

TOWN OF SOUTH HADLEY

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September 1, 2015

Mr. Mike Sullivan, Town Administrator
South Hadley Selectboard
116 Main Street

RE: Final Report as the CPA Exploration Committee

Dear Mr. Sullivan and Selectboard members:

Over the past year, the Open Space Committee has explored the potential benefits and costs associated with adoption and enactment of the Community Preservation Act. In the attached report, we have reviewed the methods and results of this research as well as our recommendations for adopting and implementing the CPA.

While we can't as a Town capture the opportunities we have missed over the past 15 years, we can capitalize on the opportunities this program affords us through our future. We feel the Town can greatly benefit from this resource in meeting our various community goals including our economic and social visions.

We feel strongly that residents should be given the opportunity to decide whether or not to capitalize on this resource. Accordingly, we concluded that consideration of adoption of the CPA (under specific conditions) by our electorate should occur at the next available opportunity beginning with a Special Town Meeting vote to place the matter on the Spring 2016 Ballot.

If you have any questions regarding our efforts, please feel free to contact me. Roger Beer, Co-Chair and myself would be pleased to meet with you to review the report and our recommendations.

Sincerely,

Nicole Sanford
Chair

**COMMUNITY PRESERVATION ACT EXPLORATORY COMMITTEE
REPORT TO THE SELECTBOARD**

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**COMMUNITY PRESERVATION ACT EXPLORATORY COMMITTEE
REPORT TO THE SELECTBOARD**

Introduction

In 2000, the Legislature passed and the Governor signed into law, the Community Preservation Act (CPA). Through adoption of the CPA, communities create a local Community Preservation Fund (partially funded through a relatively small surcharge or additional fee added to property tax bills) for outdoor recreation, open space protection, historic preservation, and affordable housing. Since its original enactment, the CPA program has established a 15 year track record:

- 158 communities (45% of the State's communities) have voted to adopt this statute and participate in the benefits and costs afforded by the CPA.
- No community which has enacted the CPA has voted to rescind such enactment.
- \$850,099,521 in local funds have been generated by the surcharges
- \$505 Million in State Matching "Trust Fund" monies have gone to participating communities
- Over \$841 Million in other funds (private, Federal, State, and local) have been leveraged by CPA funds to implement housing, land preservation, historic preservation, and recreation facility development projects in 149 of the participating communities
- In some communities, local surcharges have leveraged as much as \$10 for every \$1 generated by the surcharges
- Over 7,500 projects have been approved by local legislative bodies
- Nearly 1,250 outdoor recreation projects have been initiated such as Agawam's creation of McGarth Park and construction of the Perry Lane Park footbridge, Amherst's funding of a field sign program and construction of new playing fields, and Easthampton's funding of rail trail acquisition and construction and the Nonotuck Park baseball hub and new ballfields
- 21,838 acres of open space have been preserved such as Agawam's new Playscape and Pavilion and an irrigation system; Amherst's funding of APR projects and appraisals for acquisitions; and Easthampton's Nashawannuck pond project and APRs and rail trail acquisition projects
- Over 3,600 appropriations have been made for historic preservation projects such as Agawam's preservation of birth, death, and marriage certificate records and replacement of signs at municipal parks; Amherst's conservation of Town Clerk records and rehabilitation of library chimney and roof; and Easthampton's replacement of a boiler in an historic building and installation of a sprinkler system in City Hall
- Over 8,500 affordable housing units have been created or supported through such projects as Agawam's rehabilitation of Housing Authority facilities; Amherst's support for Habitat for Humanity projects, home buyer assistance, and maintenance of affordability restrictions on existing affordable rental units; and Easthampton's accessibility improvements at existing housing and acquisition of sites for new affordable housing

Why consider the Community Preservation Act (CPA)?

This is not the first time the Town has considered the CPA. South Hadley has explored participating in the CPA program twice. In 2002, the CPA Study Committee recommended not pursuing it immediately but to give it a year – since the program was new and there were a number of unknown questions and uncertainties regarding the program. In April 2008, South Hadley voters narrowly defeated adoption of the CPA.

