

# ***Community Preservation Act Answers To Frequently Asked Questions***

On September 14, 2000, former Governor Paul Cellucci and Lieutenant Governor Jane Swift signed the Community Preservation Act into law. This landmark statute, now codified in the Massachusetts General Laws as Chapter 44B, provides Massachusetts cities and towns with an additional tool to conserve open space, preserve historic buildings and sites, and provide affordable housing. The following are some commonly asked questions and answers on the Community Preservation Act.



## **What is the Community Preservation Act?**

The Community Preservation Act (CPA) is an enabling statute that provides the authority for communities to establish a local Community Preservation Fund that derives its revenue primarily from a surcharge on the community's local property tax. The Act allows communities to create, by local referendum, a local CP Fund financed by a surcharge of up to 3% of the local property tax. Monies accrued in the local CP Fund are to be spent on open space, historic preservation, and low and moderate income housing, with at least 10% of the annual receipts going to each category and the remaining 70% for one or more of these three purposes in accordance with local priorities. The Act also establishes a state matching fund to provide matching funds to communities and increase the dollars that can be spent on Community Preservation. The state matching fund is expected to raise approximately \$26 million annually.

## ***Local implementation***

### **How does my community authorize a referendum to establish a local CP Fund?**

There are two methods: First, the local legislative body (City Council, Board of Aldermen, Town Council, Town Meeting, etc.) can vote to place the question of adopting the Community Preservation Act before the voters as a referendum at least 35 days before the next city or town election or at least 60 days before the next state election;

Second, if the legislative body does not adopt the CPA language at least 90 days before a city or town's regular election or 120 days before a state election, then a petition signed by 5% of the registered voters in the community can be filed with the registrars to place the question before the voters.

Certification of the signatures must occur "more than 35 days" before the next regular city or town election or "more than 60 days" before the state election. Since the law allows the registrar to have 7 days, "after receipt of such petition," to review the petition and certify its signatures, petitions must be submitted to registrars between 44 and 89 days before the next city or town election and between 69 and 119 days before the next state election.

The timeline to the right outlines these critical dates for filing a petition. Even if the petition process is underway, the legislative body may vote to place the CPA on the ballot up to 35 days in advance of a local election and up to 60 days in advance of a state election.

Regardless of which method the community utilizes to authorize the referendum, the Community Preservation Act will be adopted if the referendum passes by a majority vote.

### What does the referendum question look like?

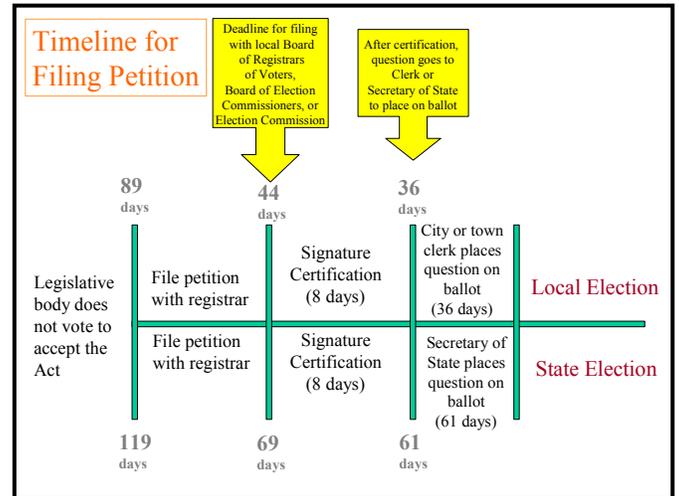
If approved by the legislative body the question shall read:

*Shall (city or town) accept sections 3 to 7 inclusive of Chapter 44B of the General Laws, as approved by its legislative body, a summary of which appears below?*

If placed on the ballot by petition, the question shall read:

*Shall (city or town) accept sections 3 to 7, inclusive of chapter 44B of the General Laws, as proposed by a petition signed by at least 5% of the registered voters of this city or town, a summary of which appears below?*

In either case, the question shall be followed by a fair and concise summary and purpose of the Community Preservation Act, the percentage amount of the surcharge and the exemptions as allowed by law. The Secretary of State's Office and the Department of Revenue have created various draft versions of this language, which are located on the world wide web. Look for links to these documents in the Web Resources section of this CPA Tool Kit.



