

PILOT Task Force Executive Summary of Final Report

The Mayor's PILOT Task Force was created in January 2009 to examine the relationship between the City and its tax-exempt institutions. The Task Force has met on a regular basis over the past fourteen months, held a public hearing in April 2009 and published an Interim Report in Summer 2009 detailing the group's progress to that point.

Over the course of these meetings, the Task Force has reviewed the current PILOT program, as well as similar programs in cities and towns across the country. The Task Force has concluded that the core principles of a fair and balanced PILOT program are transparency and consistency. The following elements reflect these core principles:

- *PILOT Program to 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 Non-Profit 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.

- *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 with the idea in mind that 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.