PILOT Ad Hoc Committee

4:00 p.m.
Tuesday, March 1, 2016
Governmental Center - Second Floor Committee Room
400 Boardman Avenue
Traverse City, MI 49684
Posted and Published: February 29, 2016

If you are planning to attend the meeting and you have a disability requiring any special assistance at the meeting, please notify the City Clerk, immediately.

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Agenda

1. Election of Recording Secretary

2. Discussion on Objective Statement

3. Discussion on basic timeline and items to be addressed

4. Review of the Joint Housing Task Force document

5. Brief Overview of PILOTS, their use in the City and understanding the process. (P.Cairns)

6. Public Comment

7. Task Review

8. Adjournment

Mayor's PILOT Task Force

Final Report & Recommendations

December 2010

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December 17, 2010

The Honorable Thomas M. Menino
Boston City Hall
One City Hall Square
Boston, MA 02201

Dear Mr. Mayor:

On behalf of the PILOT Task Force, I am submitting herewith our Final Report setting forth our unanimous recommendations for the City of Boston's PILOT Program.

This Final Report is the product of numerous public meetings held by the Task Force since our appointment by you in January 2009. Our meetings covered a wide range of issues associated with the PILOT Program. Many individuals and organizations participated in our review and provided us with helpful and important information.

The Task Force concluded that the core principles of a fair and balanced PILOT Program are transparency and consistency. We recommend that the following elements be incorporated in the program:

- PILOT Program Should Remain Voluntary
- PILOT Program Should be Applied to All Non-Profit Groups – with exemption for Small Non-Profits
- PILOT Contributions Should be Based on Value of Real Estate
- Community Benefits Should Be Recognized and Qualify as PILOT Credit.
- Program Should be Phased In

The attached Final Report sets forth our specific recommendations on each of these elements. We appreciate the opportunity to work on this important project.

Sincerely,

Stephen W. Kidder, Chairman
Mayor's PILOT Task Force

Enclosure

Introduction

Boston is home to many of the nation's finest educational, medical, and cultural institutions. Their reputation alone attracts students, patients, and patrons respectively from all over the world. While the benefits offered by the institutions are often extraordinary, their direct benefit to Boston residents is at times less clear.

Since the early days of the Commonwealth, the Massachusetts legislature sought to protect the future of charitable organizations by crafting laws that allowed nonprofits to gain property tax exemptions on land used for their charitable mission. While these institutions welcome people from all over the globe, it is the Boston taxpayers who bear the burden of providing the tax subsidy. As tax-exempt institutions continue to expand, even in these challenging fiscal times, Boston taxpayers are forced to provide the necessary revenue to meet growing City service needs.

Boston's Fiscal Realities

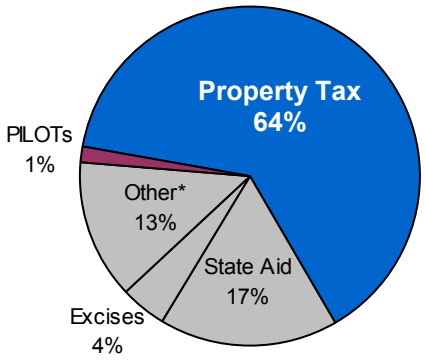
"Boston Bound", a 2007 report issued by the Boston Foundation, detailed the extent of Boston's legal constraints in generating local revenue as compared to other major US cities[1]. In particular, these constraints have created an over-reliance on property tax revenue to meet budgetary goals and have severely hindered the City's ability to ensure its financial future.

The Municipal Finance Task Force, a group created by the Metro Mayors Coalition to study Massachusetts municipal finance trends, issued a similar report in 2005 which examined, among several areas, the substantial city and town reliance on property taxes[2]. Specifically, the report noted the legal limits placed on cities and towns to raise local revenue, and how these limitations have increased the burden on taxpayers to fund municipal budgets.

Boston faces a number of fiscal challenges in achieving its budgetary goals:

Over-Reliance on Property Tax Revenue. Massachusetts cities and towns are overly reliant on property tax revenue to fund their budgets due to legal limitations on local revenue generation. In Boston, Property tax revenue is expected to be 64% of the City's fiscal year 2011 Budget (see chart below)[3].

Fiscal Year 2011
Estimated Revenue



*Includes budgeted revenue for Licenses & Permits, Interest, and Reserves.

Proposition 2½. Enacted in 1982, "Prop 2½" limits the year-to-year growth of the tax base to 2.5% over the prior year. With the ever-increasing demand for City services, Proposition 2½ limits how much property tax revenue can be

[1] Frug, Gerald E. & David Barron. "Boston Bound: A Comparison of Boston's Legal Powers with Those of Six Other Major American Cities", The Boston Foundation, 2007.

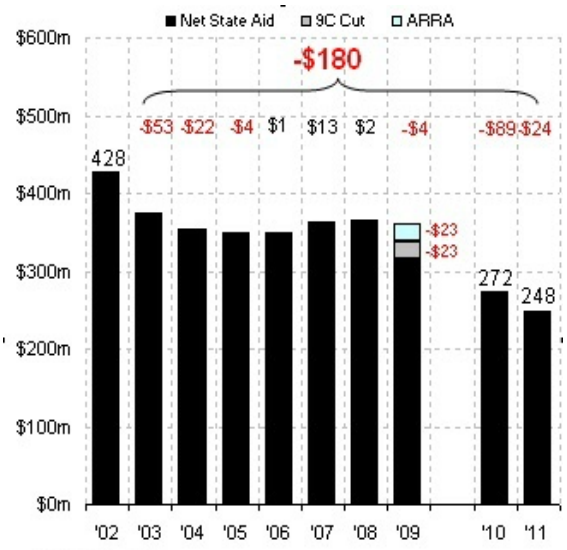
[2] "Local Communities at Risk: Revisiting the Fiscal Partnership between the Commonwealth and Cities and Towns," Municipal Finance Task Force, 2005.

[3] City of Boston Office of Budget Management, 2010.

obtained from the tax base to meet these needs.

