

SELECT BOARD MEETING
Monday, February 9, 2026

A meeting of the Lexington Select Board was called to order at 6:30p.m. on Monday, February 9, 2026, via a remote meeting platform. Ms. Hai, Chair; Mr. Pato, Vice Chair; Mr. Lucente, Ms. Kumar, and Mr. Sandeen were present, as well as Deputy Town Manager, Ms. Axtell; and Executive Clerk, Ms. Katzenback.

ITEMS FOR INDIVIDUAL CONSIDERATION

1. Presentations: 2026 Annual Town Meeting Articles Article 25: Surcharge on Specific Residential Development (Citizen Petition)

Matt Daggett reviewed his Citizen Petition Article: Surcharge on Specific Residential Development. The purpose of this article is to reauthorize the Home Rule Petition originally passed under Article 6 of Special Town Meeting 2020-2. The legislature requires that local approval be obtained if the special legislation is not passed within a certain number of legislative sessions, depending on the timing. There have been very minor changes made to the motion since it was previously passed in 2020.

Section 1 of the Article is to establish a residential linkage fee. This would be a community housing surcharge applied to all new single- and two-family residential construction building permits. This will apply to parcels on which an existing single- or two-family dwelling has been demolished and replaced with a new single- or two-family dwelling. Sections 2 and 6 discuss the surcharge rate and what is done with the funds. Similar to the commercial linkage fee, the rate is applied on a dollars per square foot basis, on the certified gross floor area of all the structures that have been permitted on a parcel. The Select Board will determine the rate of the surcharge, and it will be adjusted annually for inflation. All funds received will be deposited into the Affordable Housing Trust.

Sections 4 and 8 cover the implementation process. As with the commercial fee, the Select Board can adopt additional requirements, exemptions, regulations, etc. The act will take effect upon its passage in the legislature. A change was made to the language that the Town would implement the surcharge within 18 months of passage, rather than the original 12 months. The surcharge would have to be paid before the certificate of occupancy is issued by the Building Commissioner. The surcharge can be paid at that time, or there is a special process by which it can be added as a lien on the property taxes at 0% interest. If added to the property taxes, the amount of the surcharge will be abated 20% per year until the amount owed to the Town is \$0.

Section 3 talks about the associated studies and reporting. Similar to the commercial linkage fee, the Town would need to prepare a nexus study every five years to determine the suitability of the recommended surcharge amount. The Town Manager or designee would prepare reporting on receipts brought in and attributes of projects that were funded.

This item originally went through two legislative sessions. During the 192nd, the petition was filed in June 2021 as House Bill 3891 and referred to the Committee on Housing. The bill was reported out favorably from that Committee and ultimately, in May, passed by the House and sent to the Senate. It was awaiting a third reading in the Senate when the session ended and no further action was taken. The legislation died in the 193rd session. The petition was refiled in February 2023 as House Bill 2741 and referred to a different committee. This committee again reported out favorably. The item was stuck in the House in May 2024, and the legislative session ended in December of that year with no further action being taken. In order to reintroduce this, it would need to be reauthorized by the Town.

Ms. Kumar asked if there was any feedback from the delegation since the 2020 petition regarding why it is stalled and what could be changed. Mr. Daggett explained that there are other similar initiatives also going on in the legislature. There was some concern that this could potentially be a drag on the redevelopment market. Proponents would need to work closely with elected representatives to advocate for this.

Ms. Kumar asked what changes have been made to the article to make it successful. Mr. Daggett explained that the Town is losing roughly 80-100 moderate income homes per year as they are being replaced with homes that are 2.5 times the original house size. This continues to make Lexington an increasingly unaffordable town for some. There will need to be a strong sense of advocacy to the legislature. This is a targeted approach that warrants special legislation specifically for Lexington, due to the unique nature of the situation.

Mr. Sandeen stated that he supports this proposal. The Select Board has a goal of doing what it can to enable Town staff, police, fire, teachers, etc. to live in Lexington through affordable housing. This is a good source of funding to enable the Board to achieve those objectives. He asked if the motion could be changed to allow for the nexus study required by this warrant article to be synchronized with the timing of the currently required commercial linkage fee nexus study for efficiencies. Mr. Daggett stated that phasing language could be included.

Mr. Lucente asked about the reason for the language to include one family and two-family homes, versus only single-family homes. Someone converting a house from a one family to a two family would add another dwelling unit to the inventory. Mr. Daggett explained that this piece of legislation, along with the commercial version, is recommended as an immediate action item in the comprehensive plan. The Town has listed these things as priorities. This focuses on single- and two-family construction, but not other multi-family or special residential developments.

Mr. Pato noted that this does not affect all new construction. It only affects new construction that tears down a house and replaces it with a new structure that is larger than a certain gross floor area. Modest homes, built new, would not trigger this. This has the effect obtaining revenue for affordable housing when large new dwellings are constructed.

Ms. Hai asked about the abatement for a person who intends to live in the home. Mr. Daggett stated that the surcharge would only come into play before the certificate of occupancy is issued. This is a lien against the property so the owner would not be able to sell it until the liens are paid back to the Town. The lien is then reduced by 20% each year until it is completely abated. Ms. Hai stated that the language seems to imply that this abates at 20% each year until it has been fully abated at the end of five years.

Ms. Hai asked how this interplays with the linkage fee that was introduced last year. Mr. Daggett explained that it would be at the discretion of the Select Board as to how to implement these tools. The transfer fees are an interesting revenue generation idea, which is different from a linkage fee that has to have a rational nexus between the activity that is trying to be abated.

