



## New Housing Choice Initiative

Lieutenant Governor Karyn Polito

**December 21st, 2017**

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### By the Numbers

*City & Town* provides updates on the progress of the tax rate and certification season while also allowing you to follow the tax rate setting process in real time. Thanks to our Municipal Databank staff, this public information is available 24/7 by [clicking here](#).

Prelim. Certifications Approved: 68

Final Certification: 66 (of 70 total)

LA4 Approved: 347 (348 submitted)

LA13/ New Growth Approved:  
347 (348 submitted)

Tax Rates Approved: 336

Balance Sheets Approved: 249

Total Aggregate Free

Cash Approved: \$1,051,203,978

On December 11th, Governor Baker and I [announced](#) a comprehensive new initiative to substantially increase housing production across the Commonwealth. Our [Housing Choice Initiative](#) creates a new system of incentives and rewards for municipalities that deliver sustainable housing growth; creates a new technical assistance toolbox, to empower cities and towns to plan for new housing production; and proposes legislative changes, through *An Act to Promote Housing Choices*, to deliver smart, effective zoning at the local level.



Massachusetts home prices have increased at the fastest rate in the nation, and metropolitan Boston rent prices rank among the highest in the country. In order to address the challenges facing Massachusetts, the Housing Choice Initiative will deliver more than \$10 million in incentives, grant funding and technical assistance per year, and enable Massachusetts to realize a new goal of creating 135,000 new housing units by 2025.

Our growing economy demands a robust and diverse supply of housing to support the Commonwealth's continued growth and success. This initiative will maximize collaboration between state agencies, support innovation and data-driven policies, and provide municipalities with the user-friendly tools needed to create more housing

## Important Dates & Information

### Having Trouble Finding DLS

#### Gateway ?

Some DLS Gateway users have experienced difficulties navigating to the application's login page recently.

To address this issue, we recommend bookmarking the following URL:

<https://dlsgateway.dor.state.ma.us/gateway/Login>

## MUNICIPAL Databank



### Other DLS Links:

[Local Officials Directory](#)

[Information Guideline  
Releases \(IGRs\)](#)

[Bulletins](#)

[Publications & Training Center](#)

[Tools and Financial  
Calculators](#)

where it's needed.

The Housing Choice Initiative will ensure that Massachusetts remains a great place to live, raise a family, and grow a business by removing barriers to responsible housing development. Our cities and towns are instrumental in our efforts to create more housing, and the Housing Choice Initiative will provide municipalities with the tools and incentives needed to drive meaningful housing production that is appropriate for their community, maximizes land-use and creates opportunities for smart development.

Modeled after the successful Green Communities program, The Housing Choice Initiative will provide a powerful new set of incentive-based tools for local governments. It will reward communities that are producing new housing units and have adopted best practices to promote sustainable housing development, use land efficiently, protect natural resources and conserve energy, with a new Housing Choice designation. The Housing Choice Designation is designed to be simple, flexible and achievable for municipalities. Cities and towns that receive the Housing Choice Designation will be eligible for new financial resources, including exclusive access to new Housing Choice Capital Grants, and preferential treatment for many state grant and capital funding programs, including MassWorks, Complete Streets, MassDOT capital projects and PARC and LAND grants.

The Housing Choice Initiative introduces new and better coordinated technical assistance for municipalities to reach housing production goals and pursue a Housing Choice Program Designation. The Department of Housing and Community Development (DHCD) will provide communities with a clear, single-entry point for coordinated technical assistance across agencies. In coordination with the Housing Choice Initiative, MassHousing will make \$2 million in new technical assistance funding available, to help communities progress toward and achieve housing production goals under the state's Chapter 40B affordable housing law.

MassHousing's new *Planning for Housing Production Program* will help make Chapter 40B development less contentious and more collaborative, by empowering municipalities to implement housing solutions driven by local goals and values.

