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**CITY OF SOMERVILLE, MASSACHUSETTS
COMMUNITY PRESERVATION COMMITTEE
COMMUNITY PRESERVATION ACT FUND EXPLANATION
Updated December 9, 2014**

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The Community Preservation Act (CPA) Fund was established after the voters of Somerville overwhelmingly adopted the CPA (M.G.L. Ch. 44b) by 76% in November 2012. The CPA creates a new funding source for investing in historic preservation, affordable housing, and open space and recreation projects.

The Fund has four annual revenue sources:

1. A 1.5% surcharge on net property taxes, which the City began collecting on July 1, 2013.
2. Discretionary appropriations into the Fund by the City.
3. Annual distributions of state funds that match total local funding (surcharge revenue and City appropriation) for the previous fiscal year.
4. Interest on fund revenue and overdue surcharges.

Table 1 summarizes the CPA Fund as of June 2014, when the Board of Aldermen approved the FY15 Community Preservation Act Fund budget:

FY14 + FY15 CPA Funding, June 2014			
	FY2014 Estimated	FY15 Estimated	Cumulative FY14 & FY15 Estimated
Revenue	\$2,671,858	\$1,978,808	\$4,650,666
Surcharge revenue	\$1,316,187	\$1,316,187	\$2,632,374
City appropriation	\$1,355,671	\$0	\$1,355,671
Estimated state match of previous year's surcharge revenue & City appropriation	\$0	\$662,621	\$662,621
Interest	\$2,189	\$0	\$2,189
Expenditures	-\$56,769	-\$98,940	-\$155,709
Admin/operating expenses (up to 5% of estimated annual revenue)	-\$56,769	-\$98,940	-\$155,709
Project funding to date	\$0	\$0	\$0
Funding available for CPA projects	\$2,624,411	\$1,879,868	\$4,504,279
Open space and recreation reserve (10% of estimated annual revenue)	\$268,118	\$197,881	\$465,999
Historic resources reserve (10% of estimated annual revenue)	\$268,118	\$197,881	\$465,999
Community housing reserve (10% of estimated annual revenue)	\$268,118	\$197,881	\$465,999
Undesignated project funding	\$1,820,057	\$1,286,225	\$3,106,282

This breakdown of funds represents the fact that the CPA legislation requires municipalities to spend or reserve 10% of estimated annual CPA revenue on each of open space and recreation, historic resources, and community housing and allows municipalities to appropriate up to 5% of estimated annual CPA revenue for the Community Preservation Committee's administrative and operating expenses.

Since June 2014, two important developments have arisen. First, the Community Preservation Committee (CPC) chose to go beyond the CPA legislation requirements by recommending that the City:

1. Spend or reserve 15% of FY14 and FY15 revenue on open space and recreation
2. Spend or reserve 15% of FY14 and FY15 revenue on historic resources
3. Spend or reserve 45% of FY14 and FY15 revenue on community housing

Second, the Department of Revenue distributed \$904,917 in state match revenue to the City on November 15, 2014, which exceeded the CPC's estimated state match of \$662,621 by \$242,296. On November 25, 2014, the Board of Aldermen transferred this additional revenue to the CPA Fund Budgeted Reserve to preserve the City's ability to spend it after the tax recap.

The CPC's recommended distribution of total FY14 and FY15 CPA revenue is summarized in Table 2:

Table 2. CPC Recommended Distribution of FY14 + FY15 CPA Funding, December 2014			
	FY2014 Final	FY15 Estimated	Cumulative FY14 & FY15 Estimated
Revenue	\$2,681,180	\$2,221,104	\$4,902,284
Surcharge revenue	\$1,323,320	\$1,316,187	\$2,639,507
City appropriation	\$1,355,671	\$0	\$1,355,671
Estimated state match of previous year's surcharge revenue & City appropriation	\$0	\$904,917	\$904,917
Interest	\$2,189	\$0	\$2,189
Expenditures	-\$56,769	-\$111,055	-\$167,824
Admin/operating expenses (up to 5% of estimated annual revenue)	-\$56,769	-\$111,055	-\$167,824
Project funding to date	\$0	\$0	\$0
Funding available for CPA projects	\$2,624,411	\$2,110,049	\$4,734,460
Open space and recreation reserve (15% of FY14 + FY15 revenue)	\$402,177	\$333,166	\$735,343
Historic resources reserve (15% of FY14 + FY15 revenue)	\$402,177	\$333,166	\$735,343
Community housing reserve (45% of FY14 + FY15 revenue)	\$1,206,531	\$999,497	\$2,206,028
Undesignated project funding	\$613,526	\$444,221	\$1,057,747

This distribution reflects the CPC's request to appropriate \$12,115, 5% of the additional FY15 revenue of \$242,296, to increase the CPC's budget for administrative and operating expenses, which include:

- The salary of the Community Preservation Act Manager, who carries out all work related to the Act and the CPC (\$61,435)
- A Historic Preservation Plan to guide the City's allocation of CPA funding for historic resources projects (as the City's Open Space and Recreation Plan does for open space and recreation projects and the Housing Needs Assessment does for housing projects) (\$19,000)
- Dues to be a member of the Community Preservation Coalition, which provides technical assistance and advocates for the CPA with the state (\$7,900)
- Due diligence on project proposals (to be determined)

The CPC anticipates needing the additional funding to perform due diligence on project proposals. All administrative and operating funds that are not spent in FY15 will convert to project funding in FY16.

To achieve the recommended reserve amounts reflected in Table 2 above, the CPC is recommending that the Board approve transferring funds from the CPA Fund's Budgeted Reserve and Undesignated Fund Balance as follows:

1. \$269,344 from the Budgeted Reserve to the Open Space/Recreation Reserve
2. \$269,344 from the Budgeted Reserve to the Historic Resources Reserve
3. \$989,833 from the Budgeted Reserve to the Community Housing Reserve
4. \$750,196 from Undesignated Fund Balance to the Community Housing Reserve

Open space/recreation and historic preservation projects will be funded first out of the relevant reserve accounts and then from remaining CPA Fund Undesignated Fund Balance if needed. The CPC opened its first annual competitive application process for projects in these categories in August, and on December 1st received 15 project proposals. After receiving public comments on the proposals and thoroughly reviewing them, the CPC anticipates sending recommendations to the Board of Aldermen regarding which to fund in the spring of 2015.

With regard to community housing, the CPC voted to empower the Somerville Affordable Housing Trust Fund, which has 25 years of experience supporting housing affordability in Somerville, to serve as the housing arm of the CPC. It is recommending to appropriate all dedicated community housing funds, \$2,206,028, to the Trust to allocate to CPA-eligible affordable housing projects and programs. The CPC will also consider proposals from the Trust for additional CPA revenue.