Cuts in State Aid. The difficult economic times have led to financial cutbacks at the state level. For Boston, it means that the level of state aid has been significantly reduced (see page 6). From fiscal year 2002 to 2010, state aid decreased $156 million from $428 million to $272 million. In fiscal year 2011, state aid is expected to decrease further to $251 million[4].

Net State Aid: FY02 - FY11



These challenges are heightened by the fact that 52% of the City's land is exempt from property taxation. Property tax revenue from the remaining 48% of City land must be relied upon to fund the City's budget and maintain service levels for all property owners – taxable and tax-exempt alike. A large portion of the 52% of tax-exempt land is owned by the City, state, and federal government. However, educational, medical, and cultural institutions comprise a significant amount of the total value of all tax-exempt property in the City.

Tax-Exempt Property

In Fall 2007, the City's Assessing Department conducted a thorough valuation of the tax-exempt properties belonging to the major educational and medical institutions. The results of this project were captured in the Assessing Department's report "Exempt Property Analysis: Educational and Medical Institutions"[5].

The 16 major colleges and universities in Boston that were profiled in this report totaled $7.0 billion in property value. The 12 profiled hospitals totaled $5.7 billion in property value. If taxed at the commercial rate in fiscal year 2009, these institutions combined would have generated $345.0 million. By comparison, the commercial sector generated $764.5 million in the same period[6].

Property tax revenue is a critical portion of the City's operating budget, as these funds help to maintain essential service levels (e.g. police protection, fire protection, and snow removal). These services are provided to both taxable and tax-exempt properties, yet it is the taxable property owners alone who must bear the cost of funding these services. The City's Payment in Lieu of Tax (PILOT) Program was created to help offset some of this burden by collecting voluntary payments from tax-exempt institutions.

Payment in Lieu of Tax (PILOT) Program

Boston's PILOT program includes voluntary annual payments from many of the City's major tax-exempt hospitals, colleges, and cultural institutions. In fiscal year 2010, the program yielded approximately $34 million (Table 1).

PILOT contributors include Boston University, Harvard University, Massachusetts General Hospital, Beth Israel Deaconess Hospital, and several others. Contributions from the cultural/other sector include the Museum of Fine Arts and the Boston Symphony Orchestra. Additionally, the City receives a little more than half of their PILOT revenue from the Massachusetts Port Authority ("Massport"), which contributed $16.6 million in fiscal year 2010.

[4] City of Boston Office of Budget Management, 2010.

[5] "Exempt Property Analysis: Educational & Medical Institutions," City of Boston Assessing Department, 2009.

[6] "Property Tax Facts & Figures," City of Boston Assessing Department, 2009.

Table 1. FY 2010 PILOT Contributions[7].

Educational Institutions	FY10 PILOT
Berklee College of Music	$359,271
Boston College	$289,531
Boston University	$4,980,168
Emerson College	$137,917
Harvard University	$2,049,849
MA College of Pharmacy	$225,491
New England Law Boston	$13,125
Northeastern University	$30,571
Showa Institute	$119,684
Simmons College	$15,000
Suffolk University	$371,294
Tufts University	$151,673
Wentworth Institute of Tech	$40,237
TOTAL	$8,783,631

Medical Institutions	FY10 PILOT
Beth Israel Deaconess Med Ctr	$167,000
Boston Medical Center	$220,558
Brigham & Women's Hospital	$1,668,947
Caritas St. Elizabeth's Hospital	$32,772
Children's Hospital	$250,000
Dana Farber Cancer Institute	$129,614
MA Bio-Medical Research Corp	$816,106
Mass General Hospital	$2,195,105
Spaulding Rehab Hospital	$76,739
Tufts Medical Center	$2,287,300
TOTAL	$7,844,141

Cultural/Other Institutions	FY10 PILOT
Bay Cove Human Services	$14,704
Boston Symphony Orchestra	$110,172
Bostonian Foundation	$24,736
David Ramsey VFW	$598
Domicilia	$4,932
Harvard Vanguard	$286,359
Massport	$16,616,072
MASCO	$130,082
Mental Health Programs	$43,710
Museum of Fine Arts	$99,400
Noble Schoolhouse	$16,007
North End Nursing Home	$56,000
Trimount Foundation	$17,884
TOTAL	$17,420,656

PILOT Recap	FY10 PILOT
Educational Institutions	$8,783,631
Medical Institutions	$7,844,141
Cultural/Other Institutions	$17,420,656
TOTAL	$34,048,428

The program, which generates more in PILOT funds than any other PILOT program in the US, is looked upon as a model for cities looking to negotiate with tax-exempt institutions for voluntary payments. Yet Boston's PILOT program has been criticized for lacking fairness and consistency, and PILOT revenue still constitutes only 1% of the City's operating budget.

Payments are not made according to the amount of tax-exempt property owned by each institution, nor are the payments correlated with the institution's consumption of City services. The uneven nature of the payments has meant that few institutions are carrying the weight of many at a time when the City needs a fair and consistently executed PILOT program to maintain its fiscal health. All of these factors led Mayor Menino to create the Mayor's PILOT Task Force.

Mayor's PILOT Task Force

Mayor Thomas Menino created the PILOT Task Force to examine the critical role of the public-private partnership that exists between the City and its institutions. As currently constituted, and given the strain on local revenue, the PILOT Program falls short of yielding the funds needed to continue to provide nonprofits with the high level of City services to which they've grown accustomed.

The Task Force was asked to make recommendations for a more equitable and consistent PILOT program, strengthening the partnership between Boston and its nonprofit institutions.

[7] City of Boston Assessing Department, 2010.

Task Force Overview

Description of Task Force & Goals

In January 2009, Boston Mayor Thomas Menino created a Task Force to examine the relationship between the City and its tax-exempt institutions, specifically the major educational and medical institutions. Many of these tax exempt, land-owning institutions make a voluntary payment-in-lieu-of taxes ("PILOT") to the City to help offset their consumption of essential City services (i.e. police protection, fire protection, snow removal). However, the PILOT contribution amounts vary considerably between the institutions.