As part of the Housing Choice Initiative, our Administration is also proposing legislation that will remove barriers to improved land use and new housing, by promoting the adoption of local zoning best practices. This legislative proposal, *An Act to Promote Housing Choices*, would allow cities and towns to adopt certain zoning best practices by a simple majority vote, rather than the current two-thirds supermajority. Massachusetts is currently one of only ten states to require a supermajority to change local zoning; all other northeastern states rezone through simple majority votes.

Zoning changes that promote best practices that would qualify for the simple majority threshold include:

- Building mixed-use, multi-family, and starter homes, and adopting 40R “Smart Growth” zoning in town centers and near transit;
- Allowing the development of accessory dwelling units, or “in-law” apartments;
- Granting increased density through a special permit process;
- Allowing for the transfer of development rights and enacting natural resource protection zoning; and
- Reducing parking requirements and dimensional requirements, such as minimum lot sizes.

*An Act to Promote Housing Choices* does not mandate that cities and towns make any of these zoning changes. The legislation allows municipalities that want to rezone for responsible housing growth to do so more easily, and in a way that is consistent with peer states.

The Governor and I were pleased to have support from several community, business, and housing organizations at the announcement, including MMA president Geoff Beckwith, Somerville Mayor Joseph Curtatone, and Littleton Administrator Keith Bergman. We look forward to working with the legislature and partnering with cities and towns to deliver much needed housing to regions across Massachusetts, while respecting our long-standing home rule tradition.

For additional information, see the Housing Choice website at [www.mass.gov/housing-choice-initiative](http://www.mass.gov/housing-choice-initiative).

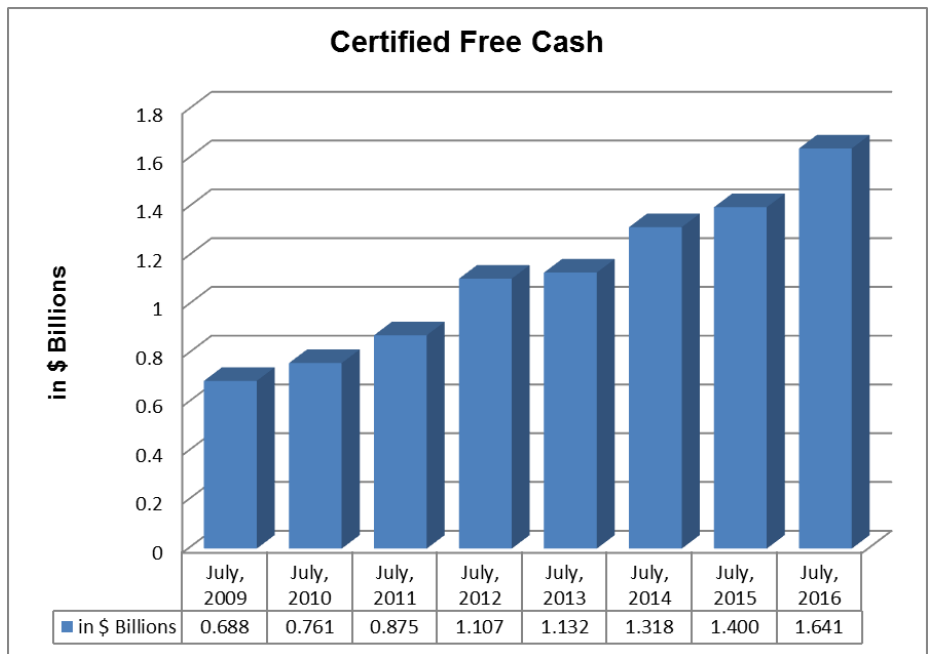
## Counting Free Cash

**Deb Wagner - Bureau of Accounts Supervisor**

In a [December 15, 2016 City & Town](#) article entitled “*Using and Rebuilding Free Cash*,” we speculated that by the end of FY2017, statewide total certified free cash as of July 1, 2016 would exceed the \$1.4 billion mark that was certified as of July 1, 2015.

