Town of Andover, Massachusetts

PILOTs: Payments In Lieu of Taxes

July, 2013

Town of Andover Tax Exempt Property - FY2013

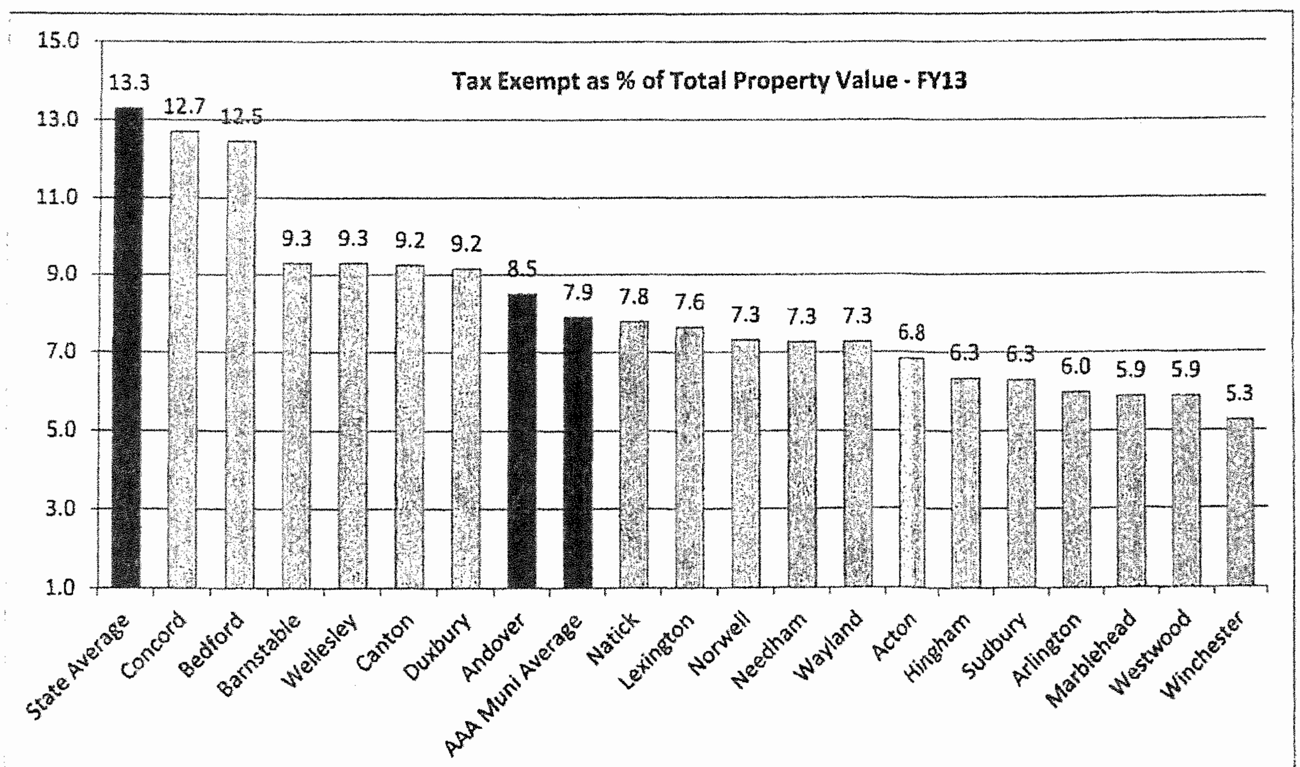
Owner	# Properties/Parcels/Records	FY13 Value	* Estimated Taxes
PHILLIPS ACADEMY TRUSTEES OF	126	$193,752,100	$2,811,343
TOWN OF ANDOVER	521	$187,034,700	$2,713,873
AUGUSTINIAN COLLEGE / THE MERRIMACK VALLEY	13	$28,726,300	$416,819
COMMONWEALTH OF MASSACHUSETTS	24	$22,527,100	$326,868
GREATER LAWRENCE REG VOC / TECH HIGH SCHOOL	3	$22,222,900	$322,454
USA GENERAL SERVICES ADMIN / INTERNAL REVENUE SERVICE	2	$21,782,800	$316,068
ANDOVER HOUSING AUTHORITY	19	$20,932,100	$303,725
ANDOVER VILLAGE IMPROVEMENT SOCIETY (AVIS)	152	$20,488,600	$297,290
ROMAN CATHOLIC ARCHBISHOP / OF BOSTON	18	$13,066,800	$189,599
S OF FRIARS OF O OF ST FRAN	3	$11,135,300	$161,573
PIKE SCHOOL INC	3	$10,695,700	$155,195
MASS SCHOOL OF LAW AT / ANDOVER INC	1	$7,559,000	$109,681
TRUSTEES OF RESERVATIONS	29	$7,111,400	$103,186
CHRIST CHURCH	4	$6,468,900	$93,864
SOUTH CHURCH INC	4	$4,574,300	$66,373
MELMARK NEW ENGLAND INC	3	$4,517,800	$65,553
CONGREGATION TEMPLE / EMANUEL OF LAWRENCE	1	$3,937,000	$57,126
WEST PARISH CHURCH / OF ANDOVER	3	$3,067,200	$44,505
LAWRENCE YOUNG MENS / CHRISTIAN ASSOCIATION	1	$2,630,100	$38,163
FREE CHRISTIAN CHURCH	4	$2,429,300	$35,249
BOSTON FOUNDATION / CONSERVATION FUND INC	11	$1,973,700	$28,638
ST CONSTANTINE'S GREEK ORTHDX / SOCIETY OF LAWRENCE	2	$1,970,200	$28,588
ANDOVER SCHOOL OF / MONTESSORI INC	1	$1,816,900	$26,363
MERRIMACK RIVER GIRL SCOUT / COUNCIL INC	2	$1,776,200	$25,773
TOWN OF ANDOVER (CEMETERY)	2	$1,614,600	$23,428
NEW ENGLAND BIBLE CHURCH	1	$1,532,900	$22,242
NORTH BOSTON KOREAN / UNITED METHODIST CHURCH TR OF	1	$1,490,100	$21,621
ANDOVER COMMUNITY TRUST INC	6	$1,483,900	$21,531
MERRIMACK VALLEY LUBAVITCH INC	3	$1,475,800	$21,414
ANDOVER BAPTIST CHURCH	2	$1,374,400	$19,943
ANDMAS REALTY CO LLC	1	$1,322,600	$19,191
CREATIVE LIVING INC	1	$1,295,600	$18,799
SEVEN HILLS COMMUNITY SERV INC /	3	$1,256,000	$18,225
FAITH LUTHERAN / CHURCH OF ANDOVER INC	1	$1,241,100	$18,008
CHALLENGE UNLIMITED INC	5	$1,183,300	$17,170
UNITARIAN UNIVERSALIST / CHURCH OF ANDOVER	1	$1,096,300	$15,907
ANDOVER BIBLE CHAPTER INC / C/O RONALD A DEWHURST	2	$1,089,100	$15,803
ANDOVER HISTORICAL SOCIETY	1	$1,087,400	$15,778
BALLARDVALE UNITED CHURH	1	$1,085,200	$15,746
TOWARD INDEPENDENT LIVING AND / LEARNING INC	2	$895,500	$12,994
PROFESSIONAL CENTER FOR / HANDICAPPED CHILDREN INC	2	$857,200	$12,438
ANDOVER COMMITTEEFOR A BETTER / CHANCE INC	1	$823,200	$11,945
CONGR TEFERETH ANSHE SFARD / C/O JONATHAN BRODY	1	$762,700	$11,067
FIRST CHRUCH OF CHRIST / SCIENTIST OF ANDOVER	1	$738,700	$10,719
MASS BAY TRANS AUTHORITY	26	$655,000	$9,504
CONGREGATION BETH ISRAEL OF / THE MERRIMACK VALLEY INC	1	$504,400	$7,319
TEMPLE EMMANUEL OF LAWRENCE / MASS CORP	1	$501,700	$7,280
FHI LAWRENCE/ANDOVER INC	1	$491,900	$7,137
CMARC INC / C/O NUPATH INC	1	$489,200	$7,098
ANDOVER 1078 INC	1	$464,100	$6,734
WORK INCORPORATED	2	$409,400	$5,940
ST MATTHEWS LODGEA F + M / TRUSTEES OF	1	$390,000	$5,659
UNITED SYRIAN SOCIETY / CEMETERY CORP	2	$349,500	$5,071
HOMES OF CARE II INC	1	$290,600	$4,217
SATHAMBAKAM DILIP R	1	$269,100	$3,905
SALVATION ARMY OF MASS INC	1	$258,900	$3,757
SYRIAN CEMETERY	1	$241,700	$3,507
CHINMAYA MISSION OF BOSTON	2	$214,700	$3,115
JEFFCO INC	1	139,700	$2,027
TOWN OF NORTH READING	2	$48,700	$707
FOSTERS POND REALTY TRUST	3	$36,000	$522
BROTHERS OF ORDER OF HERMITS / OF ST AUGUSTINE	1	$34,400	$499
CITY OF LAWRENCE	1	$18,000	$261
MERRIMACK RIVER WATERSHED / COUNCIL INC	4	$700	$10
UNKNOWN	1	$100	$1
	1043	$631,709,800	$9,166,109
	* Hypothetical application of FY13 $14.51 Residential Tax Rate		

Massachusetts DOR/DLS

FY2013 Total Property Values, Taxable and Tax Exempt

AAA Rated Suburban Municipalities

Municipality	Total Taxable Property Values	Total Tax Exempt Property Values	Total Taxable and Tax Exempt Property Values	Taxable as a % of Total	Tax Exempt as a % of Total
Acton	3,679,116,507	**270,067,600**	3,949,184,107	93.2	**6.8**
Andover	6,802,719,926	**631,709,800**	7,434,429,726	91.5	**8.5**
Arlington	7,201,277,082	**457,655,300**	7,658,932,382	94.0	**6.0**
Barnstable	12,721,413,515	**1,302,428,455**	14,023,841,970	90.7	**9.3**
Bedford	2,771,855,371	**394,224,200**	3,166,079,571	87.6	**12.5**
Canton	3,971,663,460	**404,238,400**	4,375,901,860	90.8	**9.2**
Concord	5,054,970,094	**736,001,200**	5,790,971,294	87.3	**12.7**
Duxbury	3,214,667,680	**323,857,700**	3,538,525,380	90.9	**9.2**
Hingham	5,439,457,670	**368,419,500**	5,807,877,170	93.7	**6.3**
Lexington	8,307,956,760	**687,634,000**	8,995,590,760	92.4	**7.6**
Marblehead	5,049,335,856	**314,694,900**	5,364,030,756	94.1	**5.9**
Natick	6,228,971,060	**525,462,931**	6,754,433,991	92.2	**7.8**
Needham	7,923,989,930	**620,330,520**	8,544,320,450	92.7	**7.3**
Norwell	2,220,753,335	**175,189,400**	2,395,942,735	92.7	**7.3**
Sudbury	3,864,083,107	**259,512,400**	4,123,595,507	93.7	**6.3**
Wayland	2,907,556,710	**227,487,100**	3,135,043,810	92.7	**7.3**
Wellesley	9,355,607,185	**957,624,000**	10,313,231,185	90.7	**9.3**
Westwood	3,488,168,100	**217,582,770**	3,705,750,870	94.1	**5.9**
Winchester	5,444,838,530	**301,560,680**	5,746,399,210	94.8	**5.3**
AAA Muni Average	5,560,442,204	**482,930,571**	6,043,372,775	92.1	**7.9**
State Average	2,578,998,281	**396,632,672**	2,975,630,952	86.7	**13.3**
Andover	6,802,719,926	**631,709,800**	7,434,429,726	91.5	**8.5**



EXEMPT PROPERTY

CODE 9

All property which is totally exempt from taxation under various provisions of the law and owned by:

90 Public Service Properties

900...... United States Government
901...... (Intentionally left blank)

91 Commonwealth of Massachusetts – Reimbursable Land

910...... Department of Conservation and Recreation, Division of State Parks and Recreation
911...... Division of Fisheries and Wildlife, Environmental Law Enforcement
912...... Department of Corrections, Division of Youth Services
913...... Department of Public Health, Soldiers' Homes
914...... Department of Mental Health, Department of Mental Retardation
915...... Department of Conservation and Recreation, Division of Water Supply Protection
916...... Military Division – Campgrounds
917...... Education – Univ. of Mass, State Colleges, Community Colleges
918...... Department of Environmental Protection, Low-level Radioactive Waste Management Board
919...... Other

92 Commonwealth of Massachusetts – Non Reimbursable

920 ......Department of Conservation and Recreation, Division of Urban Parks and Recreation
921 ......Division of Fisheries and Wildlife, DFW Environmental Law Enforcement, Department of Environmental Protection
922 ......Department of Corrections, Division of Youth Services, Mass Military, State Police, Sheriffs' Departments
923 ......Department of Public Health, Soldiers' Homes, Department of Mental Health, Department of Mental Retardation
924 ......Mass Highway Dept
925 ......Department of Conservation and Recreation Division of Water Supply Protection (conservation restrictions and sewer easements), Urban Parks
926 ......Judiciary
927 ......Education – Univ. of Mass, State Colleges, Community Colleges
928 ......Division of Capital Asset Management, Bureau of State Office Buildings
929 ......Other

GASB 34 Codes

93 Municipal or County Codes

930 ......Vacant, Selectmen or City Council
931 ......Improved, Selectmen or City Council
932 ......Vacant, Conservation
933 ......Vacant, Education
934 ......Improved, Education
935 ......Improved, Municipal Public Safety
936 ......Vacant, Tax Title/ Treasurer
937 ......Improved, Tax Title/ Treasurer
938 ......Vacant, District
939 ......Improved, District

94 Educational Private

940...... Elementary Level
941...... Secondary Level
942...... College or University
943...... Other Educational
944...... Auxiliary Athletic
945...... Affiliated Housing
946...... Vacant
947...... Other

95 Charitable

950...... Vacant, Conservation Organizations
951...... Other
952...... Auxiliary Use (Storage, Barns, etc.)
953...... Cemeteries
954...... Function Halls, Community Centers, Fraternal Organizations
955...... Hospitals
956...... Libraries, Museums
957...... Charitable Services
958...... Recreation, Active Use
959...... Housing, Other

96 Religious Groups

960...... Church, Mosque, Synagogue, Temple, etc.
961...... Rectory or Parsonage, etc.
962...... Other

97 Authorities

970...... Housing Authority
971...... Utility Authority, Electric, Light, Sewer, Water
972...... Transportation Authority
973...... Vacant, Housing Authority
974...... Vacant, Utility Authority
975...... Vacant, Transportation Authority

98 Land Held by other Towns, Cities or Districts

980 ......Vacant, Selectmen or City Council, Other City or Town
981 ......Improved, Selectmen or City Council, Other City or Town
982 ......Vacant, Conservation, Other City or Town
985 ......Improved Municipal or Public Safety, Other City or Town
988 ......Vacant, Other District
989 ......Improved, Other District

99 Other

990 ......121A Corporations
991 ......Vacant, County or Regional
992 ......Improved, County or Regional, Deeds or Administration
993 ......Improved Count or Regional Correctional
994 ......Improved County or Regional Association Commission
995 ......Other, Open Space
996 ......Other, Non-Taxable Condominium Common Land
997 ......Other

Massachusetts Department of Revenue
Division of Local Services
Municipal Databank/Local Aid Section

FY2013 Local Receipts: PILOTS

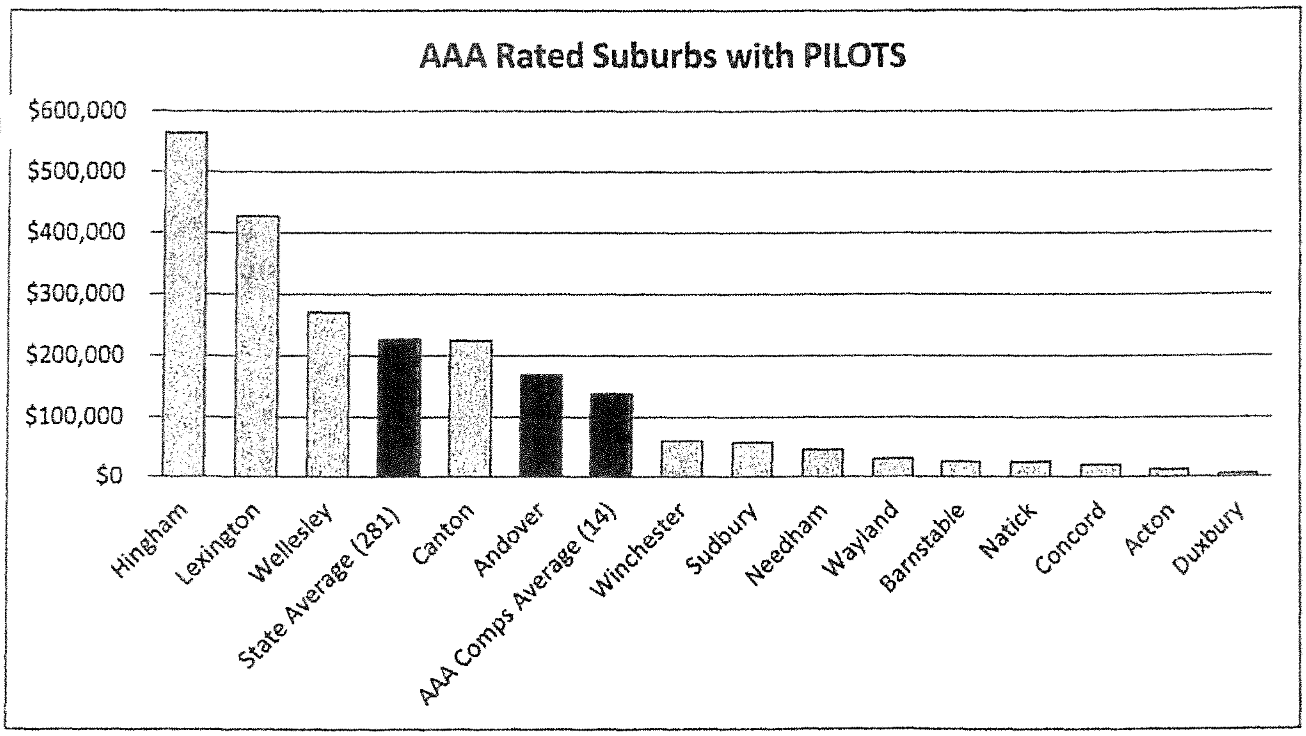
State Average of 281 (w/o Boston) $226,598
Andover is 75th of 281

Municipality	FY13 PILOT Total
Boston	$66,312,000
Cambridge	$5,395,000
Springfield	$4,012,200
Rochester	$3,529,000
Braintree	$2,230,000
Millbury	$2,190,365
Watertown	$2,111,402
Haverhill	$2,063,292
Ludlow	$1,529,000
Bedford	$1,505,275
Salem	$1,384,835
Foxborough	$1,330,000
Danvers	$1,300,000
Chicopee	$1,271,086
Holyoke	$1,200,000
Chelsea	$1,198,061
Norwood	$1,146,230
Brookline	$1,110,000
Holden	$977,703
Amherst	$935,958
Lowell	$897,000
Charlton	$808,591
Quincy	$800,000
Worcester	$750,000
Wilmington	$746,000
Peabody	$720,000
Littleton	$666,791
West Boylston	$622,000
Boylston	$600,000
Sterling	$585,950
Hingham	$564,253
Framingham	$544,450
Burlington	$520,000
Medford	$507,783
New Salem	$506,652
Lawrence	$500,000
Mansfield	$485,000
Petersham	$479,300
Westfield	$442,440
Lynn	$429,844
Lexington	$427,062
Rutland	$426,000
Pelham	$413,400
Newton	$410,000
Marlborough	$384,167
Southborough	$375,000
Weymouth	$360,000
Lynnfield	$356,000
North Reading	$350,000
Fall River	$335,000
Reading	$325,000
Shutesbury	$307,600
Princeton	$304,974
Hubbardston	$304,972
Belchertown	$295,000
New Bedford	$275,000
Wellesley	$270,083
Beverly	$236,667
Milford	$233,053
Canton	$224,686
Hull	$220,008
Groton	$210,000
Methuen	$198,300
Blandford	$192,000
Brockton	$190,000
Falmouth	$188,000
Barre	$180,000
Clinton	$180,000
Somerville	$180,000
Revere	$179,500
Granville	$177,774
Fitchburg	$176,541
Malden	$170,000
Fairhaven	$169,000
Andover	$169,303
Middleton	$135,000
Adams	$125,000
Hancock	$120,000
Hardwick	$116,631
Oakham	$113,32
East Longmeadow	$105,000
Ipswich	$102,000

Massachusetts DOR/DLS

AAA Rated Suburbs with PILOTS - FY2013

Municipality	FY13 PILOT Total
Acton	$12,000
Andover	$169,303
Barnstable	$25,000
Canton	$224,686
Concord	$20,000
Duxbury	$5,500
Hingham	$564,253
Lexington	$427,062
Natick	$24,931
Needham	$45,000
Sudbury	$57,000
Wayland	$30,000
Wellesley	$270,083
Winchester	$60,000
AAA Comps Average (14)	$138,072
State Average (281)	$226,592
Andover	$167,500



Phillips Academy Property Taxes and PILOT Payments to the Town of Andover

	Real Estate Taxes	Annual Contribution	Toal Taxes and Contribution
3rd 5-Year Agreement			
FY-2013	$122,949.72	$169,303.26	$292,252.98
FY-2012	$119,678.08	$165,496.83	$285,174.91
FY-2011	$134,058.85	$158,978.70	$293,037.55
FY-2010	$102,694.16	$153,900.00	$256,594.16
FY-2009	$129,846.16	$150,000.00	$279,846.16
2nd 5-Year Agreement			
FY-2008	$43,574.40	$116,486.43	$160,060.83
FY-2007	$42,018.70	$111,885.94	$153,904.64
FY-2006	$38,984.58	$111,106.76	$150,091.34
FY-2005	$33,967.06	$111,167.00	$145,134.06
FY-2004	$35,461.70	$105,096.35	$140,558.05
1st 5-Year Agreement			
FY-2003	$35,396.96	$103,845.20	$139,242.16
FY-2002	$31,666.45	$101,418.14	$133,084.59
FY-2001	$34,308.17	$98,394.83	$132,703.00
FY-2000	$42,464.39	$85,891.61	$128,356.00
FY-1999	$40,338.55	$84,661.45	$125,000.00
15 Year Total	**$987,407.93**	**$1,827,632.50**	**$2,815,040.43**

Phillips Academy Taxable Property - FY2013

Address/Location	PARCEL I.D.	Acres	FY13 Land	FY13 BLD/S	FY13 Total	FY13 EST. TAX
4 CHAPEL AV	40 0 99 A	2.16	1,079,700	1,787,100	2,866,800	$69,548.57
104 ABBOT ST	76 0 2	8.88	482,300	1,350,800	1,833,100	$26,598.28
50 WOODLAND RD	25 0 12	14.67	508,300	0	508,300	$7,375.43
74 SALEM ST	25 0 30	18.00	365,100	0	365,100	$5,297.60
22 WOODLAND RD	24 0 7	24.60	183,900	0	183,900	$2,668.39
0 BYPASS	25 0 45	10.60	170,700	0	170,700	$2,476.86
12 WOODLAND RD	24 0 4	35.46	160,900	0	160,900	$2,334.66
28 WOODLAND RD	24 0 8	9.40	122,700	0	122,700	$1,780.38
130 SALEM ST	26 0 6	7.46	75,100	0	75,100	$1,089.70
0 HIGHLAND RD	24 0 9	8.93	71,900	0	71,900	$1,043.27
0 HIGHLAND RD	24 0 10	7.67	61,700	0	61,700	$895.27
0 BYPASS	25 0 45 A	3.56	57,300	0	57,300	$831.42
0 BYPASS	25 0 44	1.88	30,300	0	30,300	$439.65
0 BYPASS	25 0 43	1.04	16,700	0	16,700	$242.32
104 R ABBOT ST	76 0 2 A	1.00	16,100	0	16,100	$233.61
16 WOODLAND RD	24 0 6	0.23	3,700	0	3,700	$53.69
0 BYPASS	5 0 2	0.12	1,900	0	1,900	$27.57
0 BYPASS	44 0 26	0.35	900	0	900	$13.06
05/28/2013				Total	18	$122,949.72

PHILLIPS ACADEMY TAX EXEMPT PROPERTY

Locations	PID	LUC	LUC Descrip	Type Code	Bld Type	# of Buildings	FY13 Assessed Value
2 WHEELER ST	40 0 60	941	Secondary Level	58	School	1	$999,900
19 SALEM ST	41 0 3	941	Secondary Level	58	School	1	$795,500
212 MAIN ST	41 0 5	941	Secondary Level	58	School	1	$828,100
6 HIGHLAND RD	41 0 4	944	Auxiliary Athletic	51	Gymnasium	6	$9,986,200
11 ABBOT CAMPUS RD	56 0 1 A	944	Auxiliary Athletic	51	Gymnasium	3	$2,313,300
57 R RIVER RD	125 0 2	944	Auxiliary Athletic	59	Util Building	1	$639,400
254 SOUTH MAIN ST	58 0 17 T	944	Auxiliary Athletic	95	Arena	3	$2,109,400
21 PHILLIPS ST	56 0 7 D	945	Affiliated Housing	1	Antique	1	$956,600
18 HIDDEN FIELD RD	57 0 49	945	Affiliated Housing	5	Cape	1	$768,000
20 HIDDEN FIELD RD	57 0 51	945	Affiliated Housing	5	Cape	1	$754,600
9 HOLT RD	58 0 17 B	945	Affiliated Housing	5	Cape	1	$474,100
28 BANCROFT RD	58 0 26	945	Affiliated Housing	5	Cape	1	$795,000
37 HOLT RD	58 0 34	945	Affiliated Housing	5	Cape	1	$541,100
2 HIDDEN RD	78 0 1	945	Affiliated Housing	5	Cape	1	$621,300
19 SCHOOL ST	40 0 21	945	Affiliated Housing	6	Colonial	1	$797,400
15 SCHOOL ST	40 0 22	945	Affiliated Housing	6	Colonial	1	$785,100
1 JUDSON RD	40 0 97	945	Affiliated Housing	6	Colonial	1	$728,900
74 BARTLET ST	40 0 98	945	Affiliated Housing	6	Colonial	1	$820,400
6 STONEHEDGE RD	41 0 31	945	Affiliated Housing	6	Colonial	1	$470,400
1 HIDDEN RD	57 0 41	945	Affiliated Housing	6	Colonial	1	$574,000
16 HIDDEN FIELD RD	57 0 48	945	Affiliated Housing	6	Colonial	1	$981,100
20 R HIDDEN FIELD RD	57 0 50	945	Affiliated Housing	6	Colonial	1	$770,800
22 R HIDDEN FIELD RD	57 0 52	945	Affiliated Housing	6	Colonial	1	$753,300
22 HIDDEN FIELD RD	57 0 53	945	Affiliated Housing	6	Colonial	1	$772,800
21 HIDDEN FIELD RD	57 0 54	945	Affiliated Housing	6	Colonial	1	$774,000
189 SOUTH MAIN ST	57 0 55	945	Affiliated Housing	6	Colonial	15	$24,531,200
41 SALEM ST	58 0 11	945	Affiliated Housing	6	Colonial	1	$546,500
39 SALEM ST	58 0 12	945	Affiliated Housing	6	Colonial	1	$542,600
1 HIGHLAND RD	58 0 18	945	Affiliated Housing	6	Colonial	1	$845,200
234 SOUTH MAIN ST	58 0 19	945	Affiliated Housing	6	Colonial	1	$728,100
4 MORTON ST	40 0 9	945	Affiliated Housing	12	MultiFamilyConversion	1	$470,900
34 SALEM ST	41 0 27	945	Affiliated Housing	12	MultiFamilyConversion	1	$667,800
50 PHILLIPS ST	56 0 14	945	Affiliated Housing	12	MultiFamilyConversion	2	$1,402,300
225 MAIN ST	57 0 43	945	Affiliated Housing	12	MultiFamilyConversion	1	$584,800
215 MAIN ST	57 0 55 B	945	Affiliated Housing	12	MultiFamilyConversion	1	$667,800
143 MAIN ST	40 0 29	945	Affiliated Housing	14	MultiFamilyTownhouse	1	$535,400
130 HIGHLAND RD	23 0 5	945	Affiliated Housing	15	Old Style/Faculty Housing	1	$441,000
5 MORTON ST	40 0 20	945	Affiliated Housing	15	Old Style/Faculty Housing	1	$456,300
11 SCHOOL ST	40 0 23	945	Affiliated Housing	15	Old Style	1	$732,600
69 HIGHLAND RD	41 0 10	945	Affiliated Housing	15	Old Style	1	$412,800
13 WATSON AV	41 0 17	945	Affiliated Housing	15	Old Style	1	$396,700
24 SALEM ST	41 0 2	945	Affiliated Housing	15	Old Style	1	$704,100
63 HIGHLAND RD	41 0 22	945	Affiliated Housing	15	Old Style	3	$1,067,500
2 STONEHEDGE RD	41 0 29	945	Affiliated Housing	15	Old Style	1	$405,700
8 STONEHEDGE RD	41 0 33	945	Affiliated Housing	15	Old Style	1	$485,500
8 R STONEHEDGE RD	41 0 35	945	Affiliated Housing	15	Old Style	1	$624,900
10 STONEHEDGE RD	41 0 45	945	Affiliated Housing	15	Old Style	1	$455,300
3 STONEHEDGE RD	41 0 46	945	Affiliated Housing	15	Old Style	1	$531,400
75 HIGHLAND RD	41 0 8	945	Affiliated Housing	15	Old Style	1	$416,300
75 SALEM ST	42 0 31	945	Affiliated Housing	15	Old Style	1	$875,600
16 ABBOT ST	56 0 1	945	Affiliated Housing	15	Old Style	8	$22,061,500
28 PHILLIPS ST	56 0 10	945	Affiliated Housing	15	Old Style	1	$804,900
32 PHILLIPS ST	56 0 11	945	Affiliated Housing	15	Old Style	1	$694,100
14 SCHOOL ST	56 0 5	945	Affiliated Housing	15	Old Style	1	$786,200
25 PHILLIPS ST	56 0 7	945	Affiliated Housing	15	Old Style	11	$10,131,300
173 MAIN ST	56 0 7 B	945	Affiliated Housing	15	Old Style	1	$765,300
19 HIDDEN FIELD RD	57 0 55 A	945	Affiliated Housing	15	Old Style	1	$729,300
43 SALEM ST	58 0 10	945	Affiliated Housing	15	Old Style	1	$527,100
23 SALEM ST	58 0 14	945	Affiliated Housing	15	Old Style	1	$520,400
49 HIGHLAND RD	58 0 15	945	Affiliated Housing	15	Old Style	1	$433,000
31 HOLT RD	58 0 35	945	Affiliated Housing	15	Old Style	1	$466,200
45 SALEM ST	58 0 9	945	Affiliated Housing	15	Old Style	1	$594,600
21 WOODLAND RD	23 0 1	945	Affiliated Housing	19	Ranch	1	$455,000
23 WOODLAND RD	23 0 1 A	945	Affiliated Housing	19	Ranch	1	$464,700
11 WATSON AV	41 0 18	945	Affiliated Housing	19	Ranch	1	$338,600
135 137 MAIN ST	40 0 31	945	Affiliated Housing	82	Apartment Conventional/Fa	1	$616,000

