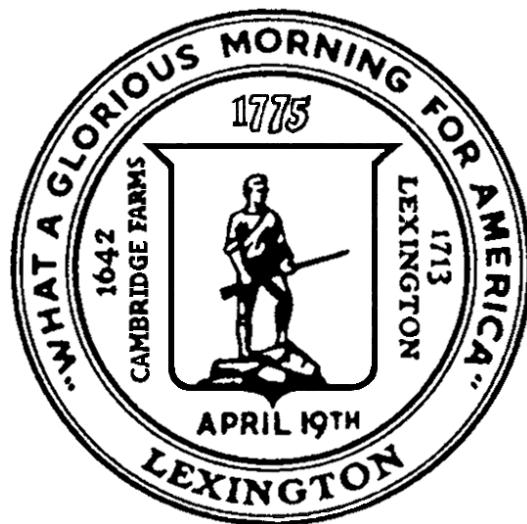


APPROPRIATION COMMITTEE TOWN OF LEXINGTON



REPORT TO THE MARCH 2013 SPECIAL TOWN MEETING

Released March 18, 2013

Appropriation Committee Members

Glenn Parker, Chair • John Bartenstein, Vice Chair/Secretary

Robert N. Addelson (*ex-officio; non-voting*) • Robert Cohen • Mollie Garberg

Alan Levine • Susan McLeish • Eric Michelson • Richard Neumeier • Jonina Schonfeld

Warrant Article Analysis and Recommendations

This report discusses the deliberations and the official recommendation of the Appropriation Committee. Town Meeting Members should also consider related reports from the Community Preservation Committee, the Capital Expenditures Committee, and the Town Manager's *FY2014 Recommended Budget & Financing Plan* (March 1, 2013).

| Article 2: Land Purchase Off Marrett Road | Funds Requested | Funding Source | Committee Recommendation |
|--------------------------------------------------|-----------------------------------------------------------------------|-------------------------------------------------------|---------------------------------|
| | \$7,390,000 \$262,500 <u>\$3,560,000</u> \$11,212,500 | CPA Debt CPA Cash Tax Levy | Approve (9-0) |

This Article asks Town Meeting to authorize the Board of Selectmen to offer \$10,950,000 for about 10 acres of the property commonly referred to as 33 Marrett Road, and to appropriate an additional \$262,500 to cover ancillary purchase costs and associated debt service during FY2014. The costs would be financed using a combination of debt and cash from the Community Preservation Act (CPA) fund, and cash (tax levy) from the General Fund. A breakdown of the costs and funding sources is shown below.

| | CPA Debt | CPA Cash | General Fund | TOTAL |
|----------------------------------|-----------------|-----------------|---------------------|--------------|
| Purchase Price | \$7,390,000 | | \$3,560,000 | \$10,950,000 |
| First Year's Debt Service | | \$115,000 | | \$115,000 |
| Ancillary Costs | | \$147,500 | | \$147,500 |
| TOTAL | \$7,390,000 | \$262,500 | \$3,560,000 | \$11,212,500 |

Note that if this proposal succeeds then, as part of Article 14(n) of the March 2013 Annual Town Meeting, there will also be a request to appropriate \$100,000 for design and engineering work to begin repurposing the existing buildings.

The Property

This property is currently owned by The Trustees of the Supreme Council of the Ancient Accepted Scottish Rite of Free Masonry (the Scottish Rite). The property offered for sale is a subset of lots 63A and 63B on Lexington Assessors' Property Map 31.

The land is approximately 10 acres and has two structures. The larger structure is the "Old Mansion" with a connected office building totaling 31,505 gross sq. ft.. The original mansion was built in 1905 and the office building was added in 2000. The smaller structure is a detached wood-frame building totaling 8000 gross sq. ft. that served as the original carriage house for the Old Mansion and was also built in 1905. There are also paved parking lots with a total of 88 spaces.

A third structure, a large single-family home with direct access to Marrett Road, sits on the southwestern edge of lot 63A. This structure and a small plot of land around it is excluded from the current proposal, but the Town would retain the right of first refusal should the Scottish Rite decide to offer it for sale in the future.

Other than the parking lot and structures described above, the land in this property has been maintained as a large and open landscaped lawn with a colonnade of mature trees, along with some undeveloped forested areas along the west and north boundaries. The aerial photograph below indicates the proposed boundaries of the purchase.



Pre-Town Meeting Deliberations

The sale of this property was initiated by the Scottish Rite in the spring of 2012, and this potential land purchase was discussed in executive session at meetings between the Board of Selectmen, Community Preservation Committee, Capital Expenditures Committee and Appropriations Committee.

The Town's purchase of this property could address two community desires: to preserve the current rolling lawn gateway vista, and provide two solidly constructed, well-maintained buildings that could be repurposed for a Community Center as well as administrative offices for some Town services. Additionally, the Scottish Rite has volunteered to share the use of their larger parking lot, as long as the town's use does not compromise parking availability during their own scheduled events.

