



The Research Bureau

Preserving Worcester's Past, Present, and Future?

Statewide Lessons for Worcester Voters on the Community Preservation Act

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Research in the Public Interest

Worcester Regional Research Bureau, Inc.

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Please visit <https://www.wrrb.org/reports/2022/08/preserving-worcesters-past-present-and-future-statewide-lessons-for-worcester-voters-on-the-cpa/> for visualizations of projects in other communities, as well as a calculator you can use to determine your property tax surcharge if the Community Preservation Act is adopted.

Introduction

Due to a coalition of local organizations and a vote by the City Council, Worcester voters this November will have the chance to adopt a 1.5 percent property tax surcharge for the purposes of funding community preservation projects. The Community Preservation Act (Massachusetts General Laws ch. 44B, 2000) provides Massachusetts' municipalities with the ability to authorize a property tax surcharge, via a majority vote by residents, to raise funds for the preservation of open space, historic structures, affordable housing, and outdoor recreation. Funds raised by this local surcharge are earmarked for these preservation purposes, and a portion of them are matched by the state every year from the Community Preservation Act Trust.

What is Worcester Voting On?

Worcester residents are being asked **whether they support a surcharge of 1.5 percent on the annual property tax assessed on real property, including residential and commercial, beginning in fiscal year 2024.** This surcharge is not a tax on property directly, but rather a percentage charge of the property tax, which means it will rise and fall with both the annual property tax rate and assessed property values.

Funds raised from the Act itself are intended for the:

- acquisition, creation, and preservation of open space
- acquisition, preservation, rehabilitation, and restoration of historic resources
- acquisition, creation, preservation, rehabilitation, and restoration of land for recreational use
- acquisition, creation, preservation, and support of community housing, defined as low and moderate income housing

- rehabilitation or restoration of open space and community housing acquired or created by these funds (M.G.L ch.44B § 5b2)

The ballot question includes **three major exemptions to the surcharge.** First, property owned and occupied as a home by anyone under a yearly low income threshold (80 percent of areawide median income) or, if seniors, under a low-to-moderate income threshold (100 percent of areawide median income) will be exempt upon yearly application of the homeowner. Second, the first \$100,000 of the value of each taxable parcel of residential property will be excluded when determining that property's surcharge. Finally, the first \$100,000 of the value of each taxable parcel of commercial and industrial property will also be excluded from the surcharge calculation.

This report provides the voters of Worcester a resource on the Community Preservation Act (CPA) itself, so they can make an informed decision as they go to the ballot box in November. The report will proceed in three major parts. In the first, the text and history of the Community Preservation Act will be explained. In the second, the Act's history in Worcester, as well as its potential impact on the community if adopted, will be explained. Finally, the report will examine the impact adopting the surcharge has had on Worcester's neighbors and cities demographically similar to Worcester.

Part One: The Text and History of The Community Preservation Act Explained

The Community Preservation Act was the culmination of more than a decade of attempts to create legislation aimed at preserving open space, historical buildings, and affordable housing in Massachusetts. Championed by former Massachusetts Secretary of Environmental Affairs Robert Durand, and signed into law by former Governor Paul Cellucci in 2000, the Act allows voters in Massachusetts' municipalities to add a property tax surcharge of up to 3 percent via local election.



Adoption

To date, 189 municipalities in Massachusetts, or about 54 percent of its total communities, have adopted the CPA. Adoption occurs via a majority vote of eligible municipal voters during the next regularly scheduled election. It can be placed on the ballot via a vote of the local municipal legislative body (as has happened in Worcester), or through a petition, signed by 5 percent of eligible voters in the community. One hundred and thirty-five communities adopted the CPA after their respective legislative bodies put it on the ballot, and another 54 did so following a signature petition.

Surcharge and Exemptions

Municipalities may choose any property tax surcharge of up to 3 percent. In addition, municipalities can place a range of possible exemption options on the election ballot. These include: (1) low income owners and low-to-moderate income senior owners (60 years or

older), using the areawide median income calculated by the Department of Housing and Urban Development, (2) the first \$100,000 of taxable residential property value, (3) the first \$100,000 of taxable commercial property value, and (4) for communities with a split tax rate, the exemption of the entirety of class three commercial and class four industrial property value. Approving the CPA in one's community also means accepting the exemptions proposed on the ballot.

Of the 189 municipalities that have adopted the CPA, 113 have elected to exempt low income owners and the first \$100,000 of residential property value from their surcharge. Worcester would potentially join the 28 communities that have those two exemptions plus the first \$100,000 of commercial property.

Of all raised funds, 30 percent (10 percent each) must be set aside for open space, historic preservation, and affordable housing, and the remaining 70 percent of funds can be used for other projects in those categories, as well as some administrative costs of the Community Preservation Committee. In addition, there is no requirement that funds be spent the year that they are raised. The only restriction is that funds raised by the surcharge can be spent only on CPA-related projects.

Community Preservation Committee

Each municipality that adopts the CPA must create a Community Preservation Committee, a five to nine member board which advises the local legislative body on proposed projects. The municipality creates the committee through a by-law or ordinance, chooses how many members between five and nine it will have, and sets the length of its term. By law the committee must include at least one member each from:

- The Conservation Commission
- The Historical Commission
- The Planning Board
- The Board of Park Commissioners
- The Housing Authority

Table 1: Adoption - Surcharges and Exemptions	
Total Communities	189
Surcharge	
0.50%	1
1.00%	52
1.10%	1
1.25%	1
1.50%	40
2.00%	19
3.00%	75
Exemption	
None	18
Low Income (Alone)	12
\$100K Residential (Alone)	14
Low Income, \$100K Residential	113
Low Income, \$100K Residential, \$100K Commercial	28
Low Income, \$100K Residential, Commercial	4

Source: Community Preservation Coalition.