PHILLIPS ACADEMY TAX EXEMPT PROPERTY

Locations	PID	LUC	LUC Descrip	Type Code	Bld Type	# of Buildings	FY13 Assessed Value
15 CHAPEL AV	23 0 4	945	Affiliated Housing	86	Dormitory	2	$5,098,800
153 MAIN ST	40 0 27	945	Affiliated Housing	86	Dormitory	1	$616,200
147 MAIN ST	40 0 28	945	Affiliated Housing	86	Dormitory	1	$1,215,200
89 BARTLET ST	40 0 61	945	Affiliated Housing	86	Dormitory	1	$1,115,700
87 BARTLET ST	40 0 62	945	Affiliated Housing	86	Dormitory	1	$912,200
23 SCHOOL ST	40 0 8	945	Affiliated Housing	86	Dormitory	1	$1,320,600
80 BARTLET ST	40 0 99 B	945	Affiliated Housing	86	Dormitory	1	$1,139,700
6 CHAPEL AV	40 0 99 C	945	Affiliated Housing	86	Dormitory	1	$2,119,600
8 CHAPEL AV	40 0 99 D	945	Affiliated Housing	86	Dormitory	1	$2,211,000
100 HIGHLAND RD	41 0 1	945	Affiliated Housing	86	Dormitory	16	$41,695,500
57 HIGHLAND RD	41 0 24	945	Affiliated Housing	86	Dormitory	1	$778,000
26 SALEM ST	41 0 25	945	Affiliated Housing	86	Dormitory	1	$637,500
42 SALEM ST	41 0 28	945	Affiliated Housing	86	Dormitory	1	$727,100
38 PHILLIPS ST	56 0 13	945	Affiliated Housing	86	Dormitory	1	$1,085,100
20 SCHOOL ST	56 0 2	945	Affiliated Housing	86	Dormitory	1	$1,079,700
16 SCHOOL ST	56 0 4	945	Affiliated Housing	86	Dormitory	1	$936,500
12 HIDDEN FIELD RD	57 0 55 E	945	Affiliated Housing	86	Dormitory	1	$1,107,400
221 MAIN ST	57 0 44	945	Affiliated Housing	85	ApartmentTownhouse	1	$1,965,700
158 MAIN ST	40 0 59	945	Affiliated Housing	1	Antique	1	$603,700
14 HIDDEN FIELD RD	57 0 46	946	Vacant-Private Education	86	Dormitory	1	$968,500
206 HIGHLAND RD	5 0 110	947	Other Educational	4	Camp Fin	1	$691,600
23 ABBOT CAMPUS RD	56 0 3	947	Other Educational	30	Garage	2	$124,400
2 CHAPEL AV	40 0 99	947	Other Educational	46	church/synagogue	1	$1,737,200
30 ABBOT CAMPUS RD	56 0 6	947	Other Educational	59	Util Buildings/PowerPlant	3	$909,100
0 MORTON ST	22 0 107	946	Vacant-Private Education				$39,200
0 MORTON ST	22 0 135	946	Vacant-Private Education				$526,800
0 MORTON ST	22 0 97	946	Vacant-Private Education				$134,000
81 MORTON ST	22 0 99	946	Vacant-Private Education				$23,700
25 WOODLAND RD	23 0 1 B	946	Vacant-Private Education				$352,300
85 HIGHLAND RD	23 0 3	946	Vacant-Private Education				$631,500
107 HIGHLAND RD	23 0 3 A	946	Vacant-Private Education				$369,500
157 MAIN ST	40 0 26	946	Vacant-Private Education				$155,300
0 CHAPEL AV	40 0 99 E	946	Vacant-Private Education				$635,300
104 HIGHLAND RD	41 0 1 A	946	Vacant-Private Education				$328,800
6 WATSON AV	41 0 11	946	Vacant-Private Education				$50,600
8 WATSON AV	41 0 12	946	Vacant-Private Education				$49,700
10 WATSON AV	41 0 13	946	Vacant-Private Education				$56,600
12 WATSON AV	41 0 14	946	Vacant-Private Education				$48,700
14 WATSON AV	41 0 15	946	Vacant-Private Education				$48,500
6 R WATSON AV	41 0 16	946	Vacant-Private Education				$20,000
9 WATSON AV	41 0 19	946	Vacant-Private Education				$57,400
0 HIGHLAND RD	41 0 23	946	Vacant-Private Education				$278,700
28 SALEM ST	41 0 26	946	Vacant-Private Education				$371,000
210 MAIN ST	41 0 4 A	946	Vacant-Private Education				$345,100
17 SALEM ST	41 0 4 B	946	Vacant-Private Education				$340,600
81 HIGHLAND RD	41 0 7	946	Vacant-Private Education				$53,200
73 HIGHLAND RD	41 0 9	946	Vacant-Private Education				$58,100
0 HOLT RD	42 0 32	946	Vacant-Private Education				$54,400
10 R OLD CAMPUS RD	56 0 7 A	946	Vacant-Private Education				$533,500
6 SCHOOL ST	56 0 7 C	946	Vacant-Private Education				$613,000
26 PHILLIPS ST	56 0 8	946	Vacant-Private Education				$251,900
231 MAIN ST	57 0 42	946	Vacant-Private Education				$37,800
14 R HIDDEN FIELD RD	57 0 47	946	Vacant-Private Education				$28,200
0 HIDDEN FIELD RD	57 0 55 C	946	Vacant-Private Education				$562,300
213 MAIN ST	57 0 55 F	946	Vacant-Private Education				$291,900
0 HIDDEN FIELD RD	57 0 56	946	Vacant-Private Education				$797,800
0 SALEM ST	58 0 13	946	Vacant-Private Education				$66,400
45 HIGHLAND RD	58 0 16	946	Vacant-Private Education				$302,100
0 HOLT RD	58 0 17 A	946	Vacant-Private Education				$322,400
0 HIGHLAND RD	58 0 17 E	946	Vacant - Private Education				$3,014,600
256 SOUTH MAIN ST	58 0 23	946	Vacant-Private Education				$378,000
							$193,752,100

MAY27'09 AM11:07

Agreement Between
The Town of Andover and the Trustees of Phillips Academy

In furtherance of their long and constructive relationship, Phillips Academy and the Town of Andover entered into an Agreement in June, 1998, which was intended to stabilize for fiscal years 1999 through 2003 the voluntary payments made by the Academy with respect to certain property deemed to be tax exempt under M.G.L. c. 59, § 5 (the "Agreement"). The Agreement was renewed by written agreement in March, 2002 for fiscal years 2004 through 2008. In recognition of the satisfaction of both parties with the intent of the Agreement as renewed, it is proposed to renew the Agreement for five additional fiscal years under the terms described below:

1. The Agreement will be effective for five fiscal years beginning with fiscal year 2009 and ending with fiscal year 2013, and will expire as of June 30, 2013, subject to renewal.

2. The Town and the Academy agree to begin discussions of an additional renewal to the Agreement at least one year prior to its expiration.

3. The Academy agrees to make a payment to the Town each fiscal year during the term of the Agreement. The Town and the Academy agree that the payment is voluntary, is not restricted to any particular use by the Town, and is made without consideration of the tax status of Academy property.

4. During the term of this Agreement, the Academy agrees to an annual voluntary contribution to the Town payable on May 1 of each fiscal year. The first such voluntary contribution will be in the amount of $150,000, payable on May 1, 2009. Each succeeding annual contribution will be equal to the preceding year's contribution, adjusted by the corresponding rate change, if any, of the average Andover single family property tax bill, as calculated by the Town Assessor's Office.

5. The Town agrees that nothing contained in the Agreement shall affect the right of the Academy to apply for and obtain abatement of assessments of local property taxes on its property located in the Town, including, without limitation, claims based on overvaluation, improper classification, and entitlement to exemption.

6. The Agreement is intended to conform to all laws of the Commonwealth of Massachusetts. If, at any time subsequent to the execution of the Agreement, a change in the laws renders all or a portion of the Agreement invalid or illegal, the parties agree to undertake negotiations with the object of continuing the intent of the current Agreement, in conformity to the new state of the law, within ninety days of the enactment of the new law. The Agreement will lapse and cease to be of any effect as of the date of enactment of any new law which renders the Agreement invalid or illegal.

The Town of Andover

by: Reginald S. Stapczynski
Town Manager

Date: May 21, 2009

Trustees of Phillips Academy

by: Stephen D. Carter
Chief Operating & Financial Officer

Date: May 26, 2009

Agreement
Between
The Town of Andover and Phillips Academy

In furtherance of their long and constructive relationship and to reduce the risk of future disputes, Phillips Academy and the Town of Andover entered into a five year Agreement in 1998 intended to stabilize the voluntary payments made by the Academy with respect to certain property deemed to be tax exempt under Massachusetts General laws, Chapter 59, Section 3. In recognition of the satisfaction of both the Town and the Academy with the 1998 Agreement, it is proposed to renew the agreement for five years on the terms described below:

1. The Agreement will be effective for five Fiscal Year periods beginning with fiscal year 2004 and ending with fiscal year 2008.

2. The Town and the Academy agree to begin discussions of the renewal of the Agreement at least one year prior to its expiration.

3. The Academy agrees to make a **Comprehensive Payment** each Fiscal Year during the term of the agreement. The **Comprehensive Payment** will comprise the **Tax Amount** and the **Annual Contribution.**

4. The **Tax Amount** will be the total of the committed real estate tax assessed to the Academy with respect to its taxable property in the Town in a particular Fiscal Year.

5. The **Annual Contribution** will be an amount equal to the difference between the **Comprehensive Payment** and the **Tax Amount.** The Town will prepare a computation of the **Annual Contribution** and deliver it to the Academy on or about April 1st of each year in which the Agreement is in effect, payment to be made by May 1st in the Fiscal Year in which the computation is received.

6. The Academy's **Comprehensive Payment** for Fiscal Year 2004 will be calculated according to the formula in paragraph 7 below, based on the amount calculated for Fiscal Year 2003 under the original tax agreement (dated May 1998). However, in the year in which a sewer betterment is first assessed on the Highland Rd. frontage along the Cochran Sanctuary, an amount equal to the 4 percent interest charged on the deferred betterment assessment (estimated at $8740) will be deducted from the **Comprehensive Payment.** This reduced **Comprehensive Payment** amount shall be the basis for calculating the increase in the **Comprehensive Payment** in subsequent years, per the formula in paragraph 7, below. (Per Mass. General Law, the Town will bill the academy for the interest on the deferred betterment assessment annually and the Academy will pay that bill each year.)

7. The **Comprehensive Payment** for each succeeding fiscal year will be determined prior to March 1st, of the fiscal year in which **the Annual Contribution** will be

made, by increasing the prior fiscal year's **Comprehensive Payment** by the change in the December to December Consumer Price Indices for the Fiscal Year in question and the Fiscal Year prior thereto. The Annual Price Indices used for the purposes of the Agreement will be the Consumer Price Index-All Urban Consumers, Series ID: CUUR0000SA0, published by the US Bureau of Labor Statistics.

8. The Town agrees that nothing contained in the Agreement shall affect the right of the Academy to apply for and obtain abatement of assessments of local property taxes on its property located in the Town, including, without limitation, claims based on overvaluation, improper classification, and entitlement to exemption.

9. The Academy and the Town both agree that the assessments on the properties known as the "Andover Inn" (assessors map 40, lot 99A) and the "Ristuccia home" (assessors map 76, lot 2) will not be included in the computation of the **Tax Amount**.

10. The Agreement is intended to conform to all laws of the Commonwealth of Massachusetts. If, at any time subsequent to the execution of the Agreement, a change in the laws renders all or a portion of the Agreement invalid or illegal, the parties agree to undertake negotiations with the object of continuing the intent of the present Agreement, in conformity to the new state of the law within ninety days of the enactment of the new law, the Agreement will lapse and cease to be of any effect as of the date of the enactment of the new law.

The Town of Andover	Trustees of Phillips Academy
by: [signature]	by: [signature]
Town Manager	Chief Financial Officer
Date: 3/11/02	Date: 3/24/02

AGREEMENT

BETWEEN

THE TOWN OF ANDOVER and PHILLIPS ACADEMY

In furtherance of their long and constructive relationship and to reduce the risk of future disputes, Phillips Academy and the Town of Andover have entered into this Agreement, which is intended to stabilize the voluntary payments made by the Academy with respect to certain property deemed to be tax exempt under Massachusetts General Laws Chapter 59, Section 3.

1. The Agreement will be effective for five Fiscal Year periods beginning with Fiscal Year 1999 and ending with Fiscal Year 2003.

2. The Town and the Academy agree to begin discussions of the renewal of the Agreement at least one year prior to its expiration.

3. The Academy agrees to make a **Comprehensive Payment** during each Fiscal Year during the term of the Agreement. The **Comprehensive Payment** will comprise the **Tax Amount** and the **Annual Contribution**.

4. The **Tax Amount** will be the total of the committed real estate tax assessed to the Academy with respect to its taxable property in the Town in a particular Fiscal Year.

5. The **Annual Contribution** will be an amount equal to the difference between the **Comprehensive Payment** and the **Tax Amount**. The Town will prepare a computation of the **Annual Contribution** and deliver it to the Academy on or about April 1st of each year in which the Agreement is in effect, payment to be made by May 1st in the Fiscal Year in which the computation is received.

6. The Academy's **Comprehensive Payment** for Fiscal Year 1999 will be $125,000. The **Comprehensive Payment** for each succeeding Fiscal Year will be determined prior to March 1st of the Fiscal Year in which the **Annual Contribution** will be made, by increasing the prior Fiscal Year's **Comprehensive Payment** by the change in the December to December Consumer Price Indices for the Fiscal Year in question and the Fiscal Year prior thereto. The annual Consumer Price Indices used for the purposes of the Agreement will be the Consumer Price Index-All Urban Consumers Series ID: CUUR000SA0, published by the United States Bureau of Labor Statistics.

7. The Town agrees that nothing contained in the Agreement shall affect the right of the Academy to apply for and obtain abatement of assessments of local property taxes on its property located in the Town, including, without limitation, claims based on overvaluation, improper classification, and entitlement to exemption.

8. The Academy and the Town agree that the assessments on the properties known as the "Andover Inn" (assessors map 40, lot 99A) and the "Ristuccia home" (assessors map 76, lot 2) will not be included in the computation of the **Tax Amount**.

9. The Agreement is intended to conform to all laws of the Commonwealth of Massachusetts. If, at any time subsequent to the execution of the Agreement, a change in the laws renders all or a portion of the Agreement invalid or illegal, the parties agree to undertake negotiations with the object of continuing the intent of the present Agreement, in conformity to the new state of the law, in a revised agreement. If the parties are not able to arrive at a mutually acceptable revision conformable to the new state of the law within ninety days of the enactment of the new law, the Agreement will lapse and cease to be of any effect as of the date of the enactment of the new law.

The Town of Andover	Phillips Academy
By: Reginald S. Stapczynski Town Manager	By: [signature] Chief Financial Officer
Date: 6/16/98	Date: 6/16/98

NEWS FROM ANDOVER

Office of Communications Abbot Hall 180 Main Street Andover, Massachusetts 01810-4161

Phillips Academy in partnership with the local community

Established in 1778 with a motto of *non sibi*, which means "not for one's self," Phillips Academy has long considered itself to be a private institution with a public purpose. Beyond preparing its students to be well-educated, responsible and contributing citizens of the world, Phillips Academy maintains a number of national, international and local educational programs that extend the academy's resources beyond the campus. Additionally, the academy pursues and values strong and cooperative relationships with the Town of Andover and with schools and community agencies throughout the Greater Lawrence area.

The following is a summary of programs and practices of Phillips Academy that share the school's resources with local communities and contribute to the quality of life throughout the Merrimack Valley:

Outreach programs with local communities

Through nationally-recognized programs that reach out to students and educators locally and worldwide, Phillips Academy students and faculty live up to the school's motto. These programs have resulted in strong partnerships with community organizations and residents in Andover, Lawrence and other local communities.

- **Community Service Program**—Each year 55-65 percent of Phillips Academy students participate in more than 45 projects in Andover, Lawrence, Boxford, North Andover, Methuen and Boston, involving youth and elderly services, housing, hunger, health, political action, new Americans and young adults with special needs. The goals are to develop partnerships between Phillips Academy and local agencies to build upon existing community assets and to provide unique educational opportunities for PA students, faculty and staff. Phillips Academy was one of 70 schools nationwide designated as a Service-Learning Leader School in 1999 and continues to be unique among independent schools for its level of commitment to these efforts.

- **PALS**—A partnership between Phillips Academy, Andover High School and the Leonard School in Lawrence, arranged at the initiative of Lawrence business leaders, PALS serves academically capable, middle school students in a full-year educational program of summer and after-school activities. The program has served 40 Leonard School students annually since 1988 and has expanded to include the Parthum School. PALS supports the efforts of the Lawrence schools to lower the dropout rate among its students. All of the children who have completed PALS to date have either graduated from high school or are on track to do so.

- **(MS)^2**—Math and Science for Minority Students is a five-week summer residential program that helps talented minority students to develop competence and self-confidence in science and mathematics. It reaches approximately 110 students, including three from Lawrence, each summer from schools in major urban centers and Native American communities. Of its nearly 775 alumni, 97 percent have enrolled in college immediately after high school graduation with 78 percent majoring in math- or science-related fields.

- **Andover Bread Loaf (ABL)**—The primary purpose is to enhance student writing and literacy skills and to improve the teaching of writing in urban public schools and community organizations. ABL works in collaboration with public school teachers and students, with youth-based community organization staff and members, and with a host of local and national educational and artistic institutions and organizations. ABL's offerings for youth and adults include: professional development and teacher training workshops, writing and arts programs, graduate study fellowships and educational small grant awards. ABL is also a hub of the Bread Loaf Teacher Network, a national network of activist teachers working for educational renewal in public schools and communities. ABL's presence in Lawrence over the years has established a highly successful program of literacy education, a compelling model for similar initiatives in other cities around the country. The ABL Lawrence Student Writers Workshop enrolls 60 students per summer, drawn from grades 6-12 from Lawrence High School and all the Lawrence middle schools.

- **Andover Lawrence Strings Program**—Forty students from the Lawrence Family Development Charter School come to campus every Wednesday evening to study violin and piano, as well as life's possibilities, one-on-one with Phillips Academy student musicians. There is no cost to the children for either the lessons or the loan of an instrument. Johnson Strings in Newton, Mass., provides half the violins at no cost; PA pays the rental for the remainder.

- **Addison Gallery of American Art**—This nationally renowned art gallery, with a collection of 13,000 works, holds a well-deserved place as a center of American art for regional and national audiences. The Addison Gallery offers its exhibitions and events to the public without charge and has a strong outreach program, serving as a resource for area teachers, students and organizations. In addition, after-school and vacation programs are offered free of charge to area families.

- **Harrison Rink**—This state-of-the-art ice rink, which opened in 2002, offers skating to area residents through its Skating Club, with 1,200 members, and Skating School, where 400 children and adults learn to skate and perfect their skills. The facility serves as the home rink for the Andover Hockey Association, which has 600 local children participating, including 40 in a new girls' program. Both the Andover High School girls' varsity hockey team and boys' junior varsity team use the rink, and Andover's Department of Community Services hosted a day at the rink for town residents. In addition, the facility provided the perfect setting for the Andover Fire

Department to conduct OSHA-mandated confined-space rescue training for town firefighters.

Cultural offerings

Phillips Academy makes a significant contribution to the cultural life of the community by offering an active program of speakers, theater and musical events that are open to the public. Recent offerings have included concerts by jazz trumpeter Wynton Marsalis, cellist Yo-Yo Ma, musician Bobby McFerrin and folksinger Odetta; lectures by Nobel Peace Prize-winner Archbishop Desmond Tutu, ABC-News anchor Peter Jennings and the Rev. William Sloane Coffin; gallery tours and talks by artists Fred Wilson and Frank Stella; a touring production of August Wilson's "Fences" and a student production of the American premier of "The Bells of Amersfoort" by Zakes Mda, an award-winning South African playwright. A public calendar of these events appears on the Phillips Academy Web site at www.andover.edu and is also mailed to 200 local residents and organizations.

Direct payments to the Town of Andover

- Real estate tax, based on legally assessable property, was $31,250 for FY2004.
- Phillips Academy made a voluntary annual contribution to the town of approximately $103,000 in FY2004.
- Real estate payment on two properties leased to other parties, including the Andover Inn, was more than $67,000 in FY 2004.
- Water and sewer use fees are over $200,000 a year.
- Building permits and other departmental fees are about $10,000 a year.
- Trash disposal fees are about $53,000 a year.

Financial aid

Phillips Academy has 302 day students (28 percent of the student body) in the 2003-04 school year from the Massachusetts cities and towns of Andover, Boxford, Dracut, Georgetown, Haverhill, Lowell, Methuen, Lawrence, Lynnfield, Middleton, North Andover, North Reading, Reading, Tewksbury, Topsfield, West Newbury, Weston and Wilmington, as well as nearby Atkinson, Pelham, Salem and Windham, N.H. Of the entire student body, 38 percent receive financial aid. Eighty-eight students from Andover, North Andover, Lawrence and Methuen received a total of $1,477,725 in financial aid (2003-04), an amount that is consistent with past years.

Andover students

Attending PA are 175 Andover students (2003-04 school year), including 22 children of faculty and staff who live on campus. The Town of Andover saves more than $1.4 million each year on the cost of educating these students ($8,220 per pupil at Andover schools in FY02, according to the Massachusetts Department of Education). In addition, seven town children attend private kindergarten at The Children's Place on the Phillips Academy campus. Thirty-five children living on campus attend Andover Public Schools.

Other value to the community

- Preserving open space that benefits the whole community;
- Allowing public schools to use academy facilities;

- Making athletic fields and facilities available free to youth soccer leagues and other teams, as well as tennis and squash courts available at modest fees;
- Adding the purchasing power of 785 boarding students to the local economy;
- Employing more than 600 faculty and staff, including 73 who live off campus in Andover;
- Leasing space to Bright Horizons and to SHED, programs that provide high quality early childhood education and childcare services to town residents;
- Serving as a resource to the town government. For example, the academy's chief engineer advised the Town of Andover on energy contracts, helping the town to establish a stable budget for energy and a model for future negotiations.
- Making Andover a more attractive place to live and, therefore, having a positive impact on the residential tax base by increasing the demand for and value of housing in Andover.

State-Owned Land B8

Law Creating/Modifying Program:	Ch. 58, §13-17
State Budget Account Number:	1233-2400
Agency:	Division of Local Services, Department of Revenue

PURPOSE: To reimburse communities for forgone tax revenues due to certain types of tax-exempt state-owned land.

REIMBURSEMENT FORMULA: Eligibility for reimbursement depends on land use and the state agency with jurisdiction over the property as specified in the legislation.

Payment is for land only, not for buildings or any other improvements erected on or affixed to the land. Parcels of land that were exempt from property taxation before acquisition by the state are ineligible for reimbursement through this program.

The formula is based on property value and the latest three-year statewide average tax rate. The formula is as follows:

$$\text{Municipality's Aid} = \left[PV * ET * K \right]$$

PV = Estimated property value of eligible State-Owned Land
ET = 3 year statewide average tax rate
K = Pro-ration factor

To view the current and historical three year statewide average tax rate used in the calculation of the State Owned Land reimbursement, click on the link below:

<u>State Owned Land Three Year Statewide Average Tax Rate</u>

ADMINISTRATION: The FY2011 State-Owned Land estimates reflect the re-appraisal of all eligible property. The Bureau of Local Assessment is required to conduct such a re-appraisal every four years. In interim years, State-Owned Land valuation for a community is adjusted to reflect transactions such as land acquisitions and properties returned to the community's tax rolls.

PAYMENT SCHEDULE: Annually, November.

Massachusetts De_rtment of Revenue
Division of Local Services
FY2014 Local Aid Estimates

ANDOVER

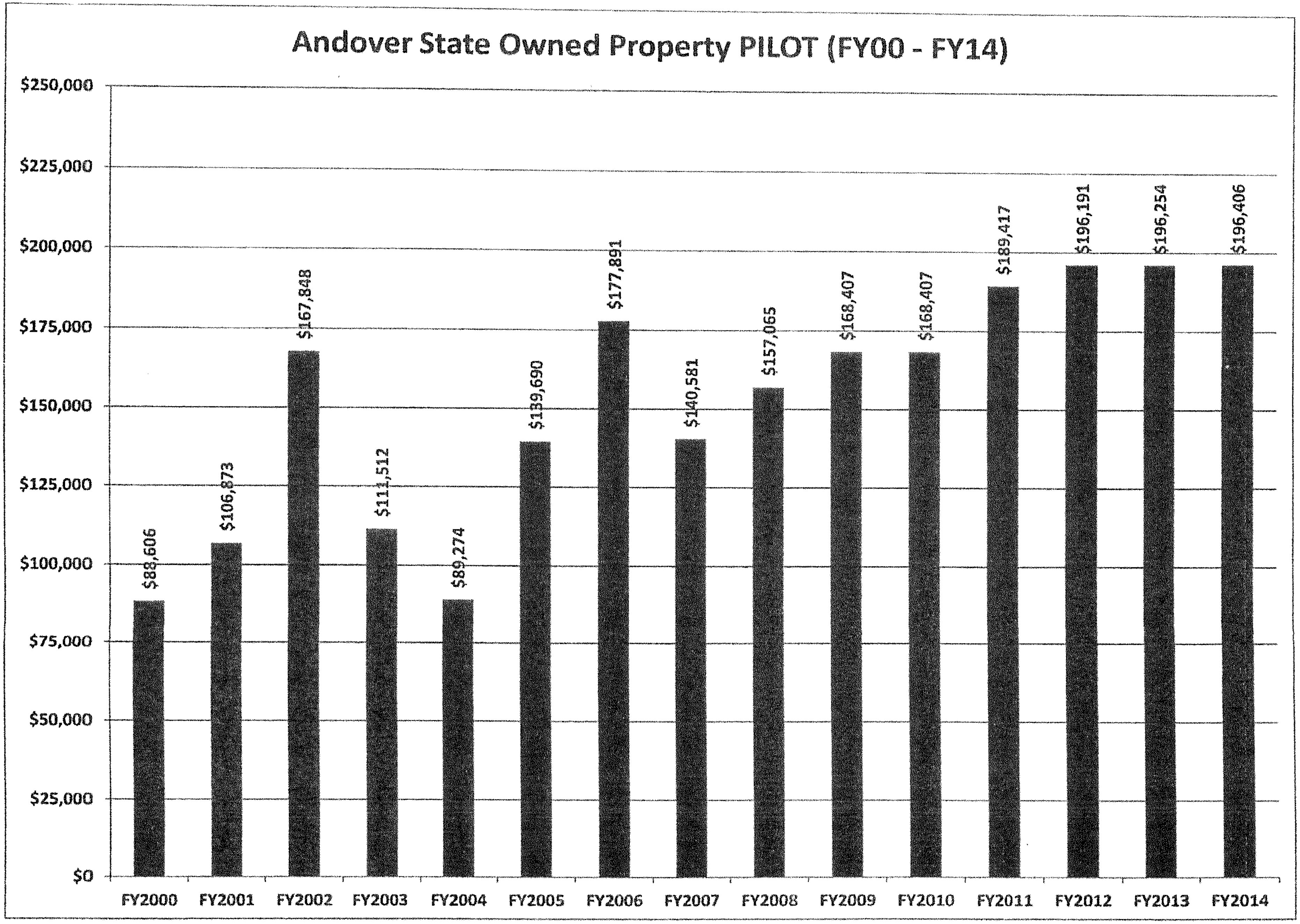
	FY2013 Cherry Sheet Estimate	FY2014 Governor's Budget (H1)	FY2014 House Final Budget Proposal	FY2014 SWM Budget Proposal
Education:				
Chapter 70	7,950,343	10,123,581	8,102,993	8,465,632
School Transportation	0	0	0	0
Charter Tuition Reimbursement	8,256	2,631	11,743	13,017
Smart Growth School Reimbursement	0	0	0	0
Offset Receipts:				
School Lunch	30333	34,765	34,765	34,765
School Choice Receiving Tuition	0	0	0	0
Sub-Total, All Education Items	**7,988,932**	**10,160,977**	**8,149,501**	**8,513,414**
General Government:				
Unrestricted General Government Aid	1,511,358	1,511,358	1,547,083	1,511,358
Annual Formula Aid Calculation	0	71,261	0	0
Local Share of Racing Taxes	0	0	0	0
Regional Public Libraries	0	0	0	0
Urban Renewal Projects	0	0	0	0
Veterans' Benefits	74,459	87,516	86,459	86,459
State Owned Land	196,254	196,406	196,406	196,406
Exemptions: Vets, Blind, Surviving Spouses & Elderly	44,016	44,385	44,385	44,385
Offset Receipts:				
Public Libraries	34,080	34,963	34,963	34,963
Sub-Total, All General Government	**1,860,167**	**1,945,889**	**1,909,296**	**1,873,571**
Total Estimated Receipts	**9,849,099**	**12,106,866**	**10,058,797**	**10,386,985**

Massachusetts Department of Revenue
Division of Local Services
Municipal Databank/Local Aid Section

Fiscal Year 2013 State Owned Land PILOTs

Average of 296 = $88,750
Andover is 32 of 296

Municipality	State Land PILOT
EDGARTOWN	$1,132,378
WESTPORT	$794,913
WEST TISBURY	$728,900
BEDFORD	$621,642
FALMOUTH	$590,340
CONCORD	$589,796
MILTON	$564,503
SANDWICH	$543,471
BOURNE	$511,133
PLYMOUTH	$491,584
BREWSTER	$466,603
WORCESTER	$417,839
FRAMINGHAM	$403,893
MASHPEE	$400,975
DARTMOUTH	$356,489
LINCOLN	$306,755
HOPKINTON	$303,539
IPSWICH	$298,539
BRIDGEWATER	$277,204
BOSTON	$271,960
FALL RIVER	$266,474
QUINCY	$254,339
MONTEREY	$250,046
SALISBURY	$241,607
GREAT BARRINGTON	$236,759
NEWBURY	$226,826
MOUNT WASHINGTON	$226,138
DOUGLAS	$217,609
TAUNTON	$211,712
WESTMINSTER	$207,804
NANTUCKET	$205,395
ANDOVER	$196,254
DANVERS	$195,808
CARLISLE	$193,916
NORTH ANDOVER	$193,101
LOWELL	$190,718
TOWNSEND	$190,214
NEWBURYPORT	$185,003
EGREMONT	$177,709
HADLEY	$176,379
GARDNER	$172,836
GEORGETOWN	$171,200
FREETOWN	$166,406
STURBRIDGE	$166,002
BOXFORD	$157,978
PRINCETON	$156,491
GROVELAND	$155,592
AMHERST	$151,796
CANTON	$149,947
TEWKSBURY	$144,644
BELCHERTOWN	$144,198
SHREWSBURY	$142,947


Andover State Owned Property PILOT (FY00 - FY14)
$250,000
$225,000
$200,000
$175,000
$150,000
$125,000
$100,000
$75,000
$50,000
$25,000
$0
$88,606
$106,873
$167,848
$111,512
$89,274
$139,690
$177,891
$140,581
$157,065
$168,407
$168,407
$189,417
$196,191
$196,254
$196,406
FY2000
FY2001
FY2002
FY2003
FY2004
FY2005
FY2006
FY2007
FY2008
FY2009
FY2010
FY2011
FY2012
FY2013
FY2014

HOUSE DOCKET, NO. 1701   FILED ON: 1/17/2013

HOUSE . . . . No. 2642

By Mr. Kulik of Worthington, a petition (accompanied by bill, House, No. 2642) of Stephen Kulik and others relative to payments in lieu of taxation by organizations exempt from the property tax. Revenue.

The Commonwealth of Massachusetts

An Act relative to payments in lieu of taxation by organizations exempt from the property tax.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. Chapter 59 of the General Laws is hereby amended by adding after section 5M the following section:-

Section 5N. Notwithstanding the provisions of section 5 or any other general or special law to the contrary, in a city or town that votes to accept this section pursuant to section 4 of Chapter 4, an organization exempt from taxation under clause third shall make payments in lieu of taxation on all real and personal property owned by the organization in the city or town equal to 25 percent of the amount that would be paid if the property were not exempt from taxation.

Any city or town that accepts this section shall adopt an ordinance or bylaw to provide for agreements between the municipality and organizations that may provide for exemptions from payment, consideration of community benefits as payment and administration of payments.

SENATE DOCKET, NO. 173 FILED ON: 1/14/2013

SENATE . . . . No. 1308

By Mr. Brownsberger, a petition (accompanied by bill, Senate, No. 1308) of William N. Brownsberger for legislation relative to payments in lieu of taxation of organizations exempt from the property tax. Revenue.