There are several potential uses for this property, the primary one being the creation of a Community Center. According to the Municipal Facilities plan that was delivered to the Board of Selectmen on December 17, 2012, significant savings can be achieved by adapting the existing buildings as opposed to new construction. It is estimated that the cost of renovation of these facilities into a Community Center would be approximately \$200-\$220 per sq. ft. versus an estimated \$350-\$375 per sq. ft. for new construction of a Community Center.

Abbreviated Public Discussion

Given the magnitude of the purchase price, the Committee would have preferred a longer period of public discussion regarding this purchase. However, as with most of the previous land purchases brought before Town Meeting, negotiations with the seller could not be concluded soon enough to make this possible.

Funding the Purchase

The purchase price of \$10,950,000 will be partially funded with \$7,390,000 of debt within the CPA budget. The remaining \$3,560,000 will come from previously unallocated cash in the General Fund.

An additional \$262,500 from CPA FY2014 funds will cover: \$15,000 for surveying and lot division; \$120,000 for legal expenses, including filing the required statutory CPA restriction documentation; \$12,500 for site assessment; and the cost of a Bond Anticipation Note (BAN) for the first year's debt service, estimated at \$115,000.

As part of the request for use of Community Preservation Funds, the Community Preservation Committee was required to obtain two professional appraisals for the property. By statute, these appraisals create a cap on the amount of CPA funds that can be used for the purchase. The appraisals estimated the land's value under a "by-right" development scenario. Based on the actual competing bids for the property, it seems neither appraisal captured its full market value.

The \$3,560,000 from General Fund cash will commit almost all of the previously unallocated funds in the Town's FY2014 proposed budget to this purchase. Those funds could have been used to address capital needs not eligible for CPA funding that the Town will likely be discussing at a fall Special Town Meeting, such as additional modular classrooms at Lexington High School. If this purchase is approved, some pending capital projects will require debt financing.

Purchase Considerations

The CPC's recommendation is that this entire property be acquired under the Historical Preservation category of the CPA statute. This would require the Town to establish a deed restriction on the property that would legally constrain future development of the land and buildings. The deed restriction would not constrain the Town's use of the existing structures, only the preservation of those structures in their historic state. Details of this restriction would be worked out after the purchase, and at that time the Town could arrange specific exceptions for non-conforming uses. For example, the Town could request the right to add a gymnasium facility, or to construct a secondary access road. Once established, the constraints under this deed restriction would be permanent.

Using CPA funding for this purchase provides exceptional financial leverage to the Town due to matching funds from the State. Currently the State contribution is projected at 27% of the Town CPA surcharge, and the State's annual contributions have been fairly consistent in the last few years. However, future State contributions will vary based on State revenue and participation in the CPA by other municipalities.

CPA revenue for FY2014 is estimated to be about \$4,600,000 and the existing balance is about \$2,000,000. If this article is approved, the request for \$526,000 in CPA funds for Phase III work on the Muzzey Senior Center would be withdrawn, and there would then be a total of about \$2,300,000 of projects for Town Meeting consideration under Article 8 of the 2013 Annual Town Meeting. Also, the approximately \$500,000 in CPA funds appropriated for Phase II work on the Muzzey Senior Center approved by Town Meeting last year would not be spent. We further note that bonding the Wright Farm purchase of \$2,950,000 was deferred while this purchase was being considered.

A net expenditure of \$7,752,500 from CPA funds would be the largest amount to date put towards a single purpose using Lexington's CPA fund. As noted above, it has been proposed that the debt for this purchase be issued as a 10-year bond. Up until now, the Town has followed a policy limiting CPA borrowing to terms of 3-5 years. The annual debt service, once the bond was issued, would be close to \$1,000,000 in the first few years and would decline over the term of the bond to roughly \$800,000 in the final year. This debt service, in combination with anticipated spending on other capital projects, would impact the Town's ability to maintain a \$2,000,000 reserve for unanticipated future needs in the CPA Trust Fund, and it would limit the number of other large projects that the CPC could consider for the duration of the debt service.

Some of the capital projects that the Committee expects to seek CPA funding in the near future include: Cary Hall renovations, Community Center construction costs, Town pool renovations, and Town track renovations. A financial model created by Town staff indicates that these projects and a mix of smaller projects would still be financially feasible if the larger ones are financed by borrowing for terms of 10 (or more) years. The financial model did not include a contemplated renovation of the Police Station (eligible under the Historic Preservation clause) using CPA funds.

Operating Expenses

The Municipal Facilities Study presented to the Board of Selectmen estimated that annual costs for the maintenance of this property and operating costs for a community center would be between \$472,000 and \$557,000, depending on the eventual renovations and usage levels of the facilities. In the future, these expenses could be partially or fully offset by usage fees for the facility.

If this request is approved, the FY2014 budget request under Article 4 of the 2013 Annual Town Meeting will include a request for approximately \$364,000 to cover annual costs, including new custodial staff for the new community center, and miscellaneous landscaping expenses. Costs for additional staff and programmatic needs have yet to be determined.

Conclusion

Although it would entail a significant financial commitment, this acquisition would address a long-standing community need. Based on Town staff's analysis, the Committee believes the CPA fund can carry a significant portion of the acquisition costs of the Scottish Rite property, while retaining sufficient capacity to support other anticipated projects in the coming years.

The Committee recommends approval of this request (9-0).