

Local Revenue for Affordable Housing: Why the Community Preservation Act Isn't Enough

Victoria DiLorenzo

- The Commonwealth faces a severe shortage of affordable housing, with recent analyses showing a need for more than 200,000 units affordable to low-income residents.
- The Community Preservation Act (CPA) is a local surcharge on property tax bills (up to 3 percent) that municipalities can use to fund open space, recreation, historic preservation, and affordable housing. From 2020-2024, participating communities spent an average of 35.6 percent of this revenue on housing, 43.7 percent on open space & recreation, and 20.7 percent on historic preservation.
- While cities and towns could redirect a greater portion of CPA funds to housing, this is not enough on its own for their investment needs. Even if 70 percent of existing CPA funds were spent on housing at the expense of other areas, it would only generate approximately 348-464 more units per year depending on subsidy levels.
- Some communities also have room to increase their CPA surcharge or to adopt the CPA if they have not done so. However, many communities already have the maximum surcharge and spend most of it on housing. Increasing CPA in some communities is not a meaningful substitute for other new revenue options.
- Policymakers should consider additional tools, such as real estate transfer fees on high-end real estate sales, which have greater revenue potential, are more targeted to those who can afford to contribute more, and create flexibility at the local level. As a state with abundant wealth, Massachusetts has the capacity to raise this revenue without expecting residents to forgo access to other things that they value.

Closing our Affordable Housing Gap Requires New Revenue Sources

Massachusetts faces a severe shortage of housing affordable to low-income residents.¹ Recent analyses have shown a statewide shortage of more than 200,000 units that are affordable to low-income households, with some showing an even greater shortage.² This has led to a displacement crisis with significant human costs, and has put additional stress on safety net programs such as vouchers, emergency rental assistance, and shelters. It is also displacing the people and businesses that contribute to vibrant and healthy communities.

Alongside increased housing production, public investment is needed in order to ensure stable and dignified housing across the Commonwealth. [Local governments and municipal affordable housing trusts have been effective at building and preserving affordable housing](#), but these efforts are underfunded.³ This challenge is not insurmountable, but existing revenue sources

are not sufficient to build and maintain affordable housing at this scale. As a state with abundant wealth, including the [highest per-capita income of all U.S. states](#), Massachusetts has the capacity to raise this revenue without expecting residents to forgo access to other things that they value.⁴

The Community Preservation Act (CPA) is a significant local revenue source to address three important local needs: affordable housing, open space & recreation, and historic preservation. Given the urgent housing crisis, some have proposed that a greater share of CPA dollars should be spent on housing instead of the other two spending categories. In some cases, this suggestion may have merit. But even if existing CPA dollars were almost entirely dedicated to housing, significant new revenue would still be needed to make meaningful progress toward meeting the Commonwealth's affordable housing needs.

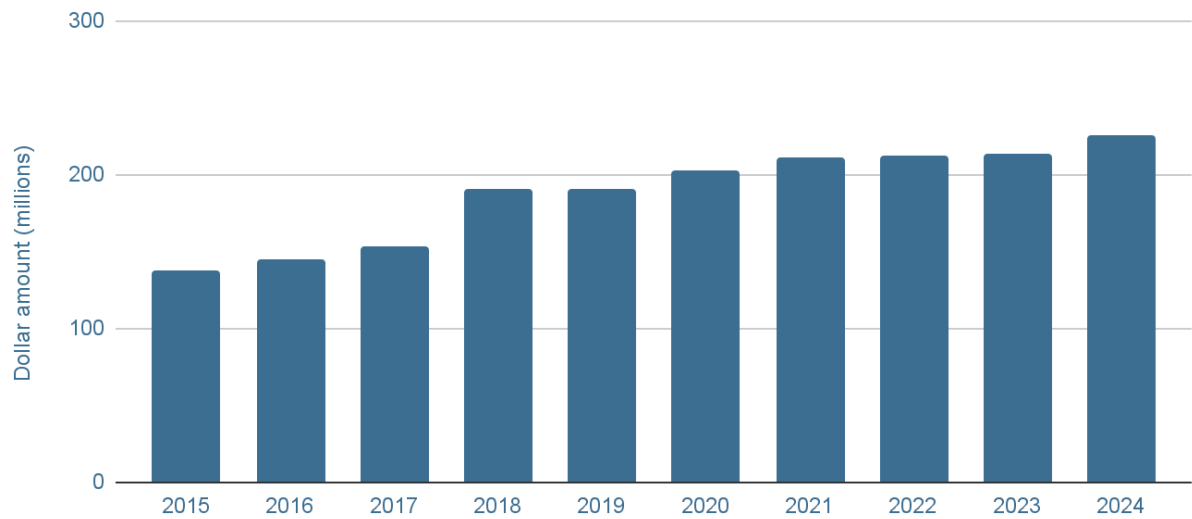
While there is room for some communities to raise more revenue through CPA, many others have already adopted the maximum allowable rate and are already spending a substantial share of these funds on housing. Because housing instability and displacement risk are not evenly distributed, an equitable approach requires giving these communities more options. This is especially true for communities with large numbers of renters, who tend to be impacted more acutely by rising housing costs and are disproportionately people of color.⁵