The Commonwealth of Massachusetts

An Act relative to payments in lieu of taxation of organizations exempt from the property tax.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. Chapter 59 of the General Laws is hereby amended by adding after section 5M the following section:-

Section 5N. Notwithstanding the provisions of section 5 or any other general or special law to the contrary, in a city or town that votes to accept this section pursuant to section 4 of Chapter 4, an organization exempt from taxation under clause third shall make payments in lieu of taxation on all real and personal property owned by the organization in the city or town equal to 25 percent of the amount that would be paid if the property were not exempt from taxation.

Any city or town that accepts this section shall adopt an ordinance or bylaw to provide for agreements between the municipality and organizations that may provide for exemptions from payment, consideration of community benefits as payment and administration of payments.

MMA letter to Joint Committee on Revenue supporting local-option PILOT bills

May 28, 2013

The Honorable Jay R. Kaufman, House Chair
The Honorable Michael J. Rodrigues, Senate Chair
Joint Committee on Revenue
State House, Boston

Dear Chairman Kaufman, Chairman Rodrigues, and Distinguished Committee Members,

On behalf of the cities and towns of the Commonwealth, the Massachusetts Municipal Association appreciates the opportunity to offer testimony in support of Senate Bill 1308 and House Bill 2642, An Act Relative to Payments in Lieu of Taxation of Organizations Exempt from the Property Tax. We strongly urge the Committee to favorably report these bills, as they will create, at local option, a structured, standardized pathway through which municipalities and nonprofits may collaborate on Payment-in-Lieu-of-Taxation (PILOT) agreements to fund essential public services.

The two bills before you today would allow a municipality, upon acceptance at local option, to implement a program through which nonprofits would make an annual PILOT payment to the municipality equivalent to 25 percent of the amount that the organization would have been assessed on real and personal property if it were not exempt from taxation. Municipalities that adopt this section would craft local ordinances or bylaws to allow for PILOT agreements between the municipality and nonprofits, and may allow for exemptions or consideration of community benefits that reduce the amount of the required PILOT payment by the nonprofit.

Massachusetts hosts more than 23,000 nonprofit public charities that own $22 billion in tax-exempt property, and cities and towns provide a wide array of costly core services that benefit these organizations, including police, fire and emergency response services, public works maintenance for the sidewalks and roadways surrounding the property, planning, zoning and economic development services to facilitate safe access to the property and appropriate commerce and development in the area, and much more.

This legislation would simply create a process for municipalities and nonprofits to work closely to ensure their mutual interests and create a sustainable system to ensure that nonprofits make a consistent contribution to fund local public services. Many municipalities have experienced a dramatic reduction in their taxable property base because a significant portion of the total property within their borders has tax-exempt status, leaving these municipalities with a comparatively small tax base to finance the provision of a wide array of services. Other municipalities see properties leave the tax rolls for nonprofit use as the nonprofit sector continues to grow, constricting the property tax base they rely on to fund essential municipal services. In fact, from 1999 to 2009, the number of nonprofits operating in Massachusetts grew by more than 7,000. With this increase, real property that was previously taxable has now attained tax-exempt status, leaving the host municipalities with less revenue to provide the same or increased services to the community.

This legislation offers a timely opportunity to ensure that a municipality may receive a payment from a nonprofit approximately equal to the costs of the public services that the municipality expends on the nonprofit's behalf. (The most recent Census of Governments, completed in 2007, indicates that on average, 27.3 percent of local government general expenditures are police and fire protection and road maintenance and construction.)

Nonprofits play a crucial role in the social, cultural, and economic fabric of our communities, and ensuring their long-term viability and success is truly a shared priority with municipalities. Municipalities, however, provide important necessary public services to the nonprofits within their borders, including police and fire protection, infrastructure construction and maintenance, and water and sewer, at a cost borne by local government and the residential and commercial taxpayers in the community. This bill would create a consistent structure through which a nonprofit would contribute modest resources to support the municipal services that the nonprofit directly enjoys.

This legislation offers an important mechanism to close a loophole created by the property tax exemption of nonprofits, in that those nonprofits with the highest-value property receive significant benefits from the municipality regardless of whether the organizations are providing the services that benefit the host community. Under this legislation, municipalities could exempt nonprofits that offer crucial social services to members of the community, or reduce from 25 percent the PILOT required, based upon the degree of community benefit.

Additionally, many cities and towns host nonprofits that provide services that do not primarily benefit residents of the host communities, but instead benefit residents of other communities, states or countries. All of the public service costs associated with the nonprofit, however, are borne by the host community alone. This legislation would allow for the consideration of the direct benefit that the nonprofit has within its host community, with a resulting PILOT that makes a direct community contribution and offsets the public service costs expended by the municipality.

Massachusetts is indeed fortunate to be home to some of the finest nonprofits in the nation. From acclaimed museums and cultural institutions to cutting-edge medical centers to the best universities and private schools in the world, our cities and towns are enriched by our nonprofits every day. Nonprofits employ more than 10 percent of the state's workforce, a rate much higher than the national average. While municipalities are dedicated to the continued prosperity of these nonprofits, the organizations must in turn have an interest in the fiscal vitality and sustainability of local communities, as their long-term prosperity is ultimately linked. H. 2642 and S. 1308 would create an equitable framework for PILOT agreements between nonprofits and municipalities that would allow municipalities to meet continued demands for public services and allow nonprofits to make contributions proportionate to the public services they receive.

Thank you very much for the opportunity to submit testimony on this important local-option legislation for cities and towns. We appreciate your consideration and strongly urge you to give these two bills a favorable report. If you have any questions, please feel free to contact Catherine Rollins of the MMA staff at 617-426-7272 at any time.

Sincerely,
Geoffrey C. Beckwith
Executive Director, MMA

Adopted 12/18/07

Amended 6/28/2011

The Town of Brookline Payment In Lieu of Tax (PILOT) Policy

Brookline is home to, and welcomes a diverse mix of property owners: residential, commercial, governmental and non-profit charitable and educational. The Town's vibrant and growing non-profit sector both contributes to and benefits from the Town's overall quality of life. The Town provides a variety of critical services to all segments of the community, whether they are residents, businesses or non-profit organizations. While these services provide benefits to all, funding for town departments and services relies heavily on property tax revenues. In order to maintain the high standard of municipal services that Brookline has historically provided, the Board of Selectmen believes that all property owners should contribute a fair share toward the cost.

Overview

> *"Increasing the overall fiscal capacity of cities and towns turns out to be central to the future prosperity of the Commonwealth... providing communities with the resources to deliver the services and amenities is critical to the state's future development and prosperity ... (and) equally important is making sure that local municipalities have the ability to provide the economic and social environment that is attractive...."* Revenue Sharing and the Future of the Massachusetts Economy by the Northeastern University Center for Urban and Regional Policy (2006)

The Town of Brookline, through its various departments, provides a variety of services to its residential and commercial taxpayers and non-profit organizations located or conducting business within the Town. While municipal service requirements vary among these diverse groups, all benefit from the overall enhanced quality of life enjoyed by the community. However, the cost of municipal services is substantial, and the Commonwealth of Massachusetts has limited the sources of revenue available to municipalities. The property tax provides approximately 75% of municipal revenue used to support services. Revenue generated from property taxes is determined by law (Proposition 2 ½), mix of land uses, and geography.

The Town is approximately 6.8 square miles in size and is fully built out; therefore any development is based almost entirely on re-use. The current makeup of the Town based on land use is approximately 55% taxable land and 45% non-taxable. The largest share of the non-taxable land is owned by the Town and used for public buildings, streets/sidewalks, open space and other public uses. Other owners include the state and federal government, a foreign government (Japan), the MBTA, private educational and religious institutions, and charitable and benevolent organizations.

A taxable parcel that becomes tax-exempt does not reduce the Town's total tax levy. Instead, it shifts the tax burden to all remaining taxable parcels. It is a primary goal of the Town to preserve its taxable land, while at the same time continuing to support its rich cultural diversity. It is also a primary goal of the Town to have the cost burden of providing services borne by and shared among all residents, taxpayers, commercial entities and non-profit institutions, to the extent possible and reasonable.

The Commonwealth of Massachusetts and its political sub-divisions, including the Town of Brookline, have historically been recognized as leaders in the area of higher education, arts and culture, public health and religious freedom, and have encouraged non-profits to organize in the state to enrich the quality of life of its residents. The General Court of the Commonwealth created a series of property tax exemptions within the General Laws (M.G.L. Chapter 59 Section 5) as an incentive to support the often vital work of non-profit organizations.

The Town's location adjacent to Boston, and its easy access to mass transportation and major roadways, makes it attractive for non-profit institutions to locate in Brookline. This demand for land and buildings to operate non-profit organizations has absorbed taxable property in Brookline at an alarming rate. The Town is concerned that a continuing shift in tax burden to a diminishing tax base will have a negative impact on residents, local businesses and the overall Brookline community. In order to maintain a fair balance between the cost of town services and payment for those services, the Town has developed a policy to address the need for a payment-in-lieu-of-tax (PILOT) program for tax exempt properties.

Policy

Brookline recognizes that non-profit organizations contribute directly to the quality of life within the community and welcomes them to the town. In order to maintain the financial health of the community so as to continue to provide a range of quality services, the Town must preserve its existing tax base and expand that revenue source where reasonably possible. It is the Town policy to distribute the burden of cost in a fair method among all users of services: citizens, taxpayers and non-profit institutions.

M.G.L. Chapter 59 section 5 enables the granting of tax exempt status to certain non-profit organizations. Once an organization is granted an exemption, the Town can not legally require that organization to pay a property tax or bind that organization to give up the rights to these legal exemptions. Therefore:

1. The Town will seek voluntary PILOT Agreements with all tax exempt institutions within the community that own real property, or that rent real property from the Town (pursuant to MGL Chapter 59 section 5, sub-section 2B);

2. These PILOT Agreements should be based upon fair market value and tax levy. PILOT Agreements should be established on the basis that the non-profit organization's payment amount is equal to the percentage of tax levy that supports the critical services of the Town's Police, Fire and Public Works operations. The Town has determined that this share is equal to at least 25% of the full levy;

3. In the event that a non-profit organization enters into a voluntary PILOT agreement, the Town may offer to phase in the impact over a period of time. The Town expects to negotiate PILOT agreements, whereby once the payment target is reached, the payment will annually increase by an escalation factor generally equal to the average historic growth in annual tax levy;

4. For smaller, community-based non-profit organizations with controlling interests in properties assessed at less than $ 5 million in FY 2007 dollars, consideration for community service may be granted as part of an approach to establish the basis for a PILOT Agreement. This value ceiling would be inflated by 2.5% per year in subsequent years. The Town may base such a PILOT Agreement on less than 25% of the full levy.

5. A PILOT Agreement will remain in force for the entire tenure of its contractual term as long as the use and value established in the PILOT Agreement have not changed. All property under a PILOT Agreement must still meet all the requirements for eligibility for exempt status.

6. A PILOT Agreement does not replace the requirement that each organization seeking property tax exemption must file a "Return of Property Held for Charitable Purposes" form (State Tax Form #3ABC) with the Board of Assessors on or before March first of each year;

Guidelines for PILOT Agreements

- Recognizing the financial limitations of non-profit organizations, the Town expects to initiate PILOT discussions with non-profit organizations when they are in the process of acquiring property or considering an expansion of existing real estate holdings or planning of new construction on existing property. This approach has the pragmatic advantage of allowing exempt institutions to include the cost of any PILOT Agreement in the financial planning of the new or expanded facility. Further, the Town may waive this approach in the event that a non-profit organization suffers an extraordinary or catastrophic loss, resulting in a financial hardship.

- In the event that a non-profit organization acquires property and plans new construction or substantial reconstruction, the eligibility for tax exemption cannot be determined until the construction is completed and eligible exempt use is determined. The exemption would then be applied to the next fiscal year.

- In the case of a significant physical change in the property resulting in a change in the property's fair market value that occurs after a PILOT Agreement has been established, the Town will adjust the PILOT Agreement to include a phased in change of the payment on the addition, per the agreement or per an agreed upon schedule.

- In the event that there is a change in the use of property under a PILOT Agreement, the Town may review the eligibility of the exemption, and the terms and conditions of the PILOT Agreement and propose such changes as may be needed to reflect the change in the value of the property.

- In the event that the non-profit gives up ownership of the parcel, the parcel will revert back to a taxable status. In the event that a non-profit organization purchases a parcel from a non-profit organization that has agreed to a PILOT Agreement, the parcel will revert back to a taxable status, pending submission of the state tax form (#3ABC), a determination by the Board of Assessors of its tax exemption eligibility, and the completion of a PILOT Agreement with the new owner. In this instance, the Town may elect to seek a voluntary PILOT agreement with the new non-profit acquirer of property.

AGREEMENT TO MAKE PAYMENTS IN LIEU OF TAXES TO THE TOWN OF BROOKLINE

AGREEMENT made as of the 1st day of July, 2010, by and between **TRUSTEES OF BOSTON UNIVERSITY** ("the University"), a non-profit, educational corporation duly organized under the laws of the Commonwealth of Massachusetts having a usual place of business at One Silber Way, Boston, Massachusetts, and the **TOWN OF BROOKLINE, Massachusetts** ("Town"), acting by and through its Board of Selectmen, having a usual place of business at 333 Washington, Street, Brookline, Massachusetts.

WHEREAS, the University, while exempt from obligations to pay property taxes with respect to certain categories of properties, recognizes the desirability of making a voluntary contribution to the Town in the form of payments in lieu of taxes; and

WHEREAS, the University and the Town acknowledge and agree that real and personal property owned by the University which is now or in the future may be entitled to exemption from taxation shall continue to be so entitled, subject to applicable law relative to exemption from property taxation; and

WHEREAS, the University, while entitled to exemption from obligations to pay local real and personal property taxes on its property pursuant to Massachusetts General Laws c. 59, § 5, Clause Third, recognizes that the presence of University properties in the Town of Brookline requires the Town to furnish municipal services and, as part of the community benefits provided by the University, desires to make certain voluntary payments to the Town in the form of a payment in lieu of taxes ("PILOT").

NOW, THEREFORE, the parties hereby agree as follows:

1. Beginning with the fiscal year starting July 1, 2010 (FY 2011), and for the term of this agreement, the University will make an annual payment in lieu of taxes to the Town of Brookline in an amount calculated as set forth herein. The payment will be determined annually after the Town of Brookline determines assessed values and tax rates for the fiscal year. Each annual payment shall be due and payable in two installments with the first half due on February 1 and the latter half on May 1 of each year during the term hereof, upon the conditions set forth below.

   Attached hereto as Exhibit A is a list of all real properties owned by the University in the Town of Brookline as of July 1, 2010. For each such property, and for the purposes of this Agreement, the parties agree that Exhibit A sets forth the following:

   (i) whether the property is currently taxable, tax-exempt, or partially taxable and partially tax-exempt;

(ii) the agreed-upon gross building area ("GBA") of each property (and for properties which are partially exempt, the GBA of the exempt space, and the GBA of the taxable space); and

(iii) The "Use Category" for each property, which for the purposes of this agreement is either "commercial," "single-family residential," or "multi-family residential."

2. <u>Property Currently Owned by the University or by Wholly or Partially Owned Affiliates</u>

A. <u>Improved Tax-Exempt Properties.</u> For each tax-exempt improved property owned by the University in the Town of Brookline (or for the tax-exempt portion of each partially-exempt property); the annual PILOT payment shall be equal to 25% of the "Imputed Tax" on the property in FY 2011 and beyond. The PILOT payment shall be calculated by applying the Town's applicable tax rate (commercial or residential according to the Use Category of the property) for the applicable fiscal year to the "Imputed Value" of the property (or exempt portion thereof). The Imputed Value of each property shall be calculated based upon the average assessed value per square foot of all taxable properties (or taxable portions of property) owned by the University in the applicable Use Category using the following formula:

1. The total assessed value of land for each taxable parcel owned by the University in Brookline, or taxable portion thereof, will be divided by the total lot size in square-feet of the taxable portion of that parcel to arrive at an assessed value per square-foot. The average assessed value per square-foot, using the weighted-mean, within each Use Category will be the imputed value per square-foot for that Use Category. In computing the weighted mean, the weights shall be the number of square feet of land of each parcel. The "Imputed Land Value" of tax exempt property will be determined by multiplying the imputed square-foot value by the total lot size of the exempt property or exempt portion of the property within each use category.

2. For each taxable building owned by the University in Brookline, or taxable portion of a building, the assessed value per square-foot of gross building area (GBA) will be calculated. The average assessed building value per square-foot, using the weighted mean, will be calculated for each Use Category to determine the imputed building value per square-foot within that Use Category, which will then be multiplied by the GBA of all exempt buildings within each Use Category to determine the "Imputed Building Value." In computing the weighted mean, the weights shall be the number of square feet of gross building area of each parcel.

3. The Imputed Land Value will then be added to the Imputed Building Value to determine the Imputed Total Value for each tax exempt property or tax exempt portion of each property owned by the University in Brookline.

B. Unimproved Tax-Exempt Properties. For each tax-exempt unimproved property (vacant land or academic parking lot) owned by the University in the Town of Brookline (or for the tax-exempt portion of each partially exempt property), the annual PILOT payment shall be equal to one-fourth (25%) of the Imputed Tax on the property which shall be calculated by applying the Town's applicable tax rate (commercial or residential according to the Use Category of the property) for the applicable fiscal year to the Imputed Value of the property (or exempt portion thereof). The Imputed Value of each unimproved property shall be calculated by taking the total assessed land value (based on most recent Town assessments) of all taxable properties (or taxable portions of property) owned by the University in the applicable Use Category, divided by the total gross land area of all of the taxable properties (or taxable portions of properties) owned by the University in the applicable Use Category to obtain an imputed average value per square foot of land, and then, multiplying the resulting value per square foot by the gross land area of the tax-exempt property;

C. Minimum of Three Taxable Parcels per Use Category. If in any fiscal year the University owns fewer than three (3) taxable parcels in a Use Category, the Town and University will identify and mutually agree on other taxable parcels, comparable in size, use, and condition to the University's tax-exempt parcels, so that no fewer than three (3) taxable parcels are included in the calculation of the weighted-mean average assessed values per square foot described in paragraphs 2(A) and 2(B) above.

D. Adjustments for Change in Use, Acquisition of Additional Properties, Sale of Existing Properties, and/or Development of Properties. Exhibit A will be updated annually as of July 1st to reflect any changes in use, acquisitions by the University of Additional Properties, or development of properties previously owned or newly acquired by the University. Any changes in Exhibit A will be mutually agreed to. The PILOT for each fiscal year will be based on the adjusted values in Exhibit A as of July 1 of the fiscal year and will be computed as outlined in Section 2, parts A, B, and C above.

3. Credit for In-Kind Services. If the Board of Selectmen and University mutually agree to develop University sponsored and administered future community service, education, research, recreation, or other programs that benefit the Brookline community, the University's cost of such programs will reduce the annual PILOT obligation (the "In-Kind Services Credit"). If the Board of Selectmen and University mutually agree to develop Town sponsored and administered future services that benefit the University, the Town's cost of such programs will increase the annual PILOT obligation (the "In-Kind

Services Debit").

A. The In-Kind Services Credit/Debit will reduce or increase the annual PILOT payment.

B. The In-Kind Services Credit may not be greater than the University's PILOT obligation for the fiscal year.

4. <u>GENERAL PROVISIONS:</u>

A. If the University obtains a tax abatement resulting in a lower assessment with respect to a taxable property (or portion thereof) in a Use Category which had been used to calculate the Imputed Value of any tax-exempt property, the resulting PILOT payment shall be recalculated to reflect the lower assessed value, and the University shall receive an adjustment against the next PILOT payment hereunder based on such recalculation;

B. During the term of this Agreement, the University shall provide information to the Town on a continuous basis in order to update Exhibit A to reflect acquisitions, dispositions, and changes in use of University properties. Such changes or additions shall be made consistent with the methodology used in preparing the original Exhibit A;

C. No PILOT payments shall be required hereunder for any space for which the University is subject to full real estate taxes;

D. The term of this Agreement shall be five (5) fiscal years, beginning with fiscal year 2011 (July 1, 2010 to June 30, 2011) and extending through fiscal year 2015 (July 1, 2014 to June 30, 2015). Six months prior to the termination of this agreement, the University and Town will meet to review the current agreement and discuss any amendments needed to renew the current agreement;

E. It is the intention of the Town, through its Board of Assessors, to recognize property owned by the University as exempt pursuant to M.G.L. c. 59, § 5, Clause Third in future fiscal years so long as such a determination is consistent with all applicable laws and the University has complied with all prerequisites, including but not limited to the timely filing of Form 3ABC with the Assessing Department for each fiscal year.

F. In the event a tax bill is issued for any property and the University believes such property or a portion thereof is either exempt from taxation or overvalued, the University must take whatever steps are required by law in order to preserve its rights to an abatement or reclassification.

G. If the Commonwealth of Massachusetts hereafter reimburses the Town for property taxes lost as a result of exemptions and said reimbursement is based in part on valuation of property held by the University which is the subject of this Agreement, there shall be a prorated reduction of the PILOT amounts payable thereafter under this Agreement. Such reduction shall be in an amount equal to the percentage which the valuation of the University property under this Agreement constitutes of the valuation of all exempt buildings on which the reimbursement is based. Such reduction shall be credited against the PILOT payment due under this Agreement in each fiscal year in which the Town actually receives the state reimbursement.

H. Nothing in this Agreement shall be construed as a waiver by the University of its right to seek abatement of taxes on the grounds of overvaluation, misclassification, disproportionate assessment and/or illegality, nor, except as expressly provided in this Agreement, shall it be construed as a waiver by the University of its right to seek abatement of taxes on the ground of exemption.

I. If at any time during the term of this Agreement there is a change in the present property tax structure of the Commonwealth of Massachusetts or of the Town of Brookline, including, without limitation, an amendment of Chapter 59 of the General Laws of Massachusetts, or if there is enacted a general or special law of the Commonwealth of Massachusetts or a Town By-Law seeking to impose local real estate or personal property taxes or payments in lieu of taxes, or any other new taxes, fees, excises, rates, or charges applicable to the University property in the Town of Brookline, which materially influence this Agreement, then either party may terminate this Agreement upon written notice to the other party.

J. This Agreement shall not apply to personal property of the University.

K. This Agreement shall supersede and replace all previous agreements between the parties for any payments in lieu of taxes.

L. The undersigned represent and warrant that they have the right, capacity and all necessary authority to execute and deliver this Agreement on behalf of the respective party for whom they have signed, and represent and warrant that such party has not sold, assigned or transferred to any person or entity any of the properties referred to herein.

M. This agreement assumes that the 1981 Massachusetts Appellate Court decision, Trustees of Boston University vs. The Board of Assessors of Brookline, remains in effect, IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed as a sealed instrument by its officers duly authorized as of the day and year first above written.

TRUSTEES OF BOSTON UNIVERSITY

By: ____________________
Robert A. Brown
President

TOWN OF BROOKLINE

By its Board of Selectman:

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Approved as to form:

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Jennifer Dopazo, Town Counsel

SERVICES AND PAYMENT IN LIEU OF TAXES AGREEMENT

THIS AGREEMENT is entered into this 15th day of June, 2008, by and between Partners Healthcare System, Inc., a non-profit corporation duly organized under the laws of Massachusetts ("Owner"), and the Town of Danvers ("Danvers"), a municipal corporation in Essex County, Massachusetts.

WHEREAS the Owner purchased the property for development and use of the building(s) situated on property located at 100 Endicott Street in Danvers, Massachusetts (" Property") as an Ambulatory Care Center (ACC), to be operated by the North Shore Medical Center (NSMC) and the Massachusetts General Hospital (MGH), as well as for other medical office space;

WHEREAS the Owner, NSMC, and MGH (collectively, the Parties) are not-for-profit, charitable corporations which are tax exempt and, they believe that said Property is exempt from local and personal property taxes pursuant to M.G.L. c. 59, §5, Clause Third;

WHEREAS the Parties recognize that its use of the Property will result in a loss to Danvers of significant revenue in the form of taxes, that its operations at the Property will require Danvers to furnish municipal services, and that the Owner is willing to enter into a services and payment in lieu of tax agreement with Danvers in recognition of the municipal services Danvers must provide to the organization;

WHEREAS the Parties wish to see to it that its operations at the Property do not adversely affect Danvers and its ability to provide municipal services, including those services furnished to Owner; and

WHEREAS the Town Meeting of Danvers rezoned the property in accordance with a zoning change requested by Owner, and did so in part, at least, in reliance upon Owner's representations that there would be no loss of tax revenue to the Town;

NOW THEREFORE, in consideration of Danvers' furnishing municipal services and the mutual agreements contained herein and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties hereto agree as follows:

1. Owner will apply for an exemption and the Danvers' Assessors will issue an exemption from real and personal property taxes for the Property or any portion thereof which is used as a hospital or healthcare facility for the purpose of providing medical/health-related services and which qualifies for exemption under M.G.L. c.59, §5, Clause Third.

2. The Parties will provide community services and make certain payments in lieu of taxes to Danvers in an amount that maintains the tax revenues when the Owner purchased the Property. Payments for the entire property, including the taxable portion,

shall be a minimum of the taxes paid when the Owner purchased the Property or $250,000 plus the most recent Medicare/Medicaid inflation factor or three percent (3%), whichever is greater.

3. The Parties will pay Danvers an Annual Payment in lieu of taxes for each fiscal year beginning with fiscal year 2007 (beginning July 1, 2006), as follows:

(a) for fiscal year 2007, Annual Payment shall be in the amount of $78,094.73, and shall be paid by June 30, 2007;

(b) for fiscal year 2008 and thereafter, the Annual Payment shall be increased by the most recent Medicare/Medicaid inflation factor or three percent (3%), whichever is greater and shall be paid by June 30 of each year.

4. It is understood that a portion of the Property is currently being leased for taxable purposes and the tax revenues generated by that portion of the Property shall contribute to meet the Parties' commitment to ensure that the Town receives a minimum of $250,000 plus the inflation factor provided for in paragraph 2.

5. It is further understood that a portion of the Property which is not already being used for taxable purposes may also be developed for commercial use/office space and may then be subject to assessment and real estate tax unless otherwise exempt as a charitable use. Tax revenue generated by any such portion of the Property developed for commercial use/office space in addition to that which is already so used shall not contribute to meet the Parties' commitment to ensure that the Town receives a minimum of $250,000 plus the inflation factor provided for in paragraph 2, but such tax revenue shall be in addition to the minimum tax revenue referred to in paragraphs 2 and 4.

6. The Parties will provide community services to meet public health and educational needs for residents of Danvers, as well as provide direct financial assistance to Danvers related to the purchase of equipment or other Town initiatives in support of public health or safety or other Town priorities. It is agreed that any such community services or support shall be considered a contribution toward the Parties' commitment to keep the Town whole as to tax revenue, and the Parties shall be entitled to a credit, as approved by the Town Manager, of up to $40,000.00 against its payment obligations hereunder. The credit amount shall be determined by March 1 of each year and the tax bill will be issued by April 1. Nothing shall prevent the Parties from providing additional community services and/or financial assistance in addition to the $250,000 plus inflation factor as provided in paragraph 2.

7. The Parties will make a one-time contribution to Danvers in the amount of $10,000 in support of the Senior Center for the fiscal year beginning July 1, 2007, which shall not be credited against the Annual Payment obligation of the Parties referenced above.

8. The term of this Agreement shall be for so long as Owner owns and operates the Property as an Ambulatory Care facility or otherwise for the purpose of providing medical/health-related services.

9. If Owner transfers the Property to any unrelated entity which is not controlled by Owner, this Agreement shall terminate upon such transfer and the Owner and Danvers shall be released from all obligations under this Agreement. In the event this Agreement is so terminated, Danvers may return the Property to the tax rolls as of the next succeeding July 1 or it may enter into a new tax agreement with the transferee. This Agreement shall be assigned if Owner transfers the Property to an entity it controls (defined to mean beneficial ownership of 50 percent or more of the outstanding voting stock, shares, or equity or membership interest of such entity). Owner shall give Danvers written notice of such assignment within ten (10) days after the transfer which shall set forth the identity of the transferee and be accompanied by an executed copy of the assignment and the transferee's agreement to assume Owner's obligation thereunder. Notice of any transfer shall be sent by certified mail, return receipt requested, to:

Danvers Board of Assessors
Municipal Building
Sylvan and Holten Streets
Danvers, Massachusetts 01923

10. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, executives, administrators, successors, and assigns.

IN WITNESS WHEREOF, the Parties hereto have caused this instrument to be executed as a sealed instrument by its officers duly authorized as of the date and year written above.

Witness:
Organization]

____

Partners Healthcare System, Inc.

By: Peter L. Markell

Its: VP Finance

Witness:

____

North Shore Medical Center

By: Robert M. [illegible]

Its: Pres

Witness: Massachusetts General Hospital

_______________ By: Jean Elrick

Its: Senior VP

Witness: TOWN OF DANVERS

_______________ By: _______________

Its: Town Manager

Witness: TOWN OF DANVERS
BOARD OF ASSESSORS

_______________ _______________
[Name]

_______________ _______________
[Name]

_______________ _______________
[Name]

AGREEMENT REGARDING PAYMENT IN LIEU OF TAXES

October 15, 2010

Agreement made this 15th day of October, 2010 by and between the Town of Needham, a municipal corporation located in Norfolk County, Massachusetts, acting through its Board of Selectmen (hereinafter referred to as "Needham"), Continental Wingate Development Company, a Massachusetts corporation having a principal place of business at 63 Kendrick Street, Needham, MA 02494 (hereinafter referred to as "Wingate") and WHC Needham, Inc., a Massachusetts corporation having a principal place of business at 63 Kendrick Street, Needham, MA 02494 (hereinafter referred to as "WHC"). Wingate has signed a purchase and sale agreement to purchase the property described below, and WHC is an affiliate of Wingate which will become the owner of the property if the purchase transaction is completed.

BACKGROUND

A. Wingate sought the rezoning of approximately seven (7) acres of land comprised of Needham Assessor's Map 77, Parcels 1, 25 and 56. NHP Properties Business Trust, a Massachusetts business trust, having a principal place of business at 610 Newport Center Drive, Suite 1150, Newport Beach, California 92660 (hereinafter referred to as "NHP") currently owns the Wingate at Needham nursing home which is presently located on May 77 Parcel 1 (also known as 589 Highland Avenue). WHC is considering an acquisition of the parcels identified as Needham Assessor's Map 77, Parcels 25 and 56, in the Town of Needham (collectively referred to herein as the "Property"), to create an Elder Services Zoning District.

B. The primary purpose of the rezoning is to allow the creation of independent apartments, assisted living and Alzheimer's/memory loss facilities, and an expansion of the existing skilled nursing facility ("Elder Services Uses").

C. Needham is supportive of the proposed rezoning.

D. Needham will provide continuing services to the Property as are generally provided in the Town of Needham, whether it is owned by WHC, its successors or assigns, regardless of whether said owner is an entity exempt from the payment of real estate taxes under the laws of the Commonwealth of Massachusetts. Such services include, but are not limited to, ongoing police service, fire protection, emergency medical services, building inspections, water service, inspection services and access to public ways for utilities and municipal services.

E. Needham needs to protect its fiscal base by insuring tax payments from the Property in the event the Property is sold to an entity or organization that is or may be exempt from paying local property taxes.

AGREEMENT

NOW, THEREFORE, for the good and valuable consideration, the receipt of which is hereby acknowledged, Needham and WHC hereby agree as follows:

1) If WHC or any successor(s) in interest to WHC (or an affiliate of WHC) as an owner of the Property or any part thereof, regardless of the manner, method or form by which such owner received or acquired its ownership interest of the Property or any part thereof, is exempt from the payment of real estate taxes and personal property excise taxes under Massachusetts Laws Chapter 59, WHC or such successor, as the case may be, shall make payments in lieu of taxes not less than the amount that would otherwise be due to the Town in property taxes and personal property excise taxes under M.G.L. Chapter 59, for as long as the entity continues to be exempt from such property or excise taxation. The restrictions set forth in this paragraph shall apply to any lease by an owner of property within the Elder Services Zoning District to a tax-exempt entity if the legal effect of such lease would otherwise be to exempt the owner or lessee of the leased property from the payment of real estate taxes. No owner of the Property or any party thereof shall have any liability for payments in lieu of taxes with respect to any period after the date of transfer of its ownership interest.