Conditions have changed since 2002 and 2008. It is clear that the 2002 uncertainties have been largely resolved and answered as evidenced by the 158 communities that have adopted the CPA. South Hadley's 2010 Master Plan – in several chapters – identified the need for a dedicated funding source to support community priorities in the areas recreation, open space conservation, historic preservation, and housing. Similarly, the current 2012-2019 Open Space and Recreation Plan identified the need for a dedicated funding source and recommended adoption of the CPA to fill this need. Relying on a year to year appropriation in the Annual Budget as has been done in the past precludes long range planning and undertaking complex projects. A dedicated funding source allows the community to earmark funding for priorities in these four areas and gives predictability for planning projects while freeing up General Fund monies for other needed projects.

Exploratory Committee

Due to the interest in creating a dedicated funding source, the Open Space Committee requested that the Selectboard appoint another Exploratory Committee. After some discussion, the Selectboard appointed the Open Space Committee members as the Exploratory Committee with the understanding that the Open Space Committee would be involving other boards, committees, and officials in their review of the program.

Exploration Process

Given the acceptance of the CPA statewide and its 15 year history, the question for the Open Space Committee in exploring the CPA was not the certainty of the program but whether the CPA was a “good” fit for South Hadley. While one could calculate the amount of State funds (and opportunities) we have missed opportunities over the past 15 years, we chose to focus on whether the Town would benefit from participating based on what the Town can achieve over the next 15 years by pursuing this opportunity.

The process the committee used involved the following:

- Researching the provisions of the CPA
- Contacting other communities which have adopted the CPA to determine how it has worked for them and any issues they encountered
- Meeting with other South Hadley boards, committees, and officials to determine if they had knowledge of, interest in, and concerns regarding the CPA
- Conducting a “mock project solicitation” to identify what projects could be reasonably expected to be proposed for utilization of CPA funds
- Obtaining data as to the amount of funding which could be expected to be generated by a CPA surcharge at various levels

An Overview of the Community Preservation Act

What is the CPA?

The CPA is an enabling act which allows communities to create a local Community Preservation Fund for outdoor recreation, open space protection, historic preservation, and affordable housing.

CPA Surcharge and Possible Exemptions

Community preservation monies are raised locally through a surcharge (or additional fee) of not more than 3% of the tax levy against real property, and municipalities must adopt CPA by ballot referendum. Communities such as South Hadley are allowed to adopt one or more exemptions to the surcharge:

- Low income housing or low or moderate income senior housing;
- \$100,000 of the value of each taxable parcel of residential real property
- \$100,000 of the value of each taxable parcel of commercial and industrial property

In addition, any portion of a taxpayer's real property taxes that are exempt under Chapter 59 of Massachusetts General Laws are also exempt from the CPA surcharge. A municipality may make changes to these exemptions at any time with approval of the legislative body and subsequent voter approval.

State Trust Fund Distributions

The CPA statute also creates a statewide Community Preservation Trust Fund, administered by the Department of Revenue (DOR), which provides distributions each year to communities that have adopted CPA. These annual disbursements serve as an incentive for communities to pass CPA. During the early years of the program, the local distributions provided a 100% match to the local surcharge thus doubling the amount of funds communities had available. With the growing popularity of the program as evidenced by the number of communities participating, the ratio of the Trust Fund to local funds has dropped but the State has taken measures to assure at least a 25% match though the statute sets the minimum at 5%. The Statute provides that communities enacting a 3% surcharge are eligible for the largest amount of the Trust Fund distribution.

Eligible Uses of the CPA Funds

All CPA funds (surcharge and the Trust Fund distributions) must be used for the following purposes:

- outdoor recreation
- open space protection
- historic preservation
- affordable housing

Based on a review of what communities have undertaken with these funds suggests the categories are quite broad. Examples of activities undertaken by local communities were

noted in the Introduction. To reiterate, here are some examples of projects approved for funding and implemented in the area:

- Agawam's new Playscape and Pavilion and an irrigation system; Amherst's funding of APR projects and appraisals for acquisitions; and Easthampton's Nashawannuck pond project and APRs and rail trail acquisition projects
- Agawam's preservation of birth, death, and marriage certificate records and replacement of signs at municipal parks; Amherst's conservation of Town Clerk records and rehabilitation of library chimney and roof; and Easthampton's replacement of a boiler in an historic building and installation of a sprinkler system in City Hall
- Agawam's creation of McGarth Park and construction of the Perry Lane Park footbridge, Amherst's funding of a field sign program and construction of new playing fields, and Easthampton's funding of rail trail acquisition and construction and the Nonotuck Park baseball hub and new ballfields
- Agawam's rehabilitation of Housing Authority facilities; Amherst's support for home buyer assistance and maintenance of affordability restrictions on existing affordable rental units; and Easthampton's accessibility improvements at existing housing and acquisition of sites for new affordable housing

At least 10% must be used for each of the following categories: Open Space, Historic Preservation, and Housing. After the first 30% is allocated, the balance may be used in Outdoor Recreation and/or any of the other three categories. Over the last 15 years, the CPA has been amended and modified and regulations have been issued by the Department of Revenue which make clear the eligible activities which may be funded by the CPA resources. The amendments have also expanded the local discretion as to what can qualify for CPA funding.