Ms. Hai noted that Section 4 provides the Select Board with the ability to create, if necessary, exemptions, so that there would not be a double hit on any particular property.

Mr. Sandeen suggested that one way to handle some of the complexity could be to use the word 'may,' rather than 'shall.' The language would then read, "that the Select Board may allow this if they deem it appropriate at the time." This would allow the Select Board flexibility to determine what overhead the lien language may have on Town staff and others.

Mr. Lucente noted that there is a cost associated with this, such as having to complete a nexus study and follow up studies over the years. He asked how these items would be funded by the Town. He understands the policy goal but struggles to understand what is actually being linked. Mr. Daggett stated that he has heard that developers could add the cost of the surcharge to the sale price of the newly constructed home. Developers could also factor in the cost of the surcharge when making offers to homeowners to buy and redevelop their homes. Additionally, developers could modulate the fit and finish of the new home to offset the surcharge.

DOCUMENTS: Art 25 surcharge motion, Art 25 surcharge presentation

2. Vote: FY2027 Budget Recommendation

Ms. Kosnoff reviewed the process for the FY2027 budget. She explained that the Free Cash numbers were certified last week by the Department of Revenue. This number came in at \$20.75M, which is approximately \$259,000 more than originally projected. In terms of the Governor's proposed State Aid number, including Chapter 70 and the unrestricted government aid, came in at a net \$125,000 less than projected. Free cash, which is extra revenue, was used to set against that State Aid amount. The capital budget summary included a few minor adjustments, along with the water and sewer enterprise and recreation enterprise budgets.

Ms. Hai asked for a breakdown of headcount, particularly general ed headcount and administrative head count, and potentially looking at those numbers in comparison to peak enrollment years. Ms. Kosnoff explained that the Brown Book contains an entire headcount table for all municipal departments and school departments. These numbers go back ten years. The School Department breaks down these numbers by bargaining unit. The School Department also publishes both their FTE count, and their school enrollment count in their portion of the budget. Finance staff are happy to put this information in a summary format for the Board.

Mr. Lucente noted the number of LEA members, teachers, and support staff present at the meeting. This budget includes over \$150M for the schools and incorporates new savings for the health insurance premiums. There is still a question of utilizing Free Cash for the Schools this year. Using Free Cash is not a wise move in the long run, as it is a one-time use of money. The Board has a responsibility to put forward a proposed budget to Town Meeting.

Ms. Kumar stated that municipalities have to figure out solutions and balance long-term and short-term items. From a best practices perspective, using Free Cash to face this current challenge while potentially making a longer-term issue is not something the Town should do.

Ms. Hai noted that the MA Municipal Association's recent report details that every community and school district in the Commonwealth is facing the exact same difficulties in terms of rising costs and diminishing revenues.

Lisa Sullivan, teacher at the Fiske School, noted that Superintendent Dr. Hackett sent an email which included information regarding reductions in force for the school staff, and it was very sobering. Students will be left with less support if this happens. She asked why an override vote is off the table at this time. Ms. Hai stated that the Board has committed during the course of the debt exclusion campaign for the new high school that it would not be supportive of an override. There will be conversations regarding fiscal policy starting this spring.

Dawn McKenna, 9 Hancock Street, stated that she believes the Board needs to take a broader look at temporary options. The economy will get better at some point. There is a lot of money in the Capital

Stabilization Fund, and the Town will put another \$6.5M into it this year. She suggested using some of those funds for operating the Town and then building the fund back up in the future. She has not heard discussions regarding other options to address a need that have not been met. The Town cannot replace the devastation that will take place if some of these cuts have to be made to personnel.

Ms. Hai asked if the debt exclusion calculation included continuing to put the funds allocated this year into the Capital Stabilization Fund, and for how long that was expected to occur. Ms. Kosnoff explained that staff factored in the \$6.5M going into the Fund for this year and considered it for all future years until the debt service for the high school is fully paid off, which is likely approximately 35 years from now. The tax impact calculator in looking at reducing the impact on tax bills from the Capital Stabilization Fund was assuming that the full \$6.5M plus the full existing balance in the Fund was being drawn down and used. Ms. Hai stated that reallocating those funds at this time would renege on a representation that the Board made to the community on which they based their voting.

Ms. Hai asked about using Free Cash in the operating budget this year. Ms. Kosnoff stated that this would lead to there being a deficit in the budget of that amount. Building that future budget would lead to finding ways to fund that deficit. This is not advisable from a municipal best practice.

Ms. Kosnoff explained that Free cash is made up primarily of two things: revenue and surplus from what was estimated, and a turnback of expenses not used during the fiscal year. There were many years that the School Department was turning back \$2M-\$3M per year. Last year they turned back approximately \$40,000. As the cushion items are reduced in the budget, the Free Cash number will also reduce. The Town cannot rely on those funds to keep operations running.

VOTE: Upon a motion duly made and seconded, the Select Board voted by roll call 5-0 to approve the FY2027 Recommended Budget and Financing Plan as shown in **Column D** of the Program Summary and authorize staff to make non-substantive changes in preparing and finalizing the full Brown Book.

DOCUMENTS: FY2027 Program Summary; FY2027 Enterprise Summary; FY2027 Capital Summary

3. Discussion: Select Board Report to 2026 Annual Town Meeting

The Board discussed its Select Board Report to 2026 Annual Town Meeting. There was agreement to include updates to the Home Rule Petitions and a budget challenges section.

DOCUMENTS: List of Home Rule Petitions

ADJOURN

VOTE: Upon a motion duly made and seconded, the Select Board voted by roll call 5-0 to adjourn at 7:30 p.m.

A true record; Attest:
Kristan Patenaude
Recording Secretary