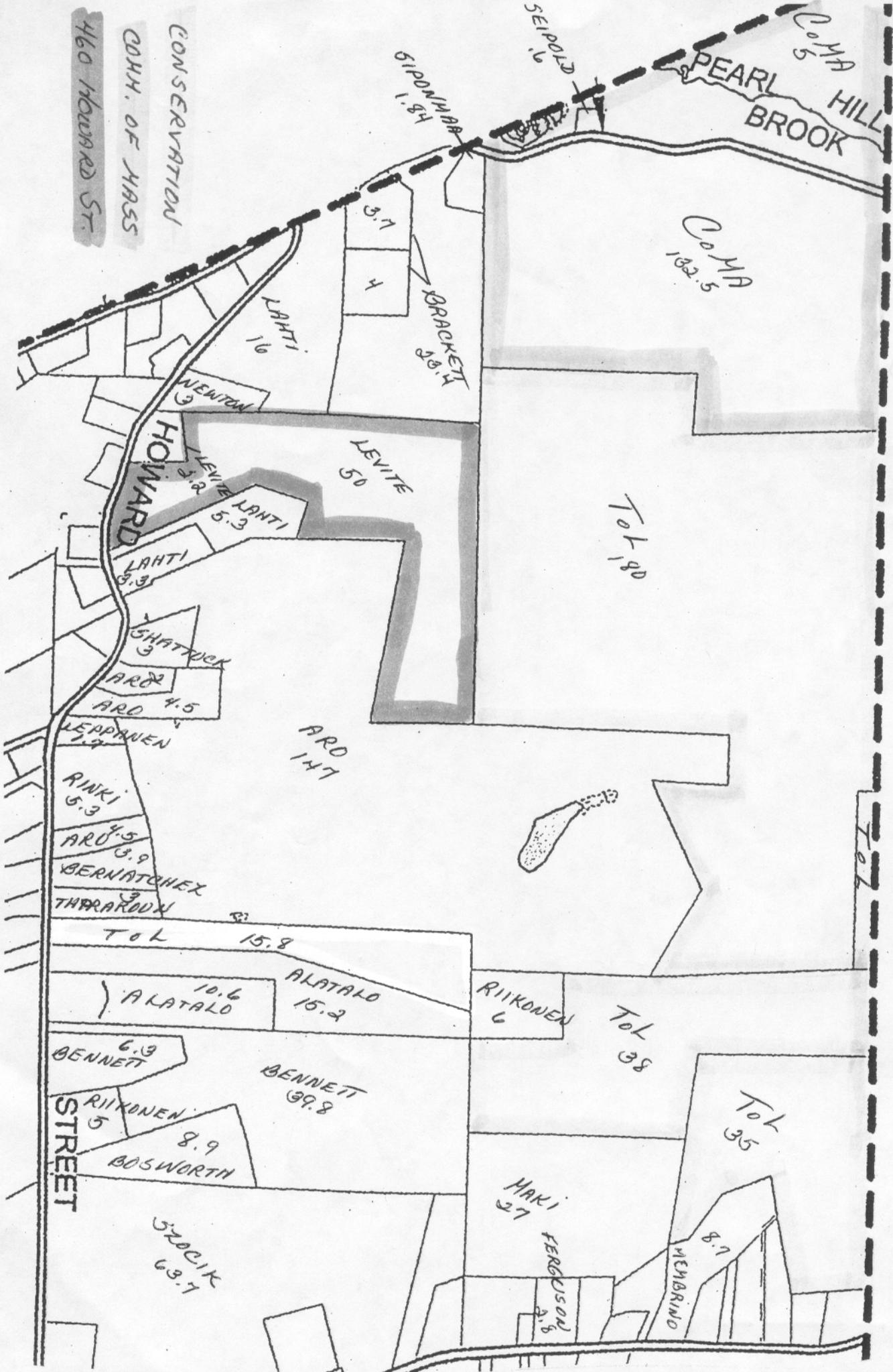


Report of the Ad Hoc Committee: Levite Property Land Purchase



Committee Members: Marion Benson, Richard Brockelman, Brandon Kibbee, Tom Mason and Robert Verge

CONSERVATION
CDMH. OF MASS
460 HOWARD ST.



Background:

On May 22, 2008, the Town received a Notice of Intent to Sell an approximate fifty- (50) acre parcel of land, located on Howard Street, and known as the Levite Property. According to State Law, because this property is currently classified under MGL, Chapter 61B as Recreational Land, the Town of Lunenburg has the first right of refusal on the property. (Refer to Attachment 1 for additional information on Chapter Land) A Purchase & Sale Agreement has been presented with a selling price of \$575,000. (Attachment 2) The Town has 120 days, or until September 20, 2008, to match the offer.

The Planning Board, Conservation Commission, and Board of Selectmen have expressed a desire for the Town to purchase the property, for a variety of reasons. The Town has no identified source of funding for the purchase of this property.

Committee:

At their meeting on July 15, 2008, the Board of Selectmen voted to give the Chief Administrative Financial Officer the authority to appoint a five- (5) member committee to review options and make a recommendation. The committee membership is as follows:

- One member from the Board of Selectmen- Tom Mason
- One member from the Planning Board- Marion Benson
- One member from the Conservation Commission- Robert Verge
- Two members from the General Public- Rich Brockelman & Brandon Kibbee

The committee was charged with conducting a thorough and expeditious review of the following options:

- Purchase of property for preservation and/ or recreation purposes, either by Town or other preservation agency
- Purchase of property for Limited Development and preservation and/ or recreation purposes
- Purchase of property for Farmland Overlay District
- Other viable options which present themselves during the course of the review.

