COMMUNITY PRESERVATION ACT

This is the Executive Summary from a report prepared by the Rappaport Institute for Greater Boston, Harvard University, in 2007 entitled "The Massachusetts Community Preservation Act: Who Benefits, Who Pays?" The full report can be found at http://www.hks.harvard.edu/centers/rappaport/research-and-publications/working-papers/the-massachusetts-community-preservation-act.

EXECUTIVE SUMMARY

While the Massachusetts Community Preservation Act (CPA) has generated more than $360 million for affordable housing, open space preservation, historic preservation, and recreation since its passage in 2000, it has resulted in the transfer of tens of millions of dollars from residents of the stateœs poorest cities and towns to the wealthiest communities in the Commonwealth. Inadequate reporting requirements make it difficult to determine how the money is being spent with any precision, and impossible to compare the cost of projects funded by the Act in different communities. Partial data collected by the lawœs advocates suggest much of the revenue collected under CPA to date has been used to preserve open space. These findings suggest that it may be time to revisit the law to consider changes that would make it more equitable, efficient, and transparent.

For the most part, problems with CPA are the result of two key aspects of the law. First, municipalities must adopt a local property tax surcharge to be eligible to receive matching funds from a statewide fee on transactions filed with registries of deeds across the state. Because affluent communities are more likely to adopt the optional tax, and because matching funds are linked to property values, wealthy cities and towns have received most of the revenue raised from the statewide fees. Second, while CPA requires that activities related to affordable housing, open space protection, and historic preservation each receive at least 10 percent of CPA funds in each community, the remaining 70 percent of revenues may be spent on any of these purposes, plus recreation.

Our analysis of various data sources suggests that between adoption of CPA by the first communities in 2001 and the end of 2006:

• **Poor urban communities were net losers:**
Boston, which generated an estimated $11.4 million of about $180 million in state CPA matching funds, did not receive any of this revenue, because its voters turned down the optional CPA surcharge in 2001. Similarly, Worcester, Springfield, Brockton, Lowell, Lynn, Haverhill, Framingham, and New Bedford, which together contributed an estimated $18.88 million in CPA deed registry fees, received no funding from the program because these cities have not held a vote on adopting the CPA.

• **Affluent communities were net winners:**
Cambridge, which accounted for an estimated 1 percent of deed registry fees collected statewide, received more than 15 percent of revenues from the state matching fund, for a total of more than $25 million, making it the biggest ñwinnerò from the program. Newton, Weston, Nantucket, Westford, Duxbury, North Andover, Bedford, Sudbury, and Barnstable, which together accounted for approximately 4.5 percent of deed registry fees, received more than 26 percent of matching funds,

totaling almost $50 million. On a per capita basis, the law has greatly benefited residents of small communities with high property values. Chilmark and Aquinnah, for example, each received more than $600 per resident in state matching funds, and residents of Nantucket and Weston received $526 and $485 per capita respectively.

• **Money is flowing to the Cape and Middlesex County:**
Cities and towns in Middlesex County received over $30 million more in state grants than county residents paid in CPA deed registry fees. Barnstable County communities received $10 million more than residents of the county paid in fees. Towns in Dukes, Nantucket, and Plymouth Counties also received more money than the registries in those counties collected in fees. On the other side, municipalities in Suffolk and Worcester Counties received $18 and $22 million less than residents of those counties paid in fees, respectively. Bristol, Essex, and Norfolk Counties each had negative net revenue flows of at least $10 million. Remaining counties in the western part of the state recorded smaller negative net flows of revenue.

• **CPA may not be promoting creation of new affordable housing:** While communities are not required to report how they are using available funds, data collected by the non-profit Community Preservation Coalition suggest that more than 40 percent of funds raised to date have been spent to protect open space. This figure rises to more than 50 percent if Cambridge, which has used the majority of its CPA revenue for housing, is excluded from the calculation. Moreover, it is unclear that the CPA is resulting in creation of new affordable housing. Analysis done by others suggests that as much as 70 percent of the CPA money spent on affordable housing to date has been used to purchase existing units.

• **Lack of transparency precludes assessment of efficiency:** Due to discrepancies in the data on spending of CPA funds, it is not possible to compare the cost of affordable housing creation, open space protection and historic preservation among CPA communities and between communities that have adopted CPA and those that have not. However, because adoption of CPA and generation of revenue under the Act are correlated with wealth as measured by property values, it seems likely that projects funded by CPA are more expensive than a statewide average cost of similar projects. The Town of Weston, for example, spent more than $120,000 per acre when it used $3.25 million in CPA funds to buy 27.5 acres of land in 2002.

These findings suggest that it may be time to revisit the Community Preservation Act, particularly the state matching fund program. We recommend that state officials consider amending the legislation to make CPA funding more equitable, to develop more transparent mechanisms to allow assessment of how revenues are spent, and accountability systems that will give them tools to ensure that state funds are used efficiently and in accordance with state goals.

The rest of this paper explores these findings in more detail. Section I reviews the history and structure of the CPA. Section II examines which communities have adopted local CPA surcharges on property taxes. Sections III and IV review contributions to and distribution of revenues from the state's CPA trust fund. Section V examines data on the uses of CPA funds. Section VI summarizes findings and offers suggestions on how policymakers might address some of the issues raised in this study.