*The highlighted rows indicate Worcester's proposal.

If these commissions do not exist in the community, the person or persons who act in the capacity of that commission should be on the Community Preservation Committee. In Worcester, any remaining members past these five would be appointed by the City Manager, as directed by the City Charter.

The Committee is charged with studying the “needs, possibilities and resources of the city or town regarding community preservation” (M.G.L Ch. 44B §5). **The Committee does not make decisions on how funds will be spent, instead providing recommendations to the legislative body for that purpose. In Worcester, the Committee would advise the City Manager, who creates the budget each year.** It can also recommend that funds be set aside for future use when sufficient revenues are available for a specific purpose.

Finally, the CPA legislation does prohibit the use of funds for maintenance only, and directs the committee to recommend, when possible for community housing, the “reuse of existing buildings or construction of new buildings on previously developed sites” (M.G.L Ch. 44B §5).

The Community Preservation Trust Fund

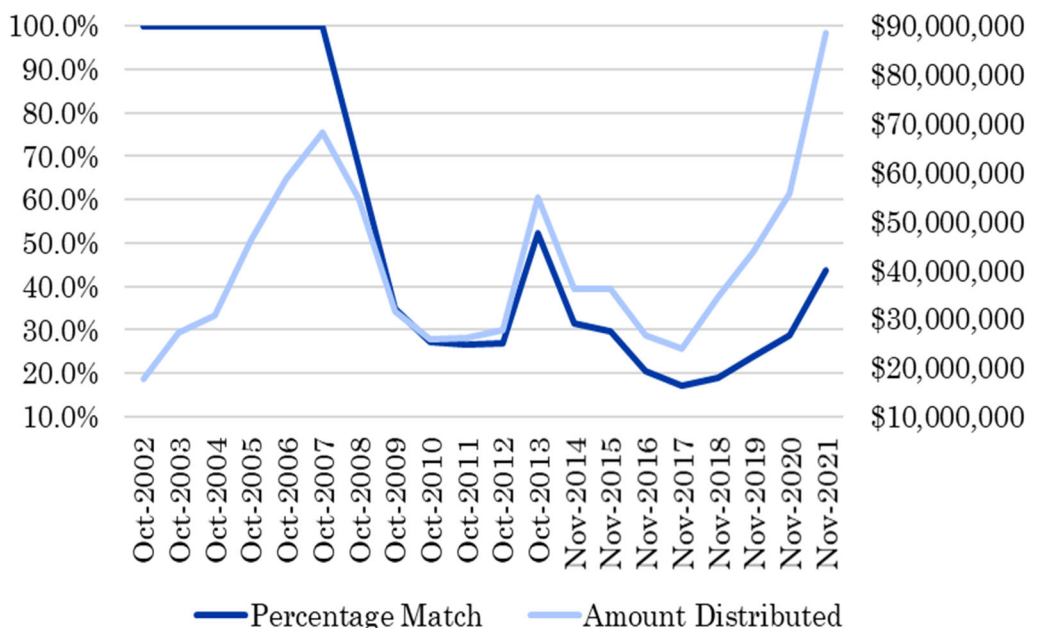
With the passage of the CPA, Massachusetts created a Community Preservation Trust Fund. The fund pays the same matching percentage to each participating community with *less* than a 3 percent surcharge, and pays a higher percentage to those with a 3 percent surcharge. **Since 2001, the Trust Fund has paid out \$815.54 million to CPA communities.**

The Trust is funded in two ways. The primary way is through document fees at the state Registry of Deeds of \$50 on real estate transactions and \$25 on municipal lien certificates.

This was updated in 2019 from the original fees of \$20 and \$10 respectively. The secondary funding mechanism, the allocation of funds from the state budget surplus into the CPA Trust, was established in 2012. According to the Community Preservation Coalition, the Legislature has moved \$86.4 million overall from the surplus to the Trust Fund. **No community is exempt from the document fee, and no community may access the Fund without first adopting the legislation at the ballot box.**

Although the first few years of the Trust Fund matched 100 percent of funds raised by communities that enacted the CPA, from 2007 to 2018 there was a precipitous drop in the match, a combination of both the increasing number of communities enacting the CPA and the dwindling funds in the Trust Fund itself. Since the State Legislature updated the document fees in 2019, the percentage match has increased significantly. For example, the fund matched 43.84 percent of surcharge funds raised in Fiscal Year 2021, compared to 28.63 percent the year before. **The Massachusetts Department of Revenue projects matching about 35 percent of funds raised in Fiscal Year 2022, based on current Trust Fund levels.** Chart 1 shows the percentage and amounts matched from the Trust Fund year over year.

Chart 1: Trust Fund Percentage Match and Amounts, 2002-2021



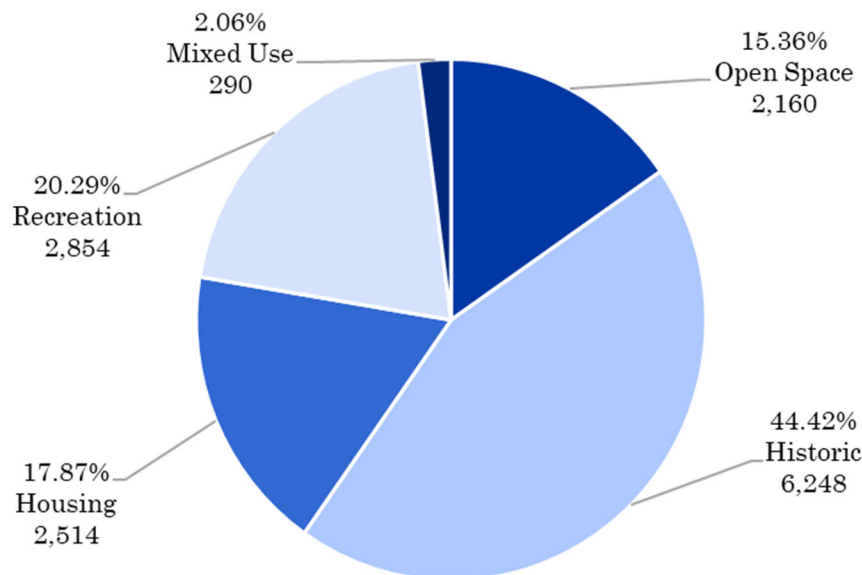
Source: Massachusetts Department of Revenue, via Community Preservation Coalition