2) If, and to the extent that, any such owner makes payments in lieu of taxation to Needham pursuant to this Agreement, such owner shall have the right to seek an abatement or reduction in such payment and/or in the valuation upon which the payment is based for any reason as set forth in Chapter 59 of the Massachusetts General Laws (other than by claim of exemption), provided, however, that if such abatement or reduction is denied by Needham, such owner or lessee shall have all rights of appeal provided by Massachusetts law. In the event that the Massachusetts Appellate Tax Board, or other governmental entity, declines jurisdiction of said appeal by virtue of the tax-exempt status of such owner or lessee, such owner or lessee shall have the right to submit such claim to arbitration before the American Arbitration Association. Needham and such owner or lessee agrees to be bound by the determination of the arbitrator.

3) The foregoing obligations shall run with the land comprising the Property, as more particularly described in Exhibit A attached hereto, and shall automatically terminate on the date upon which the Property or any part thereof is no longer used for Elder Services Uses (but with respect to such part only), but shall automatically become reinstated if the Property, or any part thereof that ceased to be used for Elder Services Uses, re-commences to be used for Elder Services Uses (but with respect to such part only). Any of the owners of the Property governed thereby shall acknowledge in writing its obligations hereunder and provide such acknowledgement to Needham prior to or upon the transfer to it of ownership of any real property which is part of the Property.

4) In the event that WHC, or its nominee, proceeds to purchase additional property within the area to be rezoned (i.e. Needham Assessors Map 77, Parcels 25 and 56) this Agreement shall be applicable to all such property.

5) In the event of the purchase of additional property as described in paragraph 4 above, WHC and WHC's nominee (if applicable) shall re-execute this Agreement and deliver same to Needham for signature and recording at the Norfolk County Registry of Deeds to insure that all such property owned by WHC or its nominee located in the area to be rezoned shall be subject to this Agreement.

6. WHC, for itself and its successors and assigns, covenant and agree that the restrictions set out in this Agreement (i) touch and concern the Property, (ii) are for the purpose of facilitating orderly and harmonious development of property to be located in the Elder Services Zoning District, (iii) are held in gross by Needham as a restriction held by a governmental body under M.G.L. Chapter 184, §26 and not for the benefit of any land in the Town, (iv) are now and shall continue to be of actual and substantial benefit to the Town, (v) do not impede the reasonable use of the Property for which it is most suitable, and (vi) are enforceable in perpetuity or for the longest term permitted by law and in any event for one hundred years. WHC further covenants that, as an "other restriction held by a governmental body" as that term is used in M.G.L. Chapter 184, §26, such restrictions are not subject to the limitations on the enforceability of restriction in M.G.L. Chapter 184, §§26 - 30. Nevertheless, if recording of a notice is ever needed to extend the time period for enforceability of such restrictions, WHC hereby appoints the Board of Selectmen of Needham as WHC's agent to execute and record such notice and agrees that WHC shall execute and record such notice upon request.

7. This Agreement shall become effective only upon the issuance of a building permit for Elder Services Uses in the Elder Services Zoning District. This Agreement shall remain in effect so long as the Property, or any portion thereof, is utilized for Elder Services Uses, regardless of whether the Elder Services Zoning District, and the zoning provisions pertaining thereto, are amended or eliminated.

WITNESS the execution hereof under seal as of the date here above written.

TOWN OF NEEDHAM

By: ______________________________
Selectman

____
Selectman

____
Selectman

____
Selectman

____
Selectman

CONTINENTAL WINGATE DEVELOPMENT COMPANY

By: ______________________________
Steven Levin
Its Duly Authorized Vice President

WHC NEEDHAM, INC.

By: ______________________________
Scott Schuster
Its Duly Authorized President

COMMONWEALTH OF MASSACHUSETTS

County of ______________________________

On this ___ day of __________, 2010, before me, the undersigned notary public, personally appeared __________________, as a Selectman of the Town of Needham, proved to me through satisfactory evidence of identification, which was ____________________________________, to be the person whose name is signed on the preceding or attached document, and acknowledged to me that he/she signed it voluntarily for its stated purpose.

____
Notary Public:
My Commission Expires:

COMMONWEALTH OF MASSACHUSETTS

County of NORFOLK

On this 15th day of October, 2010, before me, the undersigned notary public, personally appeared Steve Levin, as Vice President of Continental Wingate Development Company, proved to me through satisfactory evidence of identification, which was his driver's license, to be the person whose name is signed on the preceding or attached document, and acknowledged to me that he/she signed it voluntarily for its stated purpose.

STEPHANIE L. MORAN
Notary Public
Massachusetts
Commission Expires Mar 31, 2017

Stephanie Moran
Notary Public:
My Commission Expires:

COMMONWEALTH OF MASSACHUSETTS

County of NORFOLK

On this 15th day of October, 2010, before me, the undersigned notary public, personally appeared Scott Schuster, as President of WHC Needham, Inc., proved to me through satisfactory evidence of identification, which was his driver's license, to be the person whose name is signed on the preceding or attached document, and acknowledged to me that he/she signed it voluntarily for its stated purpose.

Stephanie Moran
Notary Public:
My Commission Expires:

STEPHANIE L. MORAN
Notary Public
Massachusetts
Commission Expires Mar 31, 2017

Approved as to Form

David Tobin, Town Counsel

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PARCEL 1 (Unregistered) (Licenses and ... EXHIBIT "A"

The land situated in that part of Needham, Norfolk County, Massachusetts, known as Needham Heights, shown as Lot A on the Town of Needham Assessor's Plan No. 77, bounded and described as follows:

NORTHERLY	by land now or formerly of Charles River Sand and Gravel Co., Inc. under Certificate of Title No. 29293 filed with the Norfolk County Registry District of the Land Court, one hundred forty-five and 50/100 (145.50) feet;
EASTERLY	by Gould Street, thirty-seven and 15/100 (37.15) feet;
SOUTHEASTERLY	by land now or formerly of Michael Generazio, et al., two hundred forty-one and 67/100 (241.67) feet; and
WESTERLY	by land now or formerly of Charles River Sand and Gravel Co., Inc., one hundred fifty-five and 57/100 (155.57) feet.

PARCEL 2 (Registered)

The land situated in that part of Needham, Norfolk County, Massachusetts, known as Needham Heights, shown as Lot 8 on a plan drawn by Cheney Engineering Co., dated March 29, 1957, as approved by the Land Court, filed in the Land Registration Office as Plan No. 18430K, a copy of a portion of which is filed with said Registry District with Certificate No. 58581, Book 293, bounded and described as follows:

EASTERLY	by the westerly line of Gould Street, as shown on said plan, three hundred one and 06/100 (301.06) feet;
SOUTHEASTERLY	by Lot A shown on the Town of Needham Assessor's Plan No. 77, one hundred forty-five and 50/100 (145.50) feet;
EASTERLY	by land now or formerly of Anne M. Coppinger, one hundred fifty-five and 57/100 (155.57) feet;
SOUTHEASTERLY	by lots G4, G3 and G2 shown on said plan and by land now or formerly of Ennio Pezzolesi et al., four hundred seventy-four and 96/100 (474.96) feet;
SOUTHWESTERLY	by Cross Street and by land now or formerly of Nello Giumetti et al., two hundred thirty-four and 89/100 (234.89) feet; and
NORTHWESTERLY	by land now or formerly of the New York, New Haven and Hartford Railroad Company, nine hundred seventy and 27/100 (970.27) feet.

Said Parcels 1 and 2 are conveyed subject to and together with the benefit of all easements, rights, agreements, liens and encumbrances of record to the extent that the same are now in force and applicable.

Canton
Executive Summary

Introduction to the Payment in Lieu of Tax Program (PILOT)

The Town of Canton receives certain PILOT contributions from educational, medical and cultural institutions and other tax exempt entities. These organizations have voluntarily entered into agreements to help cover costs of municipal services rendered to medical facilities, college dormitories, ambulatory buildings, performing arts centers and a myriad of other properties owned by tax exempt institutions where police, fire and public works and emergency medical response services maybe regularly rendered. Without PILOT contributions, the cost of such essential services would otherwise be borne exclusively by Canton's residential and commercial taxpayers. While the Town faces continuing fiscal challenges, and with a substantial amount of Canton real estate currently owned by tax-exempt organizations, the Town of Canton views PILOTs as an important and fair source of municipal operating revenue.

Getting Started

The Town of Canton, Board of Assessors, and Board of Selectmen typically initiate discussions regarding a PILOT agreement at the time a tax-exempt organization contemplates either expanding its real estate holdings via new construction or begins construction on its existing property. Organizations filing a building permit with the Canton Building Commissioner (BC) may contemplate PILOT agreements at the early project development stage. In such instances, the BC notifies the Assessors Office of the organization's intention to expand or build new property holdings; the Assessors contact the organization and request a PILOT. Additionally, organizations that do not seek Town project approval enter PILOT discussions with the Assessors Office when the organization acquires property from a for-profit owner and subsequently applies for statutory tax abatement.

The Town's PILOT policy focuses on the expansion of tax-exempt real estate and the replacement of previously taxable property as well as PILOT payments on existing tax-exempt non-profit owned facilities. This policy has the pragmatic advantage of allowing exempt institutions to include the cost of any PILOT payment in the financial planning of new facilities. For instance, a PILOT agreement could take the form of a property wide agreement with provisions allowing for PILOT contribution increases in the event of property alterations. This type of agreement allows for a predetermined formula to be applied to future property acquisitions or expansions and avoids duplicating the entire PILOT process each time a new project is undertaken.

The Agreement Process

When a tax exempt organization demonstrates its intention to expand, improve, replace or acquire a new facility, the institution is sent a PILOT New Project Profile Notice Form by the Assessing Department. The organization is asked to provide on the form data regarding its property, revenue raising capability, intended use of property, and other related information.

Once the Assessing Department reviews the New Project Profile, representatives of both the tax-exempt institution and the Assessing Department begin discussions about the property acquisition, expansion or development, an appropriate PILOT contribution amount, and various other terms to be incorporated into the PILOT agreement.

Once a preliminary PILOT agreement is reached, the Assessing Department makes an initial draft of the PILOT agreement. The draft agreement is then forwarded to the Board of Selectmen and the subject organization for further review and final comment.

After the PILOT agreement is approved by the organization, the Assessing Department, Town Counsel, and Board of Selectmen, the contract is finalized and executed by all parties.

Establishing the Annual PILOT Amount

PILOT payments are based upon the project in terms of property value and the revenue the municipal government forgoes because of the project's tax exempt status. The Town utilizes the following guidelines according to the character and nature of the institution's acquisition and/or development and organizational mission.

Estimating Value – Establishing PILOT Amount

The appropriate value of a tax exempt property is determined by using one of the following value methodologies:

A. Cost Approach To Value

When an institution undertakes a large construction and/or renovation project, the cost involved in the construction provides a basis for determining its value. The Assessing Department establishes a price per square foot based on the cost information provided by the institution.

B. Replacement of Tax Revenue Lost Approach

In situations where the exempt institution purchases property that was previously taxable and makes no renovation to the property, the assessed property value is then used as the basis for the PILOT.

Where possible, the value of the real estate is based on the assessed value of comparable buildings in the same or comparable neighborhood and occupied for a similar use.

Calculating the PILOT Amount

The "tax value" of a project is determined by multiplying the project value by the current tax rate. The commercial or residential tax rate is used, depending on the intended use of the property. Size of the project, construction cost of the project development, comparable taxable buildings, and square feet occupied are among the points considered. The "base PILOT" is determined by multiplying the tax value of the project by 40%. This percentage is used because it reflects the percentage of the Town's operating budget that is devoted to basic service, e.g., fire protection, police protection, and public works, for which the Town feels tax-exempt institutions, should contribute. This percentage may be adjusted depending on the anticipated consumption of town services or neighborhood impact of the project.

Escalator Clause

In order to mitigate the effects of inflation on service costs, PILOT agreements contain an escalator clause which provides that the agreed upon base PILOT amount increase annually by an appropriate measure of inflation. For an inflation index the town uses the Implicit Price Deflator (IPD) for State and Local Government produced by the Bureau of Economic Analysis at the U.S. Department of Commerce. The IPD measures the purchasing power of the state and local governments and is therefore the most accurate measure of inflation affecting PILOT values.

Additional Provisions

Credits for Extraordinary Community Services Provided by Tax-Exempt Institutions

Several institutions make contributions to Canton charitable organizations, missions, or town sponsored community programs in the form of direct community services or monetary donations. Examples of contributions include academic scholarships, volunteer classes or workshops for community based non-profits or public school programs. The Town will consider a credit for money spent on such contributions for up to 40% of the institution's then current PILOT (base PILOT) obligation. In order to qualify as a credit, the community service must be a new service or contribution performed above and beyond any service or contribution the institution was providing prior to the execution of the PILOT agreement. The Town annually evaluates and may approve requests for community service credits on a case-by-case basis. Institutions should be aware that services that support the priorities of the Board of Selectmen – promoting health, recreation and education, expanding jobs and economic development – are preferred.

The Town of Canton recognizes and appreciates those institutions that support the PILOT program. These guidelines aim to provide an open and equitable process for the effective fiscal management of Canton's tax base.

Town of Canton
Tax-Exempt Property
PILOT Program

Published by the
Canton Board of Selectmen

I. Introduction

A. Overview

The Massachusetts State Constitution, written in 1780, empowered the legislature to promote the arts, sciences, and natural history of our country by granting "reasonable exemptions" to the institutions that embrace these pursuits. The impact of this law is realized by the erosion of Canton's tax base.

Canton must be fair and even-handed in managing its tax base due to the following fiscal realities:

- The over-reliance on the property tax as the only major source of tax revenue;
- The implementation and limitations of Proposition 2 ½;
- Increase demands for costly municipal services which require additional revenues;
- The continued decline in federal and state fiscal assistance;
- A precarious state revenue forecast that threatens the state's ability to provide fiscal relief;
- Real costs of providing municipal services to tax exempt properties;

Throughout the Town's history, Canton has responded to the rising cost of servicing the growing number of properties which are tax-exempt by increasing property taxes on other classes of taxable property. However, the enactment of Proposition 2 ½ in fiscal year 1982, first drastically cut property tax revenues, and then limited their future growth to 2 ½ percent a year. Canton is no longer able to absorb reduced operating revenue effect of tax-exempt property by increasing revenues from its taxable base.

B. *Purpose*

The increase in the amount of tax-exempt property and the corresponding decrease in Canton's tax capacity necessitates policy guidelines to manage the tax base effectively. The intent if this policy guideline is to outline a fair, open, and equitable process for managing the tax base through a payment in lieu of tax (P.I.L.O.T.) program. These guidelines represent the product of an ongoing process evolving from extensive dialogue between Town officials, representatives of the tax-exempt institutions and the general public. With a standardized format, the nature of the relationship between the tax-exempts and the Town of Canton is better established, and understood for mutual cooperation.

C. *Benefits of Tax-Exempt Institutions*

The Town of Canton appreciates the contributions of those institutions which currently fulfill the financial, philanthropic, health, educational, and community service benefits.

Tax-exempt institutions bestow many benefits upon Canton, the Commonwealth, and the entire nation. Since many of the benefits associated with tax-exempt institutions are intangible, they are difficult to quantify. In addition to these intangible benefits, tax-exempts offer various community services such as scholarships, free use of institutional facilities, and patient care to the medically indigent. Tax-exempts provide services that contribute to the overall welfare of our Town. To the extent that tax-exempts care for the poor, educate the unenlightened, and uplift the spirit, the Town appreciates and recognizes the benefits of tax-exempt institutions.

Tax-exempt institutions also significantly contribute to the region's economy, especially health and education industries.

While tax-exempt institutions have a positive impact on Canton's economy, it must be remembered that municipal government is unable to reap directly the benefits of this economic activity. Since the Town relies on the property tax as its primary source of tax revenue on the local level, Canton is not allowed to tax incomes, expenditures, or financial assets and, as a result, cannot capitalize on the contributions tax-exempt institutions make to our economy.

D. *Cost of Tax-Exempts to Canton*

While Canton benefits from its reputation for excellence cultivated by its tax-exempt institutions, it must contend with the increasing municipal costs of providing services to these facilities. First, the Town must absorb the cost of providing municipal services to tax-exempt institutions. Exempt institutions such as colleges, hospitals, museums, and other educational and cultural entities annually attract students, patients, visitors, and tourists. The Town of Canton must bear the entire cost of providing public services to these institutions and their constituents; yet, for the most part the Town is restricted from receiving compensation revenues directly from non-residents who take advantage of the resources of the Town and its institutions.

Secondly, Canton must also absorb the implicit opportunity costs associated with the loss in revenue due to the exempt status of the property. If privately-owned exempt properties were fully taxable, Canton would realize a substantial increase in property tax revenue. The loss of revenue associated with these state mandated exemptions, results in both a restrictive revenue base and a higher tax effort for the Town taxpayers, thus imposing significant economic costs to the Town.

E. *Reconciliation of the Benefits and Costs*

While the benefits associated with tax-exempt institutions extend far beyond the Town's borders, Canton residents must bear the entire costs associated with these institutions. Where possible, a portion of the municipal costs associated with the tax-exempt institutions should be borne by the constituents of these institutions. The implementation of a standardized payment in lieu of tax system will enable the Town to address the cost-benefit gap.

II. Guidelines

A. Initiatives

In order to protect itself against the additional loss of taxable property, the Town of Canton proposes the following initiatives:

1. An owner of a currently taxable property who requests tax-exempt status will be requested and encouraged to make a voluntary annual payment to the Town (PILOT Payment),
2. Discussions regarding a voluntary annual payment to the Town will commence at the time a tax exempt organization institutes proceedings to acquire, expand or improve its property;

Seeking payments on existing facilities is also an important part of the Towns PILOT initiative. Certain portions of our PILOT policy has the advantage of allowing exempt institutions to include the cost of any PILOT payment in the financial planning of new or expanded facilities. In addition, this policy includes institutions that, through their intent to expand, demonstrate a favorable financial position and thus an ability to contribute. Therefore, as exempt institutions expand, improve, and replace their facilities, the Town will assist and manage the fiscal impact of PILOTS on these properties with the intent to not impose undue financial pressures on exempt institutions.

In addition to these initiatives which address privately owned tax-exempt properties, the Town of Canton also proposes two additional initiatives regarding state-owned properties:

3. The Commonwealth of Massachusetts will be asked through legislation to compensate the Town for certain state-owned properties at a level beyond the amount currently provided under existing laws;
4. Independent State Authorities, such as MBTA, will be asked to negotiate or increase in lieu of tax payments in recognition of the economic costs they impose on the Town of Canton.

As the single largest owner of property within the Town, state government has a responsibility to adequately compensate the Town for the municipal costs associated with servicing state properties and facilities. The Town will advocate and urge the General Court to consider these important legislative proposals that will reduce the burden that state-owned properties impose on cities and towns.

B. *Payment in Lieu of Taxes*

The following procedures outline the payment in lieu of tax negotiation process. This process applies to all currently located tax exempt properties in town as well as new tax exempt projects.

1. When an institution demonstrates its intent to expand, improve, replace, or acquire a facility, the institution will be sent a Payment In Lieu of Tax Agreement Application Form. The institution will provide relevant data regarding its property, its revenue raising capability, intended use, etc. When available, the institution will submit its master plan to the Town.
2. Representatives of the tax-exempt institution and representatives from the Town of Canton will meet to discuss the formulation of a payment in lieu of tax agreement;
3. After this initial meeting the Town of Canton will draft the payment in lieu of tax contract. The Town of Canton will follow a standardized format drafting the agreement.
4. After the agreement is approved by the institution and the Town of Canton, the contract is then executed.

C. *Guidelines for Establishing the Payment in Lieu of Tax Amount*

Historically, payment in lieu of tax amounts have been negotiated using payment schedules based on such factors as the cost of municipal services consumed by the institution, the revenue if taxable on the property, and the income produced by the facility. The wide range of methodologies employed indicates the difficulty of having any formula which accurately weighs all the specific information needed for an equitable payment in lieu of tax agreement. Rather than advocate the use of a single payment mechanism which may not provide the flexibility needed in negotiating an equitable payment in lieu of tax, the Assessors Office will apply the following criteria in determining the in-lieu of tax amount (Assessors shall use their discretion when determining the PILOT Calculation Method based on each individual tax exempt circumstance).

1. The Cost of Providing Municipal Services to the Institution
This is an important measurement of one of the primary costs of the tax-exempt properties. While it may be unreasonable to expect a full tax payment from most institutions, tax-exempts should make a contribution toward the essential municipal services that they consume. The estimation of the cost of servicing an exempt institution provides an excellent starting point for negotiating an in-lieu of tax amount.

2. The Revenue of the Property If Taxable
This is a measurement of the second cost associated with tax-exempt property- the revenue the municipal government forgoes due to the exempt status of the property.

The Town of Canton recommends that the payment for municipal services reflects the percentage that essential services (fire protection, police protection, and public works) compromise of the Town's operating budget. These services consume approximately 40 percent of the Town's Budget. Therefore, the Assessors Office advocates that 40 percent of the revenue of the Town would receive if the facility were fully taxable provide a rational basis for a payment in lieu of tax amount.

3. Building or Campus-wide Agreement

If an institution plans multiple alterations to its entire campus, a preferable form of payment in lieu of taxes would be a campus agreement. A campus agreement allows for a predetermined formula to be applied to future additions.

If an institution plans only a single alteration to its campus, then a building agreement is more appropriate. Such an agreement would allow for payment for the specific building.

4. Nature of the Public Benefit Provided by the Institution

While it is difficult to quantify many of the benefits associated with these tax exempt institutions, it is possible to evaluate certain aspects of the institution's benefits and consider these in the payment in lieu of tax amount. For example, factors such as servicing primarily Canton residents or contributing specifically to the Canton economy will be taken into consideration when formulating the payment in lieu of tax agreement.

5. The Revenue Producing Capabilities of the Institution

This factor is used to determine the extent to which exempts can and should pass the cost associated with the payment onto the beneficiaries of the institution. For example, an institution that is able to charge for its services or is able in some other way to pass the cost associated with the payment for municipal service payment onto the beneficiaries of the exempt institution is better able to make a payment in lieu of tax.

6. Credits for Services Provided by the Tax-Exempt Institutions

Many institutions prefer offering community services (i.e. scholarships, free use of an institution's facilities) to making actual payment in lieu of taxes to the Town. The Town evaluates requests for credits for community services on a case-by-case basis. However, such credits should not exceed 25 percent of the dollar value of a payment for municipal service agreement and will occur at the discretion of the Town of Canton, Board of Selectmen and Board of Assessors.

7. Escalator Clause

Payment in lieu of tax agreements will include an escalator clause to ensure that today's dollar is worth the same tomorrow, mitigating the effects of inflation. The Assessor's Office recommends the use of Implicit Price Deflator for State and Local Government, produce by the Bureau of Labor Statistics of the U.S.

Department of Commerce (I.P.D). The I.P.D. measures the purchasing power of the state and local government; therefore, it is clearly the most relevant measure of inflation for payment for municipal service agreements.

III. Summary

Once again, The Town of Canton thanks those institutions which currently contribute to our community. Town government and exempt institutions must maintain a cooperative partnership to ensure Canton's fiscal health.

The problems associated with tax-exempt property are some of the most complex and controversial fiscal issues that face the Town of Canton. However, given that the property tax is Canton's only major source of tax revenue and that this source is restricted by Proposition 2 1/2, the large percentage of exempt property imposes significant economic costs on the Town. Thus, these guidelines provide a fair, open, and equitable process for the effective fiscal management of Canton's tax base, and shall serve as the basis for determining the terms and conditions of any PILOT agreement reached between the Town of Canton and any eligible non-taxable entity.

John J. Connolly, Chairman

Avril T. Elkort, Vice-Chairman

Gerald A. Salvatori, Jr., Clerk

Robert E. Burr, Jr., Member

Victor D. Del Vecchio, Member

B Payment in Lieu of Tax (PILOT) Program for Exempt Institutions

Introduction

Boston residents are fortunate to have access to some of the finest educational, medical, and cultural institutions in the country. However, this benefit is not without its costs. These institutions are situated largely on tax-exempt land. Property taxes are a critical part of City revenue, funding police, fire and public works services, and residential and commercial taxpayers are left to cover the cost of providing these essential city services to exempt institutions. As these institutions grow, so too does the property tax burden placed on taxpayers.

The City began collecting payment-in-lieu-of-tax (PILOT) contributions from tax-exempt institutions many years ago in an attempt to relieve the strain on residential and commercial taxpayers by diversifying the City's revenue stream. Today, institutions continue to make annual PILOT payments according to provisions in their agreement(s) with the City. In fiscal year 2007, 43 tax-exempt organizations made PILOT contributions totaling $32.5 million. With 52% of City land currently exempt from property taxation, the Assessing Department will continue to seek PILOT funds from non-profit institutions located within City limits.

Getting Started

The City of Boston Assessing Department typically initiates discussions regarding a PILOT agreement at the time a tax-exempt organization contemplates expanding its real estate holdings or begins new construction on existing property. Organizations filing project notification materials with the Boston Redevelopment Authority ("BRA") may contemplate PILOT considerations at the early project development stage. The BRA notifies all relevant City departments, including the Assessing Department, of the organization's intent to expand its property holdings. The Assessing Department's Tax Policy Unit will then make contact with the organization and request a PILOT determination meeting. PILOT discussions also emerge when non-profit organizations acquire previously taxable property and apply for a tax exemption.

Determining the Annual PILOT Contribution

The Base PILOT Amount

The City considers a number of factors when determining an appropriate base PILOT contribution for a tax-exempt project. As such, it is rare that two PILOT agreements are alike given the range in size and usage of non-profit facilities. The following are just a few of these considerations:

- Property taxes generated by the property: if the property was taxable prior to the acquisition by the non-profit organization, the City will look to recover some of the tax revenue that will be lost when the property becomes exempt.
- Size of the property/project: square footage data could be a factor in determining the magnitude of the PILOT contribution.
- Usage of the property/project: usage of the property – such as for research labs, classrooms, or hospital beds – could be a factor in determining the magnitude of the PILOT contribution.
- Construction costs: the amount that the organization spends on constructing or rehabilitating a facility could be a factor in determining the magnitude of the PILOT contribution.

PILOT Escalator Clause

In order to mitigate the effects of inflation, PILOT agreements contain an escalator clause that causes the base PILOT amount to increase annually according to the escalation factor. The City currently employs a number of inflationary indexes, including the Implicit Price Deflator ("IPD"), Consumer Price Index ("CPI"), and Cost of Municipal Services index ("CMI"). The IPD, which measures the purchasing power of state and local governments, is produced by the Bureau of Economic Analysis at the U.S. Department of Commerce. The CPI is produced by the Bureau of Labor Statistics at the U.S. Department of Labor. Finally, the CMI is calculated using the City of Boston's budgeted amounts for fire, police, and snow removal. The index to be used for a PILOT project is reviewed on a case by case basis.

PILOT Credits for Extraordinary Community Services

In some cases, the City will consider including a community service deduction in the PILOT agreement. The community service deduction is intended to encourage non-profit institutions to adopt new community-oriented services or services above and beyond any service or contribution the institution was providing prior to the execution of the PILOT agreement (BRA negotiated community benefits are not considered community service credits for PILOT community service credit purposes). Current examples include academic scholarships, volunteer classes and/or workshops for community based non-profits, as well as the operation of free emergency medical clinics.

If approved, the City will offer a PILOT credit up to 25% of the aggregate PILOT for that year. Community services to be considered for the PILOT credit are carefully reviewed on an annual basis. Services that support the priorities of the Menino administration - promoting education and health, alleviating the fear of crime, expanding jobs and economic development - are preferred.

Summary

The City of Boston recognizes and appreciates those institutions that support the PILOT program. City government and exempt institutions must maintain a cooperative partnership to ensure Boston's fiscal health. These guidelines aim to provide an open and equitable process for the effective fiscal management of Boston's tax base.

AGREEMENT TO MAKE PAYMENTS IN LIEU OF TAXES
BY AND BETWEEN <CHARITABLE ORGANIZATION>
AND THE CITY OF BOSTON

AGREEMENT, made this ___ day of MONTH, YEAR at Boston, Massachusetts by and between <CHARITABLE ORGANIZATION>, a charitable corporation duly organized under Chapter 180 of the laws of the Commonwealth of Massachusetts having a usual place of business at ADDRESS, CITY, Massachusetts, ZIP, and the City of Boston ("City"), a municipal corporation in the Commonwealth of Massachusetts, with respect to TAX-EXEMPT PROPERTY/IES NAME(S) (the "Property"/"Project").

WITNESSETH THAT:

A. CHARITABLE ORGANIZATION, while currently entitled to exemption from obligations to pay local real estate taxes on its property pursuant to Massachusetts General Laws C. 59, § 5, Clause Third, recognizes that its operations at this Property require the City to furnish municipal services and is willing voluntarily to make certain payments to the City in the form of payment in lieu of taxes ("PILOT").

B. The Property may be exempt under the laws of the Commonwealth from local real property taxes provided that the uses remain consistent with the tax laws relative to exemption, and CHARITABLE ORGANIZATION intends to file appropriate papers required by law to obtain and maintain such exemption.

C. CHARITABLE ORGANIZATION and the City further acknowledge and agree that other real and personal property owned by CHARITABLE ORGANIZATION which is now entitled to exemption from taxation shall continue to remain so entitled, subject to applicable laws relative to exemption from real property taxation; and consistent with the above, that the above referenced Property/Project which is the subject of this Agreement shall be granted exemption upon timely application for exemption and preservation of statutory rights of appeal, insofar as may be necessary, in the event of any or all the property taxed by the City in any particular fiscal year.

NOW, THEREFORE, in consideration of the municipal services to be furnished by the City and the mutual agreements herein contained, the parties hereto hereby agree as follows:

1. **PILOT Term and Payment Schedule.** Beginning in the fiscal year in which the exemption is granted (the "Effective Date"), CHARITABLE ORGANIZATION will make an annual payment in lieu of taxes to the City of Boston for a term of X (X) years following such Effective Date. Each annual payment shall be due and payable in two installments with the first half due on November 1 and the second half on May 1 of each year during the term hereof in amounts and upon conditions set forth below.

2. **Base PILOT Payment Amount.** The "Base Payment," the amount due in the Effective Year, shall be AMOUNT ($AMOUNT).

3. **PILOT Escalation**. The payment due for each fiscal year after the first fiscal year in which payment shall be due pursuant to the terms of the Agreement shall be subject to adjustment as provided in the Inflation Adjustment Clause attached hereto as Exhibit A.

4. **Community Service Credits**. Twenty-five percent (25%) of the total amount due in each fiscal year shall be credited, contingent upon CHARITABLE ORGANIZATION's documentation of community services being provided or funded for the benefit of Boston residents.

5. **Property Exemption in Future Fiscal Years**. It is the intention of the City, through its Assessing Department, to recognize the Property as exempt pursuant to M.G.L. c. 59, § 5, Clause Third in future fiscal years so long as and provided that (a) exemption is warranted as a matter of ownership, use and occupancy and (b) Form 3 ABC is timely filed with the Assessing Department for each fiscal year.

6. **Property Tax Bill Issuance**. In the event a real estate bill is issued for the Property, it is the exclusive responsibility of CHARITABLE ORGANIZATION to do all things necessary to preserve the jurisdiction of the City's Assessing Department to grant abatement relief on the basis of exemption, overvaluation, misclassification, and/or disproportion including timely filing of application(s) for abatement, supporting documentation and appeal(s) to the Appellate Tax Board, as may be necessary, and timely payment of the deemed tax due as defined in M.G.L. c. 59, § 64.

7. **Commercial Operation or Use**. Pursuant to applicable law, the City may assess property taxes to CHARITABLE ORGANIZATION based upon commercial operation or uses of the Property.

8. **Change in Exemption Law(s)**. If, during the term of this Agreement, there is a change in the laws applicable to exemptions from real property tax that affects the exempt square footage within the Property, then the PILOT payment shall be reduced by the percentage by which the commercial square footage exceeds 20% of the Property's total square footage (example: if a change in exemption laws results in 30% of the Property's total square footage being assessed as commercial and thus taxable space, then the PILOT payment will be reduced by 10%).