The Task Force was responsible for reviewing the current PILOT system, as well as the wide range of community benefits provided by the institutions, and was asked to make recommendations to strengthen the partnership between Boston and its tax-exempt institutions. The following were the PILOT Task Force's primary objectives:

- Set a standard level of contributions – in programs and payments - to be met by all major tax-exempt land owners in Boston.
- Develop a methodology for valuing community partnerships made by tax-exempt institutions.
- Propose a structure for a consolidated program and payment negotiation system, which would allow the City and its tax-exempt institutions to structure longer term, sustainable partnerships focused on improving services for Boston's residents.
- Clarify the costs associated with providing City services to tax-exempt institutions.
- If necessary, provide recommendations on legislative changes needed at the City or State level.

Task Force Members

Stephen Kidder, Attorney, Hemenway & Barnes LLP (Chairman of Task Force)

Dr. Robert Brown, President, Boston University

Dr. Zorica Pantic, President, Wentworth Institute of Technology

Patricia McGovern, General Counsel & Senior VP for Corporate and Community Affairs, Beth Israel Deaconess Medical Center

Dr. Thomas Glynn, Chief Operating Officer, Partners HealthCare, Inc.

Stephen Murphy, Councillor-at-Large, Boston City Council

James D. Gallagher, Executive VP of Communications, Government and Community Relations, John Hancock Financial

Thomas Nee, President, Boston Police Patrolman's Union

Gail Latimore, Executive Director, Codman Square Neighborhood Development Corp.

Task Force Process Overview

The Task Force met on a regular basis during the fifteen month period from February 2009 through April 2010. The meetings were open to the public and, with the exception of the one meeting that was a public hearing, were held in a large conference room in Boston City Hall.

In April 2009, the Task Force held a public hearing at the Boston Public Library in order to

allow comments from all interested citizens and organizations.

The Task Force meetings covered a wide range of issues associated with the PILOT program. In addition to reviewing the current program, the Task Force received a legal analysis of the tax exemption for charitable organizations from the state Attorney General's Office; reviewed PILOT programs in cities and towns across the country; solicited and reviewed information concerning community benefits provided by the four largest hospitals and four largest colleges/universities in Boston; and reviewed information concerning the cost of public safety and public highway/works assistance provided by the City to charitable organizations.

Based on a review of this information, the Task Force concluded that the core principles of a fair and balanced PILOT program are transparency and consistency. At its meeting on April 12, 2010, the Task Force unanimously adopted a recommendation for a PILOT program incorporating the following core principles:

- PILOT Program should remain voluntary
- PILOT Program should be applied to all non-profit groups – with exemption for small non-profits
- PILOT contributions should be based on value of real estate
- Community benefits should be recognized and qualify as PILOT credit
- Program should be phased in

The detailed recommendations are set forth in the next section of this report.

Task Force Recommendations

The Mayor's PILOT Task Force unanimously adopted the following recommendations:

PILOT Program Should 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 Nonprofit 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.

In consideration of the City's smaller nonprofits previously mentioned, all participating institutions should receive an exemption for the first $15 million in tax-exempt assessed value. This provision would eliminate the PILOT requirement for the smaller institutions, while mitigating the financial impact of PILOT payments on institutions just beyond this threshold.

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 (i.e. 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.

Task Force Meeting Summaries

What follows is a summary of each meeting of the PILOT Task Force. This includes a subject review of each meeting. Meeting minutes (see Appendix A) and handouts are attached as appendices. All of the attached information is also available to the public at www.cityofboston.gov/pilot.

First Meeting – February 9, 2009

At the first Task Force meeting on February 9, 2009, Chairman Steve Kidder outlined the goals of the Task Force and determined that the group would meet on a monthly basis. The goals of the Task Force were identified as the following:

1. Set a standard level of contributions – in programs and payments – to be met by all major nonprofit land holders in Boston.
2. Develop a standard methodology for valuing the community partnerships made by tax-exempt institutions.
3. Propose a structure for a consolidated program and payment negotiation system, which will allow the City and its tax-exempt institutions to structure longer term, sustainable partnerships focused on improving services for Boston's residents.
4. Clarify the costs associated with providing City services to tax-exempt institutions.
5. If necessary, provide recommendations on legislative changes needed at the City of state level.

Additionally, City of Boston representatives Ronald Rakow, Commissioner of Assessing, and Lisa Signori, Director of Administration and Finance, made a presentation to the Task Force on the PILOT program and the current state of municipal finances. The City also presented tax-exempt property data for the major colleges and hospitals, showing what each would pay if their tax-exempt property were taxable. This data was used to compare what the City is currently getting in PILOT payments to what the City would receive if major colleges and hospitals were fully taxed on their real estate (see Appendix B).

The Task Force members posed general questions about the PILOT program, which institutions are identified for PILOT agreements, and what constitutes charitable or tax-exempt usage in order to secure a tax exemption on a particular property. Task Force members specifically asked whether all tax-exempt institutions would be included in the review, with several members making the point that it was important for the City to be consistent in its treatment of all such institutions. The City representatives answered these questions, and also promised more information for the next Task Force meeting.

Second Meeting – March 27, 2009

The Task Force held their second meeting on March 27, 2009. In the March meeting, Eric Carriker from the Massachusetts Attorney General's Office presented a legal overview of charitable organizations. Mr. Carriker focused on what an organization must do to be considered charitable under state law and noted that by statute organizations that qualify as charitable are exempt from real estate taxes.

In the second half of the meeting, the City presented data on other major land-owning tax-exempt organizations outside of the college or medical sector. This included the likes of the

Museum of Fine Arts, Boston College High School, and the New England Conservatory (see Appendix C). Finally, the City presented data on how much each major college and hospital paid in real estate taxes in Fiscal Year 2009 (see Appendix D).