Projects

Since 2001, **there have been 14,066 projects using CPA funds statewide**. The majority of those projects, 6,248, or 44.4 percent, have been in historic preservation, followed by recreation with 2,854, or 20.3 percent of the total. Chart 2 shows the number of projects by project classification.

Chart 2: Total Projects by Classification, 2001-2021



Source: Community Preservation Coalition

While the majority of projects are classified as just one of the four types outlined in the Act itself, 2.06 percent of the projects are classified as “mixed use.” Mixed use projects are those that fit into two or more categories. Most commonly, these projects have been combinations of open space and recreation.

Bonds and Grants

Municipalities do not have to wait for their CPA fund coffers to fill before starting projects. **The act allows municipalities to acquire bonds for contemporary projects, using surcharge funds projected to be acquired in the future to pay for that bond.** In addition, communities may use the funds they’ve raised as a way to leverage other funding in the form of federal or state grants.

Key Takeaways:

- Since 2001, every community in the state has had the opportunity to adopt the Community Preservation Act. So far, 54 percent have done so.
- A local property tax surcharge is the main mechanism for funding the Act, which provides funds for local preservation projects.
- A statewide Trust Fund, into which all 351 Massachusetts communities pay through the Registry of Deeds, matches a portion of raised funds every year.
- More than 14,000 projects have been started or completed since the Act’s inception.

Part Two: History and Impact of the CPA in Worcester

Although this year marks the first time that the CPA will be up for a vote by Worcester residents, it is not the first time that Worcester community members or the Worcester City Council have assessed it. In 2001 and in 2018, the City Council considered adding it to the ballot, ultimately declining both times. In addition, there was an unsuccessful attempt in 2018 to add the question to the ballot via voter petition.

In 2001, Worcester City Council briefly considered the CPA, and declined to put it on the ballot. Worcester was not alone in considering this then new piece of legislation. Many municipalities across the Commonwealth rushed to consider the measure in its first year of eligibility. In total, 36 communities across Massachusetts adopted the CPA in its first year of eligibility. Several communities within Worcester County, including Shrewsbury and Auburn, considered the Act, but ultimately only Sturbridge and Harvard adopted the legislation that year.

In April 2018, after pressure from a coalition of local organizations known as “Yes for a Better

Worcester,” the City Council took up the question of whether to add the CPA to that November’s ballot. The ballot measure proposed in 2018 was the same as the measure proposed this year, a 1.5 percent surcharge with the same exemptions. Ultimately, the City Council declined to add it to that year’s ballot. In a six to five vote, councilors argued that their decision to leave the CPA off the ballot was not due to opposition to the Act itself, but because of questions concerning the ballot process. The City Council argued that while the voters should have a chance to voice their opinions, the question should be added to the ballot through a signature drive, rather than through the legislative body mechanism allowed for in the original legislation.

That City Council vote occurred in late June 2018, and by August, “Yes for a Better Worcester” elected not to pursue signatures, due to the looming ballot deadline.

In April 2022, “Yes for a Better Worcester” again brought the CPA to the Council. As they wrote on their website this year, the “CPA [also] helps strengthen the state and local economies by expanding housing opportunities and construction jobs for the Commonwealth’s workforce.” **In a vote of seven to three, the City Council approved adding it to November’s ballot.** It should be noted that, in the months since this vote, the Worcester Regional Chamber of Commerce has urged caution in adopting the CPA, writing in its May 2022 Legislative Updates that, with current rates of inflation, “additional burdens are not fair to the small businesses—many of which just barely survived the pandemic.”

The Research Bureau’s Response in 2018

In response to the 2018 CPA question before City Council, the Research Bureau released a research brief on the matter (found here: <https://www.wrrb.org/reports/2018/06/the-community-preservation-act/>). Ultimately, differing circumstances at the time of the question led the Research Bureau to decline to support the measure. Part of the Bureau’s opposition was related to Worcester’s split property tax rate. While Worcester continues to

have a split rate, other circumstances from 2018 have since changed. At the time, for example, the amount of Preservation Trust Funds going to communities was in a long period of decline, reaching its lowest point in November 2017, with only a 17.2 percent match for the 162 existing CPA communities. Indeed, the \$24 million distributed that November was the lowest it had been since the first distribution in 2002, when there were only 34 communities and a 100 percent match. Additionally, since the 2018 question the State Legislature updated the recording fees at the Registry of Deeds, allowing the percentage match to steadily increase, to 43.8 percent and a record high distribution of \$88.48 million in November 2021.

Worcester has also contributed substantially more to the Trust Fund since the Registry fees were increased. In 2018, it was estimated that Worcester-based transactions at the Registry contributed about \$360,370 from the period of May 2017 to May 2018. **Since then, Worcester’s estimated contributions have increased significantly.** The Registry of Deeds estimates that from January to December 2019, Worcester contributed \$1,329,425, in 2020 \$1,199,575, and in 2021 \$1,421,100. From January 1, 2022 through the end of June, Worcester has contributed an estimated \$576,075 to the Fund.

Impact on Worcester Residents and Businesses

If Worcester adopts the Community Preservation Act surcharge, what will it cost residents? What will it cost businesses? What other impacts would it have on the city?