## Surcharges, Exemptions, and Funding Estimations

### Do funds raised through the CPA in a community stay in my community?

Yes. Funds collected by one community will be set aside in a local CP Fund, and expended as determined by each community. Matching funds from the state matching fund will also be distributed to participating communities and set aside in their local CP Fund for expenditure based on local decisions.

### How much money would my community receive for Community Preservation if we adopted the Community Preservation Act locally?

For an estimate of how much money your community would receive if it passed a local referendum to establish a CP Fund (with no exemptions), please refer to the *Estimated Annual Funding for Community Preservation Efforts* document later in this publication. The community would also receive a state match ranging from a minimum of 5%\* to a maximum of 100% of the monies received through the surcharge for the fiscal year ending each June 30. If the community adopts the maximum 3% surcharge, it becomes eligible for the Equity Distribution and the

\* While the legislation provides for a minimum 5% match, the Department of Revenue has calculated that each community will receive a minimum of 10%.

Surplus Distribution (discussed below) that will increase the total match received by a community unless or until the total amount from the state match reaches 100% of the funds raised by a community through the surcharge.

**How much will the surcharge be on my property tax?**

The law allows a community to adopt a surcharge greater than zero and up to 3% of the local property tax. This surcharge may vary in each community depending upon its needs and goals.

**What does this mean for the taxpayer?**

If a taxpayer’s property is assessed at \$200,000 and the municipal tax rate is \$16.00 per \$1,000, then \$3,200 is owed in taxes. If the community adopts the Community Preservation Act without any exemptions ...

...at a 3% surcharge, the taxpayer would pay an additional \$96 (3200 \* .03)

...at a 2% surcharge, the taxpayer would pay an additional \$64 (3200 \* .02)

...at a 1% surcharge, the taxpayer would pay an additional \$32 (3200 \* .01)

toward the local CP Fund.

**Are there any exemptions to this surcharge?**

Yes. All exemptions and abatements of real property authorized under M.G.L. c. 59 or any other law (such as those for the blind, disabled, veterans, or the elderly) shall not be affected by the Community Preservation Act. Therefore, taxpayers who receive an exemption of real property tax pursuant to M.G.L. c. 59 or any other law will also be exempt from the surcharge. If a taxpayer receives an abatement pursuant to M.G.L. c. 59 or any other law, the surcharge shall be reduced in proportion to the amount of the abatement. In addition, a community may choose to exempt the following: \$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 cities or towns with classified tax rates.

**Can you illustrate the impact of the \$100,000 residential property exemption on the taxpayer?**

In the case of a community that adopts this exemption if a house were valued at \$200,000, then the surcharge would be collected based on \$100,000 of the value of this parcel (See calculation to the right). If a house were valued at \$80,000, no surcharge would be collected.

<u>What does that mean for the taxpayer?</u>	
Assessed Housing Value	\$200,000
* <u>With \$100,000 exemption</u>	\$100,000
Net House Value Surcharged	\$100,000
Municipal Tax Rate	\$16.00
Amount Subject to Surcharge	\$1,600
CPA Surcharge	.03%
Amount paid toward CPA Fund	\$48
Based on this scenario, \$48 would be paid into the Community Preservation Trust Fund	

**Could a community offer a residential exemption of less than \$100,000?**

No. The exemptions must be implemented as indicated in the Act and cannot be modified. In other words, communities can offer a \$100,000 exemption on residential parcels, but not a \$75,000 exemption.

**Can a community exempt businesses in part, such as the first \$100,000 in value?**

A community with a classified tax rate can exempt commercial/industrial parcels completely, but not in part. Likewise, a community may offer a low and moderate income exemption, but cannot offer an exemption solely to low income residents. While the exemptions cannot be amended, a

community can adopt or repeal an exemption at any time after passage of the Act as long as the repeal or adoption follows the same procedures as for the adoption of the Act.