All of the Community Preservation Funds may be used to match other State and Federal grants. Even the State's Trust Fund distribution may be used to match other State grants – something that is not otherwise allowed.

CPA funds may be used for bonding purposes to undertake large projects without breaking them into annual phases.

Local Administration of CPA funds

Each CPA community creates a local Community Preservation Committee (CPC) upon adoption of the Act, and this five-to-nine member board makes recommendations on CPA projects to the community's legislative body. Membership of this CPC is partially prescribed by the Statute in that it specifies the CPC must consist of 5 to 9 members including at least one member from each of the following:

- Conservation Commission
- Historical Commission
- Housing Authority
- Park Commission
- Planning Board

The members representing these organizations are to be designated by the respective boards/committees. The South Hadley Recreation Commission would appear to fit the purposes of the Park Commission. If more than 5 members are to serve on the CPC, the local bylaw creating the CPC may prescribe how the additional members are selected.

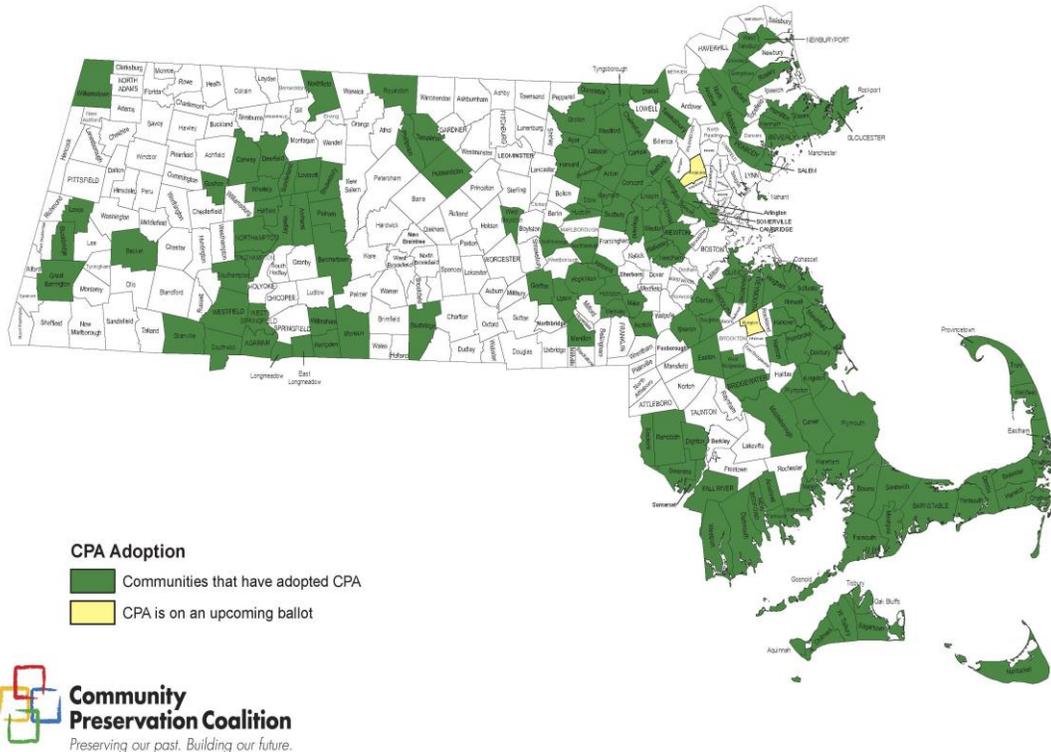
A major role of the CPC is to study the needs of the community and recommend to Town Meeting, on an annual basis, projects to be funded by the CPA resources. Town Meeting must approve all projects but may not add to the list of projects nor the amount allocated to a project beyond what is recommended by the CPC.

