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CITY OF CAMBRIDGE • EXECUTIVE DEPARTMENT

Robert W. Healy, City Manager *Richard C. Rossi, Deputy City Manager*

November 6, 2000

To The Honorable, The City Council:

In response to Awaiting Report Item No. 00-78, regarding a report on the content of the revised Community Preservation Act, Assistant City Manager for Community Development Beth Rubenstein reports the following:

On September 14, 2000, the Community Preservation Act was enacted by the state legislature; it will go into effect on December 14, 2000. The Community Preservation Act (CPA) enables communities to impose property tax surcharges in excess of their current levy limits to collect funds for open space, historic preservation, and affordable housing.

How does a municipality adopt the CPA?

The local legislative body (in Cambridge, the City Council) must first vote to adopt the CPA. Following approval by the legislative body, the question of adopting the CPA must be put before the voters at the next regular municipal or state election. A majority of voters in the community must vote to adopt the CPA for it to become effective. In Cambridge, the first opportunity for this would occur in November 2001.

How would funds be collected?

If a municipality votes to adopt the CPA, it may levy a surcharge on local property tax bills of up to 3 percent. The exact amount of the surcharge would be determined by the municipality.

Every city or town that adopts the CPA and collects a surcharge on its real property levy would then be eligible for a state matching grant. The Revenue Commissioner would determine the amount of CPA grants according to a formula in the Act. However, no city or town would be eligible for a state match that is more than the revenue it has raised through the real property surcharge. The state matching funds will be generated by new fees imposed for the recording of all documents at the Registry of Deeds.

How would funds be spent?

Once the municipality and voters have adopted the CPA, the municipality forms a Community Preservation Committee to determine how funds would be spent. The CPA requires that the committee include 5 to 9 members and that representatives from certain boards automatically be included on the committee, including the Planning Board, Historic Commission, Parks Department, Local Housing Authority, and Conservation Commission.

The Committee would study community needs, consult with existing municipal boards, and make recommendations on expenditures for open space and recreational land, historic preservation, and affordable housing.

A minimum of 10 percent of CPA-generated funds must be allocated toward each of the following: open space acquisition, historic site preservation, and affordable housing provision. The remaining 70 percent of the funding can be allocated at the community's discretion in those three areas.

How would the CPA apply to Cambridge?

As you are aware, for the past several years in Cambridge we have spent \$6.5 million annually on affordable housing and open space, including \$4.5 million to the Affordable Housing Trust and \$2 million in open space acquisition. This sum represents approximately 4 percent of our total tax levy and exceeds the 3 percent, or \$5.2 million, that adoption of the CPA would authorize.

Our total tax levy is also well below the levy limit (by approximately \$25 million). Therefore, we do not require the authorization that adoption of the CPA provides to raise taxes to fund housing, open space, and historic preservation projects, unlike many communities facing the limits of Proposition 2½. In fact, we are currently anticipating property tax increases of 7 percent annually over the next several years to fund the city's capital improvement program.

Adoption of the CPA by Cambridge could make the city eligible for state matching funds. It is estimated that a total of \$26 million in matching funds will be available for all of the communities that adopt the CPA. It is expected that competition for these funds will be intense and in any event, they will not exceed 100% of the amount raised by the municipalities with their three percent property tax surcharge.

We will continue to discuss the CPA with state officials, in particular to see if our current expenditures on affordable housing and open space could qualify us for the state matching funds.

Very truly yours,

Robert W. Healy
City Manager

RWH/mec

Consent Agenda Item #8 S 377

Communication from Robert W. Healy, City Manager, relative to Awaiting Report Item Number 00-78, regarding a report on the content of the revised Community Preservation Act.

In City Council November 6, 2000

Placed on file &
Referred to the Housing
Committee on motion of
Councillor Davis
Copy sent to Housing Committee
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