We were right. Statewide certified free cash as of July 1, 2016 for 346 communities totaled \$1.6 billion, an increase of \$241.7 million, or 17.3%, over the amount certified as of July 1, 2015. The July 1, 2016 figure continued a trend in total free cash in excess of \$1 billion that began as of July 1, 2012.

The graph below shows that total statewide certifications have increased annually from July 1, 2009 to July 1, 2016, in total increasing about \$953.8 million, or 138.7%, over this period.



#### July 1, 2017 Certifications

An analysis of all certifications as of November 22, 2017 determined the total statewide certified free cash for 230 communities has increased by \$40.2 million (from \$941.4 million to \$981.6 million) or by 4.3% compared to certifications as of July 1, 2016 for the same group of communities.

One community's certification was in the negative, and two communities that DLS did not certify last period received positive certifications this year.

The following tables show more certification results as of November 22.

<b>Greatest \$ increase</b>	<b>\$8.6 million</b>	<b>Median \$ increase</b>	<b>\$487,000</b>	<b>Greatest % increase</b>	<b>1131.8%</b>	<b>Median % increase</b>	<b>20.6%</b>
<b>Greatest \$ decrease</b>	<b>\$2.9 million</b>	<b>Median \$ decrease</b>	<b>\$295,000</b>	<b>Greatest % decrease</b>	<b>160.6%</b>	<b>Median % decrease</b>	<b>17.8%</b>

Free Cash Certifications						
	> \$1 million < \$2 million	\$2 million < \$3 million	\$3 million < \$4 million	\$4 million < \$5 million	\$5 million < \$10 million	\$10 million or greater
<b>07/01/2016</b>	50	34	16	10	29	20
<b>07/01/2017</b>	54	32	17	13	29	20

[Click here](#) for free cash certification information by city and town.

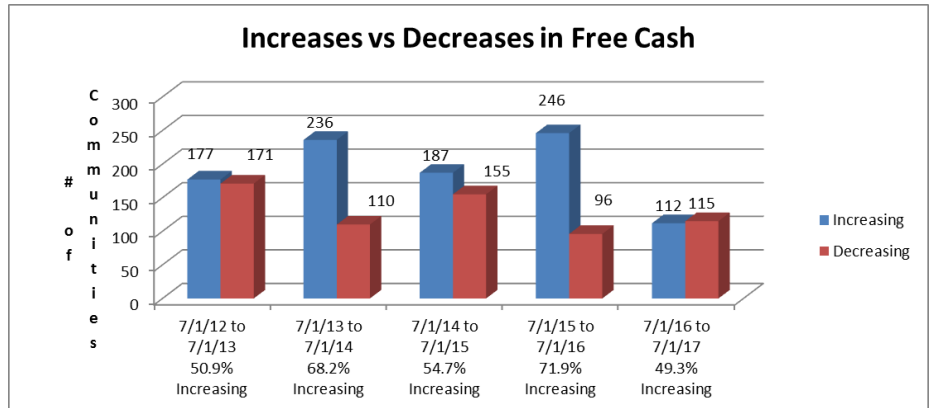
#### A New Record?

Whether this year's statewide certification total will mark another record is difficult to predict for two reasons:

1. As of our cut-off date, free cash had yet to be certified for 121 communities, of which 20 had certifications last period greater than \$5 million, including

Boston which certified at over \$337 million. The change in these communities' certifications, especially for Boston, will dictate the final result.

2. Despite the rise seen in the statewide total, not every community will experience an increase from the previous period. The graph below shows the year-to-year free cash increase and decrease percentages for communities with free cash certifications in both years. Note that the most recent certification period's percentage of increasing communities thus far, 49.3%, is less than that for the prior periods shown.



The balance of this article will review how communities appropriated their free cash certifications as of July 1, 2015 (the most recent certification period for which the Bureau of Account (BOA) has complete information) and will conclude with some free cash frequently asked questions.

BOA does not receive information as to the specific purpose of any free cash appropriation. However, the Bureau can determine whether the appropriation was made for a particular purpose, to "reduce the tax rate," or a combination of the two.