Based on current assessed property values provided by the City of Worcester Assessor’s Office, **we estimate that in FY23 the total amount of surcharge raised in Worcester would be about \$3,723,231.** However, this number would increase or decrease yearly with property values and tax rates, and while it reflects the \$100,000 exemption on each property type, it does not reflect the proposed low-income exemption.

Table 2: Impact of 1.5% Surcharge on Median Property Value

Classification	Median Value	Property Tax	Surcharge
Residential	\$290,500	\$4,418.51	\$43.46
Commercial and Industrial	\$448,500	\$14,948.51	\$174.23

Table 3: Impact on 1.5% Surcharge on Average Property Value

Classification	Average Value	Property Tax	Surcharge
Residential (Single Family)	\$294,806	\$4,484.01	\$44.45
Residential (Condominium)	\$197,196	\$2,999.35	\$22.18
Residential (Two Family)	\$337,397	\$5,131.81	\$54.16
Residential (Three Family)	\$394,304	\$5,997.36	\$67.15
Residential (Apartment)	\$1,261,104	\$19,181.40	\$264.91
Commercial and Industrial	\$1,309,288	\$43,638.56	\$604.58

Source: City of Worcester Assessor's Office.

*Tables 2 and 3 reflect property valued \$100,000 or more.

Using FY22 assessed property values provided by the City of Worcester Assessor's Office, and **excluding** any property valued less than \$100,000, **the median residential property owner in Worcester would owe a property tax surcharge of \$43.46 a year, while the median commercial property owner would owe \$174.23**, due in part to the split tax rate in Worcester. These numbers do include the \$100,000 exemption for all property types. **This means that about half of property owners would pay under \$43.46 or \$174.23 respectively, and half would pay above.**

Assessed property *averages* look slightly different. **The average single-family property owner would pay about \$44.45 in CPA surcharges, while the average commercial property owner would pay \$604.58.** Table 3 calculates the average bill for condominium, two-family,

three-family, and apartment building owners. These figures are based on current year property tax rates and assessed property values, and, again, **properties valued less than \$100,000 are not included in the calculation.** However, if the CPA is approved in Worcester, the surcharge will not begin until July 2023 and the Trust Fund won't distribute its first match until November 2024. As assessed values and property tax rates increase or decrease, so too will the surcharge burden.

Of course, some residential property owners may be exempt from the surcharge based on their income. The low-income exemption uses the areawide median income as determined by the US Department of Housing and Urban Development for eligibility. There are two classifications for the exemption—non-senior and senior (60 years or older)—and each is eligible based on a different threshold of the household income, 80 percent or less and 100 percent or less of the areawide median, respectively.

The Department of Housing and Urban Development uses a family of four as its baseline for median income, and adjusts up or down from there based on a series of modifiers. In 2022, the Department's areawide median income for a family of four is \$114,400.

Table 4: 2022 Areawide Median Income, Low Income Exemptions

	Senior	Non-Senior
1-Person	\$80,080	\$64,064
2-Person	\$91,520	\$73,216
3-Person	\$102,960	\$82,368
4-Person	\$114,400	\$91,520
5-Person	\$123,552	\$98,842
6-Person	\$132,704	\$106,163
7-Person	\$141,856	\$113,485
8-Person	\$151,008	\$120,806

Source: US Department of Housing and Urban Development, 2022 Income Limits Summary

For a low-income household consisting of one non-senior, the exemption would apply if income is \$64,064 or less; for a senior, \$80,080. For a non-senior household with two people, the income exemption applies for a total household income of \$73,216 or less; for seniors, \$91,520 or less. A non-senior family of four would qualify at \$91,520, while a senior family of four would qualify at \$114,400. Table 4 demonstrates the income limits up to an eight-person household.

While the above exemption may be a welcome one to those members of the community that may require it, it comes with a caveat. **Homeowners need to specifically apply for the low-income exemption each year in which they are eligible.** While not a significant burden, it is still a burden nonetheless.

Finally, regardless of what Worcester voters choose come November, property owners will continue to pay fees on transactions at the Registry of Deeds for the Community Preservation Trust Fund. As noted earlier, since the beginning of this year Worcester has contributed about \$576,075 to the Trust Fund, and over one million dollars in each of the last three years. Without joining the CPA, Worcester will continue to pay into the fund without having access to that money.

While the CPA can potentially fund many types of important projects for the community, voters should consider what the record has been statewide for types of projects and the distribution of funds. The fact of the matter is that of the 14,066 total projects since 2001, almost half, or 44.42 percent, have been in historic preservation. 35.65 percent of projects have been in open space or recreation, but only 17.87 percent of projects have been classified as affordable housing. This pattern may hold in Worcester. While there are some outliers—for example, Nantucket has completed 93 housing projects and Cambridge 79—the median number of housing projects since 2001 is only nine. Compare that to the median number of historic preservation projects, which is 29. In Gateway Cities, about four housing and 33 historic preservation projects, respectively.

To be clear, different communities have different needs, leaders, and organizations pressing for different patterns of spending. However, if history is any guide, projects will likely be similar in Worcester to what they have been across the state.

Key Takeaways

- City Council briefly considered the CPA in 2001 and in 2018, but declined to add it to the ballot for voter approval in those years.
- The median residential property owner in Worcester would pay about \$41 in surcharge fees this year, while the median commercial property owner would pay about \$114.
- A low-income exemption will apply to homeowners, and a low-to-moderate income exemption will apply to homeowners aged 60 plus. This exemption will need to be applied for yearly.
- A calculator to determine your surcharge is provided by The Research Bureau.

Part Three: Gateway Cities and Worcester's Neighbors

Worcester is classified by Massachusetts General Laws ch.23A § 3A as a “Gateway City.” Gateway Cities are defined as municipalities with a population between 35,000 and 250,000, a median household income below the state average, and a rate of educational attainment of a bachelor's degree or above that is below the state average. It is one of 26 communities with such a classification.