At this meeting, the Task Force determined that it would like to seek further information from the largest 4 colleges and hospitals concerning the range of community benefits provided by such institutions. As a result, the Task Force decided to send a letter requesting that each of these institutions submit a report detailing the community benefits they provide. The Task Force also decided at this meeting to hold a public hearing in order to seek input from any members of the community concerning the PILOT program.

Third Meeting (Public Hearing) – April 27, 2009

The third Task Force meeting was a public hearing to allow members of the community to share their feedback on the PILOT program and the City's relationship with its tax-exempt institutions. The public hearing was held on April 27, 2009, at 6pm at the Boston Public Library.

Boston residents and other interested organization representatives attended the hearing and provided testimony. Those who testified shared their thoughts and/or opinions on the current PILOT program, other services/benefits provided by the institutions outside of the PILOT payments, and what can be done to maximize the partnership between the City and its tax-exempt institutions (see the minutes from the hearing contained in Appendix A for more information).

Fourth Meeting – June 11, 2009

At the fourth meeting, the Task Force reviewed the reports submitted in response to the Task Force's request for information on community benefits provided by the 4 largest colleges and hospitals. These institutions included Boston University, Boston College, Northeastern University, Harvard University, Massachusetts General Hospital, Brigham and Women's Hospital, Beth Israel Deaconess Hospital, and Children's Hospital. All of the institutions complied by the submission deadline, and the reports were distributed to the Task Force members in time for the June meeting (see Appendix E).

The fourth Task Force meeting was held on June 11, 2009. Representatives from the City of Boston made a presentation to the Task Force on the contents of the community benefits submissions (see Appendix F). The presentation set forth various categories of benefits, including the following:

Contributions to PILOT Program
- PILOT Payments

Other Cash Transfers
- Real Estate Taxes
- Linkage Payments
- Permits, Inspection Fees

Employment/Economic Impact Benefits
- Student Spending
- Salaries Paid to Employees & Multiplier Effect Across Economy
- Construction Costs
- Purchase of Goods, Services
- Grants Received / Outside Money Leveraged

Participation in City Initiatives
- Scholarships
- Summer Job Creation / Youth Employment
- Step Up Initiative
- Mayor's Health Disparities Initiative

Provision of Public Services
- Snow Removal / Street Cleaning
- Construction / Maintenance of a Public Facility
- Public Use of Facilities

Policy Based Collaborations
- Public/Community Health Initiatives
- Partnerships with Local Schools
- Job Training Initiatives

Medical Care

- Operating Support for Community Health Clinics
- Free Care (Safety Net Care)
- Unreimbursed Medicare or Medicaid

'Good Neighbor' Activities

- Volunteer Efforts of Students/Employees
- Donations to Neighborhood Assns. / Main Streets
- Corporate Leadership, Sponsorships

Other Efforts

- Housing Initiatives / Neighborhood Development
- Cultural Programs (e.g. Arts Initiatives, etc.)
- Outreach Programs or Community Education

The Task Force discussed these benefits at length. Several Task Force members noted that all the benefits that were identified were extremely important but questioned whether they would qualify as PILOT contributions. In that regard, it was pointed out that many of the benefits were general in nature and did not provide direct assistance or value to Boston residents. As a result, Task Force members thought there should be a way to recognize the value of such benefits but did not believe they should qualify as PILOT contributions.

The Task Force then discussed what benefits should qualify as PILOT contributions and identified the following criteria as important:

1. The services need to directly benefit City of Boston residents.
2. The services should 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.
3. The services should emphasize ways in which the City and the institution can collaborate to address shared goals.
4. The services should be quantifiable.
5. The City must be consistent and transparent in its approach so that institutions can plan appropriately.

Based on these discussions, the Task Force concluded that the following categories of community benefits should be considered: Cash Contributions to PILOT Program, Participation in City Initiatives, Provision of Public Services, and Policy-Based Collaborations. Generally speaking, those services that are "above and beyond" the tax-exempt organization's business model should be considered for PILOT credits.

The Task Force members were very clear in concluding that in order for this process to work well, institutions would need to be able to understand the City's priorities. In order to offer community benefits that best serve the needs of Boston residents, institutions need to know which services are of most value to the City. It was generally agreed that the institutions and the City should work more closely together in order to focus PILOT credits on those services that best serve the local community. While the programs or "vehicles" intended to address various resident needs might change from year to year, the areas/categories of need will not. It is these areas/categories that the institutions must understand to maximize the PILOT partnership between the City and the tax-exempt institutions.

Fifth Meeting – July 20, 2009

The fifth Task Force meeting took place on July 20, 2009. The Task Force continued their discussion on the institutions' community benefits that are most appropriate for PILOT credits. Specifically, the focus of the meeting was on identifying City priorities and how institutions can best meet the City's long-term policy-based collaboration goals. The areas/categories of City needs, as indicated in a City presentation (see Appendix G), included the following:

- Closing the Achievement Gap
- Reducing Violent Crime
- Increasing Workforce Housing

- Improving City Services
- Creating New Jobs
- Narrowing Health Disparities
- Increasing Diversity in Government
- Growing Revenue

On the institution side, the Task Force felt that timing would be an important factor in developing a consistent and workable community program. The primary City initiatives are laid out in the Mayor's State of the City address in January. There would have to be enough time for an institution to establish a commitment to a community-oriented program in order to be reflected in the proposed City budget in April. A suggested solution was to initiate programming discussions in the month of September prior to the State of the City address, with the financial contribution being paid in July.

The Task Force members made note of the fact that there are many community programs offered by the institutions that do not receive PILOT credits and that go unnoticed by the City. The notion of a community benefit award or form of recognition from the City for both nonprofit and for-profit organizations was well received by the Task Force.

At the conclusion of the discussion on community benefits, the Task Force members generally agreed that future programming efforts should feature methodology that is consistent, transparent, accepted by the institutions, and quantifiable. The community programs themselves should be such that they directly benefit City of Boston residents, support the City's mission, address the highest needs of the community, and leverage the skills and capacities of the institutional partners. Lastly, the institutions' programming investments should include only those investments that are above and beyond the institution's existing commitments such as Institutional Master Plan requirements, Article 80 requirements, Determination of Need and the like.