The Community Preservation Act

The Community Preservation Act (CPA) allows cities and towns in Massachusetts to add a surcharge of up to 3 percent to property tax bills on all types and values of real estate.⁶ The CPA also includes a matching fund, known as the CPA Trust Fund, that is funded by revenue from deed registration fees and state budget surpluses, and distributed by the state among participating communities.⁷ This pool of matching funds has historically not grown as quickly as the amount of surcharge revenue collected, so the size of the state match has decreased over time from 100 percent in 2007 to approximately 18 percent in 2024.⁸

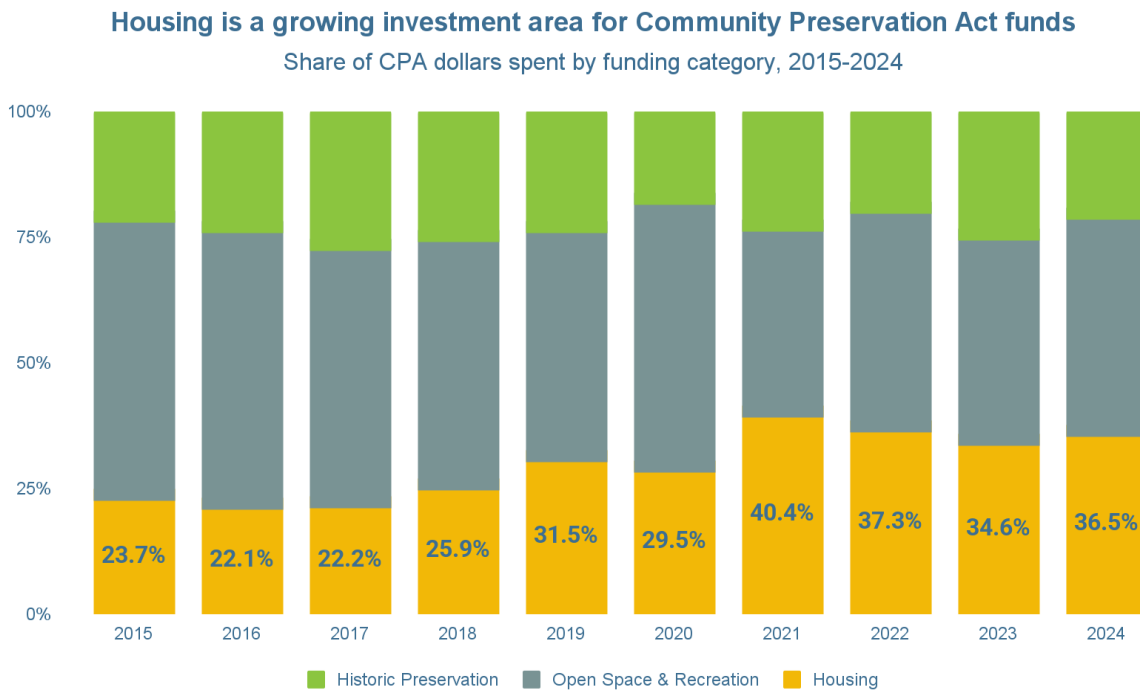
In 2024, 195 communities reported CPA revenue. Of these communities, 95 have a surcharge of at least 2 percent, with the most common surcharge being the maximum of 3 percent.⁹ Local CPA surcharges generated approximately \$225.3 million, and the Trust Fund added an additional \$49.8 million for a total of \$275.1 million.¹⁰ Funding for the Trust Fund is separate from the local surcharges, and does not increase if a community increases its CPA surcharge. A community may qualify for a greater share of matching funds if their surcharge is higher, but it would not increase the total amount raised or distributed by the Trust Fund.