Of those 26 communities, **13 adopted the Community Preservation Act between 2001 and 2019.** Of these 13 cities, 10 added the CPA question to the ballot via a vote of their respective legislative bodies, and three added the question via a ballot petition drive. Seven of these communities have a surcharge of 1 percent, five have a surcharge of 1.5 percent, and just one elected to have a surcharge of 3 percent. Table 5 illustrates the adoption history of these 13 Gateway Cities. Although not a Gateway City, Boston also adopted the Community Preservation Act in 2016, with a 1 percent surcharge and the same exemptions proposed in Worcester.

Table 5: Gateway Cities, CPA Adoption History and Exemptions

	Year	Path to Ballot	Exemptions	Surcharge %
Springfield (155,929)	2016	Legislative Body	Low Income; \$100K - Residential; \$100K - Commercial	1.50%
Lowell (115,554)	2019	Legislative Body	Low Income; \$100K - Residential; Commercial	1.00%
Quincy (101,636)	2006	Ballot Petition	Low Income; \$100K - Residential	1.00%
New Bedford (101,079)	2014	Legislative Body	Low Income; \$100K - Residential; \$100K - Commercial	1.50%
Fall River (94,000)	2012	Legislative Body	Low Income; \$100K - Residential	1.50%
Malden (66,263)	2015	Ballot Petition	Low Income; \$100K - Residential; \$100K - Commercial	1.00%
Peabody (54,581)	2001	Legislative Body	No Exemptions	1.00%
Barnstable (48,916)	2004	Legislative Body	No Exemptions	3.00%
Salem (44,480)	2012	Ballot Petition	Low Income; \$100K - Residential; \$100K - Commercial	1.00%
Pittsfield (43,927)	2016	Legislative Body	Low Income; \$100K - Residential; \$100K - Commercial	1.00%
Westfield (40,834)	2002	Legislative Body	\$100K - Residential	1.00%
Chelsea (40,787)	2016	Legislative Body	Low Income; \$100K - Residential; \$100K - Commercial	1.50%
Holyoke (38,238)	2016	Legislative Body	Low Income; \$100K - Residential; \$100K - Commercial	1.50%

Source: Community Preservation Coalition. *In order of population. Figures included.

Seven of these Gateway Cities adopted the exemptions proposed in Worcester. Three communities, Quincy, Fall River, and Westfield, chose to forgo commercial exemptions altogether. Peabody and Barnstable elected to have no exemptions, while voters in Lowell chose the low income and \$100,000 in residential property exemptions, in addition to exempting commercial property altogether. **Finally, four communities adopted the same combination of surcharge and exemptions as Worcester.** See Table A-1 in the appendix for more information about them.

Revenues

Although fund collection will look different in Worcester than in other Gateway Cities, it is illustrative to see funds collected over time. Table A-2 in the appendix shows CPA funds raised and disbursed to each of the Gateway Cities that have adopted the CPA, reflecting FY21 and total amounts collected over time.

In Springfield, the largest Gateway City after Worcester, the local surcharge of 1.5 percent raised \$1.77 million in FY21, and almost \$450,000 was distributed to the city from the Trust Fund in November 2020, a 28 percent match from funds raised in FY20. In total, Springfield raised and received \$2.2 million in FY21 to use for the purposes in the Act. Overall, in FY21, the 13 Gateway Cities raised \$15.54 million and received \$4.31 million from the Trust Fund, for a total revenue of \$19.85 million.

Money from the Trust Fund is released in November of each year, and is a match to the funds raised in the previous fiscal year. Thus, the November 2021 distribution counts towards the FY22 total revenue, but is a match to the funds raised in FY21. To continue with the Springfield example, the November 2021 distribution of nearly \$775,000 is a 44 percent match to the funds raised in FY21 of \$1.77 million. **In total, Gateway Cities received \$6.9 million from the November 2021 disbursement.**

Table 6: Projects by Type, Gateway Cities*

	Open Space	Historic	Housing	Recreation	Mixed Use	Total
Springfield	1	15	2	22	0	40
Lowell*	N/A	N/A	N/A	N/A	N/A	N/A
Quincy	27	105	12	62	0	206
New Bedford	1	41	3	18	0	63
Fall River	8	61	3	10	1	83
Malden	5	5	3	6	0	19
Peabody	34	36	12	11	2	95
Barnstable	20	64	28	13	10	135
Salem	0	37	10	35	0	82
Pittsfield	1	27	4	16	0	48
Westfield	12	29	8	13	0	62
Chelsea	1	5	2	0	0	8
Holyoke	2	16	3	3	0	24
Total	112	441	90	209	13	865

*Source: Individual Communities, via Community Preservation Coalition. *Data on individual projects is reported by these communities to the Community Preservation Coalition. Lowell has no reported projects as their program is still too new.*

Since 2001, when Peabody was the first Gateway City to adopt the CPA, **these 13 communities have raised \$130.72 million from their various surcharges** (7.05 percent of the statewide total) **and received \$48.86 million from the Trust Fund** (6 percent of the statewide total), **for total revenues of \$179.58 million** (6.73 percent of the statewide total). Nine of these communities did not adopt the CPA until 2012 or later.

Projects

Since 2001, **these 13 cities have begun or completed 865 total projects**. The majority, 441 or 51 percent, of these projects have been classified historic preservation. Recreation projects make up a distant second—209 or 24.2 percent. Only 13 projects have been classified as mixed use, the majority of which are found in Barnstable.

Since 2016, Springfield has approved one open space, 15 historic preservation, two housing, and 22 recreation projects. Some examples are:

- 2018: Removing and eradicating invasive Japanese knotweed along the Connecticut

River Walk, a recreation project for which \$400,000 was allocated.