### July 1, 2015 Certifications

This certification was effective from the date BOA certified the figure on or after July 1, 2015, until the close of business on June 30, 2016. During this time period, free cash may have been appropriated for expenditure in FY2016 or FY2017.

### Certifications

Free cash certifications totaled \$1,399,654,718 for the 344 communities (out of 351) that submitted balance sheets to BOA, and this includes one town that was certified at negative \$21,601. In addition, six communities updated their certifications by \$4,524,039 during the fiscal year.

Including the updates, the statewide total increased to \$1,404,178,757. For the 343 communities certified with positive free cash, this total dollar amount represented, in median terms, 4.1% of their FY2017 budgets (Gross amount to be raised from the

FY2017 tax rate recaps). This median ranged from a high of 83.4% to a low of 0.1%

### *Free Cash Updates*

A community may request BOA to update its certification once during a fiscal year. The Director of Accounts may allow such a request unless it appears that an update could result in a negative free cash certification as of the following June 30.

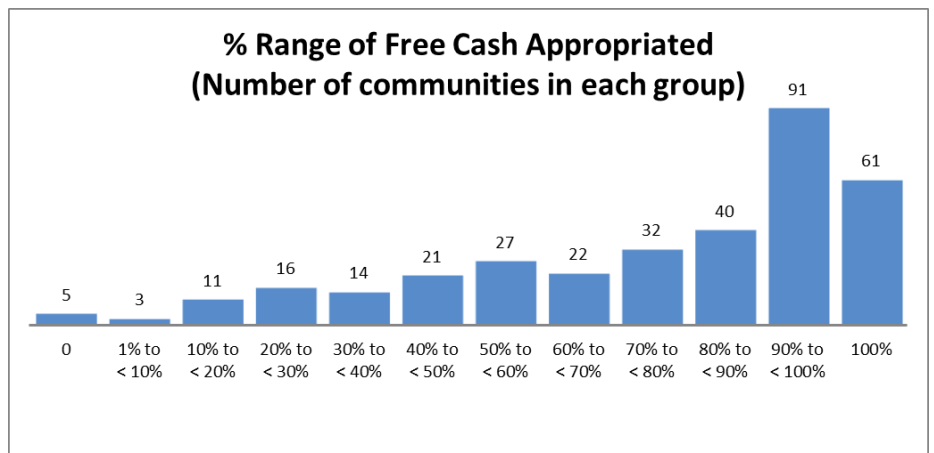
Updating free cash involves receipts attributable principally to prior fiscal year property taxes, net of refunds, received from July 1 through March 31 of the next fiscal year, and it provides the city or town with additional appropriation authority if needed.

### *Appropriations*

Of the 343 communities with positive free cash during the period:

- 5 appropriated \$0 from their certification.
- 61 appropriated their entire certification.
- 12 left a balance between 10¢ and \$99.

The following table groups these 343 communities by the percentage of their free cash certifications they appropriated.



For the 338 communities that voted to appropriate some proportion of free cash:

- 1 voted to reduce the FY2016 tax rate only.
- 12 voted to reduce the FY2017 tax rate only.
- 259 voted for particular purposes only.
- 66 voted for particular purposes and to reduce the FY2016 and/or FY2017 tax rate.

The total amount appropriated was \$675,064,056, or 48.1% of the total statewide updated certification.

Let's summarize what's been learned:

- Certifications averaged about 4.1% of FY2017 budgets.
- Few communities updated their annual certification.
- Almost every community appropriated from its certification; some for particular purposes, others to reduce the tax rate and still others a combination of both.
- Although 5 communities made no appropriation and 61 appropriated the entire amount, most appropriated between 90% and 99%.
- About half of the total certification was appropriated, with the balance being returned for certification in the following year.

### *Frequently Asked Questions*

BOA often receives some variation of the following four questions:

1.) What effect does a vote to reduce the tax rate actually have?