9. **State Reimbursement**. If the Commonwealth of Massachusetts hereafter reimburses the City for property taxes lost as a result of exemptions and said reimbursement is based in part on valuation of property held by CHARITABLE ORGANIZATION which is subject of this Agreement, there shall be a reduction of the amounts payable thereafter under this Agreement. Such reduction shall be in an amount equal to the percentage which the valuation of the Property under this Agreement constitutes of the valuation of all exempt buildings on which the reimbursement is based. Such reduction shall be credited against the payment due under this Agreement in each fiscal year in which the City receives the state reimbursement.

10. **Enforcement**. The provisions of this Agreement shall be binding and inure to the benefit of the parties hereto and their respective legal representatives, successors in office or interests, and assigns and may be amended only by an agreement in writing duly executed by both parties hereto or their successors.

11. **Headings.** The headings and captions of the paragraphs and sections of this Agreement are not to be considered a part of it and shall not be used to interpret, define, or limit the provisions hereof.

IN WITNESS THEREOF, each of the parties has caused this Agreement to be executed as a sealed instrument by its officers duly authorized as of the day and year first above written.

CHARITABLE ORGANIZATION	THE CITY OF BOSTON
By:	By:
____________________ Its:	____________________ Thomas M. Menino Mayor

Approved as to form:

By:	By:
____________________ William F. Sinnott Corporation Counsel	____________________ Ronald W. Rakow Commissioner of Assessing

WILL PILOTS FLY IN WORCESTER? TAXING NONPROFITS AND OTHER OPTIONS

Report No. 04-04
March 24, 2004

319 Main Street, Worcester Massachusetts 01608 Telephone: 508-799-7169 Facsimile: 508-799-4720 www.wrrb.org

Executive Summary

The Worcester City Council is considering establishing a Payment in Lieu of Taxes (PILOT) program which would formally request tax-like payments from tax-exempt institutions. Boston, Providence, Cambridge, New Haven, and Watertown have PILOT programs. Based on the findings below, the Research Bureau believes that the City would be better served by making the colleges part of its economic development strategy than by requesting payments in lieu of taxes.

- Based on the PILOT formulas and revenue trends in Boston, Cambridge, Providence, and New Haven, Worcester could expect to generate somewhere between $90,000 and $1.2 million in revenues for the City through a PILOT program.

- Institutional endowments are an indicator of how much nonprofit organizations can contribute to a PILOT program. Boston's college endowments total $21.7 billion, Cambridge's, $24 billion; Providence's, $2.0 billion. Worcester's colleges have less than $1 billion in institutional endowments.

- Each year, Worcester colleges contribute over $1.5 million in taxes and fees to the City, and add $10.5 million annually in property taxes paid by employees and businesses that serve the colleges. The colleges also provide scholarships in excess of $5 million to students and teachers from the City of Worcester.

- During the last ten years, Worcester colleges have supported development projects worth over $44 million, including the WPI Gateway Park project which will provide space for taxpaying businesses that could generate 3,000 jobs when completed.

- In light of the colleges' annual contributions to the vitality and well-being of the City, Worcester Public Schools, and Worcester neighborhoods as well as the colleges' contribution to economic development projects in the City, it is difficult to support the argument that the colleges do not "pay their fair share."

- Contributions to PILOT programs may lead colleges (as is the case with Brown University in Providence) to reduce their commitments to existing neighborhood and business development projects.

- Alternatives to PILOT programs presented in this report include state reimbursement to communities for a defined percentage of the value of tax-exempt property and a modest regional tax on communities that benefit from the tax-exempt institutions (pp. 14-16).

I. Introduction

The Worcester City Council is considering establishing a PILOT program in order to request payments from nonprofit institutions which are exempt from property taxes by state statute.[1] A similar proposal was considered and rejected by the City Council in 1997. At that time, the Research Bureau released a report titled *Payments in Lieu of Taxes: Arguments For and Against* (#97-4). We will update that report by examining both the current revenue potential of PILOTs in Worcester and the potential

[1] Massachusetts General Laws. Section 5.

consequences of such a program. In the final section, we examine some alternatives that communities outside of Massachusetts have implemented to ease the burden that large nonprofit institutions can place on their host cities.[2]

What is a PILOT?

PILOT is a formalized way for cities to request tax-like payments from tax-exempt institutions. Since nonprofit institutions are exempt from local property taxes, cities that want to acquire payments from them must do so through voluntary agreements with the institutions. When nonprofit organizations expand, they take land off the city's property tax rolls, diminishing the city's property tax base. Under a PILOT program, they are asked to pay some percentage of the taxes they would pay as fully taxed commercial entities (often the percentage is based on the percentage of the city budget dedicated to core city services, Police, Fire, and Public Works—roughly 30% in Worcester). Cambridge, Massachusetts, established a PILOT program in 1928 when MIT sought to purchase a hotel on the Charles River. The city and the University agreed that the city needed compensation for the loss of that taxed property. Today, 32% of property in Cambridge is tax-exempt. Harvard and MIT make payments in lieu of taxes of more than $2.8 million per year. Boston also collects PILOT payments from large nonprofit institutions, including Boston University, Harvard, and Massachusetts General Hospital. Providence, Rhode Island, has recently contracted with four downtown colleges and universities in order to receive compensation for existing and newly-developed tax-exempt land. Providence estimates that it will receive close to $4 million in PILOT payments in FY04 from Brown, Providence College, Rhode Island School of Design, and Johnson and Wales University.

Would similar programs make sense for Worcester? Could it generate similar revenues? Are Worcester colleges contributing their "fair share" to the City? This report attempts to answer these questions. First, we present some facts and figures from existing PILOT programs and make comparisons to Worcester to ascertain the revenue potential of PILOTs in Worcester. In the second section, we examine the current level of contribution from the colleges in Worcester to the City of Worcester and assess the colleges' use of City services. Finally, we examine some regional and statewide approaches that are utilized in other parts of the country.

II. Cities with PILOTS: Facts and Figures

Cambridge

Cambridge is the model for PILOT programs nationwide in terms of its longevity, success, and founding rationale. As mentioned above, in 1928, MIT sought to purchase valuable land on the Charles River including a hotel; MIT agreed to make PILOT payments to the City for its loss of tax revenue. Today, MIT and Harvard together pay approximately $2.8 million annually. Cambridge also receives another $500,000 annually from other colleges and hospitals. Cambridge is a unique example not only because it is home to two of the world's most prestigious institutions of higher education, but because it has the highest percentage of tax-exempt land of any municipality in the state (32.5%). Cambridge has $17.7 billion of assessed value in taxable property and $8.5 billion in tax exempt. If all of the $8.5 billion were taxed at the current tax rate ($19.08 per thousand in FY04 in Cambridge), then the city would receive $163 million in tax revenue. Through the PILOT program, Cambridge generates $3.3 million in revenue.

Largest contributors: Harvard, $1.7 Million; MIT, $1.1 Million .
PILOT Total: $3.3 Million

[2] Disclosure: The Worcester Regional Research Bureau is a nonprofit organization. The presidents of all of Worcester's colleges serve on the Research Bureau's board of directors.

Boston

Boston's percentage of tax-exempt land (24.2%) is much closer to Worcester's, 21.69%. Like Cambridge, however, Boston also draws most of its PILOT payments from a few large institutions with large endowments like Harvard, Boston University and Massachusetts General Hospital. Boston initiates PILOT requests based on a formula that includes the cost of a proposed development project, the assessed value of the property, and a comparison with comparable buildings. In most cases, though, the formula is used only to begin discussions, and PILOT payments are arrived at through negotiations with individual nonprofits. Boston has $18 billion in tax-exempt property which—if taxed at the FY03 tax rate (31.39 per thousand)—would generate over $500 million in tax revenue. Through the PILOT, Boston receives $12 million.[3]

Largest contributors: Boston University, $3 million; Massachusetts General Hospital, $1.9 million
PILOT total: $12 million

Providence

Providence has recently finalized an arrangement with four local universities for PILOT payments that is expected to generate $3.8 million in FY04.[4] The Rhode Island School of Design (RISD) is about to move its library to a downtown facility that was previously a tax-paying bank. As Cambridge did in 1928, Providence has been moved to protect its tax base by the prospect of college expansion. Providence already faces the difficulty of having more than 39% of its property tax-exempt. Like Cambridge and Boston, Providence also has well-endowed institutions, with Brown holding an endowment of over $1 billion. Providence applied pressure on its nonprofits by lobbying at the state level for a change in the statutes that govern tax-exemption. In order to finance the PILOT, Brown University eliminated more than $600,000 in support for HELP, an urban health and education program.

Largest contributors: Brown University, $2 Million; RISD, $798,000.
Pilot Total: $3.8 Million

New Haven

New Haven receives revenue from the state of Connecticut to compensate the city for a portion of its tax-exempt property. This state-funded PILOT will be discussed in more detail in the final section of this report (see page 14). In addition to state funding, New Haven receives direct financial support from Yale. Besides hiring its own police force, Yale pays over $2 million per year to New Haven's Fire Department. Yale is second only to Harvard in endowment size, with $11 billion in 2003.[5] Since New Haven also benefits from a substantial state PILOT program, it is not included in some of the comparisons that follow.

Contributor: Yale University
University PILOT Amount: $2 million

Watertown

In 2002, Watertown established a PILOT arrangement with Harvard University allowing Harvard to purchase a large amount of property that had been a shopping center as well as surrounding property that was available for development. Watertown sought compensation for the loss of a specific property

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[3] Excludes payments to Boston from Massport which were $10 million in FY03.
[4] Rhode Island Public Expenditure Council, "Closing Providence's FY 2004 Deficit," October 2003.
[5] Endowment data is collected from the 2003 National Association of College and University Business Officers Endowment Study.

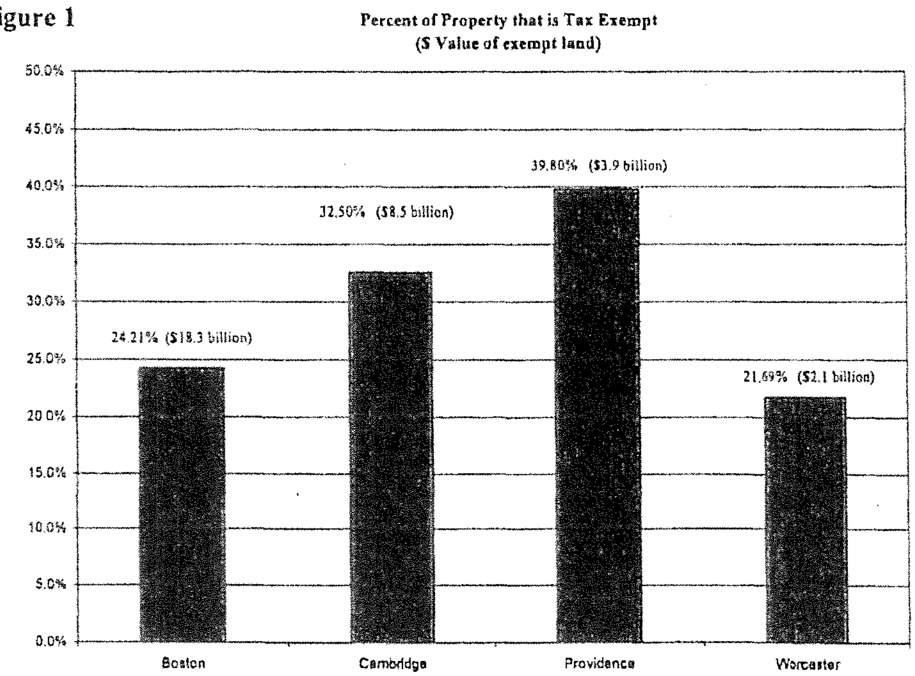
that was generating tax revenue and the lost potential revenue of the surrounding land. The President of Harvard University claimed that the Watertown arrangement was the beginning of a "new principle governing University acquisitions and community relations in which Harvard will make voluntary payments for a period of time to compensate towns for the loss of tax-revenue generating property."[6] In return, Harvard may develop the property "as of right" without any zoning interference from the town. In Watertown, Harvard's payments began at $3.8 million annually and will increase at a rate of 3% per year for 50 years. Watertown lost approximately one quarter of its tax-revenue potential in the loss of the site ($163 million of $644 million in commercial property). With only 4 square miles of territory, Watertown lost a substantial portion of its developable land.[7] Due to the unique situation in Watertown, its data are not included in some of the following comparisons.

PILOT Amount: $3.8 Million +3% per year
Contributor: Harvard University

III. How Much Revenue Could Worcester Generate with a PILOT Program?

Worcester has the sixth-highest percentage of tax-exempt property in Massachusetts—21.69%, valued at $2.1 billion. Below is a chart comparing Worcester's tax-exempt property with that Boston, Cambridge, and Providence based on FY03 valuations.[8]

Figure 1



Worcester has the smallest percentage of tax-exempt property of these four cities, and the assessed value of Worcester's property is well below that of the other cities ($2.1 billion compared to $3.9, $8.5, and $18.3 billion).[9]

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[6] *Harvard University Gazette*. "Watertown, University Announce Agreement," September 26, 2002.
[7] Bill Archeambeault. "Harvard Land Deal," *Boston Business Journal*, July 27, 2001.
[8] FY03 data were the most recent available for all cities and are used when comparing cities.
[9] Comparisons based on FY03 data from Massachusetts Department of Revenue

In FY04, Worcester's tax-exempt property was valued at $2.45 billion[10] over 45%—$ 1.1 billion—of which is owned by the City and the State. The single largest owner of tax-exempt property in Worcester is the City of Worcester itself, which owns $646 million. Another 19%—$341 million—is owned by religious institutions (the Catholic Church owns $168 million—50% of the property held by religious organizations) that would likely remain untaxed under a PILOT program. Colleges, universities and hospitals—the likely targets of a PILOT program—make up 31% ($764 million) of the total tax-exempt property in Worcester and 7.8% of the total property valuation.[11] Figure 2 details the amounts and kinds of tax-exempt property in Worcester.[12]

Figure 2 **Tax-Exempt Property in Worcester FY04**

Class	Description	# Parcels	$ Valuation	% by Valuation
903	City of Worcester	560	$646,243,200	26.38%
901	Commonwealth of Massachusetts*	164	$477,648,300	19.50%
904	Private Colleges and Private Schools	154	$423,540,100	17.29%
906	Religious Institutions	319	$341,088,600	13.92%
905	Charitable Organizations (including Private Hospitals)	302	$340,476,500	13.90%
908	Worcester Housing Authority	65	$143,315,700	5.85%
907	121A Corporations (Urban redevelopment)	31	$43,083,400	1.76%
900	Federal Government	6	$20,909,900	0.85%
952	Upper Blackstone Sewerage Treatment Facility	2	$6,122,300	0.25%
909	W.R.T.A.	2	$3,475,100	0.14%
950	WBDC/Bio-Tech	1	$2,681,500	0.11%
953	Town of Auburn	1	$785,800	0.03%
943	Railroad Right of Way	4	$228,400	0.01%
902	Worcester County	2	$80,800	0.00%
955	G.I.S. Parcels**	4	$18,100	0.00%
	TOTAL TAX EXEMPT	**1617**	**$2,449,697,700**	100.00%
	*Includes Worcester State College and Umass **Anomaly of defining parcels with Geographic Information System (GIS)			
	Souce: City of Worcester Assessing Department			
	Prepared by: Worcester Regional Research Bureau			

If all tax-exempt property were taxed at the full FY04 commercial tax rate, it would generate $22.6 million in revenue. Since PILOT programs normally require voluntary payments of only a small fraction of the full commercial tax rate from a fraction of all tax-exempt property holders, a PILOT program would capture a small percentage of this "lost" tax revenue.

How much PILOT revenue do cities get from their nonprofit institutions? The most consistent estimate among Boston, Cambridge, and Providence is that these cities generate just over 2% of the tax revenue lost from all tax-exempt properties (not just the revenue lost due to colleges and hospitals). If Worcester were able to generate 2% of its lost tax revenue through PILOT payments by colleges and hospitals, it would generate $1.4 million. Figure 3 shows the amount of tax-exempt land in the city, the lost tax revenue (the amount of tax revenue that would be generated if all tax-exempt property in the city were taxable at the commercial rate), and each city's PILOT revenues. Worcester is listed with

[10] FY04 data for the City of Worcester provided by the City of Worcester Assessor's Office. For comparisons with other cities, FY03 data are used.
[11] Includes property owned by K-12 private schools.
[12] Commonwealth of Massachusetts includes Worcester State Hospital, which accounts for $14,236,000 of the tax-exempt land in Worcester. If the state legislature adopted the Romney administration's proposal to close Worcester State Hospital, the land would become available for private development which would generate $430,000 if taxed at the current commercial rate and— if developed for commercial or industrial use—could generate substantially more tax revenue and additional jobs.

its actual tax-exempt and lost tax revenue figures from FY03, and the PILOT revenue is estimated at 2.2% of the total lost tax value.

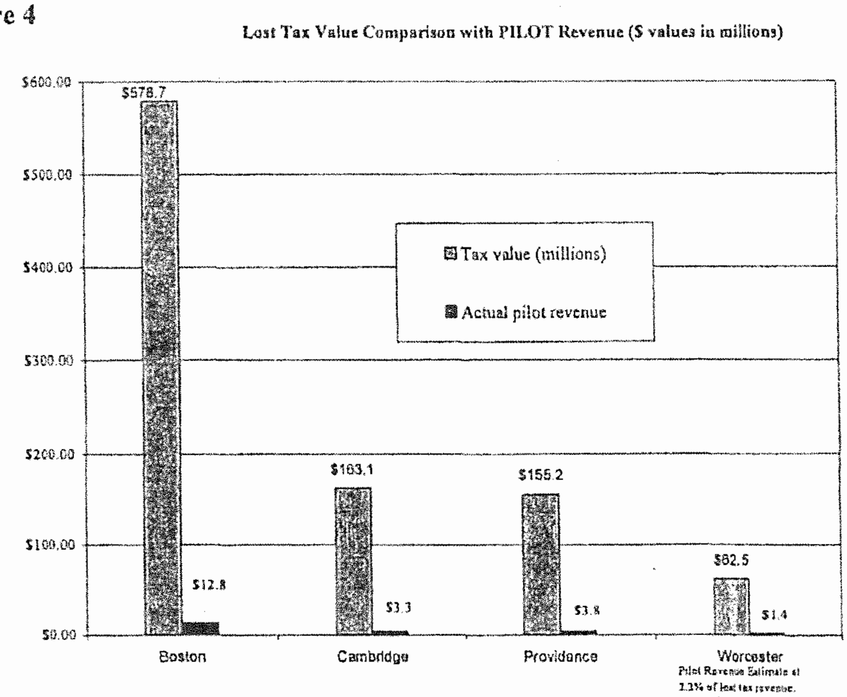
Figure 3

PILOT Revenues as a Percentage of Lost Tax Value ($ in Millions)

City	Tax Exempt	Tax Rate	Lost Tax Value	Actual Pilot Revenue	% of Tax Value
Boston	$18,376	0.03149	$578.66	$12.8	**2.2%**
Cambridge	$8,548	0.01908	$163.10	$3.3	**2.0%**
Providence	$3,999	0.03882	$155.24	$3.8	**2.4%**
Worcester estimate if Worcester generated 2.2% of the tax value lost through PILOT					
Worcester	$2,110	0.0296	$62.46	$1.4	**2.2%**
*Worcester numbers assume that Worcester is able to generate 2.2% of lost tax revenue through a PILOT.					

Figure 4 shows the difference in magnitude between the lost tax value in Worcester and the other PILOT cities.

Figure 4



Could Worcester generate $1.4 million in PILOT revenues? Important differences exist between Worcester and the other PILOT cities, notably differences in the size of institutional endowments. The Cambridge assessor's office explained that endowment size may be the most important factor in establishing a successful PILOT program. In Cambridge, 80% of PILOT revenues come from Harvard and MIT (each of which has endowments among the top ten university endowments in the country). Figure 5 shows the endowments of Worcester's institutions of higher learning compared to those in Boston, Cambridge and Providence.[13]

[13] Boston endowment data include the following institutions which make PILOT payments to Boston: Berklee College of Music, Boston College, Boston University, Harvard University, Massachusetts College of Pharmacy, Northeastern University, Suffolk University, Tufts, Wentworth Institute of Technology. Cambridge includes

Figure 5

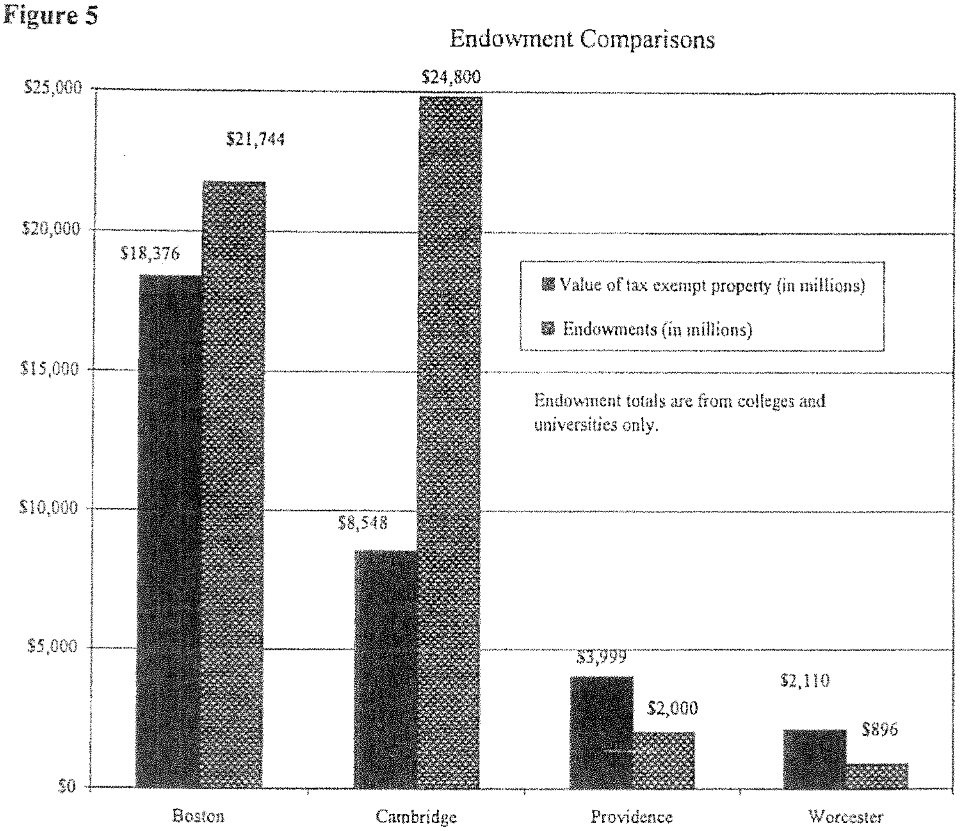


Figure 6 shows what Worcester institutions would pay in PILOT payments if they paid the equivalent of Harvard, Yale, Brown, or MIT. Estimated as a proportion of institutional endowments, Worcester's PILOT revenues could be as high as $1.2 million and as low as $89,000. If Worcester received only the percentages paid by Harvard or MIT, the City would earn between $89,000 and $179,000 in PILOT payments annually. Using Brown University as a model, Worcester might collect as much as $1.2 Million in PILOT payments.[14]

Harvard University and MIT. Providence Includes Brown, Johnson & Wales, Providence College, and Rhode Island School of Design.

[14] This list of Worcester endowments includes the Massachusetts College of Pharmacy which has a branch in Worcester, but is headquartered in Boston. We have included its entire endowment amount in both Boston's and Worcester's calculations. Since the Worcester branch of MCPH is the source of a fraction of total revenues, this exaggerates what it could reasonably be asked for. Harvard is similarly included in both Boston and Cambridge calculations.

Figure 6

Worcester Endowments*		Worcester PILOT equivalent to		
		Harvard/Yale .01%	**Brown .14%**	**MIT .02%**
Holy Cross	$378,000,000	$37,800	$529,200	$75,600
WPI	$254,570,000	$25,457	$356,398	$50,914
Clark	$148,208,000	$14,821	$207,491	$29,642
Assumption	$37,777,000	$3,778	$52,888	$7,555
Becker	$3,800,000	$380	$5,320	$760
Mass College of Pharmacy	$27,000,000	$2,700	$37,800	$5,400
Quinsigamond Community	$1,200,000	$120	$1,680	$240
Worcester State College	$6,600,000	$660	$9,240	$1,320
UMMED	$30,000,000	$3,000	$42,000	$6,000
Total Estimated Worcester PILOT Revenues		$89,660	$1,255,240	$179,320
Qunsigamond Community College, Worcester State College, and Umass Medical School might be able to avoid PILOT payments as they are state-owned entities. The data for these schools is included along with the other private schools.				
* Source: National Association of College University Business Managers 2003 endowment study, Colleges of Worcester Consortium				
Prepared by: Worcester Regional Research Bureau				

IV. PILOTs: Arguments For and Against

If Worcester can generate significant revenue from a PILOT program, should it do so? Below we consider some of the arguments on both sides of the debate and present relevant data for the discussion. PILOT defenders contend that colleges and universities are big businesses that develop land; hence, they should be asked to pay some of the taxes that businesses pay. Some also claim that since the colleges and universities use city services, they should pay something for the services that they use. Opponents of PILOTs contend that, in fact, colleges use far less city services in proportion to their annual revenues than private businesses do, and they should be valued for the contributions they make to the City and remain untaxed.

The City Council has asked the City administration for an account of all public safety services provided to all tax-exempt organizations as well as an estimate of the value of services provided by the colleges to the City.[15] Since the City's core services are public goods, meaning they benefit the City as a whole, it is difficult to develop a complete picture of the dollar-value benefit to particular citizens or organizations. The value to a college of a safe city or well-kept streets is difficult to measure; similarly, the value of college contributions to the City is not easy to quantify. What burden do the colleges place on City services? And what contribution do the colleges make to the City? Below, we examine the public safety burden placed on the City by colleges and their students and then present data on college contributions to the City.

[15] City Council Orders. 20040106ods.

College burden on the Police Department

We present one indicator of the burden placed on the Police Department: student arrests. (Fire Department data are not available at this time.) This indicator covers only a fraction of the services that benefit the colleges. For instance, deterrence and punishment of crimes by non-college students may benefit colleges as much or more than arrests of college students.

Figure 7 tallies the arrests of Worcester residential college students during a 36-month period from 1999 through 2002. It shows that Worcester college students were arrested 340 times in that three-year span, with the majority of violations consisting of public disturbance and alcohol-related crimes. College-student arrests accounted for 1.3% of all City arrests in 2000 and 0.8% of all City arrests in 2001. When examined based on monthly averages, College student arrests represent approximately 1.4% of all arrests in the City (10% of alcohol violations and 2.4% of disturbance arrests) during the years included here.

These data reveal that college students are roughly 11% of the population of Worcester, but account for a much smaller percentage of Worcester arrests, 1.4%. These data also indicate that arrests were overwhelmingly for minor offenses (73% were for alcohol and disturbance). There were no murders, few assaults (10 in three years) or drug violations (8 in three years). A much higher percentage of crimes committed by non-students are for more serious offenses that cost the police, courts, and victims more per crime.

Figure 7

1999-2002 Arrest Data* for Worcester Residential Colleges**				
Student Arrests by Type		**% of Student Arrests**	**Student Arrests by Year**	
Disturbance	137	40.3%		
Alcohol	115	33.8%	1999	114
Trespassing	9	2.6%		
Assault	10	2.9%	2000	106
Domestics	15	4.4%		
Shoplifting	5	1.5%	2001	63
Drug Violation	8	2.4%		
Warrant Arrest	6	1.8%	2002	57
Motor Vehicle Violation	24	7.1%		
Other***	11	3.2%	**12 Month Average**	**113**
Student arrests 36 month total			340	
All City arrests 36 month total****			24,710	
% of arrests that are of college students****			1.4%	
Number of college students as % of Worcester population**			11.0%	
*Data includes 7 months in 1999 and 5 months in 2002 (36 months total)				
**Assumption, Becker, Clark, Holy Cross, Worcester State, W.P.I.				
*** "Other" includes breaking and entering, larceny, and vandalism				
****Based on monthly averages 1999-2002				
Source: Worcester Police Department.				
Prepared by: Worcester Regional Research Bureau				

Each college also maintains its own police force with arrest powers, and have a (limited) presence off campus. If the colleges did not have their own security forces, the City would have to increase the size and cost of the Worcester Police Department. Figure 8 shows the size and cost of these police forces.

Figure 8

Worcester Residential College Police Department Facts

	Arrest Powers	No. of Officers	Annual Budget	Off Campus?	How Far?
Assumption College	Yes	14	$775,000	Yes	to Assumption properties
Becker College	Yes	11	$500,000	No	NA
Clark University	Yes	12	$927,000	Yes	.25 miles
College of the Holy Cross	Yes	16	$1,200,000	No	NA
WPI*	Yes	13	-	-	-
Worcester State College	Yes	15	$753,367	Yes	to Worcester State Housing
Total		81	$4,155,367		

*Detailed information was not available for WPI

What do the colleges contribute?

While colleges and universities are tax-exempt, they pay for water and sewer services as well as taxes on properties that are not used as part of the school's core mission. In addition, the colleges provide some services directly to City residents and City departments. Just as the City provides services to which it is difficult to assign a dollar value, the colleges contribute to the City in ways that are not easily measurable. Below we present a brief survey of six areas through which the colleges support the City of Worcester, including financial contributions to the City: 1) Taxes and fees paid and generated by the colleges; 2) Support for the Worcester Public Schools and teachers; 3) Scholarships and aid for area college students; 4) Support of neighborhood development and community service; 5) Economic development, and 6) Economic impact of salaries and business purchases.

1) Taxes and fees paid by the colleges

All of the colleges in Worcester pay for water and sewer service. Combined, the colleges pay over $2 million annually in water and sewer payments, over 5% of the City's annual water/sewer budget. Schools also make payments for permits, inspections, licenses, traffic signals, some police and fire assistance. They also pay property taxes on properties that are not used as a part of the institution's primary mission. Worcester schools currently pay over $300,000 in property taxes for this kind of property. The figure below details college payments to the City. In FY03 the area's colleges paid over $1.5 million directly to the City and City service providers.

Figure 9

Taxes and Fees Paid by Worcester Colleges FY03

	AC	BC	CHC	CU	MCP	WPI	WSC	TOTAL
Real Estate Taxes	$4,798	$5,050	$16,000	$97,080	$22,620	$182,500		**$328,048**
Water/Sewer	$131,615	$31,000	$273,000	$185,716	$14,300	$173,000	$99,493	**$908,124**
Police Assistance	$12,705		$16,000	$3,000	$485	$15,500	$1,843	**$49,533**
Fire Assitance			$4,400		$1,780	$8,500	$6,141	**$20,821**
Building Certification						$6,000		**$6,000**
Permits	$6,633	$2,455	$188,000	$22,929			$550	**$220,567**
Inspections	$5,089	$3,205	$7,800					**$16,094**
Licenses		$950	$800			$4,500	$2,496	**$8,746**
Traffic Signalization						$17,000		**$17,000**
Misc	$1,189	$2,735			$900	$4,000		**$8,824**
Total	**$162,029**	**$45,395**	**$506,000**	**$308,725**	**$40,085**	**$411,000**	**$110,523**	**$1,583,757**

Assumption College (AC); Becker College (BC); College of the Holy Cross (CHC); Clark University (CU); Massachusetts College of Pharmacy (MCP); Worcester Polytechnic Institute (WPI); Worcester State College (WSC). Only schools in the City of Worcester were included.

Source: Colleges of Worcester Consortium

Prepared By: Worcester Regional Research Bureau

In addition, the Worcester colleges generate property tax revenue indirectly through their purchases and hiring in the City. Figure 10 shows results from an economic impact study commissioned by the Colleges of Worcester Consortium indicating that employees, supported businesses, and the employees of those businesses pay over $10 million in property taxes.

