City of Boston
MAYOR’S PILOT TASK FORCE:
Task Force Process Overview
Tax-Exempt Land

Boston is 52% Tax-Exempt

- State Capitol
- 30 Universities and Colleges
- 25 Nonprofit Hospitals
- Over 20 Cultural Facilities
Valuation of Tax-Exempt Property

• Starting in 2007, Assessing Department used statutory authority to collect property data from all major educational, medical, and cultural institutions.

• Data was used to generate updated tax-exempt property values.

• Each institution given 6 weeks to review their values.

• Once complete, City was able to understand impact of tax-exempt property on the tax base.
Mayor’s PILOT Task Force

• Prior PILOT program generated $34.6 million in FY11, representing only 1.5% of the City’s total revenue.

• Program lacked fairness and consistency with payments across institutions.

• Boston Mayor Menino convened a PILOT Task Force to recommend a new program with a focus on a more fair, consistent, and sustainable partnership with the City’s nonprofit institutions.
PILOT Task Force Goals

• Set a standard level of contributions to be met by all major tax-exempt land-owning institutions.

• Develop a methodology for valuing community benefits.

• Propose a program structure that creates longer term, sustainable partnerships between the City and its nonprofits.

• Clarify the costs associated with providing City services to nonprofits.

• If necessary, provide recommendations on legislative changes needed at the City or state level.
PILOT Task Force Recommendations

- PILOT Program to remain voluntary
- All nonprofits to be included: medical, educational, cultural
- Payment based on 25% of tax-exempt property value
- Up to 50% deduction for community benefits
- Credit for property taxes paid on institutional property
- Program to be phased in over a 5 year period
Implementation Steps

• Letters sent to all eligible institutions explaining the new guidelines and detailing the financial parameters of the request.

• 1-on-1 meetings with each institution (at their office) to explain the program, answer questions, hear their concerns.

• Request for first installment of PILOT payment sent in late September 2011, due November 1.
Fiscal Year 2012 First Half Results

- FY12 First Half PILOT Payments: $9.4 million
  - 24% increase over what would have been paid under the prior PILOT program.
  - 88% of the $10.8 million amount requested for the year.
- 45 private institutions from the educational, medical, and cultural sectors were asked to contribute a PILOT in FY12.
- Total requested amount for FY12: $21.5 million in cash and $22.2 million in community benefits.
What Boston has Learned (thus far)

- Institutions have a strong preference for services over cash.
- Museums and other cultural institutions face a different economic model than hospitals and universities.
- A PILOT program requires a strong partnership between a community and its institutions, and that relationship takes a lot of time, effort and commitment to build.