



# **Boston's Payment in Lieu of Tax (PILOT) Program:**

*A Review of the Program's Development,  
Implementation and Results*

**Matt Englander, former Director of Tax Policy & Communications**

City of Boston Assessing Department

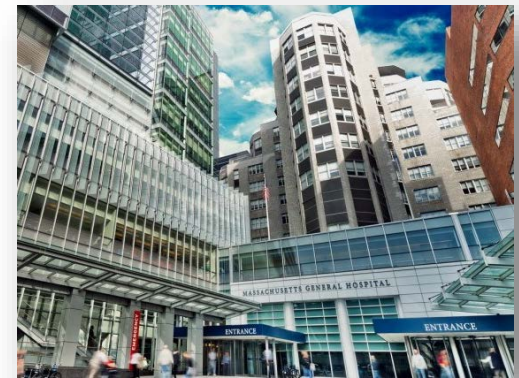
# Speaker Introduction

**Matt Englander** | former Director of Tax Policy & Communications  
*City of Boston Assessing Department*

- Nearly 14 years experience in the City of Boston Assessing Department
- Primary administrator of the PILOT Program
- Communicated with institutional leaders regularly to discuss PILOT commitments and partnerships
- Integrally involved in PILOT Task Force process to adopt and roll-out new PILOT guidelines (2010)
- Reviewed PILOT community benefits reports submitted to the City by PILOT institutions

# Agenda

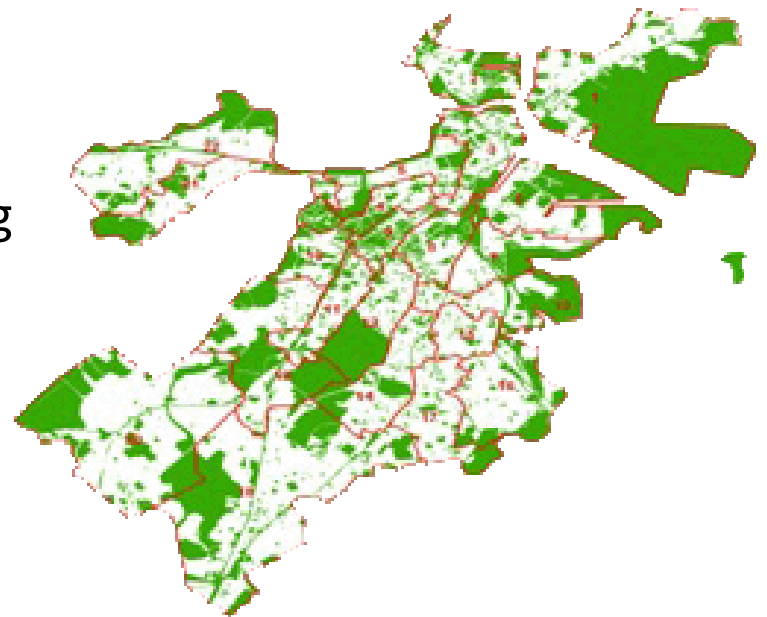
- City of Boston Overview
- Tax-Exempt Property
- PILOT Task Force
- PILOT Task Force Recommendations
- PILOT Results
- Current Program Status
- Lessons Learned
- Questions



# City of Boston Overview

## The Problem

- Heavily reliant on property tax revenue;
- Over 50% of the tax base is exempt;
- Under Proposition 2½ , the remaining taxable base can only grow by 2.5% per year;
- Existing PILOT Program lacked consistency & fairness between nonprofit contributors; and
- No local payroll or sales tax.



# City of Boston Overview

## Key Questions Facing the City

- How much would each institution pay in property taxes if exempt property were taxable?
- What is the cost of tax exemptions to Boston property owners?
- How do you reconcile the disconnect between institutional benefits and the cost of the tax exemptions?

# Tax-Exempt Property

## Exempt Property Valuation

- Used statutory authority to obtain detailed information on tax-exempt properties (e.g. SF, use, etc.).
- Updated tax-exempt values and shared data with respective non-profit property owners to ensure accuracy.
- If taxable, educational and medical tax-exempt property would have generated \$345.0 million in tax revenue in Fiscal Year 2009.

# PILOT Task Force

In 2009, former Boston Mayor Thomas M. Menino created a task force to examine the partnership between the City and its major nonprofits.

PILOT Task Force consisted of the following members:

- 2 local college presidents
- 2 leaders from Boston hospitals
- 2 leaders from Boston's business community
- 1 city councilor
- 1 union leader
- 1 community-based organization leader

# PILOT Task Force

## PILOT Task Force Goals

- Set a standard level of contributions to be met by all major tax-exempt land owners.
- Develop a methodology for valuing community benefits.
- Propose a program structure that creates longer term, sustainable partnerships between the City and its nonprofit institutions.
- Clarify the costs associated with providing City services to nonprofits, and
- If necessary, provide recommendations on legislative changes needed at the City or state level.



# PILOT Task Force

## Key PILOT Task Force Questions

- Should PILOT Program participation remain voluntary?
- Which institutions should be asked to participate in the PILOT Program?
- What is the formulaic basis for calculating PILOTs?
- How are PILOT programs administered in other areas?
- How should community benefits spending factor into the PILOT calculation?
- How can the PILOT Program be used to address major City priorities through City-nonprofit partnership?
- What are the unintended consequences, if any, to increasing PILOT requests?