In making this review, the committee should consider all funding sources available, both from the Town and from outside sources, such as those identified in the Planning Director's July 11, 2008 Memorandum to the Board of Selectmen.

Timetable:

Due to the need for the Town to respond to this offer on or before September 20, 2008, the committee must complete its review and provide its recommendation to the Board of Selectmen no later than Tuesday, September 2, 2008. This recommendation will be presented to the Board at their September 2, 2008 meeting.

Value of Acquisition

The Conservation Commission believes the purchase of this property is beneficial for the following reasons.

1. The purchase of the Levite Property would give the Town an additional fifty- (50) acres to the 235 acres already owned and would give the Town legal and physical access to the back land. (Also refer to Attachment 3, Right-of-Way Access to the Town Forest/ Conservation Area)
2. The purchase of this land would allow residents in that part of town to have a place that they could use for recreational purposes. Residents could walk, hike, cross country ski, snowshoe and bike on this wonderful, unspoiled land.
3. The purchase of this land will be a buffer for wildlife to exist without having their habitat lost to human invasion and destruction of open space.
4. This land would allow access to the timber in the back land, already owned by the Town. With proper care, timber sales could become a source of renewable revenue for the Town.

Purchase/ Financing Options

Presently the Town has the option of purchasing this property for \$575,000. The Committee immediately sought outside sources for funding the purchase. No one source would provide the necessary funding within the tight timetable, though opportunity for recouping some or all of the cash outlay is a possibility, as is discussed below, in order of preference.

1. Sell a conservation restriction over the property to the Department of Conservation and Recreation (DCR). Initial conversations with DCR staff are positive. The Land Acquisition Committee will meet later this month, but not in time for the Special Town Meeting. If DCR is interested, funding would not be available until FY2010. Sale of conservation restriction would bring in \$200,000 - \$300,000.
2. Subdivide the property and sell a few lots for limited, private development. Two possibilities exist, refer to engineer's drawings- Attachment 4.
 - a. Four- (4) ANR lots, two- (2) on Howard Street and two- (2) with a long, common drive. The sale of lots, less development costs would be \$240,000 - \$320,000
 - b. One- (1) ANR lot with a five- (5) lot subdivision. The sale of lots, less development costs would be \$280,000 - \$360,000.
3. Sell the timber rights for this property and the adjacent Town-owned land. The land needs some work in order to produce. Sale of timber would be about ten- (10) years out.

Additionally, the Committee looked at assigning the first right of refusal to a land trust (Trust for Public Lands), but was not able to locate one willing to accept, due

to the short timetable, although this group did submit a letter in support of the acquisition. (Attachment 5)

Assuming the Town must fund the initial outlay, two- (2) options exist: cash purchase; or financing.

Cash Purchase

The only available source of revenue at present is the Stabilization Fund. The balance in the Stabilization Fund as of June 30, 2008 is \$1,229,479. The Town has no policy on use of the Stabilization Fund, but did adopt the following "Financial Guideline" on July 13, 2004, which states

"These are guidelines. They are not absolute. At times there will be conflicts requiring trade-offs."

Stabilization Fund

- *Reserve to support borrowing and credit rating*
- *Means to mitigate spikes in the tax levy*
- *Not to be used for operating expenses*
- *Target of 5% of total expenditures adjusted for the total debt level*
- *A good place to put non-recurring revenues"*

For FY2009, total operating expenditures less debt service is \$23,308,630. Five- (5%) percent of this is \$1,165,432, or approximately \$64,000 less than the current balance.

Appropriations into or out of the Stabilization Fund are subject to the provisions set forth in MGL Chapter 40, Section 5B, which states that such appropriations shall be approved by two-thirds vote of Town Meeting.

Financing

The only debt service option available for this purchase is Non-Exempt Debt, meaning the principal and interest payments must be paid within the existing levy limit. Debt authorizations require a 2/3rds vote of Town Meeting.

The attached spreadsheet (Attachment 6), "Permanent Debt Service Issued- Revised February 2008" details all existing debt service. The second spreadsheet, "Permanent Debt Service Issued- August 19, 2008" details existing debt plus identifies amounts to be financed for existing capital projects.

The next series of spreadsheet identify options for financing this purchase, including the following:

- Short-term, paying 1/5 of the principal plus interest annually
- Short-term, paying interest only in years 1 and 2, and paying 1/3 of the principal plus interest in years 3, 4 and 5
- Long-term, paying 1/10 of the principal plus interest annually, with a call provision in year 5, to allow for early retirement of debt
- Long-term, paying 1/20 of the principal plus interest annually, with a call provision in year 5, to allow for early retirement of debt

Call provision in years 1 through 4 would make the financing too costly. Given that the possibility of recouping funds exists, the most prudent course of funding this purchase appears to be short-term financing, paying interest only in years 1 and 2. Once the final amount, original purchase price less recouped funds, is determined, permanent financing can be secured.

Additional Documentation Provided:

1. Data Town Meeting Cost Analysis for Services
2. Attorney letters regarding first right of refusal