Figure 10

Indirect Property Tax Effect in Worcester of Colleges and Universities	
Source of Property Tax Revenue for the City	Amounts in Millions
Property tax generated by employees of college who live in the City of Worcester	$3.10
Property tax generated by the employees of local businesses that are supported by the colleges	$4.40
Property tax generated by businesses supported by the colleges	$3.00
Total	$10.50
Source: Colleges of Worcester Consortium	
Prepared by: Worcester Regional Research Bureau	

2) Support for Worcester Public Schools and teachers

Below is a summary of the largest partnerships between the Worcester Public Schools and Worcester's institutions of higher learning. (For a full listing of all partnerships, see the Colleges of Worcester Consortium's report, "Increasing Educational Capital in Central Massachusetts: Higher Education's Partnerships with K-12 Schools".)[16]

Clark University: The most expansive partnership between the Worcester Public Schools and a Worcester college is Clark University's Jacob Hiatt Center for Urban Education, which worked with the WPS to win an $8 million "schools for a new society" grant from the Carnegie Corporation. It is being used to establish the Worcester Educational Partnership, which is working with the WPS to transform Worcester's high schools into smaller learning communities within each school. In addition, Clark is a partner with a unique Worcester school, the University Park Campus School, which serves one of Worcester's most challenged neighborhoods and has produced stellar test scores.[17] Since 1991, Clark has contributed $4.0 million to operate the Jacob Hiatt Center, $3.5 million in scholarships and reduced tuition for WPS teachers, and has won over $12 million in grants for the WPS high school reforms and professional development. Also, Clark has established Professional Development School sites, offering teacher training and development at 5 schools in the South Quadrant.

WPI: WPI is the leading partner in EPiC, the Engineering Pipeline Collaborative which aims to develop K-12 pre-engineering curriculum in the Doherty Quadrant. (In 1999, Massachusetts became the first state in the nation to include Technology/Engineering in its state science curriculum.) WPI supports the Massachusetts Academy of Mathematics and Science which accepts 11th and 12th grade students from across the state and allows them access to WPI resources, teachers, and classes.

Holy Cross has Professional Development School sites in the City's Burncoat Quadrant, as well as a secondary Teacher Education Program to train new teachers in collaboration with Burncoat High and Middle Schools. Over 150 Holy Cross students volunteered in the WPS through the college's Student Programs for Urban Development (SPUD).

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[16] The full report is available at www.cowc.org/News/Reports/ or by calling the Consortium at (508) 754-7829.
[17] The University Park Campus school requires an essay and parental commitment for admission; the school has had no failures on the 10th grade MCAS in the last two years. The school has been cited by MassINC's Center for Education Research and Policy as one of only two high performing urban public schools in the state.

UMass Medical School sustains the Worcester Pipeline Collaborative in the North Quadrant, a program intended to increase interest in health/science careers. In 2002, UMass placed 100 WPS students in internships in health and other fields. In 2001, the pipeline had generated over $200,000 in grants and over $50,000 in in-kind services for the program.[18]

Worcester State College has established the Latino Education Institute which provides Innovative Services for Latino Adolescents, an after school tutoring program aimed at developing academic skills needed to pass the MCAS, as well as Latino Youth Unlimited which attempts to place students who have dropped out of school in education or job training programs.

This is not an exhaustive list but provides an introduction to the kinds of collaboration that exists between the WPS and the Worcester colleges.

3) Support for students from the Worcester region.
All of the Worcester colleges also contribute scholarship funds for students from the region to attend their institutions. During the 2002-2003 academic year, Worcester colleges contributed $18 million in institutional (not Federal) support for students from central Massachusetts, and $5.2 million of that went to Worcester students. Clark University waives tuition for any student from the Main South neighborhood, a contribution of $270,000 annually.

Figure 11 Institutional Financial Support of Central MA Students

	No. of Students from Region in Consortium Institutions	$ Amount of Support
Students from Central MA	17,013	$18,743,000
Students from Worcester	6,223	$5,264,017
Chart does not include government funds (Pell Grants etc). Chart includes data from state and community colleges. Only Institutional scholarships and aid are included.		
Source: Colleges of Worcester Consortium		
Prepared By: Worcester Regional Research Bureau		

4) Support for neighborhoods and community service
At the heart of good relationships between the City and the colleges is an acknowledgement that the health of the City is good for the schools and that the success of the colleges is good for the City. Hence, many of the Worcester schools have endeavored to get directly involved in improving the City and the neighborhoods in which they reside.

Clark University is at the forefront of university-led community development projects, with its University Park Partnership which has produced more than 200 affordable rental units, 22 home ownership opportunities for first time buyers and nine commercial storefronts. While supporting these development efforts, Clark has also provided financial incentives for faculty to live in the neighborhood, provided loan guarantees for the Main South CDC, and waived tuition for any neighborhood resident who attends Clark. **Holy Cross** recently formed the South Worcester Development Partnership in order to develop and implement strategies for housing, reuse of brownfields, expansions of college community relations and interactions. One of the largest student organizations on campus is the community service-centered Student Programs for Urban Development (SPUD) which places volunteers in a variety of service outlets throughout the City. Holy Cross contributed $5,000 to keep the South Worcester playground pool open last summer and has provided funding for a Cookson Park (79 Kendig Street) master plan.

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[18] Worcester Pipeline Collaborative. 2001 Annual Report.

5) Economic development

WPI and the Worcester Business Development Corporation are partners in the Gateway Park development initiative, a project that will turn brownfields into taxpaying research and commercial facilities that will expand the tax base in Worcester and provide employment opportunities. WPI has contributed over $5 million to this project. The partnership plans to establish a $17 million tech center which would further develop taxable properties that could provide up to 3,000 jobs. In addition, WPI has contributed $700,000 to support the Goddard GigaPop (internet2) access node in Worcester's Exchange Facility (a telecommunications building at 474 Main St), which is one of only two internet2 access nodes in New England, increasing Worcester's appeal for future development of businesses that rely on fiber-optic infrastructure.[19] **WPI, Holy Cross** and **Clark** have contributed millions to venture capital funds to support emerging Worcester businesses. **UMass Medical School** has worked with the city to develop life-science businesses in Worcester, including the biotech research park on Innovation Drive, in which UMass has invested over $18 million since 1992. It also leases space on Innovation Drive in tax paying properties that generate over $300,000 in property taxes annually.

6) Economic impact

In 2002, the Colleges of Worcester Consortium published a study detailing the economic impact of higher education in Worcester and the region and estimated that Worcester institutions of higher learning, their faculty, their students, and visitors spent $1.134 billion in Worcester County in 2000-2001.[20] The colleges pay salaries, and the colleges, students, and visitors all purchase goods and services in the region, creating indirect economic effects. Once indirect spending (spending by persons and businesses that provide goods and services to the colleges) is included, the total economic impact on Massachusetts from the Worcester colleges is $2.59 billion in a single year.[21]

Summary of college contributions to the City of Worcester

Figure 12 is a list of the major development projects supported wholly or in part by the area colleges. Figure 13 includes a summary of contributions by the colleges to the City of Worcester (both to City government agencies and the City's economy). This chart is an estimate of the annual contribution that Consortium colleges make to the city through direct tax payments, support for the Worcester Public Schools, scholarships for area college students, and community development activities, as well as the indirect property tax payments by college employees and college supported businesses.

Figure 12

Worcester Economic Development Projects

School and Project	Total Investment
WPI Gateway Park: Biotech Research Park*	$5,000,000
WPI Gateway Park: Tech Center*	$17,000,000
WPI GigaPOP(Internet 2)	$700,000
Clark University University Park Partnership	$1,450,000
Umass Medical Biotech Park	$18,450,000
WPI/Holy Cross/Clark Venture Capital Contributions	$2,000,000
Total	**$44,600,000**
*Gateway Park is a partnership between WPI and the Worcester Business Development Corporation.	
Source: Colleges of Worcester Consortium, Umass Medical School, Clark University, Holy Cross.	
Prepared by: Worcester Regional Research Bureau	

[19] Internet2 is the high-speed research-oriented second generation of the internet and is operated by the University Corporation for Advanced Internet Development. Linked through a fiber optic network, it provides consistent high speed data transfer for computer-intensive research and links major research institutions in the United States.

[20] The full report is available at http://www.cowc.org or by calling the Consortium at (508) 754-6829.

[21] The Consortium study used the U.S. Department of Commerce Bureau of Economic Analysis Regional Input-Output Modeling System (RIMS II).

Figure 13

Annual Contribution from the Consortium Colleges	
Taxes and fees paid by colleges	
Taxes and fees paid by colleges (from Figure 9)	$1,583,000
Indirect Property Tax	
Indirect Property Tax Total (from Figure 10)	$10,800,000
Worcester Public School Partnerships	
Jacob Hiatt Center and Worcester Education Partnership (Clark)*	$2,200,000
Scholarships and [illegible] Awards for Regional Students	
City of Worcester Scholarship Total (From Figure 11)	$5,264,017
Community Development Support	
Clark University Park Partnership**	$130,000
Holy Cross (includes SPUD budget)	$68,000
Community Development Total	$198,000
College Police Departments	
College Police Departments (Figure 8)	$4,100,000
Annual Contribution Total	$24,145,017
*Only Clark University's education initiatives are included here. $2.2 million includes annual Carnegie grant contribution.	
**Includes awards for staff and faculty who live in the nieghborhood, cost of high school students taking Clark courses.	
Prepared by: Worcester Regional Research Bureau	

V. Other Approaches: Supporting Cities that Support Nonprofits

State-funded solutions

Connecticut and Rhode Island both reimburse municipalities for certain kinds of tax-exempt property through their local-aid formulas. Under such an arrangement, municipalities submit a statement of assessed value for qualifying tax-exempt land and are paid some percentage of their lost tax revenue.[22] The Massachusetts Legislature considered and rejected a similarly structured plan in 1997.

In Connecticut, municipalities receive a payment of 77% of the value of tax-exempt land owned by colleges and hospitals and 45% of the value of state-owned land.[23] This can generate substantial revenues in cities with large nonprofits. New Haven, for instance, receives over $32 million annually from the state-funded PILOT program for land owned by colleges and universities and another $3 million for state-owned land. If Connecticut's state formula were applied to Worcester, the City would receive approximately $18 million for college-owned land and over $6 million for state-owned land.

Rhode Island has a similarly structured program that returns to cities 27% of the tax revenue that would be generated if nonprofits were taxable. Rhode Island also reimburses cities 27% for certain kinds of state-owned land (hospitals, correctional facilities, veteran's residential facilities). Worcester would receive approximately $6 million for college-owned property under Rhode Island's arrangement.

[22] Such programs normally limit the reimbursement to tax-exempt land owned by educational institutions, hospitals, and other cultural institutions.

[23] Connecticut also pays 100% of the tax value of state-owned land used for prisons and 100% for municipalities in which the state owns more than 50% of the property.

These state-funded programs have the advantage of sustaining cities that support large nonprofits without placing additional burdens on the nonprofits themselves as local PILOT programs do. It should also be noted that these institutions benefit the surrounding region, supporting the argument for broader cost sharing of city costs.

Figure 14

If Massachusetts Funded PILOTS through the State Local Aid Formula

Connecticut Model	Tax Valuations 2003	Tax Rate 2003	Lost Tax Revenue	State Aid PILOT Amount
Colleges and Universities (77%)	$764,016,600	0.03144	$24,020,681.90	$18,495,925
State owned (45%)	$477,648,300	0.03144	$15,017,262.55	$6,757,768
Worcester's Total				$25,253,693
Rhode Island Model				
Colleges and Universities (27%)	$764,016,600	0.03144	$24,020,681.90	$6,485,584
Worcester's Total				$6,485,584

Challenging tax exemptions at the state level

Pennsylvania has a large number of unofficial PILOTs, largely because Pennsylvania's tax exemption for nonprofits is weak and inconsistently applied, and nonprofits are susceptible to legal challenges of their tax-exempt status.[24] As a result, many institutions make voluntary payments to their host cities, rather than risk losing their tax-exempt status in a legal challenge.

Regional approaches: Regional Asset Districts

In order to compensate cities for lost tax revenue and reward nonprofits that are valued by a region, a few areas have established Regional Asset Districts, where a small regional tax is collected and distributed to municipalities and nonprofit institutions.

Municipalities in the Allegheny County Region Asset District (RAD) have an additional 1% in sales tax which funds the RAD. Those funds are distributed as follows: 50% to selected nonprofit institutions within the region, 25% to the county government, and 25% to municipalities that host the nonprofits (and lose potential property tax revenue as a result). This system currently draws in approximately $144 million in sales tax which is distributed according the percentages above: $72 million to nonprofits, $35 million for the County government, and $26 million to the cities and towns in the district (over 100 participate). The bulk of the funds for municipalities is distributed to Pittsburgh, which received $19 million in 2003 (over 50% of the RAD money given to town and city governments). The advantages of such a program are that both nonprofits and the cities that support them benefit and the tax is placed directly on the region where the assets are found and used.

The Denver Region has initiated the Scientific and Cultural Facilities District (SCFD), which is similar to Allegheny, but it does not make direct payments to the municipalities. City representatives have a role in determining what nonprofits will be funded through the District. The District levies a .01% sales tax in the region and distributes $35 million annually to organizations in seven different counties.

[24] In 1985 a Pennsylvania state court decision defined five characteristics of a "purely public charity" all of which have to be met in order to qualify for state tax exemptions including exemption from local property taxes.

VI. Conclusions

While difficult fiscal times always push City leaders to consider new revenue streams, this survey of data regarding PILOTs suggests that the City will be better served by increasing the tax base through economic development projects in collaboration with the institutions of higher learning—using WPI and Clark as models—rather than attempting to tax the City's nonprofits.

The argument in favor of PILOTs that rests on the claim that the colleges do not "pay their fair share" is difficult to support in light of the data presented in this report. All of the colleges have made commitments to the Worcester Public Schools, and they have invested and continue to invest millions in their neighborhoods and the City of Worcester.

If these institutions contribute to a PILOT program, they may be forced to reduce their existing commitments to these community and business development projects, as Brown University has done in Providence. PILOTs could adversely affect the colleges' competitiveness since they lack Harvard's endowment, and they could have to increase tuition and fees. Currently, the City's skilled and well-educated population helps attract tech-sector and biotech companies. Undermining the colleges' ability to compete can also undermine Worcester's ability to attract businesses.

Colleges are an important economic force in Worcester, providing jobs and economic vitality to the City and region in addition to the cultural and educational contributions they make. These institutions should be recognized as assets that should not be taxed, but instead, should be a part of the City's strategic plan to boost economic development.

Special Report

BOSTON MUNICIPAL RESEARCH BUREAU

January 4, 2013 No. 13–1

Boston's New PILOT Program Completes First Year

City achieves 91% of its first year goal as the program continues to evolve

Highlights

- The bigger issue facing Boston is its overreliance on the property tax and its dependence on the state under home rule to broaden its revenue sources. Boston relies on the property tax for 66.2% of its operating revenue in FY13.
- Of the top 10 largest employers in Boston, 7 are tax-exempt institutions.
- The previous PILOT program generated $35.5M in FY11, 1.5% of Boston's operating revenue. Massport paid $17.1M or 48.1% of the total.

A special thank you to the Research Bureau's Cabinet Members for their generous support.

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The City of Boston completed the first year of implementing a program to raise additional revenue for operations by seeking increased payments-in-lieu of taxes (PILOTs) from its 48 largest private tax-exempt institutions. The new policy provides a more systemic and consistent approach to the PILOT program based on property values and community services for the largest exempt institutions. The program is not static and is viewed as a collaborative program in the context of a partnership that will take time to evolve regarding cash payments and community services. These exempt institutions are significant drivers of the city and region's economy and of job creation, which makes Boston the envy of most other major cities in the country. With updated property values, the City seeks a significant increase in PILOTs phased-in over five years based on 25% of what property taxes would be if the institutions were taxable with 50% or more of the total made up of agreed upon community services that address city needs.

The City's new PILOT program, tied to property values for each of the top 48 private tax-exempt institutions in Boston, resulted in total receipts of $19.5 million in fiscal 2012, a $4.3 million or 28.9% increase and 90.7% of the first year goal. The second year may be more challenging for these institutions. The Assessing Department has not released the total amount being requested in fiscal 2013, but early estimates indicated a PILOT increase of $8.3 million or 42.7%. The final revenue request is anticipated to be less than this amount. The voluntary nature of the PILOT program, the multiple variables affecting tax-exempt institutions and the already existing community benefits regulatory environment will likely mean that the timing and extent of compliance to the five-year plan may vary by institution. Other key issues in the report:

- The fiscal 2011 value of these 48 institutions totals $13.7 billion or 15.8% of Boston's total taxable value. Of Boston's total land area, 49.1% is tax-exempt in fiscal 2012, of which 78.9% is held by government. The educational and medical institutions of the 48 represent approximately 15% of the City's total taxable value and 3% of its total land area.

- Of the 23 exempt institutions within the top 48 that did not make a PILOT payment in fiscal 2011, nine entered into PILOT agreements in fiscal 2012 for a total payment of $410,511.

- Under the new PILOT program, preliminary estimates indicate that 48 nonprofit tax-exempt institutions with property values of $15 million or more will generate PILOT payments of $46.7 million after five years, an increase of $31.5 million or 208% over fiscal 2011.

History

Tax-exempt institutions have long been a part of Boston's landscape. In 1961, the first payments-in-lieu-of-taxes were made to the City of Boston to offset the fiscal pressure associated with tax-exempt institutions. The number of participants in the PILOT program has grown over the years as has the revenue generated from this program. However, throughout the years, PILOTS from tax-exempt institutions have been an ongoing point of discussion resulting in several task forces, reports, steering committees and forums debating the merits and direction this program should take. For example, in 1985, the Tax-exempt Property Steering Committee was formed and was active until 1989. This Committee formulated and implemented policy guidelines for the PILOT program.

The City of Boston's interest in private tax-exempt property stems from its heavy reliance on the property tax for its General Fund operating revenues and the fact that half of its land area is tax-exempt. Boston is primarily dependent on the property tax and only a limited number of other own-source revenues which sets it apart from most other major cities in the country. Under Massachusetts "home rule," Boston is restricted in its ability to raise revenue. Also, under Proposition 2½, Boston is limited in the amount it can increase the property tax levy annually without seeking approval from the voters through an override.

In 2009, Mayor Menino created the most recent PILOT Task Force to "*examine the critical role of the public-private partnership that exists between the City and its institutions.*" Motivated by the City's existing revenue structure with its heavy reliance on the property tax and the resulting tax burden placed on taxpayers, the Task Force was created because the PILOT program as it existed was deemed to "*fall short of yielding the funds needed to continue to provide nonprofits with the high level of city services to which they've grown accustomed.*" Also factors were the financial pressures on the City due to the 2008 recession and reductions in state aid.

The Task Force Process

The PILOT Task Force consisted of nine members with a variety of backgrounds and interests and was staffed by the City of Boston Assessing Department. The Chairman is a lawyer specializing in taxation who had served as Commissioner of Revenue for the Commonwealth. The remaining members of the Task Force represented the following: two university presidents, two medical institution representatives, one City Councilor, one representative each from the business community, a city public union and a community development organization. **(Table 1)** No member on the Task Force represented the cultural institutions and museums in the City.

Table 1

PILOT Task Force Members

Positions and Titles During Service on Task Force

1	**Stephen W. Kidder**, Taskforce Chairman Managing Partner, Hemenway & Barnes LLP
2	**Robert A. Brown** President, Boston University
3	**Zorica Pantic** President, Wentworth Institute of Technology
4	**Patricia A. McGovern** General Counsel & Senior VP for Corporate and Community Affairs, Beth Israel Deaconess Medical Center
5	**Thomas P. Glynn** Chief Operating Officer, Partners HealthCare, Inc.
6	**Stephen J. Murphy** At-Large Boston City Councilor
7	**James D. Gallagher** Executive VP of Communications, Government and Community Relations John Hancock Financial
8	**Thomas J. Nee** President, Boston Police Patrolman's Union
9	**Gail Latimore** Executive Director, Codman Square Neighborhood Development Corp.

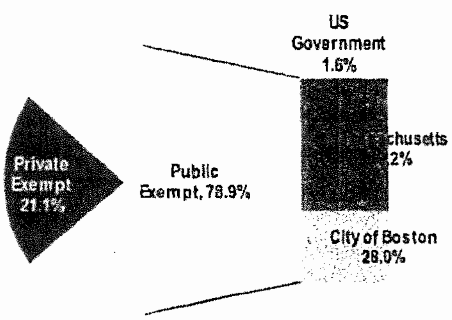
The Task Force held 11 public meetings from February 9, 2009 to April 12, 2010. During this time, the Task Force developed a report and final recommendations for the role of tax-exempt institutions in Boston. At its third meeting in April 2009, the Task Force held a public hearing for the public to comment on PILOT issues. The Task Force held no subsequent public hearings. The Task Force primarily focused its attention on the large educational and medical institutions throughout their meetings. However, members did agree that the participation in the PILOT program should be broadened to other large institutions not making payments.

Tax-Exempt Snapshot

With a population of over 600,000, Boston is the capital city of Massachusetts and the largest city in New England. These factors contribute to Boston being the home to several tax-exempt private institutions as well as state and federal offices and Massachusetts public authorities. In fiscal 2012, 49.1% of Boston's total land area was tax-exempt. The majority (38.7%) of total city land was held by the Commonwealth of Massachusetts, City of Boston and the Federal government. The remaining 10.4% of the land was held by private institutions such as hospitals, universities, cultural, benevolent and religious institutions. Of the total tax-exempt land, 78.9% is held by government.

Figure 1

Tax-Exempt Land Breakdown
Fiscal 2012



In the past, little time and attention were paid to adjusting tax-exempt property values. Since these properties were not generating property tax revenue, it was not considered an efficient use of city resources to update these values. Starting in fiscal 2006, the Assessing Department began a process of revaluing certain tax-exempt property, especially the larger medical and educational institutions and eventually all property with $15 million or more in property value. Utilizing tax-exempt filings already required by law, the City worked with institutions to ensure all data was complete and accurate. With this information, the City was able to prepare more reliable values for large private educational and medical tax-exempt institutions.

The focus of the Task Force in fiscal 2009, was the tax-exempt private institutions with $15 million or more in property value not including religious institutions. These institutions represented 11.7% of Boston's total property value and 3.3% of City's total taxable and exempt land area. Within the tax-exempt property grouping, these institutions represented 39.1% of the exempt property value and 6.8% of the land area. The major educational and medical institutions in this group represented approximately 3% of the City's total land area in fiscal 2009, the year covered by the Task Force.

Why Tax-Exemptions

Tax-exempt institutions gain their exempt status from laws dating back to the early 1800's. Tax-exemptions for nonprofit institutions are provided in all 50 states and the District of Columbia. The motivation for granting these exemptions is that many nonprofit institutions offer services that would otherwise need to be provided by government. Since the exempt status was granted, the nature of exempt services has evolved as educational and medical institutions over the years have expanded their scope of activities and relationships.

Boston's Financial Picture

The City of Boston's reliance on the property tax is evident by the fact that in the fiscal 2013 budget of $2.5 billion, the net property tax represents 66.2% of total operating revenues. State aid for operations, the City's second largest revenue source, represents 16.3% of total revenues and has been cut in each year from fiscal 2008 through 2012, and increased 2.8% in fiscal 2013.

Boston's reliance on the property tax is far greater than other major cities in the country. A report prepared for The Boston Foundation, *Boston Bound*, in 2003 indicated that Boston depended on the property tax for more than two times that of six other major competitor cities. Further, the study noted that Boston is empowered to levy a much smaller number of different taxes than the six other cities due to the restrictions of Massachusetts Home Rule. Already noted are the limitations on Boston to increase property taxes due to Proposition 2½.

Boston spends over 70% of its budget on personal services for salaries and benefits. The School Department ($770.8 million net of health insurance) is the City's largest department. The Departments of Police, Fire, Public Works and snow removal services collectively total $564.4 million in spending, representing 22.9% of the fiscal 2013 operating budget and 33.8% of the total departmental budget.

During the 10-year period of 2002-2012, Boston's actual operating revenues (net of Teacher Pensions) have grown by $644.9 million or 36.4%. During this time, there has been a shift in the revenue structure due to state aid being cut. In fiscal 2002, 52.4% of Boston's operating revenue was from the property tax. That compares with 65.3% in fiscal 2012. Accordingly, state aid has dropped from 29.5% of total revenues in fiscal 2002 to 16.2% in fiscal 2012. Reflecting the increase of 2% in the room occupancy excise and the authorization of the meals excise of 0.75% in fiscal 2010, total excise taxes have grown from 4.6% of total revenues in fiscal 2002 to 6.4% in fiscal 2012.

Former PILOT Program

PILOT agreements in the past were not based on a systemic approach applied uniformly to all large tax-exempt institutions. PILOT agreements generally were made based on the expansion of a tax-exempt institution and its need to obtain a building permit or zoning variance. A tax-exempt institution's purchase of a taxable building and taking it off the tax rolls could also trigger a request for a PILOT agreement. Absent these two situations, an exempt institution might not be asked to make a PILOT payment. For this reason, the program was described by the Task Force as being unbalanced and not necessarily correlated with an institution's use of city services. Prior agreements also took into consideration an institution's community service and engagement in the community. In order to determine the amount of a PILOT, the City's starting point was 25% of what the expanding institution would pay if it were taxable. This was not necessarily a standard that was strictly followed as negotiations between the City and tax-exempt institutions determined the final agreement.

In fiscal 2011 (the last year under the old program), the PILOT program generated $35.5 million, 1.5% of Boston's general fund budget. Massport paid $17.1 million or 48.1% of the total PILOT payments. Colleges and universities paid 24.9% of the total PILOT amount followed by hospitals contributing 19.4% and other miscellaneous institutions paid 7.6% of the total PILOT revenue in fiscal 2011.

Over the 10 years from fiscal 2002 to fiscal 2012, PILOT revenues to Boston have grown by $17.8 million or 97.7%. Massport accounted for 56.8% of this growth, educational institutions 30.4% and medical institutions 15.2%

Table 2

PILOT Payment History

Total Operating Budget Revenues

Figures in 000

Category	Fiscal 2002	Fiscal 2012	Variance	%
Massport	$7.3	$17.4	$10.1	138.4%
Educational	5.6	11.0	5.4	96.4%
Medical	3.9	6.6	2.7	69.2%
All others	1.4	1.0	-0.4	-30.4%
Grand Total	**$18.2**	**$36.0**	**$17.8**	**97.7%**

In addition to PILOT payments, many institutions pay property taxes each year on property acquired by the institutions that was previously taxable even when the building is used for an exempt purpose. That is the standard policy for Harvard University. In fiscal 2012, $25.6 million in taxes was paid by medical, educational and cultural institutions in addition to their PILOT payments according to the Assessing Department. This represents taxes paid on property used for both commercial and exempt purposes.

Tax-exempt institutions also make payments to the City for the same reasons as taxable commercial properties do for Linkage payment, permits and licensing fees which do not qualify for PILOT credit. Also, these institutions pay for trash removal and water and sewer charges.

Boston in US Context - Even with the lack of uniformity in the former PILOT program, it was still considered a successful program in terms of revenue generation relative to other PILOT programs in the country. The extent of exempt institution located in Boston and Massport's large long-term agreement contributed to this situation. According to a 2010 Lincoln Institute of Land Policy report on PILOTs, Boston was considered to be the "most revenue productive program in the country." The report states there are PILOT programs in 117 municipalities across 18 states in the US. Large cities with PILOT programs include Boston, Baltimore, Philadelphia and Pittsburgh. Their forms vary as much as the cities themselves, but consistently the most successful PILOT initiatives arise out of partnerships between government and tax-exempt institutions.

Some states also act as an intermediary between the municipality and tax-exempt institutions such as Connecticut. In 1978, the state of Connecticut enacted a program included in state aid to municipalities in which it provided funds equal to 77% of the property taxes they would have collected if the value of the educational and medical tax-exempt institutions' property were not tax-exempt. This model provided a systematic approach to mitigate potential tensions between municipalities and tax-exempt institutions. However, due to fiscal constraints, the state of Connecticut has funded only a small share of its financial commitment under the law causing the City of New Haven to enter into an individual PILOT agreement with Yale University.

Other variants of the PILOT concept have surfaced, such as Pittsburgh's Mayor Luke Ravenstahl's proposal to impose a 1% tuition tax directly on students in an effort to raise additional revenue. These measures tend to be politically tenuous and used to provide incentives for voluntary payments. Mayor Ravenstahl's proposal was never enacted.

New PILOT Program

The most recent Mayoral PILOT Task Force in Boston released its recommendations in December 2010. The Task Force made six recommendations to be incorporated into a "fair and balanced" new PILOT program.

1. The PILOT program should remain voluntary.
2. The PILOT program should be applied to all private, nonprofit institutions whose assessed property values are $15 million or above.
3. PILOT contributions should be based on the value of real estate with an institutions' contribution expected at 25% of the assessed property tax value.
4. Community benefits should be recognized and help offset PILOT payments. Generally, this offset should be no more than 50% of the full PILOT payment, but exceptions over 50% could be possible and not all services would count.
5. The PILOT program should be phased-in incrementally over five years.
6. Institutions should receive a credit on their PILOT in the amount of real estate taxes paid on properties that would ordinarily qualify for a tax-exemption based on use.

These recommendations have some common themes with the previous program. Boston has been working with some institutions for decades on PILOTs and many of the provisions in the new formula stem from provisions already in existing agreements. For instance, the target payment of 25% stems from a Research Bureau analysis prepared for Blue Cross and Blue Shield of Massachusetts which sought a basis for making PILOT payments to the City in the early 1970's. The analysis noted that the City, on average, expended roughly 25% its total budget on services like fire protection, police, public works and snow removal. The more recent Task Force agreed to use the 25% figure. Currently, Boston fire, police, public works and snow removal services account for 22.9% of the fiscal 2013 budget.

Community Benefits

One tenet of the new PILOT formula (and under the old as well) is a formal credit for community services provided by private tax-exempt institutions participating in the PILOT program. These credits can generally count for as much as 50% of the full PILOT payment the institutions make. The Task Force report states that "*community benefits are an important aspect of an institution's contribution to the City.*" With that in mind, the Task Force spent a considerable amount of time examining which services to allow as community benefit credits for PILOT payments.

Which community benefit will qualify is probably the most fluid recommendation by the Task Force and one that is subject to negotiation or interpretation since not every contingency can be covered in a general benefits criteria. To guide the implementation of the new PILOT formula, the Task Force issued five overall principles for determining community benefits that qualify for recognition in the PILOT formula and payments. They are that the services should:

1. Directly benefit City of Boston residents.
2. Support the City's mission and priorities and be services the City would support in its budget if the institution did not provide it.
3. Afford ways in which the City and the institution can collaborate to address shared goals.
4. Be quantifiable.
5. Be consistent and transparent in their approach so that institutions can plan appropriately.

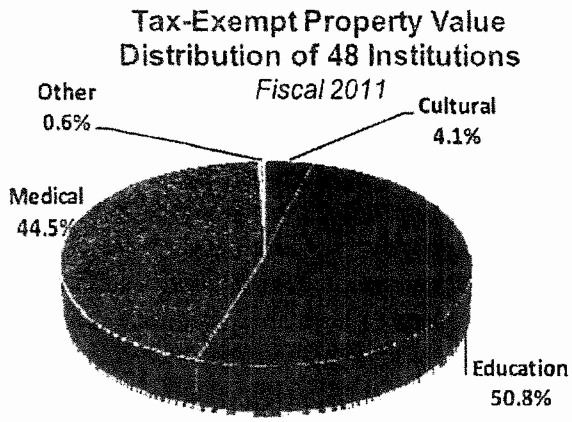
The community benefit criteria developed by the Task Force is intended as a guide to assist in the individual negotiations to determine whether community benefits are acceptable or not. The Task Force identified those services that: qualify for a PILOT credit, those that do not and those that require further clarification. Community services that qualify for a PILOT credit include participation in city initiatives such as targeted scholarships, summer job creation, job training and partnerships with schools. Those services requiring further clarification include, but are not limited to, snow removal, street cleaning, public use of institutional facilities and donations to neighborhood associations. Some examples of services that the Task Force has recommended should not qualify for a PILOT credit include: Linkage payments, permit fees, operating support for community health centers and salaries paid to employees. **Appendix A** outlines the community benefit criteria.

Tax-Exempt Values

The values of the 48 private tax-exempt institutions with $15 million or more in property value have been recently updated and collectively total $13.7 billion in fiscal 2011. That total represents 15.4% of Boston's total taxable value and 44.1% of the City's total business value.

