

Mayor Menino's PILOT Task Force

Meeting Minutes – September 3, 2009

The meeting commenced at 1:00pm on the 6th floor of City Hall.

Chairman Kidder provided a brief overview of the City Initiatives discussion from the prior Task Force meeting on July 20th.

The City of Boston presented examples of different PILOT payment calculation methods. The methodologies included:

- Per unit model: Fixed rate multiplied by an industry-specific unit of measurement (ex., fee per hospital bed, fee per dorm bed, or fee per admitted visitor for museums)
- Per square foot model: Fixed rate multiplied by the square footage of tax-exempt property owned.
- Tax-exempt property model: PILOT payment based on a percentage of an institution's total tax-exempt property value.

General Discussion

- Different PILOT methodologies have varying influences on the operations of tax-exempt organizations. Should the City implement a range of methodologies that are specific to institution types (per unit model) or should there be one methodology that every tax-exempt institution in the PILOT program would adhere to (tax-exempt property model)?
- Per square foot model does not take into account a property's value and quality of building space. For example: a new facility would yield the same payment as an older building with the same square footage – it would be unfair to collect the same PILOT payment when one property has more value than the other.
- Per square footage model may be more appropriate for quantifying core City services (police protection, fire protection, public works) since the City provides core services to all buildings in Boston, regardless of their condition.
- The City aims to negotiate PILOT payments of approximately 25% of what institutions would pay in property taxes if the applicable property was taxable. The City adopted the 25% Standard as a benchmark since approximately 25% of the City's budget is allocated for core City services such as police protection, fire protection, and public works – services consumed by tax-exempt institutions.
- Tax-exempt property model is possibly the most fair and equitable PILOT methodology for all institution types. However, it requires accurate, up-to-date valuations, and may be more difficult to maintain.

- The City needs to better communicate its fiscal goals and PILOT payment objectives to tax-exempt organizations.
- PILOT program must sustain the fundamental relationship between charitable institutions and the City of Boston. The program should continue to encourage tax-exempt organizations to offer resources and services in accordance with their applicable charitable missions. The City must ensure that charitable organizations are not overburdened with PILOT payment obligations to a point where the fiscal ability to deliver vital community services is lessened.
- Should there be a limit to community contribution credits that a charitable organization can receive as part of a PILOT contract? Significant City revenue could be lost if there is not a limit to offsetting PILOT credits.

Next Steps:

- Engage other tax-exempt institutions and share with them the Task Force discussions to date.
- Develop a methodology for calculating PILOT payments.
- Quantify community contributions, determine which should qualify as offsetting PILOT credits, and determine if there should be a cap to community contributions in lieu of cash contributions to the PILOT program.