Community Preservation Act surcharges are a significant but slow-growing revenue source
CPA surcharge collections by year (2024 dollars)



Affordable Housing and the CPA

Housing is a significant and growing investment area for CPA funds. Housing investments have especially increased over the last five years, with 35.6 percent of CPA expenditures going to housing from 2020-2024. The distribution of CPA expenditures is best measured by dollars spent rather than the number of individual projects, because some project types are more expensive on average than others. In particular, housing projects tend to be larger on average than other project types, especially in dense areas where a single development could contain more than 100 units.



Communities use CPA funds to build new affordable housing units as well as to extend affordability in units with expiring subsidies.¹¹ This method of preserving affordable units is a critical and cost-effective part of the affordable housing ecosystem: when an expiring subsidy is extended, a community keeps an affordable unit that it would have otherwise lost. Rental prices for these units would soar without new subsidies, often leading to housing instability and displacement for existing tenants. If an examination of CPA or other municipal housing investments only focuses on new units, it misses much of [the impact of these important housing dollars](#).

Redirecting CPA Dollars Would Not Eliminate The Need For Additional Revenue

Given the urgency of the Commonwealth’s housing crisis, some have pointed to the CPA as a way to redirect existing revenue to affordable housing rather than its other allowed uses. Some communities have room to invest more of their CPA funds into affordable housing, particularly those that have not complied with the 10 percent minimum requirement. However, such a change would still not yield nearly enough revenue to close the Commonwealth’s affordable housing gap.

The table below shows the potential budgetary impacts of spending a greater share of CPA funding on housing as compared to other uses. The estimate is based on an increase from the aggregate portion spent by participating communities on housing over the last 5 years of project data, which best captures recent CPA revenues and expenditure levels by category. Based on common subsidy levels for affordable housing development, even a very aggressive

approach toward redirecting these funds would likely yield under 500 additional units per year. This is approximately 0.2 percent of the more than 200,000 affordable units needed.¹² In this scenario, these investments would also involve cuts to the CPA's other allowed uses of open space and historic preservation.

Spending more CPA dollars on housing would not eliminate the need for additional revenue <i>Adjusted for inflation to 2024 dollars</i>			
Additional dollars/year at higher percentages <i>Compared to actual expenditures from 2020-2024</i>		Additional units/year at \$200,000 subsidy/unit	Additional units/year at \$150,000 subsidy/unit
50% on housing	\$29,230,801	146	194
60% on housing	\$49,482,186	247	329
70% on housing	\$69,733,571	348	464

There are other ways the CPA could raise more funds; but these too are limited. If some communities also increased their CPA surcharge level, overall revenue would increase and increased housing investments might not require cuts to other areas. Similarly, not all communities have adopted the CPA yet. This new revenue would be helpful, but still not sufficient compared to the high level of unmet need for affordable housing. More than 70 percent of Massachusetts residents live in a community that has already adopted the CPA, so most properties are already subject to a CPA surcharge.¹³ Additional revenue sources will continue to be essential, especially in communities that have already adopted the maximum surcharge and are already spending a significant portion of CPA funds on housing. In those places, there is limited potential to increase affordable housing investments through CPA alone.