## ***Community Preservation Committee***

### **What is the composition of the Community Preservation Committee?**

The Community Preservation Committee will consist of between 5 and 9 members as determined by each municipality through the passage of a local bylaw or ordinance creating the Committee. The Committee must include one member (designated by the Board, Commission, or Authority) from each of the following:

Conservation Commission, Historic Commission, Planning Board, Board of Park Commissioners, and Housing Authority. The local ordinance or bylaw that creates the Committee should specify the number of members, method of selection for optional members

(elected, appointed or combination), length of term, and the names of parties “acting in the capacity of” or “performing like duties” of the boards designated should these entities not exist in the community. A representative may be appointed to “perform like duties” only in the absence of one of the boards or committees stated by the Act.



### **What are the duties of the Community Preservation Committee?**

The Committee is required to conduct, in consultation with local boards and commissions, a study of the city or town’s Community Preservation needs. It must hold at least one public hearing.

The Committee will make recommendations to the local legislative body for use of monies in the local CP Fund. At least 10% of the monies must be used for each of the categories: open space, historic preservation, and affordable housing, allowing the community flexibility to spend the remaining 70% within any or all of these 3 categories. The Committee may make recommendations about the acquisition, creation, and preservation of open space and/or land for recreational use; the acquisition and preservation of historic resources; and the creation, preservation and support of community housing. The Committee shall also make recommendations about the rehabilitation or restoration of such open space, historic resources, land for residential use, and affordable housing that is acquired or created pursuant to the Act.

The Act also requires the Committee to recommend, whenever possible, the use of existing buildings or construction of new buildings on previously developed sites for affordable housing.

Finally, the Committee is responsible for keeping accurate records of the Committee’s recommendations and actions by the legislative body, as well as how and where the CPA funds are spent. The Act also allows communities to spend up to 5% of the local CP Fund on the administration and operation costs of the Committee.

### **Can our community establish a Community Preservation Committee before we adopt the CPA?**

A community may establish a Community Preservation Committee as it establishes other committees within the community. However, the established committee cannot act as the

committee referenced in the Act until the Act is adopted locally and the community adopts a bylaw or ordinance, as referenced in the CPA, establishing the committee, its membership, and its terms. The community may wish, when adopting the initial committee by bylaw or ordinance, to put in that bylaw or ordinance language which indicates that upon adoption of the CPA, the committee being established shall be known as the Community Preservation Committee pursuant to the CPA.

**If the referendum is considered at a local election, could a municipality create the Community Preservation Committee at the same time?**

The Committee cannot be created by ballot but must be passed through a bylaw or ordinance by Town Meeting or City Council respectively. Passage of the bylaw or ordinance can be either before or after the referendum vote. See the previous question for establishing the committee before the vote.

**Local Administrative Procedures**

**Can the administrative funds provided for in the Act be used to cover assessor and tax collector costs associated with implementing the Act?**

The Act indicates that the 5% administrative costs provision is for the activities of the Community Preservation Committee only. Thus, CPA funds cannot pay for software, staff, or other costs, even those related to CPA implementation, accrued by other local government entities.



**What is the relationship between the Community Preservation Committee and the local legislative body?**

The Community Preservation Committee is charged with making recommendations to the local legislative body for the use of CPA funds. The local legislative body may reduce or eliminate the amount of funds recommended by the Committee for a specific project. However, the local legislative body may not determine their own projects and apply CPA funds to those projects. All expenditures of the CPA funds must first be recommended by the Community Preservation Committee and then approved by the local legislative body.

A community can appropriate funds for programs or activities without requiring the local legislative body to approve individual expenditures if the Community Preservation Committee recommends and the legislative body approves the allocation of funds to a local preservation revolving fund, housing program or for certain specified kinds of projects.

**What happens if the local legislative body does not approve projects recommended by the Community Preservation Committee?**

The money that would have gone to these projects would revert to the local CP Fund pending another recommendation by the Community Preservation Committee for the use of the funds. Recognize that if these funds were used to meet the 10% requirement for one of the three required uses, then the funds would need to be allocated again for that purpose.

