



The Massachusetts Community Preservation Act (CPA) authorizes municipalities to apply a surcharge on property taxes to generate funds for open space, historic preservation, affordable housing, and outdoor recreation. Locally generated funds are partially matched by the Commonwealth’s Community Preservation Act Trust, which is funded by fees collected on recordings at Massachusetts Registries of Deeds. Local adoption of the CPA requires a community-wide vote. In spring 2018, a coalition of organizations formally called on the Worcester City Council to approve a ballot question seeking adoption of the CPA and a 1.5% surcharge. What is the CPA and what would its adoption mean for Worcester?

Enacted in 2000, the Massachusetts Community Preservation Act (Massachusetts General Laws, Chapter 44B) is intended to provide cities and towns a funding source to protect certain unique characteristics—open space, historic properties, recreational opportunities, and housing affordability. Currently, 173 cities and towns, covering approximately 49% of the Commonwealth’s communities and 60% of its population, have adopted the CPA. The CPA authorizes a locality to place a surcharge on property taxes to accomplish four priorities:

- 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.

The CPA is not a tax, but a surcharge on property taxes. Therefore, its impact rises and falls with the annual property tax rate as well as the property value. Adoption requires a general ballot initiated either by City Council vote or a petition signed by 5% of the city’s registered voters. If the CPA is approved by a majority of voters, property owners pay a surcharge of up to 3% on local property taxes. These funds are partially matched by an annual outlay from the Commonwealth’s Community Preservation Act Trust (CPA Trust), which is funded by a surcharge on documents filed at the Registry of Deeds. (It is important to note that the CPA Trust surcharge on real estate documents applies to eligible transactions regardless of whether the local community has adopted the CPA. More than \$360,000 was raised for the CPA Trust in the year ending May 2017 on transactions occurring in Worcester.) Exemptions are allowed, but not required, for a) low-income households and low- and moderate-income senior households, b) commercial and industrial properties, c) the first \$100,000 of value for residential properties, and d) the first \$100,000 of value for commercial and industrial properties. A local Community Preservation Committee (CPC) is established composed of up to nine legislative appointees, but at a minimum it must include designees by the local Conservation Commission, Historical Commission, Planning Board, Parks Commission, and Housing Authority. The Committee is responsible for identifying community needs and resources for community preservation and making recommendations for distribution of local CPA funds. Upon adoption, the CPA cannot be revoked for a period of five (5) years, although amendments may be made to the amount of the surcharge and the type of exemptions, subject to local legislative and general ballot approval.

Table 1: Massachusetts & the CPA

Adopted By:	173 Municipalities
Surcharge:	# of Communities
0.50%	1
1.00%	41
1.10%	1
1.25%	1
1.50%	39
2.00%	15
3.00%	75
Type of Exemption:	
None	19
Low-income	11
\$100,000 Residential	13
Low-income and \$100,000 Residential	108
Low-income and \$100,000 Residential and Commercial	22

Worcester & the CPA

A local coalition is asking the Worcester City Council to vote to include on the fall 2018 ballot a question to adopt the CPA with a 1.5% surcharge. The proposal calls for the inclusion of a \$100,000 exemption for residential and commercial property, an exemption for low-income homeowners, and an exemption for low- and moderate-income senior homeowners.

A 1.5% CPA surcharge in Worcester would generate an estimated \$4,011,550 in local revenues based on FY18

property tax figures. However, the proposed exemptions—low-income households, low- and moderate-income elderly households, and the first \$100,000 value in residential, commercial, and industrial properties reduces that revenue to an estimated \$2,654,167. As a result, Table 2 illustrates that the median residential taxpayer would see an increase of \$27.60 per year while the median commercial/industrial taxpayer would see an increase of \$99.64 per year. In the extreme, however, the CPA burden can be significant. Table 3 illustrates the tax burden for the lowest, average, and highest taxpayer in select classes. While the lowest assessed value residential and commercial/industrial property