Finally, the City made a presentation on PILOT programs in other cities outside of Massachusetts (see Appendix G). Examples included St. Paul, MN, Burlington, VT, Hanover, NH, New Haven, CT, and Ann Arbor, MI. The group discussed the PILOT methods employed in these cities but concluded that many of these other programs were not directly relevant because the context in which the respective programs existed were significantly different than in Boston.

Sixth Meeting – September 3, 2009

The sixth Task Force meeting took place on September 3, 2009. In the meeting, Task Force members began to discuss PILOT payment methodologies, focusing further on who should pay PILOTs and the amount of the payments. The City shared data with the Task Force members that showed 3 distinct examples of PILOT payment calculation methods (see Appendix H):

- 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.

The Task Force members made several observations in analyzing these methods. First, it was noted that the square footage-based model does not account for variance in property value between 2 buildings that might be the same size but differ significantly in age and quality. Instead, that model would be more appropriate for addressing the institutions' consumption of core City services (police protection, fire protection, public works) since the City provides core services to all buildings in Boston, regardless of their condition. Second, the model based on the total value of an institution's tax-exempt property would appear to be the most fair and equitable PILOT methodology for all institution types, especially since the payment is intended to be in lieu of property taxes. Third,

the PILOT program must sustain the fundamental relationship between charitable institutions and the City, continuing to encourage tax-exempt organizations to offer resources and services in line with their applicable charitable missions. To that end, the City should be aware that a new PILOT payment structure could overburden some institutions to the point where their fiscal ability to deliver vital community services is lessened or eliminated altogether.

This discussion on PILOT payment calculations was an introduction to what will be a series of discussions on this topic in future meetings.

Seventh Meeting – December 18, 2009

The City provided for discussion a conceptual model of what a PILOT contribution might look like (see Appendix I). The model featured a stacked bar chart for a generic institution in an amount equal to 25% of the tax on exempt property if taxable at the commercial tax rate. This 25% level was meant to reflect the portion of the City's budget dedicated to basic municipal services (i.e. fire protection, police protection, snow removal).

The stacked bar chart displayed 3 portions: a community benefit credit amount, a credit for real estate taxes paid on properties used for institutional purposes that would otherwise qualify for an exemption based on usage, and the remaining amount forming the cash PILOT. The discussion that ensued focused primarily on the types of programs that might qualify for a community benefit credit and the lack of a clear understanding of the costs associated with administering the community-oriented programming.

The Task Force, generally-speaking, favored a PILOT program based on total property value of tax-exempt property. This approach was determined to be the most consistent and transparent way to administer this program, as it got at an institution's consumption of City services. Further, the Task Force believed that there should be a credit for community benefits, but that not all programs should qualify. They pointed to the general categories of community programs established at prior meetings as a guideline for determining which community-oriented programs should trigger a PILOT credit. Project linkage through the Boston Redevelopment Authority and taxes paid on institutional property used for commercial purposes were examples of expenditures that would not count toward the community benefit credit.

Determining which programs should qualify for a PILOT credit was only one part of the equation. Task Force members believed that the specific dollar amounts associated with the community benefits offered by the institutions were needed in order to advance this discussion. In March 2009, the Task Force requested community benefit information from the top 4 hospitals and colleges based on property value. While all institutions complied, the submitted information lacked the specific costs associated with these programs. A second round of requests was sent to these institutions to obtain this data. The results were to be reviewed for the next meeting.

Eighth Meeting – January 28, 2010

At the eighth meeting of the Mayor's PILOT Task Force, board members had the opportunity to review the cost data associated with administering each institution's community benefits. The members did so with the following criteria in mind:

- The services need to directly benefit City of Boston residents.
- The services should 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.
- The services should emphasize ways in which the City and the institution can collaborate to address shared goals.
- The services should be quantifiable.
- The City must be consistent and transparent in its approach so that institutions can plan appropriately.

The submitted community programs were discussed according to the three categories the Task Force's previously established for community benefit criteria: Qualifies for a PILOT Credit, Requires Further Clarification, or Doesn't Qualify for PILOT Credit.

Task Force members believed that this focus on community benefits could represent an opportunity to match areas of City need with institutional assets. However, there was considerable concern over the amount of the community benefit credit that might be featured in a new PILOT program. Specifically, the Task Force wanted to be sure that their ultimate recommendations to the Mayor did not offer disincentive for institutions to partake in community program spending - if community benefit credit is too small then institutions might need to cut these programs or reduce staff in order to make the cash PILOT to the City.

The Task Force also had questions about many of the types of programs offered by the institutions. One of Boston's educational institutions submitted an amount for scholarships received by Boston residents. This line item lacked the specific information about what type of student is receiving the aid, since the Task Force identified a key difference between the Boston resident who wouldn't ordinarily be able to gain entrance to an institution based on merit and the Boston resident who received aid as a result of being at the top of his/her high school class. This is the kind of detail that would be needed in order to make a judgment about which programs should receive PILOT credit.

Ninth Meeting – March 5, 2010

At the March 2010 meeting, the City presented the Task Force members with a potential PILOT calculation methodology based on the discussion from the prior meeting. The tables (see Appendix J) showed what the payment would look like for the medical and educational institutions if phased in over a 5 year period. The payment started with a figure equal to 25% of a tax on exempt property if taxed at the commercial rate. From there, each institution could deduct real estate taxes paid on properties used for institutional purposes that would otherwise qualify for a tax exemption based on usage. A portion of no less than fifty percent (50%) could be credited for community benefits offered by an institution consistent with the Task Force's previously established criteria.

The Task Force reiterated their belief that the PILOT calculation should be tied to the amount of tax-exempt property owned by each institution. There was some concern expressed about the impact of a "hard cap" on the community benefits, specifically that the City could encounter some unintended consequences if the 50% maximum credit were upheld (ex: community programs being cut, jobs being cut, etc). The idea of creating a "soft cap", which would allow for additional credit for extraordinary community program situations, was raised during this discussion. Finally, the Task Force believed that while the PILOT program should remain voluntary, that in order to succeed the City would need to receive nearly 100% buy-in from all institutions.