When such a vote has been approved, a specific dollar amount of free cash is applied as a funding source against all appropriations from the tax levy, not to one particular appropriation. Although the tax levy is reduced, a taxpayer may or may not see a reduced tax bill as a result, depending on where the community was relative to its tax levy limit.

If the community was above the levy limit and free cash was voted to reduce the tax rate down to the levy limit, this vote merely balanced the budget to its Prop 2½ levy limit and the vote provided no further property tax relief. However, if the community was already at or below its limit, such a vote does provide property tax relief.

2.) What happens to free cash that isn't appropriated by the end of a fiscal period?

The unappropriated amount of free cash at the end of a fiscal period becomes a part of the certification for the next fiscal period.

For example, the unappropriated amount from the July 1, 2015 updated statewide total free cash certification of \$729,114,701 became a part of the July 1, 2016 certification.

3.) For what purpose can free cash be appropriated?

Free cash can be appropriated for any legal purpose. However, free cash is a one-time source of revenue. Because free cash may decrease from year to year, appropriating free cash for ongoing operations is not recommended.

4.) Can free cash be appropriated for use prior to certification by BOA?

No. Once the period of time for use of the free cash certification expires, new documentation must be submitted to BOA and free cash must be recertified prior to



appropriation.

Please review the [December 15, 2016 City & Town article](#) for a refresher on:

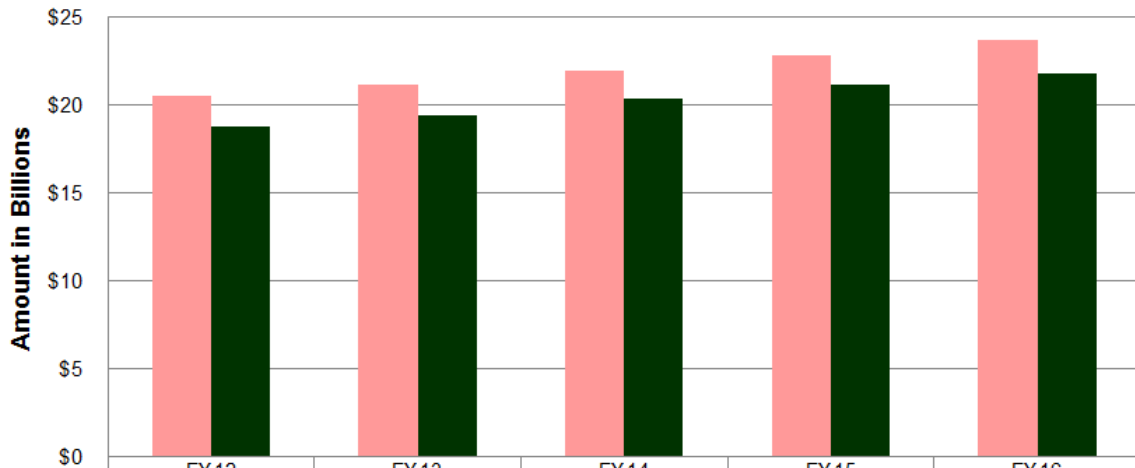
- What free cash is
- The 7 rules when using free cash
- How to improve free cash position
- Policies on generating and using free cash