- 2018: Adding \$100,000 to an existing first-time home buyers program, allowing the program to aid buyers with income between 80 and 100 percent of the areawide median income.
- 2020: Renovating a historic 1925 school into 42 affordable housing units, the Elias Brookins Apartments, using \$250,000.
- 2020: Repairing a 1905 home on the State Register of Historic Places with \$93,000.
- 2020: Commissioning a study and constructing drawings of a potential bike and skate park using \$80,000.

Communities are under no obligation to spend all of their funds the year that they raise or receive them. Their only obligation is to earmark the 10 percent of funds each for outdoor space, historic preservation, and affordable housing, and even that does not need to be spent that year. Additionally, some projects are only partially funded by the CPA. In that way, **the law is not a cure for a community's preservation needs, but rather a form of gap financing** that can either put projects over the edge, or get

Table 7: Total Housing Appropriations

	CPA Housing Funds
Springfield	\$350,000
Lowell*	N/A
Quincy	\$2,630,000
New Bedford	\$780,811
Fall River	\$651,300
Malden	\$862,474
Peabody	\$2,657,100
Barnstable	\$8,997,263
Salem	\$1,373,155
Pittsfield	\$391,000
Westfield	\$717,625
Chelsea	\$1,300,000
Holyoke	\$420,000

Source: Community Preservation Coalition. *Lowell has not disbursed funds yet, due to the recent adoption of its program.

communities to explore otherwise unconsidered possibilities.

Housing?

Importantly, note that of the total number of completed projects in other Gateway Cities, the majority of them are in historic preservation, while the fewest are in housing. Table 7 shows the amount of total housing appropriations in each Gateway City community from the beginning of their respective programs.

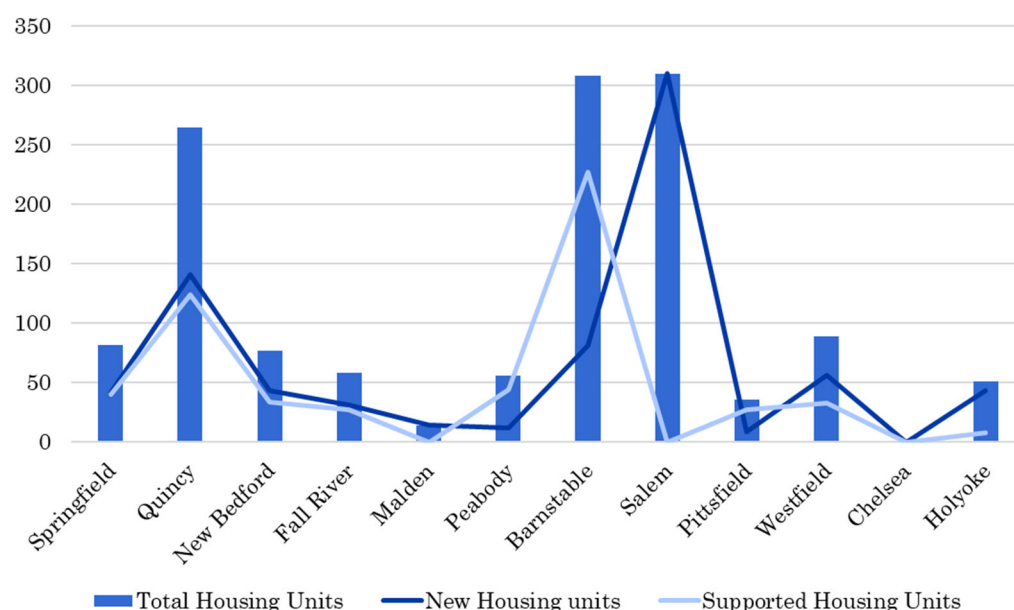
Interestingly, the amount of money appropriated in each city does not necessarily tell us much about how many housing units were supported or created using those funds. For example, although Chelsea lists \$1.3 million in housing appropriations, \$1.25 million was earmarked for COVID-19 Emergency Rental

Assistance. Therefore, Chelsea is listed as “zero” total housing units on Chart 3. This chart shows the total housing units created or existing units supported in each of the Gateway City communities, with the exception of Lowell. Interestingly, though it only adopted the CPA in 2012, Salem has created the most, new affordable housing units, while Barnstable, adopted in 2004, has supported the most housing units.

Worcester’s Neighbors

Although half of Gateway Cities have adopted the Community Preservation Act, **only three of Worcester’s direct neighbors have done so.** Table 8 shows the CPA adoption history of these three communities: Shrewsbury (2020), Grafton (2002), and West Boylston (2007). Shrewsbury elected the same exemptions that will be on the ballot in Worcester in November.

In FY21, Grafton raised \$535,064 via its 1.5 percent property tax surcharge, which was matched with \$234,570 in FY22. West Boylston raised \$269,240 in FY21 via its 2 percent property tax surcharge, which was similarly matched in FY22 with \$118,030. Since 2002, Grafton has had a total revenue of \$8,558,920. West Boylston, which adopted the surcharge in 2007, has had total revenues of \$3,566,580.

Chart 3: Housing Units Created or Supported in Gateway Cities, 2001-2022

Source: Community Preservation Coalition

Table 8: Worcester's Neighbors, CPA Adoption History

	Year	Path to Ballot	Exemptions	Surcharge %
Shrewsbury (38,325)	2020	Legislative Body	Low Income; \$100K - Residential; \$100K - Commercial	1.0%
Grafton (19,664)	2002	Legislative Body	Low Income; \$100K - Residential	1.5%
West Boylston (7,877)	2007	Ballot Petition	Low Income; \$100K - Residential	2.0%

Source: Community Preservation Coalition. *In order of population. Figures included.