Exploratory Committee Research Results

Other Communities' Experiences

As noted earlier, 158 communities in the Commonwealth have adopted the CPA. Of these, none have voted to rescind their adoption of the act.

The communities which have adopted the CPA have tended to be predominately located in the eastern part of the state. However, there is a large doughnut shape in the Pioneer Valley (see map) with a rather large number of communities in the region having adopted the CPA and South Hadley being one of six communities comprising the “doughnut hole” of communities which have not adopted the CPA.



The Committee contacted a number of these communities which have adopted the CPA to ascertain their experiences including:

- Agawam
- Amherst
- Belchertown
- Easthampton
- Hadley
- Northampton

Representatives of each of these communities have indicated that they have been very successful with the CPA and been pleased with their experiences. While some indicated that they were resistant to the CPA at first, they have come to appreciate its usefulness and benefits. The CPA has allowed each of the communities to undertake projects which would not otherwise have been able to garner the resources.

CPA funds leveraged other funding in each of the 6 communities we contacted. The amount of leveraging varied from one community to the next and from project to project. While one community reported the CPA funds leveraged 25 cents on every dollar of CPA funds another community reported leveraging approximately \$9 for every CPA dollar raised. A review of the statewide data base maintained by the Community Preservation Coalition confirmed that this variation occurs throughout the 158 communities participating. Funds have been leveraged in all four of the categories of projects.

Administrative burden created by the CPA was a particular point which the Committee explored with each of the six communities. South Hadley is thinly staffed and the Committee is sensitive to imposing more burden on the tax payers and the staff. Generally, the representatives acknowledged there were some additional administrative burden – typically some additional staff time. But, one community noted that the staff were typically working on the projects before CPA funds and this provided resources to implement and go forward with the projects. One community indicated that their main administrative burden was determining what was eligible; thus, they utilized their Town Attorney to advise on this matter. But, they noted that the need for this support has diminished as they have developed more working knowledge of the CPA. It was noted that 5% of the CPA funds can be used for Administration and some of the communities have used at least a portion of the amount allowed to fund staff hours and/or legal consultations.

A summary of the responses received from the Committee's interviews with the various CPA representatives is attached as Appendix A.

Local Boards/Commissions' Interest

Members of the committee contacted and met with representatives of those Boards and Committees which are most likely to have possible uses for the CPA funds based on the Statute's prescription of membership of the CPC as well as others who may have a compatible interest:

- Conservation Commission
- Historical Commission
- Housing Authority
- Recreation Commission
- Community Garden
- Sustainability and Energy Commission
- Tree Committee
- Youth Commission

It should be noted that if the community were to adopt or accept the CPA, anyone would be eligible to submit proposals for funding under the CPA. However, these committees were identified for the purpose of gauging the level of interest in and potential benefit from the CPA.

All of these Boards/Committees indicated they saw a need for a dedicated funding source. Some saw a greater role for CPA in their functions than others identified. For example, the Community Garden and Youth Commission were supportive but did not see the CPA as helpful to their purposes as did the Conservation Commission or the Recreation Commission.

Mock Solicitation

The Committee further assessed the potential interest in and need for CPA funding by conducting a “mock solicitation” of projects from several departments/boards who related directly to the four areas which CPA funds:

- Recreation Commission
- Conservation Commission
- Historical Commission
- Housing Authority

All four entities provided lists of projects which would qualify for CPA funding but which they do not have funding to undertake. These projects were not considered “all inclusive” but rather what would be submitted in response to an annual solicitation if the Town had CPA in effect.

Recreation Commission

The Recreation Director identified three projects which need to be undertaken:

- Construction of six tennis courts
- BATTERY Brook Park Phase #2 to include a fitness loop/trail, pavilion, beach volleyball court, and other upgrades
- Playground development and rehabilitation throughout town

Conservation Commission

The Conservation Commission Administrator identified three projects which need resources as well:

- ADA Accessible trails – in at least one location and possibly in 3-4 locations
- Hiking trail improvements (rehabilitation and rerouting)
- APR for Farmland Protection

Historical Commission

A variety of projects have been identified by the members of the Historical Commission including:

- Archival records conversion
- Renovation of the Firehouse Museum for ADA – disabled access
- Historical information boards at the HG&E and canal park sites
- Placards of historical significance along the walking trails

Housing Authority

Among the needed projects identified by the Housing Authority Executive Director were renovations/improvements at Newton Manor and Lathrop Village including:

- Handicapped accessibility
- Window replacements

Additionally, she noted the need for more affordable housing – particularly for families noting they have a 10-15 year waiting list for such housing as well as waiting lists for elderly and disabled accessible housing.