## Data Highlight of the Month: General Fund [Revenue & Expenditures](#) 5 Year Comparison

Anthonia Bakare - Municipal Databank

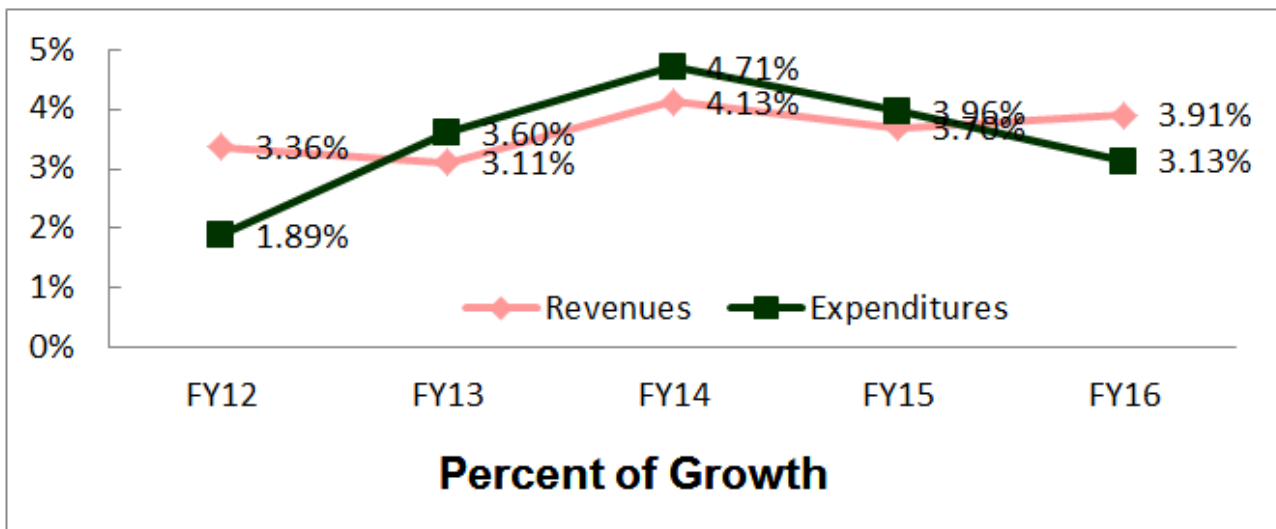
Like all municipal reporting funds, the general fund includes revenues and expenditures. Revenues include all taxes, state aid, unrestricted local receipts, and school related revenue—less general and education offsets. Expenditures include most municipal operations (Object of Expenditure) financed by tax dollars, including school-related expenditures. Comparing trends in general fund balances will help communities in assessing their fiscal health. For more Schedule A data, click [here](#).

### General Fund Revenue & Expenditures 5 Year Comparison



	FY 12	FY 13	FY 14	FY 15	FY 16
Revenues	\$20,450,985,836	\$21,086,257,822	\$21,957,068,799	\$22,768,564,991	\$23,658,015,413
Expenditures	\$18,711,982,557	\$19,386,208,386	\$20,298,806,005	\$21,102,434,855	\$21,762,785,981
Fund Balance	\$1,739,003,279	\$1,700,049,436	\$1,658,262,794	\$1,666,130,136	\$1,895,229,432





We hope you become better acquainted with the data the Division of Local Services has to offer through the *Data Highlight of the Month*. For more information, contact us directly at [databank@dor.state.ma.us](mailto:databank@dor.state.ma.us) or (617) 626-2384.

## December Municipal Calendar

- |    |                           |  |
|----|---------------------------|--|
| 31 | Water/Sewer Commissioners | <b>Deadline for Betterments to be included on Next Year's Tax Bill</b> ( <u>M.G.L. c. 80, § 13; c. 40, § 42I and c. 83, § 27</u> )   |
| 31 | Assessors                 | <b>Mail 3ABC Forms to Charitable Organizations and Forms of List to Personal Property Owners</b>   |
| 31 | Collector                 | <b>Deadline for Mailing Actual Tax Bills</b><br>Quarterly and semiannual communities issuing annual preliminary tax bills mail actual tax bills by this date. Quarterly communities can include actual bills for the 3 <sup>rd</sup> and 4 <sup>th</sup> quarters in a single mailing. |
| 31 | State Treasurer           | <b>Notification of Monthly Local Aid Distributions</b> , see <u>I GR 17-17</u> for more cherry sheet payment information, monthly breakdown by program is available <u>here</u> .  |

**Editor:** Dan Bertrand

**Editorial Board:** Sean Cronin, Anthonia Bakare, Linda Bradley, Nate Cramer, Patricia Hunt and Tony Rassias

Contact *City & Town* with questions, comments and feedback by emailing us at [cityandtown@dor.state.ma.us](mailto:cityandtown@dor.state.ma.us).

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