**If Town Meeting (or City Council) must approve every expenditure, and town meetings are held one or two times per year, how do we handle allowable costs such as ongoing rental assistance to low or moderate income residents?**

This situation would have to be handled the way all other expenditures in the town are handled. Most likely the community would approve the use of funds for a program and authorize a local governing body (such as a Housing Authority) to handle the selection of eligible parties and the allocation of funds, avoiding the necessity to have a Town Meeting vote on every rental agreement. Note that the CPA committee itself does not need to administer these types of programs.

**What can the administrative monies (up to 5% of the local CP Fund) be used for?**

The Act allows up to 5% of the annual CPA funds to be spent on “administration and operation” of the Community Preservation Committee. Neither the Community Preservation Act nor the DOR guidance provides further instruction on the use of the administrative money. Therefore, the use of this funding is subject to interpretation by the community. Recognize that many responsibilities of the Community Preservation Committee, such as assessing housing needs, inventorying historic properties and open space sites for acquisition, or maintaining a list of properties acquired with local CP Fund dollars will need to be the primary focus of administrative funding available to the local Community Preservation Committee. Note also that the fund is not automatic and is subject to annual approval by the local legislative body.

***Community Preservation Fund***

**What can be deposited in the local CP Fund?**

The following may be deposited into the local CP Fund:

- Funds collected from the property tax surcharge;
- Funds received from the Commonwealth or any other source for Community Preservation purposes;
- Proceeds from bonds issued in anticipation of the local CP Fund revenue;
- Proceeds from the disposal of property acquired with funds from the local CP Fund;
- Damages, penalties, costs, or interest recovered by the city or town for damage to real property purchased with community preservation funds.



**If a town receives property for nonpayment of taxes and it is auctioned off, can the obtained funds be put in the local CP Fund?**

No. Established procedures indicate where funds will go for nonpayment of taxes. [Note that Massachusetts General law requires that such proceeds from nonpayment of taxes shall be applied towards those delinquent taxes. If there is money remaining after the payment of taxes, it is possible that the community may direct surplus funds to the local CP Fund. The local CP Fund can accept funds received from the Commonwealth or any other source (such as the general funds of a community) for Community Preservation purposes.]

**What effect will the CPA have on appropriations to the Massachusetts Historic Preservation Projects Fund, Self help, etc?**

It should have no effect.



## ***Spending the Local CP Fund***

### **How can my community use its community preservation dollars?**

The Act specifies that 10% of the monies must be spent in each of the three following categories: open space, historic preservation, and affordable housing (see below for specifics). The remaining 70% of funds can be spent in any or all of the three categories in accordance with a community's particular priorities. The community may also "bank" money raised in one year to be spent in a later year or bond against the revenue stream of the CPA. Up to 5% of the monies can be spent on the administration and operation of the Community Preservation Committee.

### **Are there any restrictions on the use of the local CP Fund?**

- At least 10% of the funds must be spent on each of three categories (open space, historic preservation, and affordable housing).
- Monies cannot be spent on maintenance.
- Monies cannot replace existing operating funds.
- Monies from the Fund may be expended anywhere in Massachusetts. For example, the community may wish to purchase watershed land to protect their water supply that resides in a neighboring town.
- The local legislative body may authorize no more than 5% of the annual Fund revenues for administration and operation of the Community Preservation Committee.

### **Does the 10% minimum in each of the categories include only the funds raised through the local surcharge or do the state matching funds also need to be expended based on these minimum requirements?**

All money that goes into the town's local CP Fund must be spent according to the 10% minimum requirements for each of the three categories.

### **Can CPA funds be used to pay for properties acquired prior to the passage of the CPA at the local level?**

No. To do so would be to replace existing operating funding, which is prohibited under the Act. Fund revenues must be used to pay debt service only on borrowing that was specifically authorized under the CPA.