The Revenue Potential of Real Estate Transfer Fees

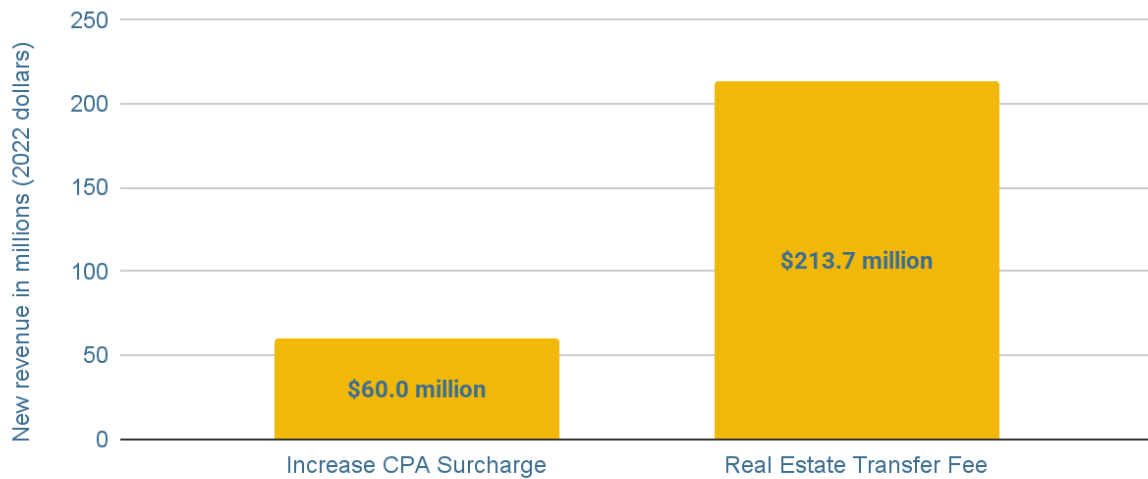
The limitations of a CPA-only approach are apparent when considering communities that have been most proactive in seeking resources: the cities and towns that have filed home rule petitions seeking permission from the state to enact a real estate transfer fee to support their affordable housing efforts. All 19 of these municipalities have already enacted a CPA surcharge. Moreover, 15 of them have already adopted the maximum CPA surcharge. Additionally, these 19 communities are already investing a majority of their aggregate CPA revenue into affordable housing.

Most communities seeking a transfer fee have the maximum CPA surcharge and spend a substantial portion on housing		
Community	Current CPA Surcharge %	Percent Spent On Housing, 2020-2024
Amherst	3% (max)	48.0%
Aquinnah	3% (max)	55.9%
Arlington	1.5%	30.1%
Boston	1%	53.3%
Brookline	1%	N/A - newly adopted CPA
Cambridge	3% (max)	83.7%
Chatham	3% (max)	57.6%
Chilmark	3% (max)	77.3%
Concord	1.5%	26.8%
Edgartown	3% (max)	61.3%
Falmouth	3% (max)	24.7%
Nantucket	3% (max)	19.5%
Oak Bluffs	3% (max)	18.6%
Provincetown	3% (max)	68.7%
Somerville	3% (max)	51.1%
Tisbury	3% (max)	65.6%
Truro	3% (max)	55.5%
Wellfleet	3% (max)	38.1%
West Tisbury	3% (max)	67.6%
Total proportion spent on housing, 2020-2024		58.2%

The revenue potential from a real estate transfer fee is greater than the revenue potential of increasing CPA surcharges, while also being targeted to high-end transactions. Using CPA data and 2022 real estate sales, the table below compares the new revenue potential of a real estate transfer fee to the new revenue potential of increasing the CPA surcharge in the 19 communities that have passed a home rule petition for a real estate transfer fee.¹⁴ The maximum new revenue potential from increasing the CPA surcharge (where possible) would have been approximately \$60.0 million in 2022, with more than 80 percent of it coming from Boston, compared to \$213.7 million for a 1 percent real estate transfer fee applied to the portion of transactions over \$1 million.¹⁵

A real estate transfer fee can raise more revenue than increasing the CPA surcharge

Analysis of communities that have filed home rule petitions for a real estate transfer fee



Potential new revenue from increasing CPA surcharges or adopting a real estate transfer fee

Conservation and Affordable Housing are Both Important

While some may view investment in land conservation as limiting our ability to build much-needed housing, this is not the case. Communities can and should expand multi-family housing options, which use less land per unit of housing than single-family development, and are less likely to contribute to climate change through the combination of deforestation, inefficient transportation patterns, and increased energy use.¹⁶ To the extent that any two worthy efforts might conflict with each other when resources are limited, policymakers should look to other available options to raise the revenue needed to meet our affordable housing needs.

Additionally, land conservation and affordable housing are both important goals deserving of public funds. The land conservation components of CPA have become a major share of combined state and local funding for conservation and recreation. In Fiscal Year 2024, the Commonwealth's [overall budget for parks and recreation](#) was approximately \$156.9 million.¹⁷ That year, CPA investments for open space and recreation were approximately \$101.1 million, more than 60 percent of the size of the state appropriation. Cutting these investments would have only limited benefits for housing, and would represent a significant cut to the funds available for conservation and recreation.

Policy Implications

All residents of Massachusetts, one of the nation's wealthiest states, should have access to stable and safe housing. State leaders have taken important steps toward increasing housing investments, most recently with the [Affordable Homes Act](#) which authorized a large amount of state borrowing through the sale of bonds. At the local level, many municipalities have

increased their housing investments under the Community Preservation Act. However, revenue for affordable housing continues to be an urgent need.