Total Funding Needs

The projects identified in the Mock Solicitation were focused on a single-year’s solicitation effort. Costs associated with these projects would total in excess of \$3 Million. Clearly, this would exceed the CPA funding amount but we could anticipate using CPA funds to leverage other funds – similar to what other communities including Easthampton, have done very successfully.

Related Community Planning/Development Efforts

As the Committee was undertaking its assessment of the CPA, the Town initiated three efforts which could impact the benefits of adopting the CPA:

- Comprehensive Bike/Pedestrian Plan
- Urban Redevelopment Plan
- Housing Studies including a Housing Production Plan and Multifamily Development Study

The four areas for which CPA funds can be utilized relate to the scopes of all three of these efforts. Trails (bike and pedestrian) can be funded, in part, by CPA – the acquisition of the land as well as construction of the trails. Implementation of housing activities is a foundation of the CPA. Redevelopment efforts in South Hadley are likely to involve, at least in part, housing, recreation, historic preservation, and open space.

Thus, the projects identified in the “Mock Solicitation” and the meetings with the various boards and committees were just the tip of the iceberg as to community priorities which can be addressed through the CPA. It is apparent that the CPA cannot fund everything – just as the Town’s General Fund and Enterprise Funds are unable to fund everything that is needed - but can be a key element in the community’s implementation efforts.

Forecast of Local Revenues/Provision of Exemptions

The Committee examined several different scenarios to forecast the local revenues which could be generated by a surcharge. These scenarios were based on several factors:

1. The Act provides for implementation of a surcharge of up to 3% on the property tax levy.
2. The Act provides several exemptions: Low-Income, first \$100,000 of Residential Value, and Commercial/Industrial.
3. Since South Hadley has a uniform tax rate, the Town cannot exempt commercial and industrial properties entirely but may exempt the first \$100,000 in commercial/industrial value.
4. The Low-Income exemption would create additional administrative burdens.
5. A range of revenue projections should be evaluated encompassing several different percentages and no exemptions and only the residential exemption.

To develop a recommendation as to the level of CPA surcharge which could be considered, the Committee enlisted the technical assistance of the Community Preservation Coalition. They were asked to provide estimates of the amount of local revenues which could be generated at different levels of surcharge and different assumptions as to exemption of the first \$100,000 in Real Estate value.

The CPC provided the following calculations:

Estimated Yearly Cost to Average South Hadley Homeowner <i>(based on FY 2015 data)</i>				
CPA Surcharge Level	1%	1.5%	2%	3%
Without any exemptions	\$38	\$58	\$77	\$115
\$100,000 Residential Value exemption	\$21	\$32	\$43	\$64

The Town’s Assessor verified the above data. She also provided revenue forecasts which were 15% higher than the CPC forecasts. The Assessor’s revenue forecasts are provided below

CPA Surcharge Level	1%	1.5%	2%	3%
Without any exemptions	\$218,211	\$327,317	\$436,423	\$654,634
\$100,000 Residential Value exemption	\$135,317	\$202,946	\$270,636	\$405,950
\$100,000 Residential, Commercial, and Industrial Value exemption	\$131,708	\$197,517	\$263,327	\$395,125

The cost to the average homeowner (based on a value of \$224,815) would range from \$1.75 to \$9.58 per month – depending on the exemptions or lack thereof. The amount of revenue generated by the surcharge alone would range from \$218,211 to \$395,125. Thus, a 3% surcharge with the first \$100,000 in value being exempted would raise 81% more than a 1% surcharge with no exemptions. However, the Town would qualify for and thus, benefit from, a substantially higher State Trust Fund Distribution if the 3% surcharge were enacted.