Of the $13.7 billion in value, 95.3% is attributable to medical institutions ($6.1B or 44.5%) and educational institutions ($6.9B or 50.8%). **(Figure 2)** The largest tax-exempt property owners in Boston include: Mass General Hospital ($1.8B), Boston University ($1.9B), Harvard University ($1.5B) and Northeastern University ($1.3B).

Figure 2



Impact of the New PILOT Formula

The new PILOT program will evolve over time as the City and the tax-exempt institutions address the implementation of the new standard. As a partnership, the execution by some institutions may require negotiations over time with the City regarding the amount and timing of cash payments and what qualifies as an acceptable community benefit. The impact of the new formula will vary greatly due to the questions surrounding acceptable community benefits. Some institutions have been making PILOT payments for many years, and they are already involved in a process of itemizing community benefits. For other institutions this will be their first time making a PILOT payment.

In fiscal 2012, the City had identified 48 private tax-exempt institutions with a property value of $15 million or more. City officials met with representatives of these institutions to explain the new process and what was expected for the two payments on November 1, 2011 and May 1, 2012 for fiscal 2012. Of these institutions, 23 have never made a PILOT payment to Boston in the past. Actual fiscal 2012 receipts produced a 28.9% increase in the first year for a total of $19.5 million.

To help mitigate the impact on institutions, the City has instituted a five-year ramp-up period for private institutions to achieve the goal amount for PILOT payments. **Appendix B** contains the values and the five-year ramp up payments by individual institutions. Based on the new formula, after allowing for credits and exemptions, in year five of the ramp-up, the City's goal was to collect $46.7 million from tax-exempt institutions. Despite a five-year ramp-up, in year one, three institutions made payments of more than $500,000 over their fiscal 2011 payment. They are: Mass General Hospital (+$840,352, 31.5%), Northeastern University (+$855,429, 2798%) and Beth Israel Deaconess Hospital (+$585,948, 351%). The Boston Symphony is the only tax-exempt institution paying over the formula amount already with a fiscal 2011 payment of $84,976 and a proposed target of $55,011 in 2016. **Table 4** shows the dollar impact of the new PILOT payments by category and with a few examples for the current year. **Appendix C** provides the full listing of the impact on the 48 institutions.

Table 3

Projected PILOT Payments

Ramp-up Year	Payment Projection	Variance Over Prior Year	%
FY12 * (Year 1)	$19,452,506	$4,305,514	28.9%
FY13 (Year 2)	$27,756,285	$8,303,779	42.7%
FY 14 (Year 3)	$34,060,931	$6,304,646	22.7%
FY15 (Year 4)	$40,365,577	$6,304,646	18.5%
FY16 (Year 5)	$46,670,223	$6,304,646	15.6%

* FY12 reflects actual payments received.

In year five of the ramp-up, the City projects collecting PILOT payments of $46.7 million, an increase of $31.5 million or 208% over fiscal 2011. Medical PILOT payments are expected to grow by $15.1 million or 251%, educational payments by $14.8 million or 167%, cultural payments by $1.6 million or 1067% and others by $45,190 or 30%. The largest dollar increase over five years would be paid by Mass General Hospital (+$4.2M), Northeastern University (+4.1M), Harvard University (+$3.7M), Beth Israel Deaconess Medical

Center (+$2.9M) and Children's Hospital (+$1.7M). **(See Appendix D)**

First Year Results in Fiscal 2012

The response to the new PILOT program by the 48 private tax-exempt institutions as a group demonstrates a good faith effort to increase their financial support for the City and that the partnership will need to evolve through further discussions over cash payments and community services. In fiscal 2012, the City received $19.5 million in PILOT payments from the 48 institutions, an increase of $4.3 million or 28% over the prior year. That increase represents 90.7% of the amount the City requested in fiscal 2012. Of the 23 exempt institutions that did not make a PILOT payment in fiscal 2011, nine entered into PILOT agreements in fiscal 2012 for a total of $410,511.

The medical institutions, in aggregate, came closer to the requested amount in fiscal 2012 at 96% than the educational institutions at 88%. The 16 medical institutions paid $8.7 million or $2.7 million over the prior year, an increase of 45%. Eleven medical institutions paid 100% of the first year request. Of the seven medical institutions that did not make a payment in fiscal 2011, four made payments in fiscal 2012, three at 100%.

Of the 23 educational institutions, 12 paid $10.4 million or $1.6 million over fiscal 2011, an increase of 18%. Of the remaining 11 educational institutions that did not make a payment in fiscal 2011, four made PILOT payments in fiscal 2012 (two at 100%) and seven did not make payments. Four private secondary schools were included in the seven institutions that did not make payments.

Two of the seven cultural institutions in the top 48 made PILOT payments in fiscal 2011 and fiscal 2012, and a third institution contributed in fiscal 2012. A different revenue structure than the medical and educational institutions and community services contribute to this situation. The total PILOT payment of $187,062 in fiscal 2012 from this group represents an increase of $35,866 or 24%, but this group reached only 39% of what was requested. This matter will continue to evolve through discussions over the next few years.

Table 4

PILOT Summary by Category & Examples

Category	FY11 PILOT	FY12 PILOT	% Change
Medical	**$6,007,904**	**$8,693,040**	**44.7%**
MGH	2,668,355	3,508,707	31.5%
Beth Israel Deaconess	167,000	752,948	350.9%
Children's Hospital	111,921	451,434	303.4%
Educational	**$8,836,230**	**$10,419,603**	**17.9%**
Boston Univ.	5,082,079	5,329,936	4.9%
Harvard Univ.	2,109,293	2,121,894	0.6%
Northeastern	30,571	886,000	2798.2%
Cultural	**$151,196**	**$187,062**	**23.7%**
Museum of Fine Arts	66,220	56,316	-15.0%
NE Aquarium	-	-	n/a
WGBH	-	51,763	n/a
Other	**$151,662**	**$152,801**	**0.8%**
Grand Total	**$15,146,992**	**$19,452,506**	**28.4%**

Source: City of Boston Assessing Department

The response of the private tax-exempt institutions in meeting 90.7% of the City's first year goal demonstrates a sincere effort by the institutions to generate greater financial support for city services. In the second year, early estimates indicated that collectively these institutions would be asked to increase PILOT payments by a total of $8.3 million or 42.7%. The Assessing Department has not released the total amount being requested in fiscal 2013, but that total is anticipated to be less than the original estimate. Negotiations between the City and each institution will continue to play an important role in decisions regarding increases in PILOT payments and the share that community services will be of the total agreement in the second and subsequent years.

Tax-Exempt Role in Boston

While tax-exempt institutions are not legally required to pay property taxes, they do make payments to the City as do taxable properties for various city initiatives, Linkage payments for expansion or building projects, in-kind services to city residents and permits for operations and buildings. Often overlooked in the discussion of tax-exempt institutions is the fact that institutions pay property taxes on properties that have a commercial purpose, such as a coffee shop in a hospital, and in some cases for buildings recently purchased that are used for an exempt purpose. In fiscal 2012, $25.6 million was paid in taxes by medical, educational and cultural institutions for both commercial and exempt purposes.

In addition to direct cash payments, community service benefits are a substantial contribution made to the City of Boston by tax-exempt institutions on an annual basis. These institutions provide services to the City and its residents that range from education to health care. The Conference of Boston Teaching Hospitals (COBTH) reported that their community benefit totaled $186 million in fiscal 2011 for all communities, the majority of which goes to Boston. **Appendix F** has a partial list of recent community services provided to Boston residents from various tax-exempt institutions to show the range of services.

If not for tax-exempt institutions, these types of services would either not be offered in Boston or the burden would be placed on taxpayers to deliver these services.

Tax-Exempts and the Economy

Boston's tax-exempt institutions make a significant contribution to the City and region's economy and play an important role in the quality of life in the metropolitan area. From employing a large workforce, attracting billions in research grants, fostering start-up companies, providing in-kind services directly to residents and adding to Boston's popularity as a destination city, these institutions are an integral component of the economic strength of Boston.

In recent years, tax-exempt institutions have been the one sector continually adding jobs to Boston's economy. In a Research Bureau review of Boston's largest private employers in 2012, seven of the top 10 largest private employers are tax-exempt institutions.

Table 5

Top 10 Private Employers

1	Massachusetts General Hospital
2	Boston University
3	State Street Bank & Trust Co.
4	Brigham and Women's
5	Beth Israel Deaconess Medical Center
6	Children's Hospital, Boston
7	Fidelity
8	Boston Medical Center Corporation
9	John Hancock
10	Dana Farber

Source: BMRB SURVEY

*Are tax-exempt

Beyond jobs, the institutions attract and encourage business development, research grants that make Boston a leader in biotech and medical research among other fields, provide community services that may not otherwise be available and that make Boston a leader in innovation in the private, nonprofit, and municipal sectors. In a 2000 report, *Higher Education in Boston: Intellectual Capital as the Catalyst for Economic Growth*, the BRA found that student spending for consumer goods and services contributes approximately $707 million to the City's economy, while the entire "education economy" was $4.4 billion, or 11% of the City's total economy.

Aside from educational institutions, Boston is home to some of the top hospitals and medical centers in the country, with Massachusetts General hospital (MGH) and Brigham and Women's Hospital named to U.S. News and World Report's Best Hospitals Honor Roll and the Dana-Farber Cancer Institute ranked in the top five best cancer centers in the country. Children's Hospital Boston was ranked the #1 children's hospital in the country. According to a 2008 COBTH report, Boston's teaching hospitals generated $5.1 billion in economic activity for Boston and contributed 34,456 jobs to the City.

Boston's economy is growing in the life sciences and bio-technology industries supported, in good part, through receipt of National Institute of Health (NIH) grant awards by institutions located in the City. In 2011, Boston led all cities in NIH funding with approximately $1.7 billion according to a June 2012 report by the BRA. For 17 consecutive years, Boston has been awarded the largest amount of NIH funds of all cities in the country. Of the $1.7 billion received in 2011, 95% was awarded to the tax-exempt medical and educational institutions in Boston, indicating their critical role in expanding this economy and creating jobs, with many jobs held by Boston residents. As a result of the combined work of the medical and educational institutions and research institutes, every major pharmaceutical company in the world is located in Boston or Cambridge or will soon be located here, contributing to the economy.

Our Survey

After the release of the Task Force report, the Research Bureau surveyed ten institutions about the overall PILOT program and the inclusion of community service credits in their PILOT payments. This survey revealed a variety of concerns and opinions on the matter of PILOT payments at that time. Over the last year, the Administration has met with each institution to discuss the new plan and negotiate, if necessary, the first year response. These discussions have clarified some of the six areas of concern that are briefly summarized below.

1. **Aligning with the City's mission and priorities** - The institutions had a concern about how frequently city priorities would change and what would count as community services. Institutions had differing beliefs as to how services they provided aligned with the City's priorities. Institutions operate within multi-year strategic plans and were anxious about city priorities that might change more frequently.

2. **Formula Limitations** - Institutions were concerned about whether a standardized payment formula based on property values would be construed legally as payment of a property tax bill or accommodate the variety of services and activities covered by different institutions. The fact was raised that this approach for cultural institutions ran counter to the practice in other major cities that provide public financial support to the cultural institutions they host.

3. **Qualifying Community Benefits** - The community benefits criteria established by the Task Force provided a general framework which could not address every category (**Appendix A**). The eligibility uncertainty of services not explicitly identified caused concern among some institutions since those services not listed would require negotiations with the City. For example, snow removal and street cleaning are services not clearly defined. Medical institutions are wrestling with the sense that operating support for community health centers does not qualify for PILOT credit while public and community health initiatives do qualify.

4. **Community Benefit Credit Limit** - The new PILOT Program recognizes that community benefits should be recognized and help offset PILOT payments. Uncertainty over whether community services could or could not exceed 50% of the total payment existed among the institutions even though the Task Force report stated that in instances where the "City and an institution identify exceptional or extraordinary opportunities to proved services, the 50% cap may be exceeded."

5. **Other Cash Payments to the City** - Many institutions questioned whether the direct cash donations they make to various city departments to

support important service delivery would count toward the PILOT payment.

6. Five-Year Ramp-up - Even with a 5-year ramp-up time frame designed to mitigate the financial impact on institutions, some institutions questioned whether program cuts would be required to meet their PILOT payment. Other institutions are proud to lead the payments process and do not believe their programs will be threatened by increased PILOTS, assuming all institutions pay their share.

Conclusions and Recommendations

The City of Boston is the envy of most other major cities in the country for the strength of its educational, medical and research institutions and their impact on creating a highly educated workforce and being significant drivers of the city and regional economy and job creation. Boston's cultural institutions play an important complementary role that contributes immeasurably to the quality of life in the region making the Boston area an attractive location in which to live and work. This positive environment exists even with the challenges facing the city and state economy of the high cost of housing and energy to name a few factors. The location of the educational and medical institutions in the City is an important factor in the strength and growth of the service, financial, high tech, bio-medical, convention and innovative economies that thrive in the city and region.

We are living in changing times with a turbulent economy, fluctuating market and a fractured Congress under pressure to reduce federal spending that is already beginning to affect state and local governments as well as federal research and other grants relied upon by local medical and educational institutions. The hospitals also are experiencing changes in health care financing such as reduced Medicare reimbursements, especially for graduate medical education and efforts to lower health care costs. Faced with its heavy reliance on the property tax, the revenue consequences of the recession and subsequent slow growth, the City of Boston modified its existing PILOT program for tax-exempt institutions in an effort to provide a more systemic, uniform approach to establish revenue and service levels requested of the tax-exempt institutions whose property values exceed $15 million. This new plan does not change the basic premise that a PILOT agreement is voluntary and that the provisions in the agreement as to revenue payment and the value of community services are subject to negotiation.

The City's plan to provide a more standardized approach to its PILOT program and increase its in-lieu-of-tax revenue while suggesting the direction of community services is a reasonable response in its effort to expand its revenue base for operations. The Assessing Department expanded its property information for the large, private tax-exempt institutions to enable it to establish more realistic property values. The City expected 23 tax-exempt institutions to participate in the new PILOT program for the first time, including several cultural institutions and four private secondary schools. Of these institutions nine actually participated in the first year. The City required the large exempt institutions to quantify their community services as well as revenue payments, which was a worthwhile exercise for the City to understand the full scope of contributions these institutions make to Boston. In addition, this process brought attention to the services that the City does provide to the tax-exempt institutions.

The City's program to provide a more uniform approach to PILOT payments and community services will continue to evolve in year two as the Administration and institutions settle on the individual responses in fiscal 2013 based on the preliminary targets that would have increased payments by $8.3 million or 42.7%. Actual PILOT payments by some institutions will be less based on negotiations. As initially planned, some tax-exempt institutions would have been asked to increase payments in year two by more than 80%.

Recommendations

To achieve a balance of moving towards higher PILOT revenue payments and directed community services with flexibility in the actual amounts and timing as well as balance with the categorization of community services, the Research Bureau makes the following recommendations.

1. **PILOT program needs to continue to evolve.** The City of Boston's initiative to establish a standardized plan based on property values for tax-exempt institutions with property values of $15 million or more should be viewed in the context of a partnership that will take time to evolve regarding cash payments and community services. The starting point should be the property tax standard modified by community services, but the voluntary nature of the PILOT program and the multiple variables affecting tax-exempt institutions will more likely mean that the timing and the extent of full compliance with the plan will vary by institution. The compliance results reported for the first year demonstrates a good faith effort to increase financial support and that further negotiations will occur. Mayor Menino has publicly stated that the goal of the program is not to create a hardship for any private tax-exempt institution, and he has offered to meet with the leaders of any tax-exempt institution to discuss their response to the PILOT payment request.

2. **Directed community benefits should have more flexibility.** The Administration's effort to direct community services to be aligned with the City's objectives will also require time to establish. The large medical and educational institutions establish multi-year community service strategies, and any adjustments will more likely occur in subsequent plans. To be a true partnership between the City and the private tax-exempt institutions, this program cannot be built from a one-size-fits-all approach. The framework has been improved, but its success in influencing the direction of community services will require negotiations with most institutions in reaching a voluntary agreement. A more flexible approach will provide positive gains to the City and not jeopardize worthwhile programs beneficial both to the City and the tax-exempt institutions The Administration has shown a willingness to agree to community services exceeding the 50% standard in cases that the services meet city needs. For example, the City agreed to a 75% community benefit share for Boston Medical Center and the Hebrew Rehabilitation Center in fiscal 2012.

An already complex community benefits regulatory environment needs to be a factor in any negotiations. For example, nonprofit hospitals are required by regulations of the Massachusetts Attorney General and new IRS requirements to conduct a rigorous community needs health assessment every three years to identify the health needs in Boston and any contiguous high need areas and to develop programs to address those needs. Nevertheless, there can be a legitimate value in developing city-wide programs with the City and the exempt institutions as part of the community service component. For example, the Boston hospital assessments routinely identify diabetes, obesity and asthma as community needs. A collaborative approach by these institutions and the City's Public Health Commission in implementing a unified citywide program for these problems would be a positive outcome of the community service requirement.

3. **All payments should be included as acceptable cash payment credits.** Contributions made directly to any departments and commissions in the City should qualify as part of a PILOT payment. For example, several institutions make direct contributions to support the work of the Boston Public Health Commission or provide direct services to the Boston School Department and enrichment opportunities for its students, and these funds and services should be counted when determining PILOT payments. Many of the services funded by these contributions would otherwise need to be provided by the City. One recent example is that Children's Hospital over a two-year period provided direct funding of $500,000 to the City's Public

Health Commission for an exhaustive study of the status of children's health in the City of Boston.

4. Cultural institutions warrant greater flexibility. Seven cultural institutions in the group of 48 are different enough in their revenue structure and community services to merit greater flexibility under this program. These institutions serve as major tourist attractions bringing millions of people into the City each year which generates significant economic benefits to the Boston economy. These institutions also contribute significantly to the quality of life in Boston and the region. The City has been involved in discussions with the seven institutions regarding the structure of their participation in the PILOT program.

The focus of the PILOT Task Force was primarily on the large educational and medical institutions, but the members did agree that the participation in the PILOT program should be broadened to other large institutions not making payments. These institutions have some level of endowment but rely heavily on annual revenue from attendance and sponsorships which are more susceptible to changing economic conditions or facility changes to exhibit space or stage or seating capacity. These institutions generally provide a high degree of direct services to Boston city departments and residents that financially could exceed the estimated PILOT payments requested by the City. For these reasons, a greater degree of flexibility in negotiating agreements with the cultural institutions is warranted. In some instances no PILOT cash payment may be justified. For the cultural institutions, community services should be able to represent a larger share than 50% based on demonstrable service. It is interesting to note that these institutions receive no public funds from the City of Boston, but their counterparts in most other major cities are the recipients of public funds from their host city.

5. PILOT program should be reviewed annually.
To ensure that the program is meeting its goals and objectives and remains fair and balanced, the PILOT program should be reviewed by the City annually. This review should include an evaluation of all aspects of the program and the financial and service implications and suggest modifications to the program if warranted. A program evaluation report for each fiscal year should be submitted by the Mayor to the City Council and City Clerk on or before December 1 of the following fiscal year.

Appendix A

PILOT Task Force: Community Benefit Criteria

Qualifies for PILOT Credit

Contribution to PILOT Program

PILOT Payments

Participation in City Initiatives

Targeted Scholarships for Boston Residents

Summer Job Creation/Youth Employment

Step-up Initiative

Health Disparities Initiative

Policy Based Collaborations

Public/Community Health Initiatives

Partnerships with Local Schools

Job Training Initiatives

Other Cash Transfers

Real Estate Taxes on Property Used For Institutional Purposes

Requires Further Clarification

Provisions of Public Services

Snow Removal/Street Cleaning

Construction Maintenance of a Public Facility

Public Use of Facilities

Good Neighbor Activities

Volunteer Efforts of Students/Employees

Donations to Neighborhood Assns./ Main Streets

Corporate Leadership/ Sponsorships

Doesn't Qualify for PILOT Credit

Other Cash Transfers

Real Estate Taxes on Property Used For Non-Institutional Purposes

Linkage Payments

Permits Inspection Fees

Employment/Economic Impact Benefits

Student Spending

Salaries Paid to Employees

Multiplier Effect Construction Costs

Purchase of Goods, Services

Grants Received/Outside Money Leverage

Medical Care

Operating Support for Community Health Centers

Free Care (Safety Net Care)

Unreimbursed Medicare or Medicaid

Source: Mayor's PILOT Task Force Final Report & Recommendations, December 2010

Prepared by: Boston Municipal Research Bureau

Appendix B

City of Boston PILOT 5-year Ramp-up Proposal

	Total Property Value in 000	FY11 PILOT [1]	Proposed PILOT [2]	FY12 Pmt Year 1 ACTUALS	FY13 Pmt Year 2 [3]	FY14 Pmt Year 3 [3]	FY15 Pmt Year 4 [3]	FY16 Pmt Year 5+ [3]
1 Beth Israel Deaconess	$813.1	$167,000	$752,949	$752,948	$1,336,898	$1,924,846	$2,510,795	$3,096,744
2 Boston Medical Center	316.9	137,625	226,396	226,396	315,166	403,937	492,708	581,479
3 Brigham & Women's Hosp.	778.5	1,538,506	1,823,270	1,823,270	2,108,033	2,392,797	2,677,560	2,962,324
4 Children's Hospital	660.7	111,921	451,434	451,434	790,948	1,130,461	1,469,975	1,809,488
5 Dana Farber	248.1	99,972	260,892	260,892	421,813	582,733	743,654	904,574
6 Faulkner Hospital	162.0	-	114,071	114,071	228,141	342,212	456,282	570,353
7 Franciscan Hospital	50.4	-	27,472	-	54,944	82,416	109,888	137,360
8 Harvard Vanguard	109.8	294,886	309,511	309,511	324,136	338,761	353,386	368,011
9 Hebrew Rehab.	53.0	-	14,751	7,500	29,501	44,252	59,002	73,753
10 Joslin Diabetes Center	86.3	-	55,324	-	110,648	165,972	221,296	276,620
11 Mass Eye Ear	115.7	-	78,129	78,500	156,258	234,386	312,515	390,644
12 Mass General Hospital	1,785.6	2,668,355	3,508,707	3,508,707	4,349,060	5,189,412	6,029,764	6,870,117
13 New England Baptist	134.5	-	92,718	92,718	185,436	278,154	370,872	463,590
14 Shriners Hospital	106.1	-	70,692	-	141,383	212,075	282,766	353,458
15 Spaulding Rehab. Center	84.4	78,919	116,969	116,969	155,020	193,070	231,120	269,170
16 Tufts Medical Center	568.8	910,720	1,119,694	950,124	1,328,668	1,537,642	1,746,616	1,955,590
Medical Total	**$6,074.0**	**$6,007,904**	**$9,022,978**	**$8,693,040**	**$12,038,052**	**$15,053,125**	**$18,068,199**	**$21,083,273**
1 Berklee	$149.3	$151,331	$212,702	$213,070	$274,072	$335,443	$396,813	$458,184
2 Boston Architectural	19.1	-	3,148	3,148	6,296	9,444	12,591	15,739
3 Boston College	526.2	297,571	582,689	309,405	867,807	1,152,926	1,438,044	1,723,162
4 Boston College High School	27.2	-	9,449	5,000	18,898	28,347	37,796	47,245
5 Boston Conservatory	23.1	-	6,285	-	12,570	18,854	25,139	31,424
6 Boston University	1,856.0	5,082,079	5,329,936	5,329,936	5,577,794	5,825,651	6,073,509	6,321,366
7 Catholic Memorial HS	16.8	-	1,360	-	2,721	4,081	5,442	6,802
8 Emerson	240.5	141,591	288,293	141,591	434,994	581,696	728,397	875,099
9 Emmanuel	153.1	-	107,186	50,000	214,372	321,557	428,743	535,929
10 Fisher	41.1	-	20,263	-	40,525	60,788	81,050	101,313
11 Harvard	1,522.3	2,109,293	2,855,575	2,121,894	3,601,857	4,348,139	5,094,421	5,840,703
12 Mass Coll. of Pharmacy	109.3	242,252	266,976	266,976	291,700	316,424	341,148	365,872
13 NE College of Optometry	25.1	-	7,811	7,811	15,622	23,432	31,243	39,054
14 NE Conservatory	31.6	-	12,903	-	25,805	38,708	51,610	64,513
15 Northeastern	1,285.5	30,571	847,721	886,000	1,664,870	2,482,020	3,299,170	4,116,319
16 Roxbury Latin	52.8	-	29,356	-	58,711	88,067	117,422	146,778
17 Showa	42.7	123,084	119,958	119,958	116,832	113,707	110,581	107,455
18 Simmons College	139.7	15,000	108,790	108,790	202,581	296,371	390,162	483,952
19 Suffolk	228.7	378,979	468,983	390,000	558,987	648,991	738,995	828,999
20 Tufts	158.3	232,975	297,581	300,000	362,188	426,794	491,400	556,007
21 Wentworth Institute	196.5	31,504	166,024	166,024	300,545	435,065	569,585	704,106
22 Wheelock College	54.7	-	30,773	-	61,546	92,319	123,092	153,865
23 Winsor School	41.3	-	20,396	-	40,793	61,189	81,585	101,982
Education Total	**$6,940.9**	**$8,836,230**	**$11,794,158**	**$10,419,603**	**$14,752,085**	**$17,710,013**	**$20,667,940**	**$23,625,868**
1 Boston Symphony	$29.2	$84,976	$78,983	$78,983	$72,990	$66,997	$61,004	$55,011
2 Children's Museum	31.0	-	12,439	-	24,877	37,316	49,754	62,193
3 ICA	37.2	-	17,198	-	34,396	51,594	68,792	85,991
4 Museum of Fine Arts	282.5	66,220	259,444	56,316	452,667	645,891	839,114	1,032,338
5 Museum of Science	34.9	-	15,445	-	30,890	46,335	61,780	77,226
6 NE Aquarium	70.2	-	42,817	-	85,633	128,450	171,267	214,083
7 WGBH	76.2	-	47,478	51,763	94,956	142,434	189,912	237,390
Cultural Total	**$561.1**	**$151,196**	**$473,803**	**$187,062**	**$796,410**	**$1,119,017**	**$1,441,624**	**$1,764,231**
1 Bayridge Center	$29.8	$17,884	$25,783	$17,884	$33,681	$41,580	$49,479	$57,377
2 MASCO	50.9	133,778	134,917	134,917	136,057	137,196	138,335	139,474
Other Total	**$80.7**	**$151,662**	**$160,700**	**$152,801**	**$169,738**	**$178,776**	**$187,814**	**$196,852**
48 Grand Total ALL	**$13,656.7**	**$15,146,992**	**$21,451,638**	**$19,452,506**	**$27,756,285**	**$34,060,931**	**$40,365,577**	**$46,670,223**

[1] According to the Assessing Department

[2] Represents cash only which assumes a 50% community benefit credit and tax credits. Boston Medical Center and Hebrew Rehabilitation Center negotiated a 75% credit.

[3] Preliminary figures.

Source: City of Boston Assessing Department

Prepared by: Boston Municipal Research Bureau

Appendix C

City of Boston PILOT Payments FY11-FY12 [3]

	Total Property Value in 000	FY11 PILOT [1]	FY12 Proposed PILOT [2]	FY12 Pmt Year 1 ACTUALS	Variance FY11 - FY12 Actuals	%
1 Beth Israel Deaconess	$813.1	$167,000	$752,949	$752,948	$585,948	350.9%
2 Boston Medical Center	316.9	137,625	226,396	226,396	88,771	64.5%
3 Brigham & Women's Hosp.	778.5	1,538,506	1,823,270	1,823,270	284,764	18.5%
4 Children's Hospital	660.7	111,921	451,434	451,434	339,513	303.4%
5 Dana Farber	248.1	99,972	260,892	260,892	160,920	161.0%
6 Faulkner Hospital	162.0	-	114,071	114,071	114,071	-
7 Franciscan Hospital	50.4	-	27,472	-	-	-
8 Harvard Vanguard	109.8	294,886	309,511	309,511	14,625	5.0%
9 Hebrew Rehab.	53.0	-	14,751	7,500	7,500	-
10 Joslin Diabetes Center	86.3	-	55,324	-	-	-
11 Mass Eye Ear	115.7	-	78,129	78,500	78,500	-
12 Mass General Hospital	1,785.6	2,668,355	3,508,707	3,508,707	840,352	31.5%
13 New England Baptist	134.5	-	92,718	92,718	92,718	-
14 Shriners Hospital	106.1	-	70,692	-	-	-
15 Spaulding Rehab. Center	84.4	78,919	116,969	116,969	38,050	48.2%
16 Tufts Medical Center	568.8	910,720	1,119,694	950,124	39,404	4.3%
Medical Total	**$6,074.0**	**$6,007,904**	**$9,022,978**	**$8,693,040**	**$2,685,136**	**44.7%**
1 Berklee	$149.3	$151,331	$212,702	$213,070	61,739	40.8%
2 Boston Architectural	19.1	-	3,148	3,148	3,148	100.0%
3 Boston College	526.2	297,571	582,689	309,405	11,834	4.0%
4 Boston College High School	27.2	-	9,449	5,000	5,000	-
5 Boston Conservatory	23.1	-	6,285	-	-	-
6 Boston University	1,856.0	5,082,079	5,329,936	5,329,936	247,857	4.9%
7 Catholic Memorial HS	16.8	-	1,360	-	-	-
8 Emerson	240.5	141,591	288,293	141,591	-	0.0%
9 Emmanuel	153.1	-	107,186	50,000	50,000	-
10 Fisher	41.1	-	20,263	-	-	-
11 Harvard	1,522.3	2,109,293	2,855,575	2,121,894	12,601	0.6%
12 Mass Coll. of Pharmacy	109.3	242,252	266,976	266,976	24,724	10.2%
13 NE College of Optometry	25.1	-	7,811	7,811	7,811	-
14 NE Conservatory	31.6	-	12,903	-	-	-
15 Northeastern	1,285.5	30,571	847,721	886,000	855,429	2798.2%
16 Roxbury Latin	52.8	-	29,356	-	-	-
17 Showa	42.7	123,084	119,958	119,958	(3,126)	-2.5%
18 Simmons College	139.7	15,000	108,790	108,790	93,790	625.3%
19 Suffolk	228.7	378,979	468,983	390,000	11,021	2.9%
20 Tufts	158.3	232,975	297,581	300,000	67,025	28.8%
21 Wentworth Institute	196.5	31,504	166,024	166,024	134,520	427.0%
22 Wheelock College	54.7	-	30,773	-	-	-
23 Winsor School	41.3	-	20,396	-	-	-
Education Total	**$6,940.9**	**$8,836,230**	**$11,794,158**	**$10,419,603**	**$1,583,373**	**17.9%**
1 Boston Symphony	$29.2	$84,976	$78,983	$78,983	(5,993)	-7.1%
2 Children's Museum	31.0	-	12,439	-	-	-
3 ICA	37.2	-	17,198	-	-	-
4 Museum of Fine Arts	282.5	66,220	259,444	56,316	(9,904)	-15.0%
5 Museum of Science	34.9	-	15,445	-	-	-
6 NE Aquarium	70.2	-	42,817	-	-	-
7 WGBH	76.2	-	47,478	51,763	51,763	-
Cultural Total	**$561.1**	**$151,196**	**$473,803**	**$187,062**	**$35,866**	**23.7%**
1 Bayridge Center	$29.8	$17,884	$25,783	$17,884	-	0.0%
2 MASCO	50.9	133,778	134,917	134,917	1,139	0.9%
Other Total	**$80.7**	**$151,662**	**$160,700**	**$152,801**	**$1,139**	**0.8%**
48 Grand Total ALL	**$13,656.7**	**$15,146,992**	**$21,451,638**	**$19,452,506**	**$4,305,514**	**28.4%**

[1] According to the Assessing Department

[2] Represents cash only which assumes a 50% community benefit credit and tax credits. Boston Medical Center and Hebrew Rehabilitation Center negotiated a 75% credit.