Grafton and West Boylston have 109 and 37 completed or in-progress projects, respectively, for a total of 146. Of these, 57 projects, or 39 percent, have been historic preservation. Housing projects, at 40, or 27.4 percent, follow close behind. Shrewsbury's own recent adoption of the Act means that it simply has not yet approved any projects.

The Community Preservation Act has not been adopted by Worcester's other direct neighbors. Only Holden (2004) and Paxton (2006) have held town-wide votes, and the act was rejected in both. Boylston is scheduled to vote on the CPA for the first time this November, with a proposed 1 percent surcharge, and the low-income and first \$100,000 of residential property value exemptions. Other communities have periodically considered it, but none have placed it on the ballot.

Trends in these Communities

When looking at Worcester's Gateway City peers across the Commonwealth, or at Worcester's neighbors, a few trends emerge. For example, **12 of these 16 communities chose to put the CPA on their respective ballots via a legislative body vote.** Indeed, statewide, 135 of the 189 communities utilizing the surcharge initially put the question on the ballot via their local legislative bodies. Only 54 chose to do so through a ballot petition.

One argument made by supporters of the CPA is that by not joining the program, Worcester is leaving "money on the table" in the form of matching funds from the CPA Trust. There are a couple of ways to look at Trust distributions, including in comparison to the total amount of

Trust Fund that has been distributed, and in comparison to a city's total revenues.

The 13 Gateway Cities that have adopted the surcharge make up about 6.9 percent of the total communities that have adopted the CPA. While their total revenues have equaled about 6.73 percent of the statewide total since 2001, these communities have only received about 6 percent of the total Trust Fund distributions. Why so low? Part of the cause may be the recency of some of these cities' adoption. Only four adopted it in the first five years of its existence, and five have adopted it since 2015. Gateway City adoption of the program have been more of a trickle than a deluge. With only a few years of eligibility to access the Trust Fund, for example, Springfield (pop. 154,789) has only received 0.22 percent of the total pay outs. However, while Springfield adopted the program in 2016, it did not begin collecting a surcharge until FY18, and did not receive its first Trust Fund pay out until FY19. In comparison, Peabody (pop. 54,119), which has been in the program since 2001, has received 0.77 percent of the total Trust Fund pay out, beginning in FY03. Interestingly, 23 percent of Springfield's total revenue has been from the Trust Fund.

With Trust Fund distributions occurring for only a fifth of the total amount of time as Peabody, Springfield has received nearly a third as much money from the Trust Fund. Worcester, with a population of more than 50,000 over Springfield, would likely yield similar, if not larger, numbers.

While there is no one to one comparison to be made between Worcester and other Gateway Cities, it ought to be recognized that Trust Fund distributions, though increasingly large, should not be the main draw to the program, as they do

fluctuate year over year. **Additionally, the first Trust Fund match in Worcester will not occur until FY25.**

In terms of projects, both Worcester's peer cities and its neighbors have approved mostly historic preservation projects. **The pattern may hold under Worcester's utilization of CPA funds. If Worcester follows the examples of other Gateway Cities, it may focus most of its other efforts on open space or recreation.** If it follows the example of Grafton, it may focus its funds on housing instead.

Key Takeaways:

- Since 2001, 13 of 26 Gateway Cities have adopted the CPA, with total revenues of \$179.6 million. Three of Worcester's neighbors have joined the program as well, for total revenues of \$12.1 million. Boston, which joined the CPA in 2016, has raised \$108.7 million since beginning collections in FY2018.
- The 13 Gateway Cities have begun or completed 865 projects, of which 441 were in historic preservation. Worcester's neighbors have begun or completed 146, of which 57 have been in historic preservation.
- Worcester, as the 2nd largest city in Massachusetts, stands to raise more money in surcharge and its Trust Fund match than most other Gateway Cities and its neighbors.

Conclusions

As The Research Bureau noted in the conclusion to its 2018 brief, "The CPA is a worthy opportunity to fund investments in community livability." In addition, it would give Worcester access to a Trust Fund that it has contributed to, but currently cannot access. Since the change in the state Trust Funding mechanism in 2019, the state has matched more surcharge funds than ever before.

However, it should be recognized that the CPA will not solve all the preservation needs of a community. **There are two important caveats:**

1. **There is no requirement that money is spent when it is raised.** There are

requirements to earmark some of the money for specific categories, but not to spend that money that year. In addition, while the Community Preservation Committee that is formed as part of the act can make recommendations on how to spend the money, it does not have final say on how that money will be spent—rather, the normal budgetary process would apply.

2. **Money raised from the surcharge might not be enough to cover the entirety of many projects.** Instead, the money may be used as an addition to other funds for a project, as gap financing. Alternatively, the money could be leveraged for further grant funding or used to future-fund bonds.

Ultimately, the impact of the CPA surcharge on residential property owners in Worcester will not be large, though it will be significantly larger on commercial property owners.

Both Boston and Springfield, as the first and third largest cities in the state, have adopted the CPA. As such, Worcester is Massachusetts' largest city to not have adopted it. Whether Worcester adopts the surcharge or not, it will continue to pay into the Trust Fund, allowing other communities access to funds that originated in Worcester.

With the updated funding mechanisms for the Community Preservation Act Trust Fund, circumstances have changed since the last time this issue was discussed in Worcester in 2018. **Worcester voters should consider carefully not only the impact of the CPA on their residential property taxes, if applicable, but also the implications for the city's commercial property owners.** We urge all voters and city property owners to use our online calculator, found here, <https://www.wrrb.org/reports/2022/08/preserving-worcesters-past-present-and-future-statewide-lessons-for-worcester-voters-on-the-cpa/>, to determine your expected surcharge, and to consider the issue carefully.

Appendix 1

Community Preservation Act November Ballot Text

Shall the City of Worcester 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?