Table 2: Impact of 1.5% Surcharge on Median FY18 Taxpayers

Classification	Median	Property Tax	Surcharge
Residential	\$197,300	\$3,731	\$27.60
Commercial & Industrial	\$295,200	\$10,046	\$99.64

Table 3: Impact of 1.5% Surcharge on Select FY18 Taxpayers

Classification	Annual 1.5% Surcharge		
	Lowest Taxpayer	Average Taxpayer	Highest Taxpayer
Residential (Single Family)	\$0	\$29	\$578
Residential (Condominium)	\$0	\$8	\$115
Residential (Triple-Decker)	\$0	\$31	\$100
Residential (Apartment Bldg.)	\$56	\$206	\$7,860
Commercial & Industrial	\$0	\$407	\$63,740

Source Tables 2 & 3: City of Worcester Assessing Data

owners (with the exception of apartments) will pay no surcharge as a result of the \$100,000 exemption, the highest single-family residential taxpayer—a property on Monmouth Road in Worcester—will pay a surcharge of \$578 while the highest commercial/industrial taxpayer—a property on Summer Street—will pay \$63,740. Using a model developed by the Massachusetts Department of Revenue to explore the burden of the CPA with a \$100,000 exemption on property classifications, Worcester residential properties will shoulder approximately 55% of the local CPA burden while commercial and industrial properties will shoulder approximately 45% of the burden, despite the fact that commercial and industrial properties make up only 20% of the total taxable value in the city.

Up until 2007, the Commonwealth’s CPA Trust provided a 100% match to locally raised funds. Since that time, the match has declined to only 15% in 2018 due to limited revenues and newly eligible communities. The DOR estimates that the 2019 match will be 11.5%. There are three distribution rounds annually from the CPA Trust. In the first round of funding, 80% of the fund is paid out so that each CPA community receives the same percentage match to locally raised funds. Communities that have adopted the maximum surcharge of 3% are eligible to advance to second and third rounds of funding, which are weighted to benefit less affluent communities. If Worcester is matched at 11.5% at FY18 values, the City would receive an estimated \$305,229 in CPA Trust funds.

The CPA legislation requires that the composition, length of term, and method of appointment for the CPA Committee be outlined by ordinance or bylaw following the local adoption of the CPA. Under Worcester’s City Charter, the City Manager appoints most municipal boards and commissions, at times subject to the approval of the City Council. The Charter would also dictate that CPA Committee recommendations pass through the City Manager to the Worcester City Council, limiting legislative oversight to approval or reduction of the recommended funding. As required under the law, at least 30% of the funds must be spent or set aside annually for open space (10%), historic preservation (10%), and community housing (10%). The remaining 70% may be used for any of those three purposes, or recreation.

The Bureau’s View

The CPA is a worthy opportunity to fund investments in community livability. In reality, the financial burden for any one taxpayer is relatively minimal except at the extremes and it unlocks some additional state funding. It is unfortunate, however, that as a result of Worcester’s dual tax rate, combined with the scale and value of individual commercial and industrial properties compared to residential properties, the local surcharge will fall disproportionately on Worcester’s businesses, further exacerbating a serious situation highlighted in The Research Bureau’s recent reports *Tax Classification: Passing the Buck\$* (2016) and *A Research Bureau Policy Alternative: Tax Rates* (2017). Tax classification can undermine community vitality and create an additional liability on Worcester’s economic opportunity. Until the City, through its City Council, addresses the disparate impact of tax rates and acts to stabilize the tax burden, the benefits of the CPA—dedicated funding and a limited state match—do not outweigh the potential economic encumbrance. Open space, recreation, housing affordability, and historic preservation can currently be addressed through the annual priority-setting process of establishing the municipal budget without expanding Worcester’s already counter-productive tax structure.

Bureau Brief

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The Research Bureau

Research in the Public Interest