



Boston PILOT Task Force

Task Force Recommendations

PILOT Program Should Remain Voluntary

Consideration was given to seeking a statutory mechanism to require PILOT payments and ensure more uniform participation. The Task Force believes that any attempt to impose a legal or statutory requirement would face significant opposition and runs counter to the spirit of partnership between the City and its institutions that a successful PILOT program would provide. As a result, while the Task Force will seek to encourage broad and uniform participation in the PILOT process, it believes that the PILOT program should remain voluntary.

PILOT Program Should be Applied to All Nonprofit Groups

The Task Force believes that all non-profit institutions should participate in the PILOT program. While significant focus has been placed on the City's medical and educational institutions, the City's museums, cultural facilities, and other significant non-profits share a similar interest in the City.

However, while broad participation is essential to the program's success, the Task Force has determined that an exception should be made for smaller non-profits which may lack the resources to fully engage in the PILOT process. Normally, a threshold of \$15 million in assessed value would meet this goal.

Determining PILOT Payments

PILOT contributions should be based on the value of real estate owned by an institution. This approach both reflects the size and quality of the institution's real estate holdings and is consistent with the approach taken for taxable properties. Given the institution's tax exempt status, a PILOT formula should provide a

discount relative to the amount the property would yield if it were fully taxable. Previously, the PILOT program considered the amount that police, fire, snow removal, and other essential services represented as a percentage of the City budget. This amount has remained at approximately 25% of the City's budget over many years. The Task Force believes that a PILOT payment at this level is appropriate.

In consideration of the City's smaller nonprofits previously mentioned, all participating institutions should receive an exemption for the first \$15 million in tax-exempt assessed value. This provision would eliminate the PILOT requirement for the smaller institutions, while mitigating the financial impact of PILOT payments on institutions just beyond this threshold.

Importance of Community Benefits

The Task Force strongly believes that community benefits are an important aspect of an institution's contribution to the City. As such, the group spent considerable time reviewing the community benefit submissions by the major colleges and hospitals. After carefully reviewing these programs and initiatives, the Task Force established the following guidelines for community benefits:

- Directly benefit City of Boston residents.
- Support the City's mission and priorities (i.e. the City would support such an initiative in its budget if the institution did not provide it).
- Emphasize ways in which the City and the institution can collaborate to address shared goals.
- Services should be quantifiable.

- The City must be consistent and transparent in its approach so that institutions can plan appropriately.

The City must be aware that increasing an institution's PILOT commitment may have unintended consequences – an institution may have to scale back community commitments and/or reduce staff to meet the expected PILOT level. As a result, a PILOT calculation should include a credit for community benefits offered by the institution. Recognizing that a balance must be struck between the City's need for revenue as well as services, the Task Force recommends that a credit for Community Services should generally be limited to 50% of full PILOT payment. In cases where the City and an institution identify exceptional or extraordinary opportunities to provide services, the 50% cap may be exceeded.

Phase-in Period

While the payments currently made by some institutions approach the levels indicated by the program levels recommended above, most institutions fall below the recommended amounts. Institutions will require time to make the necessary adjustments in their budget and financial plans to accommodate increased PILOT amounts. To ensure a smooth transition, the Task Force recommends that the new formula be phased in over a time period of not less than 5 years.

Property Tax Credit

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.

Questions?

For more information, please visit www.cityofboston.gov/assessing/PILOT.asp or call Matt Englander in the City of Boston Assessing Department at (617) 635-4797.