Sections 3 to 7 of Chapter 44B of the General Laws of Massachusetts, also known as the Community Preservation Act, ("the Act") establish a dedicated funding source to enable cities and towns to (1) acquire, create, preserve and support community housing; (2) acquire, preserve and create open space, which includes land for parks, recreational uses, conservation areas, and the protection of drinking water supplies, and the rehabilitation of local parks, playgrounds, and athletic fields; and (3) acquire, preserve and rehabilitate historic buildings and resources.

In Worcester, the funding source for these community preservation purposes will be a surcharge of 1.5% on the annual property tax assessed on real property beginning in fiscal year 2024, and by annual distributions from a state trust fund created by the Act. Only communities that adopt the Community Preservation Act receive a distribution from this trust fund.

The following will be exempt from the surcharge: (1) property owned and occupied as a domicile by any person who qualifies for low income housing or low or moderate income senior housing in the City of Worcester, as defined in Section 2 of said Act; (2) \$100,000 of the value of each taxable parcel of residential property; and (3) \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in section 2A of Chapter 59. A taxpayer receiving a regular property tax abatement or exception will also receive a pro rata reduction in surcharge.

A Community Preservation Committee composed of local citizens will make recommendations on the use of funds and all expenditures must be approved by the City Council.

Expected Surcharge Equation

In order to determine what you might expect to owe if the Community Preservation Act is adopted, please follow these steps:

1. Visit: <https://www.worcesterma.gov/finance/taxes-assessments/property-records> — here you can look up your most recently assessed property value. Insert it into the equation where it says "property value."
2. For 2022, if your property is residential the tax rate is \$15.21 and if your property is commercial, the tax rate is \$33.33. Insert your rate into the equation.

$$(Property\ Value - \$100000) * \left(\frac{Tax\ Rate}{1000} \right) * (0.015)$$

For example, if your residential property is assessed at \$250,000:

$$(\$250000 - \$100000) * \left(\frac{\$15.21}{1000} \right) * (0.015) = \$34.22$$

You would expect to owe about \$34.22 this year if the CPA is adopted and the surcharge began immediately.



Appendix 2**Table A-1: CPA Collections per Year in Selected Gateway Cities, since Collections began**

	Total CPA Surcharge	Total Trust Fund	Total Revenues	Years of Surcharge Collection	Average Per Year since Collections Began
Springfield	\$6,107,889	\$1,820,984	\$7,928,873	5	\$1,585,775
New Bedford	\$6,218,102	\$1,641,205	\$7,859,307	7	\$1,122,758
Chelsea	\$3,370,689	\$921,213	\$4,291,902	6	\$715,317
Holyoke	\$2,154,218	\$624,509	\$2,778,727	6	\$463,121

Source: Community Preservation Coalition. This table shows Gateway Cities with the same surcharge and exemptions proposed in Worcester, along with total revenues and average revenue per year, beginning with the first year surcharges were collected in each city.

Table A-2: Gateway Cities, CPA Funds in Thousands of Dollars

	FY21 Surcharge	FY21 Trust Fund	FY21 Total Fund	FY22 Trust Fund	Total Surcharge	Total Trust Fund	Total Revenue
Springfield	\$1,767.00	\$449.40	\$2,216.40	\$774.60	\$6,107.90	\$1,821.00	\$7,928.90
Lowell	\$767.40	\$203.90	\$971.30	\$336.40	\$1,479.60	\$540.30	\$2,019.90
Quincy	\$2,055.50	\$568.80	\$2,624.20	\$901.10	\$22,422.50	\$7,786.40	\$30,208.90
New Bedford	\$1,201.50	\$331.10	\$1,532.50	\$526.70	\$6,218.10	\$1,641.20	\$7,859.30
Fall River	\$1,165.90	\$309.40	\$1,475.30	\$511.10	\$7,617.20	\$2,077.80	\$9,695.00
Malden	\$775.30	\$212.60	\$987.90	\$339.90	\$3,478.50	\$948.40	\$4,426.90
Peabody	\$923.20	\$260.80	\$1,184.00	\$404.70	\$13,465.20	\$6,266.50	\$19,731.70
Barnstable	\$3,828.40	\$1,134.00	\$4,962.40	\$1,770.70	\$50,910.00	\$21,515.00	\$72,425.00
Salem	\$750.60	\$205.60	\$956.20	\$329.10	\$4,955.60	\$1,351.30	\$6,306.90
Pittsfield	\$480.40	\$132.10	\$612.50	\$210.60	\$1,807.50	\$528.70	\$2,336.20
Westfield	\$511.50	\$140.90	\$652.40	\$224.20	\$6,729.80	\$2,839.70	\$9,569.50
Chelsea	\$764.60	\$207.40	\$971.90	\$335.20	\$3,370.70	\$921.20	\$4,291.90
Holyoke	\$545.30	\$152.20	\$697.50	\$239.10	\$2,154.20	\$624.50	\$2,778.70
Totals	\$15,536.60	\$4,308.20	\$19,844.50	\$6,903.40	\$130,716.80	\$48,862.00	\$179,578.80

Source: Massachusetts Department of Revenue, via Community Preservation Coalition

Table A-3: Worcester's Neighbors, CPA Funds in Thousands of Dollars

	FY21 Surcharge	FY21 Trust Fund	FY21 Total Fund	FY22 Trust Fund	Total Surcharge	Total Trust Fund	Total Revenue
Grafton	\$535.06	\$141.00	\$676.06	\$234.57	\$6,022.13	\$2,536.79	\$8,558.92
West Boylston	\$269.24	\$71.76	\$341.00	\$118.03	\$2,709.31	\$857.27	\$3,566.58

Source: Massachusetts Department of Revenue, via Community Preservation Coalition

Worcester Regional Research Bureau, Inc.

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