Findings/Conclusions

Following review of the Act and the results of the research and interviews, the Committee made findings/conclusions regarding

- Potential Uses of the funds
- Status of State Funds
- Local Costs to Implement the Act
- Autonomy of Community Preservation Committee

Potential Uses

The Surcharge Revenues and State matching funds may be used to undertake numerous activities in the areas of Recreation, Open Space, Historic Preservation, and Housing. However, the funds may not be used for maintenance or to supplant existing funds. Within these same parameters, other communities in the Commonwealth have and are planning to use the funds generated to:

- Redevelop existing municipal parks and recreation facilities
- Preserving agricultural land being proposed for development
- Preserve municipal records and buildings
- Establish a 10-year program of meeting the housing needs so that the community will not be subject to a Chapter 40B development and ensuring that the projects developed with the surcharge are acceptable to the community

Status of State Funds

1. The amount of State matching funds is unknown. Due to the growth of the program, while the early adopters of the CPA received 100% matching funds, the match has decreased substantially but still in the neighborhood of 25%.
2. The Legislature has taken measures to increase the available funds to provide matching funds to distribute.

Local Costs to Implement

1. The Town would have to bear the costs associated with calculation and billing of the surcharge. The amount of this expense is unknown.
2. Other communities which have adopted the CPA have stated that there is an Administrative Burden but it is well worth the expense.
3. Communities have used a portion of the CPA funds (5% is allowed) to offset the administrative costs.

4. Administrative support for the Community Preservation Committee is not substantial. No additional personnel would be anticipated to be needed to implement the program.
5. The Collector/Treasurer and Town Accountant would have to maintain separate accounts for each of the category of funds (i.e., housing, open space, historic preservation, recreation, and administration).

Autonomy of Community Preservation Committee

The Community Preservation Committee required by the Act is autonomous of other Boards in Town government in that:

1. Neither the Board of Selectmen, Appropriations Committee, nor Capital Planning Committee can veto a project recommended by the Committee.
2. Town Meeting may only deny or reduce funding for a project recommended by the Committee, it may not increase funding for a project above the amount recommended by the Committee.

Recommendations

Following the primary charge for the Committee, the first issue addressed by the Committee, by unanimous vote of the members present at the last meeting, was whether the Town should consider adoption of the Act at this time. Members also reached some consensus as to some of the other parameters if the Act is to be adopted.

Recommendation to adopt CPA:

The Committee concluded that Adoption of the CPA would provide a very needed resource for achieving many community objectives which cannot be funded due to competing interests. It would also provide a means for State funds to assist in funding some of these projects. As “seed money”, the CPA can leverage other grant funds and resources as has occurred in each of the communities which were consulted by the Committee.

Therefore, the Committee recommends that the Selectboard place this matter before Town Meeting at the Fall 2015 Special Town Meeting. This time frame would provide the opportunity to have the matter considered on the April 2016 Town Election.

Recommended Parameters if Act is Considered for Adoption

The Committee reached several conclusions as to some of the parameters which should be incorporated into any consideration of adoption of the Act:

1. The first \$100,000 of residential and commercial/industrial value should be exempt from the surcharge. This exemption will offset some of the impact of the surcharge – at whatever level is adopted. The Committee discussed why exempt the first \$100,000 of commercial/industrial land values. In this discussion, the committee concluded that a) the portion of the tax base classified as commercial or industrial is relatively small but is an important part of the community, b) owners of residential lands are more likely to directly benefit from the CPA funded projects than the owners of commercial/industrial lands, and c) the Town wants to attract more

commercial/industrial land development, it should not penalize those property owners relative to the residential property owners. The Town does not have a two-tier tax classification system and it should not adopt CPA as a two-tier system.

2. The analysis shows that the Town will generate approximately the same in local revenues from the 3% with the exemptions as it would with the 1.5% without any exemptions. While the Committee was inclined to recommend the 3% surcharge level to maximize the State Trust Fund distribution; given the Community's situation, the Committee recommends adopting the surcharge at 1.5% at this time.
3. The Community Preservation Committee required by the Act should be closely coordinated with the planning and budgeting efforts of the Appropriations Committee, Capital Planning Committee, and the Selectboard. This coordination can be undertaken in a variety of ways – regular meetings with the chairs of the committees, joint meetings, expansion of the CPA Committee beyond the 5 members required so that a representative of one or more of the other committees may be able to participate.
4. The Committee recognizes that the CPA is likely to increase the Administrative burden to some degree and the CPA recognizes that reality by allowing up to 5% of the funds to be used for Administrative expenses. Therefore, the Committee recommends that the CPS funds be used for Administrative expenses to the extent allowed by the law.
5. An initial program of projects should be put forth as the framework for utilization of the local and matching revenues which would be generated by the Act.
6. The CPA funds should be used aggressively to leverage other funds to implement Community priorities.