 5 years. A full state match is also likely in subsequent years, but the results cannot be predicted with as much certainty that far in the future. Please contact the Coalition with any questions about the details of the state match or our predictions for the match percentage over the next few years.

<http://www.communitypreservation.org/fundresults.cfm>