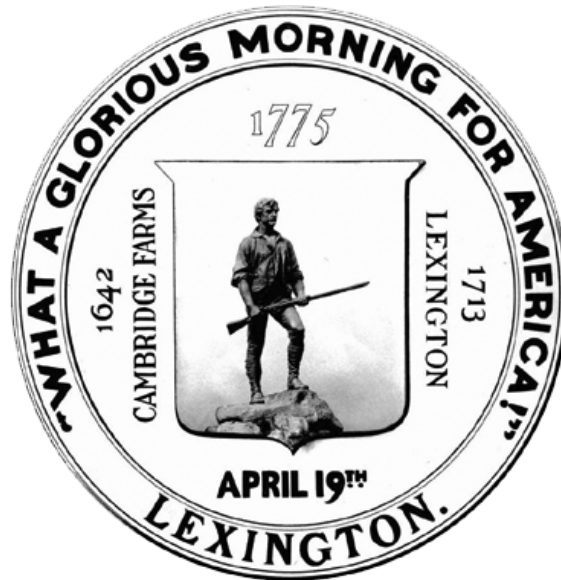


APPROPRIATION COMMITTEE TOWN OF LEXINGTON



REPORT TO THE SPECIAL TOWN MEETINGS 2020-2 AND 2020-3 SUPPLEMENT 1

RELEASED NOVEMBER 2, 2020

APPROPRIATION COMMITTEE MEMBERS

Glenn P. Parker, Chair • Sanjay Padaki, Vice Chair • Alan Levine, Secretary
Carolyn Kosnoff (ex officio; non-voting) • John Bartenstein • Eric Michelson
Meg Muckenhoupt • Lily Manhua Yan

Introduction

In this supplement to the Committee’s report published on October 7, 2020, we present our position on Special Town Meeting 2020-3 Article 7 Land Acquisition. The Committee took no position on this article in its original report due to the lack of publicly available information prior to publication.

Special Town Meeting 2020-3

Article 2020-3.7 Land Acquisition

Funds Requested	Funding Source	Committee Recommendation
\$2,560,000	CPA Cash	Approve (5-0)
\$1,000,000	CPA Debt	

This article requests the appropriation of \$3,560,000 to acquire approximately 4.48 acres of largely forested open land at the southern terminus of Highland Avenue in Lexington. The amount includes the negotiated price of the land, \$3,500,000, plus \$60,000 to cover expenses incidental to the acquisition such as surveying and legal costs.

More detailed information about the site and the fund balances of the Community Preservation Fund may be found in the reports of the Community Preservation Committee (CPC) and the Capital Expenditures Committee (CEC).

The acquisition of open space for conservation purposes is one of the principal reasons that the Town adopted the Community Preservation Act. The benefits of acquiring and protecting strategically located open space accrue in perpetuity.

Although the cost per acre of this plot appears high, we understand that the value is based on the potential to develop the land for up to six residences in a town with consistently strong demand for housing. The negotiated price is significantly lower than the values quoted in two independent appraisals: \$3,800,000 and \$4,300,000.¹ We concur with the CEC’s assertion that the value of this land will only increase with time, and we note that this land will likely not be preserved as open space if Town Meeting does not approve this request.

¹ A brief note on the appraisal methodology: Because it was decided late in the game that the seller would retain a 0.61-acre residential portion of the 5.01-acre parcel originally proposed for acquisition, we would have expected the appraisal to use a so-called “before and after” analysis. This approach, which appraisal standards call for in the case of a partial acquisition, takes into account not only the market value of the land to be acquired in isolation, but also any enhancement of, or detriment to, the value of the retained (unsold) portion. For example, if it was determined that the retained portion would have an enhanced value post-acquisition because it would abut permanently protected conservation land instead of a housing development, that enhancement would be applied as an offset. In this case, the appraisers amended their original appraisals to reflect the change to a partial acquisition but did not apply a “before and after” analysis. Since the negotiated price was substantially lower than both of the appraisals, we do not believe that the methodology used is material. However, we call attention to the issue because it has arisen from time to time in the context of previous land acquisitions by the Town, and it may do so again in the future.

As outlined in the CPC report, the following fund balances are available to support an open space acquisition. Note that this table does not include any of the anticipated FY2021 revenue from the Community Preservation Act.

CPA Funds	Balance	Withdraw	Remaining
Open Space Reserve	\$884,835	(\$880,000)	\$4,835
Unbudgeted Reserve	\$803,294	-	\$803,294
Undesignated Fund Balance	\$3,264,540	(\$1,680,000)	\$1,584,540
Total	\$4,952,669	(\$2,560,000)	\$2,392,669

Town staff have recommended that this purchase be funded with \$2,560,000 in cash and \$1,000,000 in debt. This will maintain a recommended level of reserves in CPF accounts. The \$1,000,000 in debt would be raised using short-term bond anticipation notes that could be paid off using CPA money in a few years, with relatively modest interest overhead. We agree that this a prudent funding plan.

The Committee recommends approval of this request (5-0).