Tenth Meeting – April 6, 2010

The Task Force members reviewed a draft of the Executive Summary for the Final Report to the Mayor concerning the structure of a new PILOT program. The Executive Summary contained all of the aspects previously discussed by the group, including the PILOT being tied to the amount of tax-exempt property owned by each institution, the community benefit credit of no less than 50% consistent with the Task Force's community benefit criteria, as well as the phase-in period of no less than 5 years. Finally, a tax-exempt property threshold of $15 million in property value was included in the Executive Summary to exclude the smaller, community-oriented non-profit organizations.

The Task Force recommended a number of changes to the Executive Summary. First and foremost, the Task Force believed that the document should be ordered to reflect the core principles of the program: transparency, fairness, and consistency. Further, the voluntary nature of the program should be emphasized. From there, the Task Force recommended that the PILOT calculation be explained based on the

group's discussions to date. These sections included the concept that the PILOT program should be tied to the amount of tax-exempt property owned by each institution, and that the payment should be based on twenty-five percent (25%) of the tax on exempt property. Ensuing paragraphs should explain the credits to be rendered for qualifying community benefits and real estate taxes on property used for institutional purposes.

Eleventh Meeting – April 12, 2010

At the April 12 meeting, the Task Force members reviewed the changes made to the Executive Summary based on recommendations from the prior meeting. The Task Force again reiterated their belief that the fifty percent (50%) community benefit credit should not be a "hard cap", which would allow organizations such as community health centers and soup kitchens, who serve the immediate community only, to receive a higher credit and avoid a cash PILOT contribution that might jeopardize their ability to offer their community services.

Chairman Steve Kidder called for a vote to accept the Executive Summary given the small changes recommended by the Task Force. The Task Force voted unanimously to accept the Executive Summary (see Appendix K), to be incorporated into the final report to the Mayor.

Appendix A

Task Force Meeting Minutes

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.

Mayor Menino's PILOT Task Force

Meeting Minutes – March 27, 2009

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

Topics of Discussion

Brief overview of the PILOT presentation of 2/9/09.

Discussion by Eric Carriker of the Massachusetts Attorney General's Office, providing a legal overview of charitable organizations:

- A charity must: be non-profit, serve the public, and serve a charitable purpose.
- Charity must not promote or grow "for profit" and must directly benefit its members.
- Charity should not distribute financial gains to its officers and directors, although the law currently does not enforce salary limits.
- Charities have a sense of indefiniteness and fluidity - its members come and go (ex: college students).
- Traditional involvement of charities includes the following: education, medicine, religion (lessen the burden of government).
- Questionable practices concerning charities: selectivity, entrance fees, gifting/donations, benefit certain types of people – do these satisfy the traditional means and purposes of charities? Example: Boston Symphony Orchestra charges high fees and doesn't provide for the needy but it is considered a 501(c) (3) non-profit.
- Overview of New Habitat case regarding a non-profit organization on Brattle Street in Cambridge. Court ruled the organization was entitled to a tax exemption since the entrance and monthly fees directly contributed toward the charitable functions of the organization.

Presentation by the City of Boston's Tax Policy unit:

- Land area of other tax-exempt organizations:
  - Other exempt land area (ex: museums, other cultural institutions) compared to tax exempt land area belonging to colleges and hospitals from first task force meeting.
  - Land area was used for comparison instead of value because the other tax-exempt property has not yet gone through the same revaluation process as the college and hospital properties.
- Real estate taxes paid by colleges and hospitals:
  - Presented a table showing real estate taxes paid by major colleges and hospitals as compared to total value of tax exempt land and tax revenue if exempt land were taxable at the commercial rate ($27.11 per $1000).

Questions Raised/General Discussion

Q: What are the statutory obligations of PILOTs?

A: There are no statutory obligations of PILOTs. Non-profit institutions are not legally required to make payments to the City of Boston. Payments are completely voluntary.

Q: How frequently are charities reviewed to ensure that they are complying with their 501(c)(3) designation?

A: 501(c)(3) compliance is not done regularly due to lack of resources . Much of the non-profit documentation and paperwork on file with the IRS are from the initial 501(c)(3) tax filings, many of which are several decades old.

Q: What are the restrictions, if any, on compensation for officers and directors of charitable organizations?

A: It is very difficult for the courts and government to determine fair wages and the value of non-profit officers and directors. By law, although a non-profit cannot distribute "gains" to officers, there are no growth or income restrictions on these organizations. Therefore, non-profits often experience a dilemma: should they develop and increase their endowment in order to provide greater charitable functions in the future or should they use endowment funds to marginally increase their benefits to the communities they serve? The long term (first) option is often called intergenerational equity – save equity now to promote social good for future generations.

Items for Follow-Up

- Schedule a public hearing in late April at the Boston Public Library to get feedback from the public on the PILOT program and tax-exempt property.

- Solicit examples of existing community benefits statements from the major hospitals and universities. Consider featuring the results at the May Task Force meeting.

- Contact other Cities across the country to examine their PILOT programs and how they relate/differ to the City of Boston's program. Suggestions included Philadelphia and Baltimore.

- Obtain and review reports on the PILOT program from organizations such as the Boston Foundation and Kennedy School.

- Continue discussion regarding a standard PILOT blueprint/equation so each tax-exempt institution can contribute in a fair and consistent manner, since there are large discrepancies between PILOT contributions.

- Include non-profit organizations other than hospitals and colleges in PILOT discussions, as they too should be a part of the PILOT equation.

Mayor Menino's PILOT Task Force

Hearing Minutes – April 27, 2009

The PILOT Task Force held a public hearing in the month of April. The hearing commenced at 6:00pm in the Boston Public Library's Boston Room at the Copley Branch.