### **Once a community acquires property through the local CP Fund, does the community have to own and manage it?**

Real property interests acquired through the local CP Fund must be owned by a city or town. Property may be managed by the city or town itself through the Conservation Commission, Historical Commission, Board of Park Commissioners, Housing Authority, Water District, Fire District or other local authority, board, or commission. Property management may also be delegated to a non-profit organization.

### **Can CPA funds be used on properties already owned by a community?**

Yes. Creation and preservation of open space and land for recreational use; preservation, restoration and rehabilitation of historic resources; and creation, preservation and support of community housing are permissible on properties already owned by a community. However, contrary to prior advice provided to communities (based on guidance from the Department of Revenue) recent correspondence (March 28, 2002) from the Department of Revenue indicates that restoration or renovation of properties already owned by a community is **NOT** permissible.

Pending legislation would amend the CPA to allow the restoration and/or renovation of properties that were not acquired or created with CPA funds.

### **Can communities issue bonds in anticipation of future monies projected for the local CP Fund?**

Yes. Communities may issue bonds in anticipation of local CP Fund receipts. Communities are encouraged to work together to issue bonds to limit administrative costs through retention of common bond counsel and insurance and other means. A community may not pay for debt servicing of previous bonds or debts regardless of whether that bond or debt meets the requirements of CPA expenditures.

### **What is a community's debt obligation if it uses the local CP Fund to pay for debt service under a loan?**

The Act stipulates that the surcharge must remain in place until all "obligations are discharged." This means that unless the town obligates alternative funding to pay the debt, the surcharge must remain in place. A town may use any variety of options to pay down the debt, but until that obligation is discharged, the surcharge must remain in place. New appropriations of CPA funds must not interfere with existing debt servicing payments. If the town finds a way to remove debt obligations from the local CP Fund, then the Committee is free to recommend alternative projects to the Town Meeting.

### **What is the difference between maintenance and preservation?**

While preservation is defined in the Act there are no clear guidelines on the distinction. It helps to think of maintenance costs as those expenditures that are usually considered operating expenses; and to think of restoration or preservation costs as those that are typically capital expenses. Note: Communities cannot replace existing operating funds with CPA dollars.

### **Can brownfield sites or other already developed sites be remediated or otherwise converted from a developed use to another use with CPA funds?**

Since the Act specifically addresses "restoration" and "creation," CPA funds can be used for brownfields redevelopment or conversion of other previously developed sites as long as the final result is an open space or recreational use, community housing, or historic preservation consistent with the CPA.

## ***Meeting the Act's Spending Requirements***

### ***Open Space***

CPA funds may be used to purchase land, easements, or restrictions to protect existing and future water supply areas, agricultural and forest land, coastal lands, frontage to inland water bodies, wildlife habitat, nature preserves, and scenic vistas. The Act requires that 10% of the CPA funds must be spent on these open space categories.

### ***Recreational Use***

Land for recreational use falls under the open space component of the Act. Land can be purchased for active and passive recreational uses, including land for community gardens, trails, non-commercial youth and adult sports, parks, playgrounds, or



athletic fields. Funds cannot be used for land used for horse or dog racing, a stadium, a gymnasium or a similar structure such as a pool or ice rink. If the community is only spending 10% of its funds on open space, then the funds cannot be used for recreation.

**In the event the town has an ongoing financial commitment at the time it adopts the CPA, such as an installment purchase of open space, can the community subsequently approve appropriations of CPA funds to that commitment, e.g., finish paying the installments on the land?**

No, the Act specifies that a municipality cannot supplant existing operating funds or obligated project funds with CPA funds whether they are on debt service, operating budgets, or previously approved and obligated capital improvement projects. The spirit of the CPA is to create a fund for new projects.

**If a community already owns land upon which it wishes to build a new playground or park, can it use money from the local CP Fund?**

If the playground or park is brand new construction, yes (creation of a recreational use). (Note that the mandatory 10% of the funds that must be spent in the open space category cannot be used for recreational purposes.) However, maintenance, restoration, or renovation of an existing playground, park, or other recreational parcel is not permitted using CPA money.