# PILOT Task Force Recommendations

1. PILOT Program participation should remain voluntary
2. All nonprofits owning property valued, in aggregate, over \$15 million should participate
3. Payments should be 25% of what an institution might pay on tax-exempt property if taxable
4. Up to a 50% PILOT reduction for qualifying community benefits
5. Payment formula to be phased-in over a 5-year period
6. Institution will be credited for any real estate taxes paid on properties that would otherwise qualify for a tax exemption

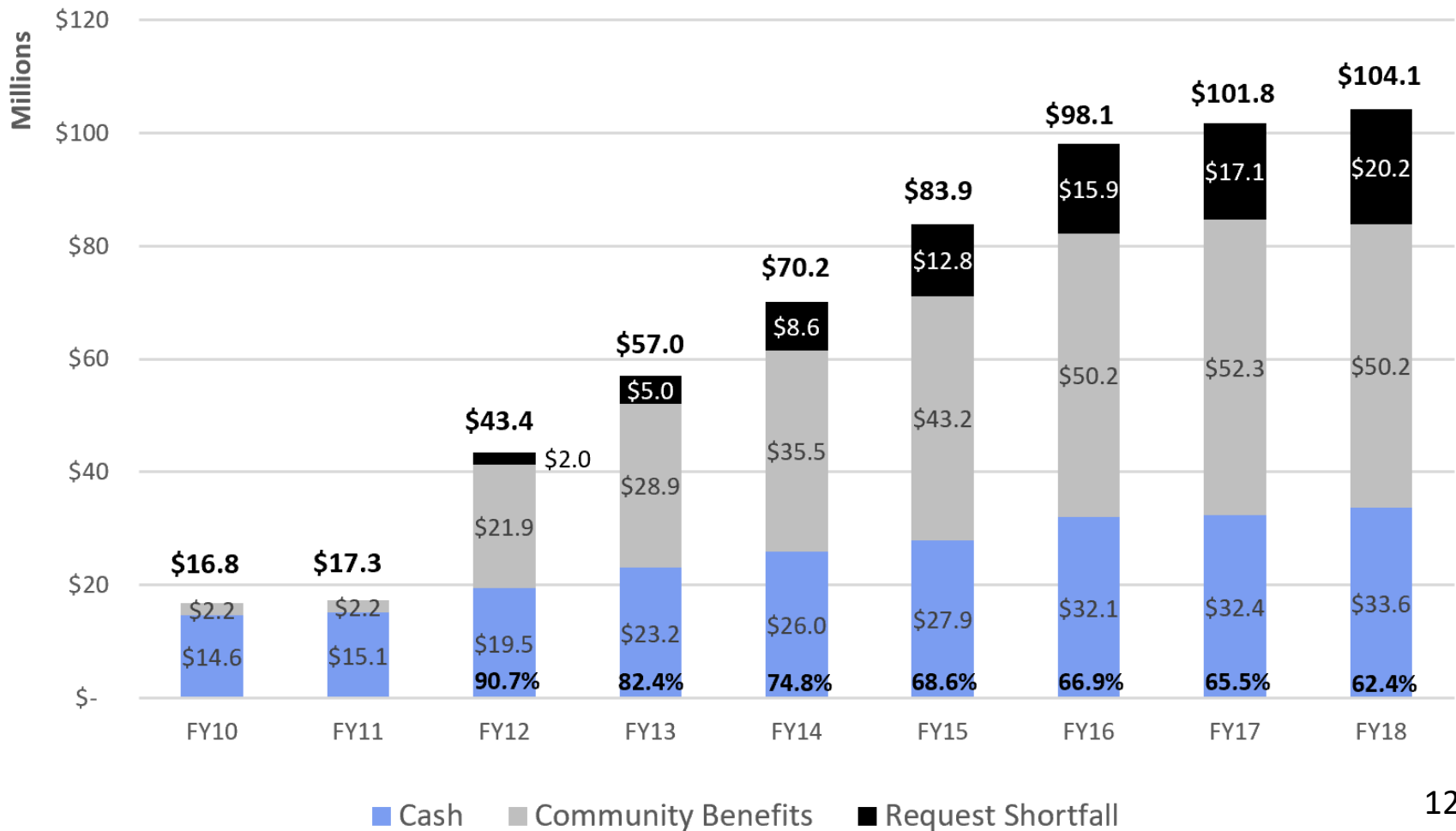
# PILOT Task Force Recommendations

## Community Benefits Qualification Criteria

- Directly benefit City of Boston residents
- Support the City's mission and priorities
- Offer ways the City and nonprofit can collaborate to meet shared goals
- Services should be quantifiable
- City must be consistent and transparent in its approach so institutions can plan appropriately

# PILOT Results

## PILOT Contributions: Fiscal Years 2010-2018



# Current Program Status

- City must continue to work closely with all PILOT contributors, including those who have not contributed, in order to maintain program momentum/growth
- Community benefits component still evolving; must establish a better link between City needs and institutional resources to partner prospectively
- Need to determine when/how to update tax-exempt property values to reflect current real estate market without disrupting participation rate

# Lessons Learned

- Nonprofits have a strong preference for services over cash, but communities prefer cash
- PILOT guidelines do not take institution's finances into consideration when calculating the PILOT (e.g., endowment, etc.)
- Museums and other cultural institutions can have very different financial challenges compared to hospitals and universities
- A PILOT program requires a strong **partnership** between a community and its nonprofits, and that relationship takes a lot of *time, effort* and *commitment* to build

# Questions

For more information on the City of Boston PILOT Program,  
please visit [boston.gov/assessing](https://boston.gov/assessing)

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