

Mayor Menino's PILOT Task Force

Meeting Minutes – February 9, 2009

The meeting commenced at 2:00pm on the 6th floor of City Hall.

Topics of Discussion

Reviewed the status of the Commission and determined that it is not a government body, and thus not subjected to the requirements of the Open Meeting Law.

PowerPoint presentation by the City provided an overview of municipal finances, the PILOT program, and tax-exempt property.

- Property taxes constitute 56% of the City's budget
- Other taxes (ex: sales taxes) flow to the Commonwealth, and do not directly benefit Boston. The City has limited ability to raise additional revenue because of the constraints imposed by Proposition 2 ½ and home rule laws.
- State aid has declined will likely continue to decline in the foreseeable future.
- While educational and medical institutions are a small portion of the approximately 52% of land in Boston that is tax-exempt, the institutions own a disproportionately high amount of property value and have a significant impact on City services (police, fire, public works).
- The "25% Standard" was an early PILOT program goal in negotiating annual PILOT payments with institutions, since it was believed that 25% of the City's annual budget is allocated to essential City services such as police, fire, public works – services tax exempt institutions benefit from.
- PILOT payments represent about 1% of City revenue.

Questions Raised

Q: Do tax-exempt institutions other than colleges and hospitals follow a separate PILOT negotiation and collection process when dealing with the City?

A: No. Other tax-exempt institutions, such as the Museum of Fine Arts, follow the same PILOT negotiation process as colleges and hospitals in the City.

Q: How many tax-exempt institutions are in the City of Boston?

A: It is difficult for the City to determine the exact number of non-profit institutions in Boston. It's estimated that there are hundreds of charitable organizations in Boston, many of which do not own property.

Q: Do any private nonprofit high schools and/or elementary schools have PILOT agreements with the City?

A: No. There are no high schools or elementary schools that have PILOT agreements with the City of Boston.

Q: How accurate is the property value and square footage data for the educational and medical institutions as reflected in the City's PowerPoint presentation?

A: The tax-exempt property data is not exact, though it is very close to the true value and size of each institution's property. Upon completion of the examination and revaluation of the educational and medical tax-exempt properties, this data was provided to each respective institution. Each institution had a period of 6 weeks to respond with feedback on the new values. When valid, changes to the tax-exempt values were made based on feedback from the institutions.

Q: Does Boston College's tax-exempt property data include the Lake Street properties?

A: A portion of Boston College's Brighton campus was included in the PowerPoint presentation. The portion of the Brighton campus that is currently being used by the College or leased to the Seminary is exempt from c. 59 property taxes. Other BC-owned parcels in this area that are not currently being used by the college are taxed.

Q: Are most of the PILOT agreements for hospitals driven by new construction? Are PILOT agreements typically episodic, i.e. does the City request a PILOT only when an institution expands? And how does the City interpret institutional expansion?

A: The BRA generally notifies the Assessing Department when an exempt institution files construction or expansion plans. The City seeks a PILOT commitment when an institution intends to remove a property from the tax rolls or when an institution redevelops pre-existing property.

Q: What is the City of Boston's current budget deficit, and how does the deficit compare to what the City would receive if the tax-exempt property belonging to the institutions in the PowerPoint presentation were taxable?

A: The City's current budget deficit is \$140 million. In Fiscal Year 2009, the tax-exempt educational and medical properties, if taxable at the commercial rate, would have generated \$347 million. This would have saved the average single-family homeowner approximately \$475 on their tax bill. The proposed local meals tax could generate about \$22 million for the City.

Q: What percentage of tax-exempt property is owned by hospitals and colleges, not including City, State, and federally owned property?

A: Hospitals and colleges own approximately 80% of tax-exempt property that is not owned by the City, State, or federal government.

Q: In the past, has the City considered community service credits as an alternative to cash payments from tax-exempt institutions?

A: Some of the PILOT Agreements contain a community service provision that allows the institution to count community service programs against their total PILOT payment, up to 25% of the total value. These institutions must annually submit a list of community service programs that are above and beyond their charitable mission to the Assessor's office for consideration toward this deduction. One persistent challenge the City faces is how to quantify some of the institutions' community services.

Items for Follow-Up

- A presentation from the Attorney General's office to provide the Task Force with an overview of State law as it pertains to charitable organizations and property ownership/use, as well as any legal precedents pertaining to civic engagement.
- A standard PILOT blueprint/equation is needed so each tax-exempt institution can contribute in a fair and consistent manner, since there are large discrepancies between PILOT contributions.
- A list of other larger tax-exempt institutions such as museums, private schools, and other cultural institutions.
- A list of the taxable property owned by hospitals and colleges per institution.
- Consider including non-profit organizations other than hospitals and colleges in PILOT discussions, as they too should be actively participating in the PILOT program.
- A public hearing on a future date to get feedback from the public on the PILOT program and tax-exempt property.
- Examples of existing community benefits statements prepared by hospitals and universities for other purposes.
- An examination of information filed by Hospitals to the MA Attorney General's office showing community service contributions.