**To what extent can CPA funds be used to develop lands which are presently undeveloped but already owned by the community?**

As long as the funds are used for an approved purpose, and the land in question is not restricted to another use, funds can be used to develop parcels already owned by a municipality. For example, if the town owns land that is not held for conservation purposes then it could use CPA funds to develop the land for affordable housing or active recreational use.

**Does land acquired with CPA funds need to be permanently protected or can it be developed in the future?**

Real property interests acquired through the Act must be permanently deed restricted to the purpose for which they were acquired.



### ***Historic Preservation***

CPA funds may be used to purchase, preserve, restore and rehabilitate historic structures and landscapes that have been determined by the local historic preservation commission to be significant in the history, archeology, architecture, or culture of a city or town or that are listed or eligible for listing on the state register of historic places.

**Does a property have to be in a historic district to qualify for the use of CPA funds?**

Rehabilitation of private structures is possible and is a matter for consideration by each local Community Preservation Committee. It is strongly suggested that communities require a deed restriction on privately held historic properties as a condition of receiving public funding assistance to ensure that the property is maintained in its historic status and to ensure that projects that make use of CPA funds have sufficient public benefit.

### **Can CPA money be used to restore privately owned historic properties?**

If recognized as historically significant by the local Historic Commission (or listed or eligible for listing on the state register of historic places), nominated by the local Community Preservation Committee for funding, and approved by the local legislative body, a privately owned historic structure can be restored with CPA funds as long as sufficient public benefit is realized, such as through the acquisition of a deed restriction.

### **Does the Act require that rehabilitation or restoration of historic resources meet a certain standard?**

With respect to historic resources, rehabilitation shall have the additional meaning of work to comply with the Standards for Rehabilitation stated in the United States Secretary of the Interior's Standards for the Treatment of Historic Properties codified in 36 C.F.R. Part 68. It is recommended that communities use the Secretary of the Interior's Standards for the Treatment of Historic Properties, which is available from the National Parks Service web site:

[http://www2.cr.nps.gov/tps/standguide/overview/choose\\_treat.htm](http://www2.cr.nps.gov/tps/standguide/overview/choose_treat.htm)

### **Can CPA funds be used for projects that combine historic preservation with providing affordable housing or protecting open space?**

Yes, conversion of historic structures, such as mills or schools, to affordable housing is a potential use of CPA funds.

### **What is the process for funding a Community Preservation project?**

Those interested in seeing CPA funds used on particular projects must bring them to the attention of the local Community Preservation Committee, which would weigh its options and prioritize projects for funding.

### **Can we use CPA funds for properties that are not eligible for the State Register of Historic Places?**

Yes. In the event that the local Historic Commission determines that a property is significant to the history, archeology, architecture, or culture of a city or town, then CPA funds can also be used for that site.



### **What are the criteria for listing on the State Register of Historic Places?**

Properties are included on the State Register if they are: listed in or determined eligible for listing in the National Register of Historic Places; within local historic districts; local, state, or national landmarks; state archeological landmarks; or properties with preservation restrictions.

Criteria for the listing of culture districts, sites, buildings, objects, and structures under the National Register of Historic Places include:

- Quality of significance in American history, architecture, engineering, or culture
- Possession of integrity of location, design, setting, materials, workmanship, feeling and association

- Association with events that have made a significant contribution to the broad patterns of our history
- Association with the lives of persons significant in our past
- Embodiment of distinctive characteristics of a type, period or method of construction, or that represent a significant and distinguishable entity whose components may lack individual distinction
- Likelihood of yielding information significant in history or prehistory

Generally speaking, properties must be 50 years old to be eligible, although exceptions are made for properties that have achieved significance within the last 50 years. More information on the State and National Registers of Historic Properties is available from the Massachusetts Historic Commission or your local historic commission.



### **Affordable Housing**

CPA funds may be used to create, preserve and support community housing defined as housing for low and moderate income individuals and families, including low or moderate income senior housing. The Act requires the Committee to recommend, wherever possible, the adaptive reuse of existing buildings or construction of new buildings on previously developed sites.

