

## MEMO

TO: Linda Wollschlager, Chair, and members of the Finance Committee

FROM: Jamie Errickson, Town Administrator

CC: Ganesh Ramachandran -

RE: Community Preservation Act – Town Meeting Warrant Article 21

DATE: March 13, 2022

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Town Administration is aware of a recent effort to consider adoption of the Community Preservation Act (CPA) for the Town of Natick. In recent weeks, details have been shared with Town Administration regarding this proposal, which is the subject of Warrant Article 21 on the 2022 Spring Annual Town Meeting. This is a critical time to consider such a proposal, with the Town still recovering financially from the economic impacts of the Pandemic and the need to consider an operational override for Fiscal Year 2024 on the immediate horizon. As of the date of this memo, Town Administration has had limited involvement in the discussion around CPA, so many of the items outlined in this memo may have been discussed by those working on this article.

CPA is a well-known program in Massachusetts adopted by over 50% (187 of 351) of the Commonwealth's communities. By adopting CPA, which must be completed through a town-wide vote following a Town Meeting vote, a community is authorized to establish a local Community Preservation Fund. These funds must be used for open space protection, historic preservation, affordable housing and outdoor recreation purposes. Funds are raised through a surcharge on property-owner tax bills of not more than 3% of the tax levy.

While the adoption of CPA has proven to be a great benefit for many communities throughout Massachusetts, Town Administration recommends the comprehensive review of several components of CPA prior to the adoption of CPA. These include, at minimum, the following:

**Surcharge, management and structure:**

CPA programs are funded through a surcharge on real estate of up to 3%. The amount of the program surcharge is a main consideration when adopting CPA as it informs everything from scale to function/form of a CPA program.

CPA programs can take many forms, though most are typically grant and/or loan programs (competitive or otherwise) managed by a Community Preservation Committee (CPC) often with the support of paid staff. Several questions with regards to how a CPA program is structured should to be explored, including grant program guidelines, reporting requirements, loan program guidelines, performance terms, day to day management, and other similar questions. The structure and format of the CPC, which is partly governed by MGL, will also need study and clarity to determine size, appointing

authority (elected, Select Board, other), terms, etc. Factors that influence a program structure include the size of the program (i.e. revenues) versus the intended uses, as well as the staff resources needed to manage the day-to-day operations of a program.

In order to operate a well-run CPA program, experience shows that communities should consider investing in staff devoted to the program. This includes staff time in the Assessor's, Comptroller's, and Collector/Treasurer's offices of up to ½ to 1 FTE position as well as program administration staff support of up to 1 FTE. These are staff resources the Town currently does not have to support such a program. Further, as noted CPA programs often include grants, loans, and other similar approaches to disbursement of funds. Many of these require legal documents to be drafted and reviewed, and as such the use of town counsel may also be a cost to consider with the adoption of a CPA program, as well as other Town staff such as the Procurement Manager. While a portion of the funds received through the CPA program (up to 5%) can be used to support administrative costs, depending on how the size and program structures, additional town financial resources may be necessary.

In advance of the adoption of the CPA, Town Administration recommends further outlining with stakeholders as well as Town Administration the intended scale and management approach to a CPA program for Natick. Such discussions will help to ensure all understand and can appropriately plan for potential impacts on the structure, operations, and budgets of Town departments and other services provided to the community. Further, there may be opportunities to adjust existing budget and resource allocation (i.e. annual appropriation to Affordable Housing Trust, FAR Stabilization funds, etc.) to consider as the community moves forward with a CPA program.

While a CPA program can provide additional funds for use on qualifying projects that may be part of a capital program, Town Administration does not anticipate a CPA program in Natick to offset the costs of the Town's Capital Improvement Program. Many of the Town's capital investments are for facility maintenance and upgrades (buildings, water/sewer infrastructure, etc), as well as fleet/vehicle investments, among many others. CPA funds are not eligible for many of these uses. As such, CPA funds are considered to support projects and programs that are not currently primary components of the Town's CIP or general fund budgeting.

**Timing with other town initiatives:**

As has been discussed for several years, existing Town budgets are increasingly relying on the use of one-time funds to balance. The impacts of the Pandemic have exacerbated this reliance by causing once consistent and rising revenues (i.e. local receipts) to decrease significantly, putting more pressure on the Town's reserve funds, and increasing the need to consider an operational override for Fiscal Year 2024. Town Administration recommends considering the timing of the adoption of a CPA program in relation to the larger financial context in order to ensure the Natick community is understanding of all of the community's needs in the coming years.

These are just a few of the considerations Town Administration recommends outlining as part of the conversations surrounding potential adoption of CPA in the coming months/years.

Additional resources are available at the Community Preservation Coalition website (<https://www.communitypreservation.org/>). This state-wide organization supports CPA communities. The website includes a comprehensive overview of the CPA program, processes for adoption, technical assistance, case studies, and a database of program approaches and projects from around the Commonwealth.