Task Force Chairman Stephen Kidder introduced the Task Force members in attendance and opened with a brief overview of the Task Force and the City of Boston's PILOT program. Attendees were then invited to speak on PILOT-related topics, with each testimony limited to 3-5 minutes.

Speakers:

Rich Doherty, President, Association of Independent Colleges and Universities in MA (AICUM)

- Overall public benefit that colleges provide is the leading justification for being tax-exempt.
- Colleges under Association of Independent Colleges and Universities provide:
  - 52,000 jobs
  - $5 billion in salaries
  - $200 million to the State in income taxes
  - significantly impact other jobs in the City

- 19 Colleges own 1.5% of land in Boston.
- Colleges pay real estate taxes on taxable parcels.
- Boston's PILOT program is the most successful in the country.
- Massachusetts contains more students in private rather than public colleges than any other state, therefore contributing to public education savings for taxpayers (ex: North Carolina spent $1.7b more than Massachusetts in public higher education).
- Suggestion to the Task Force: allow the State to control the PILOT program. The State would therefore be responsible for providing local aid payments to cities and towns in which colleges are located.

Richard Orareo, Fenway-Area Resident

- Clemente Field was given to Emmanuel College by the City of Boston. Emmanuel College does not make a PILOT payment to the City.
- Museum of Fine Arts is in the process of a $500 million expansion and contributes next to nothing to the City's PILOT program.
- Forsythe Institute "stole" a public park from the City to create a parking lot.
- A list of contributors and non-contributors to the City's PILOT program should be made public.
- Task Force has "hidden agendas" with committee meetings that should be open to the public.
- 3-5% of the actual tuition amount is cost to the university to offer a student a scholarship.

Marc Laderman, Fenway-Area Resident

- A list of contributors and non-contributors to the City's PILOT program should be made public.
- City should add Massport to the Exempt Property report.
- City should publish a report of Task Force meetings.

Robert Gittens, Vice-President, Public Affairs Office of Government Relations and Community Affairs, Northeastern University

- Northeastern indirectly provides $350 million to Boston.
- Northeastern raises awareness on urban issues.
- Northeastern graduates more Boston Public School students than any other school in Massachusetts.
- Staff at Northeastern is municipally engaged through partnerships with community service foundations, charitable organizations, and by providing several educational opportunities for Boston area residents.

John Erwin, Executive Director, Conference of Boston-Area Teaching Hospitals

- 14 Hospitals under the Conference of Boston Area Teaching Hospitals:
  - Employ 70,000 people
  - Include 6 of the top 10 employers in Boston
  - Provide $44 billion to the local economy, including enormous impacts on tourism and conventions
  - Positively impact lives through community partnerships and special programs including: Open Door to Health, Cancer Ride Program, and Students Success Jobs.

Sam Tyler, President, Boston Municipal Research Bureau

- PILOT payments are not a means for the City to gain substantial tax revenue.
- City needs to continue its efforts in improving assessed values for exempt property rather than focusing on land areas.
- 51% of land is tax-exempt, much of it is City or State owned. City should try to collect PILOT payments from the State.
- Educational/Medical institutions represent approximately 5% of the City's total land area.
- Educational/Medical institutions play a critical role in Boston.

Steve Wintermeier, Alliance of Boston Neighborhoods

- Property taxes have become an enormous burden for homeowners**.**
- Legislation at the State and Municipal level should require non-profits to make monetary payments to the City.
- City currently has a "spending" problem, incremental revenue approach places too much of the tax burden on homeowners.
- Boston spends more money per resident than any other City or Town in Massachusetts except for Cambridge. Boston spends $4,000 per resident, while Cambridge spends approximately $5,000 per resident.

Elissa Cadillic, President, AFSCME, Council 93, Local 1526 at the Boston Public Library

- PILOT payments must be mandatory.
- There are too many discrepancies in the PILOT amounts non-profit institutions pay - the City must collect payments that are fair and equitable across the board.
- Non-profits consume essential City services such as police, fire, and public works. Example: DPW works overtime to clean streets during busy student move-in periods.

Sarah Hamilton, Director of Area Planning and Development, MASCO

- City must consider the "true" value of non-profits and resist short term thinking.
- Longwood area is vibrant, creates jobs, etc.
- Non-profits under MASCO encourage student volunteerism, underwrite scholarships and create health centers (among other contributions).

Shirley Kressel, Alliance of Boston Neighborhoods

- Task Force meetings should be open to the public.
- Tax-exempt land area in the City is small but the value of tax-exempt land is high, approximately $13 billion.
- All businesses make non-monetary contributions to the City in some way, but in the end, these types of contributions do not "pay the bills".
- City should consider taxing non-profit owned sports venues, garages and other entities that generally produce income for institutions.
- PILOT payments should be regarded as offsets to the tax levy rather than additions.
- State should control the PILOT program and distribute local aid payments to cities and towns in which tax exempt institutions are located.
- City should negotiate PILOT contracts with the BRA because they own a great deal of land in Boston.

Kevin McCrea, South End Resident

- Discrepancies in PILOT payment amounts are not fair and equitable for the organizations who pay.
- City must pursue PILOT payments when non-profits file plans to build new construction projects.
- Boston should consider creating a report analyzing the impact tax-exempt institutions have on City services.

Questions Raised/General Discussion

- Stephen Kidder explained that the Task Force is in the process of studying the City's PILOT program and the role of non-profit organizations in Boston. As a result, a timeline for a decision or recommendation to the Mayor is currently not in place. Mr. Kidder also noted that the first Task Force meeting included a presentation on the PILOT program by the City's Assessing Department and the second meeting included a presentation by the Attorney General's Office on the legal interpretations of charities.
- Councilor Stephen Murphy conveyed that the City Council is currently working on three pieces of legislation concerning the PILOT program. Councilor Murphy stressed that non-profits consume essential City services and cited specific examples including: student riots, death benefit payouts, false alarm fire responses/calls, 40% of police calls in District D associated with college students, and others. Councilor Murphy also expressed that PILOT collections must be fair across the board among institutions and fair to the taxpayers of Boston.

The hearing adjourned at 7:30 pm.