*Note: Individual and family incomes shall be based on the area wide median income as determined by the United States Department of Housing and Urban Development. Low income is defined as an annual income of less than 80% of the area wide median income. Moderate income is defined as less than 100% of the area wide median income. Low or moderate senior income is defined as low or moderate income for persons over 60.*

### **If the town purchases property for development of affordable housing ( or preservation of open space or protection of historic resources) can the property be sold in the future or does the town always need to be owner/landlord?**

If the town purchases land or properties for the purpose of providing affordable housing (or protecting open space or preserving historic resources) these properties can later be sold as long as they are deed restricted to "the purpose for which they were acquired." This will enable the use of the local CP Fund as a revolving fund rather than a "one-time-use" funding source.

Communities acquiring property that they wish to dispose of in the future should authorize this disposal at the time of acquisition. See EOEAs deed restriction guidance for further information.

### **How do communities determine the low and moderate income limits that apply to the provision of housing using CPA funds?**

Individual and family incomes are to be based on the area wide median income as determined by the United States Department of Housing and Urban Development (HUD).

- Low income is defined as an annual income of less than 80% of the area wide median income.
- Moderate income is defined as less than 100% of the area wide median income.

- Low or moderate senior income is defined as low or moderate income for persons over 60.

A spreadsheet of the HUD limits that apply to each community is contained in this Community Preservation Act Tool Kit and available on EOEA's Community Preservation web site.

Note: These income limits are different from existing program income guidelines such as Section 8, CDBG and HOME.

## ***The State Matching Fund***

### **Are state matching funds available?**

State matching funds are available to all communities that adopt the CPA locally. Distributions will be made to communities on October 15 of each year based upon the monies available in the state matching fund by June 30 of that same calendar year. Matching funds are distributed in three rounds: Match Distribution, Equity Distribution, and Surplus Distribution (explained below). The first distribution round was held on October 15, 2002 and included all monies accrued by the state from 12/13/00 to 6/30/02 and collected by communities in Fiscal Year 2002.



### **How much money will the state match be on an annual basis?**

Approximately twenty-six million per year. However, for the first round because fees had accumulated over a longer period of time, having been collected since 12/13/2000, the total funding accumulated for distribution on October 15, 2002 was larger than in subsequent years when the funding is collected over only one fiscal year. In the event more money is available for distribution than is necessary to provide eligible communities a full match, then unexpended funds will accumulate (earning interest) for distribution in the next round. Thus, approximately \$26 million will accumulate annually for distribution, but under some circumstances the actual amount of money distributed may be greater or smaller.

### **Can the Department of Revenue use 5% of the state matching fund dollars for administrative purposes and if so what portion of its grant rounds would it take the money from?**

Yes, the Department of Revenue may use up to 5%. This money would be taken off the top of all of the state matching fund money before any of the grant rounds are made.

### **How is the first round Match Distribution calculated?**

The Match Distribution is the first round of state matching fund distribution. In this round, 80% of the monies in the state matching fund are distributed proportionally among the communities that have locally adopted the Act. The actual amount will vary depending on the number of communities drawing from the Fund. All communities will receive the same percentage, although the total dollars will vary depending on the amount raised by the community. If the first round Match Distribution equals 100% of funds raised through the surcharge by each community, there will be no additional rounds of distribution.

### **How is the second round Equity Distribution, calculated?**

Only communities that have adopted the maximum 3% surcharge will be eligible for the Equity Distribution. Distributions will be made in accordance with a Community Preservation Rank assigned to each community. (See below).

### **How is the Community Preservation Rank calculated?**

Determining the Equity Distribution Round is a six-step process.

Step one: Communities participating in the Equity Distribution Round are ranked from highest to lowest according to their equalized property valuation per capita ranking.