At the state level, policymakers should:

- Allow cities and towns to assess real estate transfer fees on high-end transactions, such as those larger than \$1 million.
- Pursue other progressive revenue options at the state level, such as [policies that reduce corporate tax avoidance](#).
- Ensure compliance at the local level with the CPA's requirement to spend at least 10 percent of expenditures on affordable housing, and take measures to guard against the practice of municipalities buying parcels with the intent to block a pending housing development.

At the local level, policymakers should:

- Adopt the Community Preservation Act if they have not already done so, and consider adopting a higher surcharge in communities that have a surcharge below the maximum. This can be combined with exemptions and deductions allowed under the Act.
- In light of the statewide crisis in affordable housing availability, communities should generally pursue ways to spend at least a proportionate share (one third) of CPA funds on housing out of the three spending categories.

The housing crisis requires policymakers to use all tools available to them, including the Community Preservation Act. However, it also requires them to be clear-eyed about whether existing resources are sufficient to fully address the problem. While there is room to better utilize the CPA, especially in the suburbs, this will not be enough on its own. Municipalities must be given other tools to raise funds for affordable housing.

Endnotes

¹ Housing costs are considered “affordable” if they are no more than 30 percent of a person’s income. For a person making \$50,000 per year, affordable housing costs would be \$1,250 per month or less.

² Shortage of 205,874 units affordable to low-income households reported by National Low Income Housing Coalition, [Gap Report: Massachusetts](#), accessed April 2025. Shortage of 326,000 units affordable to low-income households (those making under 50 percent of the Area Median Income) reported by Metropolitan Area Planning Council, [Data Opens Doors: Measuring the Affordable Housing Gap in Massachusetts](#), April 23, 2025.

³ DiLorenzo, V. [Local Revenue is a Key Tool to Advance Housing Affordability](#), Massachusetts Budget and Policy Center, February 2025.

⁴ Federal Reserve Bank of St. Louis, [Per Capita Personal Income by State, Annual](#), Accessed May 2025.

⁵ U.S. Census Bureau, “Demographic Characteristics for Occupied Housing Units, Table S2502,” American Community Survey 2023 5-year estimates for Massachusetts, accessed February 2025.

⁶ [Massachusetts General Law, Part I, Title VII, Chapter 44B, Section 6](#), accessed May 2025.

⁷ [Massachusetts General Law, Part I, Title VII, Chapter 44B, Section 9](#), accessed June 2025. State budget surpluses are defined as any funds left over in excess of the state’s spending for a given fiscal year. This can happen when tax revenues exceed projections, or when actual spending is lower than the budgeted amount.

⁸ Community Preservation Coalition, [What is the CPA Trust Fund?](#), accessed June 2025.

⁹ Surcharge levels from Massachusetts Department of Revenue, [Data Analytics and Resources Bureau: Community Preservation Fund](#), accessed June 2025.

¹⁰ Revenue totals from Massachusetts Department of Revenue, [Data Analytics and Resources Bureau: Community Preservation Fund](#), accessed June 2025, and [Community Preservation Coalition Databank](#), accessed June 2025.

¹¹ Community Preservation Coalition, [Statewide CPA Projects Database](#), accessed April 2025.

¹² DiLorenzo, V. [Local Revenue is a Key Tool to Advance Housing Affordability](#), Massachusetts Budget and Policy Center, February 2025.

¹³ Calculations based on [2020 U.S. Census data](#) and CPA surcharge data.

¹⁴ Real estate transfer fee estimates from 2022 are based on real estate sales data from The Warren Group. Expenditure data from Massachusetts Department of Revenue expenditures data.

¹⁵ Note: Because the CPA Trust Fund has a different revenue source and does not increase with surcharge increases, it is not part of this comparison, which focuses on potential new revenue. Communities that increase their CPA surcharge might also receive a small amount of additional revenue from this matching fund, which is distributed at different rates each year.

¹⁶ Brody, S. [The Characteristics, Causes, and Consequences of Sprawling Development Patterns in the United States](#). Nature Education Knowledge 4(5):2, 2013.

¹⁷ Massachusetts Budget and Policy Center, [Budget Browser Subcategory: Parks & Recreation](#), accessed April 2025.