Source: City of Boston Assessing Department

Prepared by: Boston Municipal Research Bureau

Appendix D

City of Boston PILOT 5-year Ramp-up Proposal

	Total Property Value in 000	FY11 PILOT [1]	FY16 Pmt Year 5+ [3]	Variance FY11-FY16	%
1 Beth Israel Deaconess	$813.1	$167,000	$3,096,744	$2,929,744	1754%
2 Boston Medical Center	316.9	137,625	581,479	443,854	323%
3 Brigham & Women's Hosp.	778.5	1,538,506	2,962,324	1,423,818	93%
4 Children's Hospital	660.7	111,921	1,809,488	1,697,567	1517%
5 Dana Farber	248.1	99,972	904,574	804,602	805%
6 Faulkner Hospital	162.0	-	570,353	570,353	-
7 Franciscan Hospital	50.4	-	137,360	137,360	-
8 Harvard Vanguard	109.8	294,886	368,011	73,125	25%
9 Hebrew Rehab.	53.0	-	73,753	73,753	-
10 Joslin Diabetes Center	86.3	-	276,620	276,620	-
11 Mass Eye Ear	115.7	-	390,644	390,644	-
12 Mass General Hospital	1,785.6	2,668,355	6,870,117	4,201,762	157%
13 New Englan Baptist	134.5	-	463,590	463,590	-
14 Shriners Hospital	106.1	-	353,458	353,458	-
15 Spaulding Rehab. Center	84.4	78,919	269,170	190,251	241%
16 Tufts Medical Center	568.8	910,720	1,955,590	1,044,870	115%
Medical Total	**$6,074.0**	**$6,007,904**	**$21,083,273**	**$15,075,369**	**251%**
1 Berklee	$149.3	$151,331	$458,184	$306,853	203%
2 Boston Architectural	19.1	-	15,739	15,739	-
3 Boston College	526.2	297,571	1,723,162	1,425,591	479%
4 Boston College High School	27.2	-	47,245	47,245	-
5 Boston Conservatory	23.1	-	31,424	31,424	-
6 Boston University	1,856.0	5,082,079	6,321,366	1,239,287	24%
7 Catholic Memorial HS	16.8	-	6,802	6,802	-
8 Emerson	240.5	141,591	875,099	733,508	518%
9 Emmanuel	153.1	-	535,929	535,929	-
10 Fisher	41.1	-	101,313	101,313	-
11 Harvard	1,522.3	2,109,293	5,840,703	3,731,410	177%
12 Mass Coll. of Pharmacy	109.3	242,252	365,872	123,620	51%
13 NE College of Optometry	25.1	-	39,054	39,054	-
14 NE Conservatory	31.6	-	64,513	64,513	-
15 Northeastern	1,285.5	30,571	4,116,319	4,085,748	13365%
16 Roxbury Latin	52.8	-	146,778	146,778	-
17 Showa	42.7	123,084	107,455	(15,629)	-13%
18 Simmons College	139.7	15,000	483,952	468,952	3126%
19 Suffolk	228.7	378,979	828,999	450,020	119%
20 Tufts	158.3	232,975	556,007	323,032	139%
21 Wentworth Institute	196.5	31,504	704,106	672,602	2135%
22 Wheelock College	54.7	-	153,865	153,865	-
23 Winsor School	41.3	-	101,982	101,982	-
Education Total	**$6,940.9**	**$8,836,230**	**$23,625,868**	**$14,789,638**	**167%**
1 Boston Symphony	$29.2	$84,976	$55,011	-$29,965	-35%
2 Children's Museum	31.0	-	62,193	62,193	-
3 ICA	37.2	-	85,991	85,991	-
4 Museum of Fine Arts	282.5	66,220	1,032,338	966,118	1459%
5 Museum of Science	34.9	-	77,226	77,226	-
6 NE Aquarium	70.2	-	214,083	214,083	-
7 WGBH	76.2	-	237,390	237,390	-
Cultural Total	**$561.1**	**$151,196**	**$1,764,231**	**$1,613,035**	**1067%**
1 Bayridge Center	$29.8	$17,884	$57,377	$39,493	221%
2 MASCO	50.9	133,778	139,474	5,696	4%
Other Total	**$80.7**	**$151,662**	**$196,852**	**$45,190**	**30%**
48 Grand Total ALL	**$13,656.7**	**$15,146,992**	**$46,670,223**	**$31,523,231**	**208%**

[1] According to the Assessing Department

[2] Represents cash only which assumes a 50% community benefit credit and tax credits. Boston Medical Center and Hebrew Rehabilitation Center negotiated a 75% credit.

[3] Preliminary figures.

Source: City of Boston Assessing Department

Prepared by: Boston Municipal Research Bureau

Appendix E

City of Boston Cash PILOT

FY11 & FY12

		FY11 PILOT [1]	Proposed PILOT [2]	FY12 Pmt Year 1 ACTUALS [1]	Variance FY12 Proposed vs. Actual	Variance FY11-FY12 Actual	%	% Of Request
1	Beth Israel Deaconess	$167,000	$752,949	$752,948	-$1	$585,948	351%	100%
2	Boston Medical Center	137,625	226,396	226,396	0	88,771	65%	100%
3	Brigham & Women's Hosp.	1,538,506	1,823,270	1,823,270	0	284,764	19%	100%
4	Children's Hospital	111,921	451,434	451,434	(0)	339,513	303%	100%
5	Dana Farber	99,972	260,892	260,892	(0)	160,920	161%	100%
6	Faulkner Hospital	-	114,071	114,071	0	114,071	-	100%
7	Franciscan Hospital	-	27,472	-	(27,472)	0	-	0%
8	Harvard Vanguard	294,886	309,511	309,511	(0)	14,625	5%	100%
9	Hebrew Rehab.	-	14,751	7,500	(7,251)	7,500	100%	51%
10	Joslin Diabetes Center	-	55,324	-	(55,324)	0	-	0%
11	Mass Eye Ear	-	78,129	78,500	371	78,500	100%	100%
12	Mass General Hospital	2,668,355	3,508,707	3,508,707	(0)	840,352	31%	100%
13	New England Baptist	-	92,718	92,718	(0)	92,718	100%	100%
14	Shriners Hospital	-	70,692	-	(70,692)	0	-	0%
15	Spaulding Rehab. Center	78,919	116,969	116,969	(0)	38,050	48%	100%
16	Tufts Medical Center	910,720	1,119,694	950,124	(169,570)	39,404	4%	85%
	Medical Total	**$6,007,904**	**$9,022,978**	**$8,693,040**	**-$329,938**	**$2,685,136**	**45%**	**96%**
1	Berklee	$151,331	$212,702	$213,070	$368	$61,739	41%	100%
2	Boston Architectural	-	3,148	3,148	0	3,148	100%	100%
3	Boston College	297,571	582,689	309,405	(273,284)	11,834	4%	53%
4	Boston College High School	-	9,449	5,000	(4,449)	5,000	100%	53%
5	Boston Conservatory	-	6,285	-	(6,285)	0	-	0%
6	Boston University	5,082,079	5,329,936	5,329,936	(0)	247,857	5%	100%
7	Catholic Memorial HS	-	1,360	-	(1,360)	0	-	0%
8	Emerson	141,591	288,293	141,591	(146,702)	0	0%	49%
9	Emmanuel	-	107,186	50,000	(57,186)	50,000	-	47%
10	Fisher	-	20,263	-	(20,263)	0	-	0%
11	Harvard	2,109,293	2,855,575	2,121,894	(733,681)	12,601	1%	74%
12	Mass Coll. of Pharmacy	242,252	266,976	266,976	(0)	24,724	10%	100%
13	NE College of Optometry	-	7,811	7,811	0	7,811	-	100%
14	NE Conservatory	-	12,903	-	(12,903)	0	-	0%
15	Northeastern	30,571	847,721	886,000	38,279	855,429	2798%	105%
16	Roxbury Latin	-	29,356	-	(29,356)	0	-	0%
17	Showa	123,084	119,958	119,958	(0)	(3,126)	-3%	100%
18	Simmons College	15,000	108,790	108,790	(0)	93,790	625%	100%
19	Suffolk	378,979	468,983	390,000	(78,983)	11,021	3%	83%
20	Tufts	232,975	297,581	300,000	2,419	67,025	29%	101%
21	Wentworth Institute	31,504	166,024	166,024	(0)	134,520	427%	100%
22	Wheelock College	-	30,773	-	(30,773)	0	-	0%
23	Winsor School	-	20,396	-	(20,396)	0	-	0%
	Education Total	**$8,836,230**	**$11,794,158**	**$10,419,603**	**-$1,374,555**	**$1,583,373**	**18%**	**88%**
1	Boston Symphony	$84,976	$78,983	$78,983	$0	-$5,993	-7%	100%
2	Children's Museum	-	12,439	-	(12,439)	0	-	0%
3	ICA	-	17,198	-	(17,198)	0	-	0%
4	Museum of Fine Arts	66,220	259,444	56,316	(203,128)	(9,904)	-15%	22%
5	Museum of Science	-	15,445	-	(15,445)	0	-	0%
6	NE Aquarium	-	42,817	-	(42,817)	0	-	0%
7	WGBH	-	47,478	51,763	4,285	51,763	-	109%
	Cultural Total	**$151,196**	**$473,803**	**$187,062**	**-$286,741**	**$35,866**	**24%**	**39%**
1	Bayridge Center	$17,884	$25,783	$17,884	-$7,899	$0	0%	69%
2	MASCO	133,778	134,917	134,917	(0)	$1,139	1%	100%
	Other Total	**$151,662**	**$160,700**	**$152,801**	-$7,899	$1,139	1%	95%
48	**Grand Total ALL**	**$15,146,992**	**$21,451,638**	**$19,452,506**	**-$1,999,132**	**$4,305,514**	**28%**	**91%**

[1] According to the Assessing Department

[2] Represents cash only which assumes a 50% community benefit credit and tax credits. Boston Medical Center and Hebrew Rehabilitation Center negotiated a 75% credit.

Source: City of Boston Assessing Department

Prepared by: Boston Municipal Research Bureau

Appendix F

Sample of Community Services Offered by Various Tax-Exempt Institutions

Health Care
Community Health Center support
Violence Prevention, Teen Dating Violence
Public Health Initiatives - free drop-in clinics
Free Medications & Health Care
Latino Mental Health Program
Food Pantry
Cancer Ride Programs
Youth Programs
Screenings, vaccinations, supplies & educational materials at health fair
Mayor's Summer Jobs Program
Reduction in Disparities In Care Program
Partnerships with YMCA to Target Seniors
Year UP - eye exams and prescription glasses for those in need
Substance Abuse Prevention & Reduction
Asian Health Initiative, Dorchester Health Initiatives
Nutrition & Healthy Life Long Habits
Asthma Prevention

Educational
Scholarships to Boston residents
Internships to low income students in high school
Mayor Menino's Step- Up Initiative - to support learning in 10 Boston Public Schools
Affordable Housing Initiatives
Athletic & Recreational facility use donations
Hosting Health Careers Academy on campus
Free rent to Whittler Street Health Center
Foundation Year, Healthy Kids, Healthy Futures Programs
CityLab & CityLab Academy - free academic and job skills training program for Boston high school graduates interested in biotechnology
Space provided to various neighborhood groups
Educational Programs in BPS, after school initiatives, educational preparedness
Harvard Achievement Support Initiative, Crimson Academy

Other Cultural
Community Nights
Camp Scholarships
Complimentary Admission Passes for Boston Residents
Mayor's Summer Jobs Program

Prepared by: Boston Municipal Research Bureau

Appendix G

City of Boston Tax Exempt Real Property Area*

Fiscal Year 2012

Category	No. Items	Area/Acres	% of Exempt Area	% of City Area
Public				
US Government	68	241.03	1.6%	0.8%
MA State	1,351	7,312.41	49.2%	24.2%
Boston City	3,491	4,163.52	28.0%	13.8%
Other Public	3	0.32	0.0%	0.0%
Total Public	4,913	11,717	78.9%	38.7%
Private				
Literary	928	963.69	6.5%	3.2%
Char./Benevolent	1,032	527.41	3.6%	1.7%
Religious	854	1,212.55	8.2%	4.0%
121-A	559	233.81	1.6%	0.8%
Other Private	66	200.66	1.4%	0.7%
Total Private	3,439	3,138.12	21.1%	10.4%
		4.90 sq. mi.		
Total Tax Exempt	8,352	14,855.40	100.0%	49.1%
		23.21 sq. mi.		
Taxable Real Property	152,902	15,398.46		50.9%
		24.06 sq. mi.		
Taxable & Exempt Real Property	161,254	30,253.86		100.0%
		47.27 sq. mi.		

* Represents all tax-exempt property throughout Boston and not just those participating in the new PILOT program. Value is not shown due to lack of reliable data.

Source: City of Boston Assessing Reports

Prepared by: Boston Municipal Research Bureau

The Municipal Fiscal Crisis and Payments in Lieu of Taxes by Nonprofits

Daphne A. Kenyon and Adam H. Langley

Municipalities around the country face a daunting fiscal crisis. Federal stimulus assistance has expired, and many states have made significant cuts in aid to municipalities. Meanwhile property values have declined 31 percent since their 2006 peak according to the S&P/Case-Shiller national home price index.

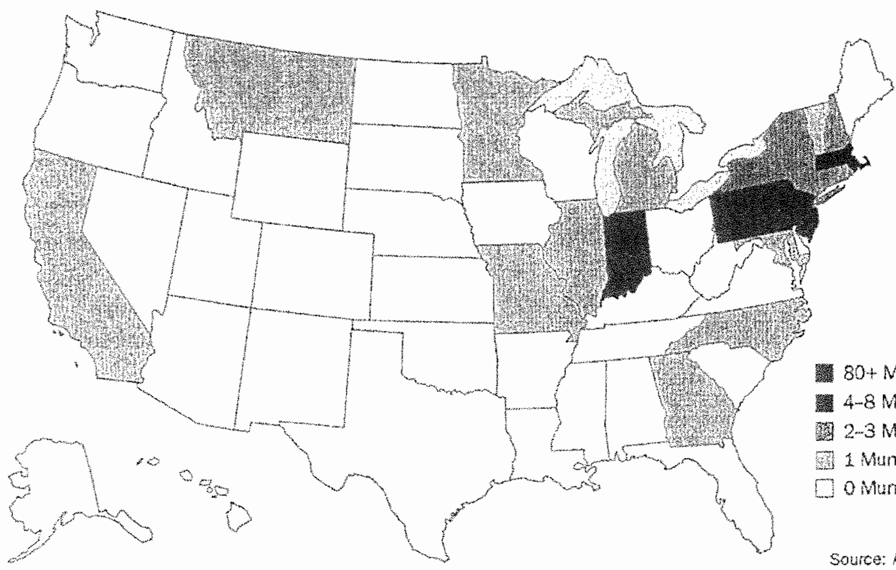
It will take several years to know how this historic decline will affect property tax revenues, because changes in property tax bills significantly lag changes in market values. However, cities faced declines in general fund revenues of 2.5 percent in 2009, and approximately 3.2 percent declines in 2010 (Hoene 2009; Hoene and Pagano 2010). Municipal responses to revenue shortfalls have included making cuts to personnel (71 percent of cities), delaying or cancelling capital projects (68 percent), and making across the board cuts (35 percent) (McFarland 2010).

To avoid further cuts, municipalities will need to raise additional revenues. But with anti-tax sentiment running high, many cities and towns may try to avoid raising tax rates and look instead to increased reliance on fees and other alternative revenue sources. One alternative that has attracted the attention of many local officials recently is payments in lieu of taxes (PILOTs) by nonprofit organizations.

PILOTs are voluntary payments made by tax-exempt nonprofits as a substitute for property taxes. These payments typically result from negotiations between local government officials and individual nonprofits, but the exact arrangements vary widely. PILOTs can be formal, long-term contracts, routine annual payments, or irregular one-time payments. The payments can go into a municipality's general fund, or be directed to a specific project or program. PILOTs are most frequently made by hospitals, colleges, and universities, but also by nonprofit retirement homes, low-income housing facilities, cultural institutions, fitness centers, and churches. Some such payments are not even called PILOTs, but are known as "voluntary contributions" or "service fees."

Since 2000, PILOTs have been used in at least 117 municipalities in at least 18 states (Kenyon and Langley 2010). These payments are concentrated in the Northeast, and especially in Massachusetts where they have been made in 82 out of 351 municipalities (figure 1). It is hard to make definitive statements about trends in the use of PILOTs, because there is no comprehensive source that tracks them, but press accounts suggest growing interest in PILOTs since the early 1990s, with a noticeable uptick in recent years. Major multi-year agreements have recently been reached in Pittsburgh and Baltimore; commissions have studied PILOTs in Boston, New Orleans, and Providence; and many smaller municipalities have reached new agreements with local charities.

FIGURE 1
States with Municipalities Collecting PILOTs (2000–2010)



Source: Authors' research.

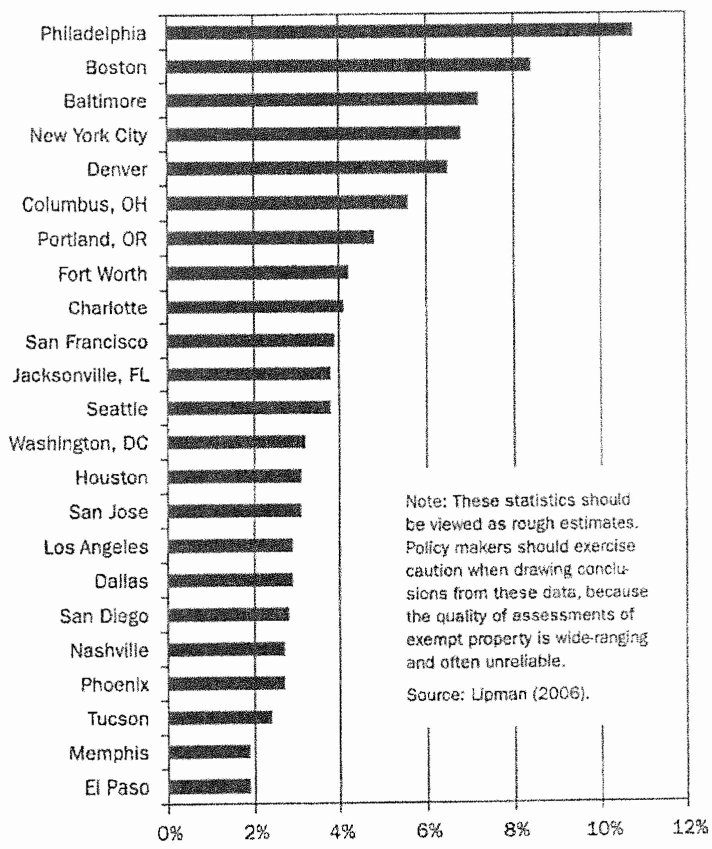
The Revenue Potential of PILOTs

The revenue potential of PILOTs varies across municipalities because of large differences in the impact of the charitable property tax exemption on their tax bases. Figure 2 shows that in 23 large U.S. cities the value of tax-exempt nonprofit property as a share of total property value ranged from 10.8 percent in Philadelphia to 1.9 percent in Memphis and El Paso. Similarly, a fiscal year 2003 study of 351 municipalities in Massachusetts found that if the tax exemption for charitable and educational nonprofits were removed, these organizations would account for more than 10 percent of the property tax levy in 18 municipalities and between 2.5 and 10 percent in another 68, but less than 1 percent of the tax levy in 179 municipalities (McArdle and Demirai 2004).

Since nonprofit property tends to be highly concentrated in a relatively small number of municipalities, especially central cities and college towns, PILOTs have the potential to be a very important revenue source for some municipalities, even if they are unlikely to play a significant role in financing local government in the majority of cities and towns. Table 1 looks at PILOTs in ten municipalities where they rarely account for more than 1 percent of total revenues, but the dollar figures are often significant.

The impact of the charitable property tax exemption on municipal budgets also depends on the

FIGURE 2
Estimated Value of Exempt Property Owned by Nonprofits as a Percent of Total Property Value



Note: These statistics should be viewed as rough estimates. Policy makers should exercise caution when drawing conclusions from these data, because the quality of assessments of exempt property is wide-ranging and often unreliable.

Source: Lipman (2006).

degree of reliance on property taxes as a revenue source. Local governments with a heavier reliance on sales and excise taxes, user fees, or state aid are in a better position to deal with forgone property tax revenues through those other sources.

Collaboration on PILOT Agreements

In seeking PILOT agreements, local officials sometimes resort to adversarial pressure tactics, which can backfire and jeopardize important relationships between municipalities and nonprofits. A more collaborative approach is usually more successful when local officials work to build genuine support among nonprofits for a PILOT program that is rooted in shared interests and mutual dependence for each other's long-term success.

Many large nonprofits like hospitals and universities are quite immobile, and other smaller nonprofits may be committed to serving their local communities even if they could relocate with relative ease. The long-term success of these organizations depends on the municipality's success. Because population loss, crime, and crumbling infrastructure can imperil a nonprofit's future, having a local government with the capacity to provide quality public services is in its own self-interest.

Similarly, nonprofits are often major employers and provide services and activities that attract people to a city and improve the quality of life for local residents. Thus, the success of these organizations is also crucial for a municipality's future. Even if the nonprofits are tax-exempt, their presence can significantly expand the local tax base by attracting businesses and homeowners.

Recognition of these shared interests by both sides is crucial to reaching sustainable PILOT agreements. Private conversations between high-ranking municipal and nonprofit officials can help break down barriers that sometimes block PILOTs. To make the case for PILOTs, municipalities often appeal to the nonprofits' sense of fairness and community responsibility—arguing that it is fair for nonprofits to pay for the cost of public services they consume, and that a contribution will directly benefit the community.

These conversations should also touch on what the nonprofits need for their future success. In practice, municipalities are often most successful in obtaining PILOTs when nonprofits need something from the local government, such as building permits or zoning changes. The *quid pro quo* nature of these agreements is often viewed negatively—as a form of extortion or special treatment. However, accommodating these requests is often in a municipality's own interest.

For major nonprofit development projects, a shortened approval process with less red tape can cut overall costs significantly, and such discussions can result in more creative arrangements. For example, as part of a 20-year PILOT agreement with Clark University, the City of Worcester, Massachusetts agreed to work with the university to convert a short section of a street into a pedestrian area.

When local officials use more aggressive tactics to obtain PILOTs, such as trying to shame nonprofits into making payments or threatening to

TABLE 1
PILOT Contributions to City Revenues in Selected Cities

City	PILOT Revenue Generated ($)	City Budget ($)	Year	PILOT Revenue Generated as a Share of Total Budget (%)
Baltimore, MD	5,400,000	2,935,976,521	FY2011	0.18
Boston, MA	15,685,743	2,380,000,000	FY2009	0.66
Bristol, RI	181,852	43,846,275	FY2011	0.41
Butler, PA	15,000	8,442,098	FY2010	0.18
Cambridge, MA	4,508,000	466,749,012	FY2008	0.97
Lebanon, NH	1,280,085	42,312,510	FY2010	3.03
Minneapolis, MN	158,962	1,400,000,000	FY2009	0.01
New Haven, CT	7,500,000	648,585,765	FY2010	1.16
Pittsburgh, PA	2,800,000	507,797,100	FY2011	0.55
Providence, RI	3,686,701	444,544,123	FY2010	0.83

Source: Authors' research.

challenge their tax-exempt status in court, the organizations may become defensive and less willing to cooperate. Charitable nonprofits have a strong record of defending their property tax exemptions, so such divisive tactics are likely to leave a municipality with no PILOT, potentially significant legal fees, and a damaged reputation.

Problems with PILOTs

PILOTs have the potential to provide crucial revenue for municipalities with large nonprofit sectors, but there are many problems with these payments compared to more conventional taxes and fees.

First, at the same time that municipalities face a fiscal crisis caused by the recession, nonprofits face their own fiscal crisis due to declining endowment values and donations. In addition, government contracts—a major funding source for health and human service nonprofits—were cut, and some government entities are delaying contracts or payments. A 2009 survey found that 80 percent of nonprofit organizations were experiencing fiscal stress in the wake of the recession (Center for Civil Society Studies 2009). To nonprofits facing uncertain financial futures, it appears unfair for local governments to begin requesting PILOTs at this time (National Council of Nonprofits 2010).

Second, some degree of horizontal and vertical inequity in PILOT programs is almost inevitable, because their voluntary nature means there is no way to ensure that nonprofits with similar property values make comparable PILOTs. For example, even with Boston's long-standing PILOT program, the four largest universities in the city made very different contributions in fiscal year 2009. Boston University paid $4,892,138 (8.53 percent of what it would pay in property taxes if taxable); Harvard University paid $1,996,977 (4.99 percent); Boston College paid $293,251 (1.92 percent); and Northeastern University paid only $30,571 (0.08 percent).

Third, PILOTs are a limited and frequently unreliable revenue source, rarely accounting for more than 1 percent of total revenues. This limited revenue potential must be weighed against some potentially significant costs associated with reaching PILOT agreements, such as upfront administrative costs, time spent by high-ranking officials negotiating agreements, or costs to obtain accurate assessments of exempt properties. PILOTs can also be an unreliable revenue source from one year to the next if they rely on short-term agreements.

Finally, the process used to reach PILOT agreements is often contentious and secretive, with contributions determined in an ad hoc manner lacking objective criteria. A collaborative approach can make PILOT requests less controversial, but reliance on private conversations also makes the process less transparent.

Systematic Programs to Mitigate Problems

Many of these problems with PILOTs can be mitigated if municipalities set up a systematic program that does not rely solely on case-by-case negotiation, especially for municipalities with a large number of nonprofits. A framework that applies to all organizations can provide guidance and bring consistency to the negotiations with individual nonprofits. The recommendations of Boston's PILOT Task Force provide a concrete example (box 1).

Municipalities interested in establishing a systematic PILOT program should consider the following features.

Use a threshold level of property value or annual revenues to determine which nonprofits to include in the PILOT program. Excluding from PILOT requests certain types of nonprofits, such as religious organizations or small social service providers, may be a popular notion, but it can result in arbitrarily targeting some nonprofits while ignoring others. A more systematic policy with a threshold approach is easy to administer and will exclude only those nonprofits that do not meet the financial threshold to make significant contributions, rather than favor some organizations based on the nature of their activities.

Set a target for contributions that is justified. Instead of reaching an arbitrary dollar figure in negotiations, a target that applies to all nonprofits in the program can reduce horizontal inequities and may raise more revenue by creating the expectation for a certain contribution. For example, the target can be justified by estimating the cost of local public services that directly benefit nonprofits, such as police and fire protection and street maintenance.

Use a basis to calculate suggested payments. Using a basis with the rate set to reach the target contribution will also promote consistency. The fairest basis is the assessed value of exempt property, because the PILOT request will be proportional to the tax savings each organization receives from the property tax exemption. However, BOX 1

Recent Municipal Initiatives on PILOTs

Baltimore, Maryland: The city reached a $20 million six-year PILOT agreement with hospitals and universities in June 2010, with $5.4 million to be paid in each of the first two years. In return, the city dropped a proposed $350 fee per dorm and hospital bed, and protected hospitals and universities from increases in telecommunications and energy tax rates over the next six years (Walker and Scharper 2010).

Boston, Massachusetts: Beginning in January 2009, a task force of representatives from nonprofits, city government, business, labor, and the community met with a goal of making the city's existing PILOT program more consistent. The final report has recommendations on key features of a systematic PILOT program: only nonprofits with property values exceeding a $15 million threshold are included in the program; the target PILOT for each institution is equal to 25 percent of what it would pay in property taxes, because roughly one-quarter of the city's budget is devoted to core public services that benefit nonprofits; assessed value is used as a basis for the payments; and guidelines determine which types of services will count for community benefit offsets (City of Boston 2010).

New Orleans, Louisiana: A Tax Fairness Commission has been tasked with recommending changes to make the city's tax system fairer and to broaden the tax base. While the commission may consider PILOTs, it is particularly interested in narrowing the nonprofit property tax exemption (Nolan 2011). Louisiana has a very broad charitable exemption compared to most states, with all properties owned by eligible institutions exempt from taxation regardless of use, including those not typically tax-exempt such as fraternal organizations, labor unions, and trade associations (Bureau of Government Research 1999).

Providence, Rhode Island: The mayor and city council members sought to increase the amount of PILOTs from the city's four colleges and universities, but the Commission to Study Tax-Exempt Institutions (2010) recommended against renegotiating the 20-year, $48 million PILOT agreement reached in 2003. Instead the commission recommended that the city should focus on forming partnerships with local nonprofits to foster economic growth, and the state should provide full funding of its PILOT program and provide Providence with a share of new income and sales tax revenues that result from nonprofit expansion.

municipalities that want to avoid having to accurately assess tax-exempt properties can use another basis, such as the square footage of property or the organization's annual revenues.

Include community benefit offsets, so nonprofits can reduce their target cash PILOTs in return for providing certain public services for local residents. Charitable nonprofits are typically more willing to provide in-kind services than to make PILOTs, and are well positioned to leverage their existing expertise and resources to provide needed services. For example, nonprofit hospitals can set up free health clinics, and universities can establish after-school tutoring programs. Local officials should be clear and consistent about which services are most needed by local residents and will count for community benefit offsets, and should rely on nonprofits to estimate the cash value of these donated in-kind services.

Reach long-term PILOT agreements. Both municipalities and nonprofits are better off with a long-term approach that allows them to build predictable payments into their respective budgets. Additionally, because PILOT requests can require considerable time to negotiate, both parties will benefit from reaching an agreement and then moving on to focus on their primary missions and perhaps other partnerships to serve the community. Several municipalities have 20- or 30-year PILOT agreements in place.

Alternatives to PILOTs

Given some of the common problems with PILOTs, municipalities with large nonprofit sectors that face revenue shortfalls may want to consider alternative revenue-raising measures.

Increase reliance on traditional user fees or special assessments. This alternative may be the most palatable in the current anti-tax climate. One consideration favoring this option is that nonprofits are typically not exempt from these charges, so increasing reliance on such sources will obtain revenue from a broad group of entities, including tax-exempt nonprofits. For example, a municipality could finance garbage collection through a fee instead of the property tax, or use special assessments to pay for sewer hookups in new subdivisions.

Establish municipal service fees. Some municipalities have carved out specific services that are normally funded through property taxes and instead charged nonprofits a fee for the service.

These fees may or may not be assessed solely against tax-exempt nonprofits, and they often use a basis for the payments related to the size of the property rather than the assessed value. For example, Rochester, New York, has a local works charge to fund snowplowing and street repair. It is applied to both taxable and tax-exempt organizations using the property's street frontage as the basis. Minneapolis, Minnesota, has a street maintenance fee that also uses square footage as the basis, but is only charged to nongovernmental tax-exempt properties.

Develop agreements for needed services. Local officials can decide not to pursue cash PILOTs, but instead develop formal partnerships with nonprofits to provide specific services for local residents or work together to foster economic development. Direct provision of needed services, sometimes known as services in lieu of taxes or SILOTs, will help the fiscal situation of the municipality in the short run, while joint efforts to foster economic development can have significant long-run benefits.

Expand the tax options for municipalities. This final alternative would require a change in state law in many instances. Some municipalities across the country have the ability to levy sales taxes, special excise taxes such as hotel taxes, income taxes, or payroll taxes. But most cities in the Northeast do not have these alternative tax sources, and are especially reliant on the property tax, which can be problematic if the tax-exempt sector is large or growing rapidly.

Conclusion

PILOTs have the potential to provide crucial revenue for municipalities that have a significant share of total property value owned by tax-exempt nonprofits, both as a stop-gap in the current municipal fiscal crisis and in the future. However, PILOTs rarely account for more than 1 or 2 percent of municipal revenues, so expecting these payments to eliminate local government deficits is unrealistic. Furthermore, singling out nonprofits to help address a municipal fiscal crisis is unfair since they face their own challenges due to the recent recession.

Local officials who do want to pursue PILOT agreements must tread carefully if they want to avoid some common pitfalls. First, PILOT requests can be highly contentious when local officials resort to heavy-handed pressure tactics to reach agreements. It is preferable for local officials to work collaboratively with nonprofit leaders to craft PILOT agreements that serve their mutual interests. Second, the voluntary nature of PILOTs limits the revenue potential of these agreements, results in inconsistent treatment of nonprofits, and leads to other problems. Municipalities with a large number of nonprofits can mitigate these problems by establishing a systematic PILOT program to provide guidance and bring consistency to their negotiations with individual nonprofits.

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