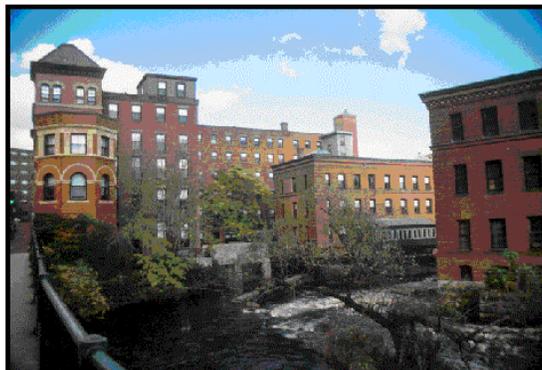
Step two: Communities are ranked by population from largest to smallest.

Step three: The community's rank in step one is added to the community's rank in step two. The sum is divided by 2 to receive the Community Preservation Raw Score.

Step four: Communities are ranked by the Community Preservation Raw Score from lowest to highest and are assigned a Community Preservation Rank from 1 to 351 (if all communities participate). If more than one community has the same Raw Score, the community with the higher equalized property value rank will receive the higher rank.

Step five: Communities are divided into deciles with approximately an equal number in each decile. Communities with the highest rank (i.e., largest number) shall be in the lowest decile category starting with decile 10. For example, Town A has a Community Preservation Rank of 1. Town B has a Community Preservation Rank of 351. Town B would be placed in the 10<sup>th</sup> decile.

Step six (Final Equity Round Match Calculation): Multiply the percentage assigned to the decile (see below) by the base figure. The base figure is determined by evenly dividing the total Equity Round funding by the number of eligible communities. For example, if \$5 million were available in the Equity Round and 20 communities passed the CPA at 3%, then the base figure would be \$250,000 ( $\$5,000,000 / 20 = \$250,000$ ). If your community is in Decile 3, your community would receive 120% of \$250,000 or \$300,000. By the same token, if your community is in Decile 9, it would receive 60% of \$250,000 or \$150,000. *The maximum state match (from all rounds) a community may receive is 100% of the funds raised locally through the surcharge.*



### Equity Distribution Deciles:

<u>Decile</u>	<u>% of the base figure</u>
Decile 1	140%
Decile 2	130%
Decile 3	120%
Decile 4	110%
Decile 5	100%
Decile 6	90%
Decile 7	80%
Decile 8	70%
Decile 9	60%
Decile 10	50%

#### **What is the third round Surplus Round?**

If funds remain after the Match Distribution, Equity Distribution and administrative expenses have been paid (up to 5% of the state matching fund), the Commissioner of the Department of Revenue may disperse a third round. Only those communities that have adopted the maximum 3% surcharge are eligible. Funds will be distributed according to the Equity Distribution formula.

#### **Does a community have to be in the program for the entire fiscal year to be eligible for matching fund distribution at the end of that year?**

No. The community does not have to be in the program for the entire fiscal year to be eligible for the match. However, the match is based on the monies collected from the surcharge, and the surcharge can only be imposed for a fiscal year already in progress if the tax commitment has not yet been set for that fiscal year. For example, if a town adopts the Act in the Spring it will be able to assess the surcharge at the beginning of the next fiscal year in July. In the case of Act approval at a November election the surcharge can be applied to the fiscal year in progress (through the remaining tax bills) if the tax commitment has not yet been made for the fiscal year, or it can be deferred until the beginning of the next fiscal year.

#### **How are the monies in the State Match Fund generated?**

The Community Preservation Act, M.G.L. c. 44B, created a state matching fund. The state matching fund contains the following: Community Preservation surcharge fees of approximately \$20 on each recording fee and \$10 on the recording of a municipal lien certificate, collected by the Registrar of Deeds and Assistant Recorders. Funds also come from public and private gifts, grants and donations, damages, penalties, costs or interest received on account of litigation or settlement for violation of Section 15 of the CPA or other monies credited or transferred to the state matching fund from any other fund or source.

## ***Relationship to other Community Preservation and EOEA Programs***

### **Is the CPA connected to any other funding opportunities from the state?**

If a community passes the CPA, then it will receive 10 bonus points in its application evaluation in EOEA's Self-Help and Urban Self-Help funding programs. These programs match community monies at 50% - 70% for open space and recreation acquisitions. CPA funds can also be used for the community match for state and federal matching programs.