Mayor Menino's PILOT Task Force

Meeting Minutes – June 11, 2009

The meeting commenced at 2:30pm on the 6th floor of City Hall.

Chairman Steve Kidder provided a brief overview of Task Force discussions to date and the Public Hearing in April.

In March 2009, Chairman Kidder requested community activity reports from Boston University, Boston College, Northeastern University, Harvard University, Massachusetts General Hospital, Brigham and Women's Hospital, Beth Israel Deaconess Medical Center, and Children's Hospital. The City of Boston made a presentation to the Task Force on the types of community benefits that were included in these submissions. The City also explained the twenty-five percent (25%) community service deduction provision that is included in some of the PILOT agreements with charitable organizations.

Institutional Community Services Discussion

- The Task Force discussed the categories of community services noted in submissions by the eight largest tax-exempt land-owning institutions. Specifically, which community benefits should qualify for PILOT credits and which should not.
    - **Contributions to PILOT Program**: qualify.
    - **Other Cash Transfers**: should not qualify.
    - **Employment/Economic Impact Benefits**: should not qualify.
    - **Participation of City Initiatives**: qualify. As discussed earlier, the benefits must be above and beyond the tax-exempt organization's business model and the City needs to make initiatives more defined. Moreover, the City must ensure that non-profits do not lose sight of other programs that may not be on the current scope of City initiatives and priorities.
    - **Provision of Public Services:** Some methods should qualify (ex: a university maintains a public park); Others should not (ex: on-campus snow removal). Although a methodology to measure these services must be established, public services beyond the general "good citizen" actions of tax-exempt institutions should qualify.
    - **Policy Based Collaborations:** Difficult to determine which collaborations would qualify and which would not as volunteer time is hard to quantify. For example: does the Service Learning Program qualify for a PILOT credit even though students receive college credits for performing community service work?
    - **Medical Care:** Services provided beyond the general mission of the organization should qualify. The City must set a bench mark for free care and ensure that non-profits do not manipulate programs and accounting practices for the sole purpose of receiving PILOT credits. Additionally, benefits must be unique from services for which an institution receives reimbursement (ex: Medicare).
    - **'Good Neighbor' Activities:** Tax-exempt institutions must understand the difference between payment in lieu of taxes and the concept of being a "good neighbor" to the community.
    - **Other Efforts:** Linked to the Participation in City Initiatives category.
- The Task Force needs to think about developing guidelines for measuring the value of community services.
- Clarification of snow removal/street cleaning submission under the Provision of Public Services heading: some institutions have their own maintenance and infrastructure support crews that relieve some of the burden on City resources (the Longwood Medical area transportation network was discussed as an example).

- The snow removal/street cleaning submission should not be given a community benefit PILOT credit if it does not provide a direct public benefit.

- The City faces the challenge of placing a fair market value on goods and services provided by tax-exempt institutions (Hurricane Katrina example).
- A community benefit should be quantifiable and tangible - it should be a service that fills a void on Boston's "needs list".
  - For PILOT purposes, the community services that should be considered are those in which the institution demonstrates an effort to go "above and beyond" what they would ordinarily do as part of their mission.

- The City described their priorities in community services as those services and collaborations that:
  - Directly benefit City of Boston residents
  - Support the City's Mission
  - Address the highest needs of the community
  - Leverage the skills and capabilities of institutional partners

- As City of Boston initiatives change from year to year, the City should identify which initiatives are more specific and of a priority so that tax-exempt organizations are better guided in providing community benefits and meeting City goals.
- The fiscal and economic advantages of tax-exempt institutions benefit the Federal and State government more than the City government. Moreover, the fiscal and economic advantages cited in the community service submissions do not provide much direct relief to City taxpayers.
- The Task Force members representing the colleges and hospitals face the challenge of how to motivate institutions in their respective sector to participate in a standardized PILOT program, and further to support a program that clearly delineates between the general benefits tax-exempt institutions provide to the City and the "above and beyond" benefits that significantly relieve the burden on City services.
- The Task Force needs to distinguish between those community programs that provide a benefit at the state or Federal level, and those that benefit Boston residents directly, the latter of which could be considered for PILOT purposes.
- Linkage and City permit payments are the cost of doing business in the City of Boston. They are paid by for-profit and non-profit neighbors alike.
- The need for a "baseline" of services was discussed, whereby the minimum level of participation by the institutions in community programs is determined.
  - If an institution committed to starting a particular program for PILOT purposes, the annual upkeep of that program would count toward satisfying the PILOT community service deduction and would not simply become part of the "baseline" after year 1.

- Many of the community services contained in the institutions' submissions could be characterized as "good neighbor" payments, and should, in most cases, be viewed independently of the PILOT process.
- Task Force members identified the following general categories of community service contributions as areas that could count toward credits for PILOT purposes but that need to be investigated further for appropriateness:
  - Cash Contributions to PILOT Program
  - Participation in City Initiatives
  - Provision of Public Services
  - Policy-Based Collaborations
  - Medical Care

Mayor Menino's PILOT Task Force

Meeting Minutes – July 20, 2009

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

Chairman Kidder provided a brief overview of the Community Contributions discussion from the prior Task Force meeting on June 11th.

The City of Boston made a presentation on incorporating the institutions' community contributions/activities into Boston's PILOT program.

General Discussion

- Categorizing community contributions/activities – those that qualify for PILOT credit, do not qualify for PILOT credit, and those that require further clarification.
- City Initiatives: Tax-exempt institutions would receive PILOT credits for community contributions/activities that address City needs and initiatives. The City must clearly communicate its needs and initiatives to tax-exempt institutions.
- The ability for institutions to make community contributions towards meeting specific City initiatives in a timely manner is dependant on many factors, including:
    - Type of institution
    - Type of contribution
    - Capital planning
    - Lead time required to implement the community benefit (ex: writing a check for a cause requires a shorter lead time than establishing a program that addresses a longer term need).
- Reallocating resources towards City initiatives in a short time frame may pose challenges.
    - Ex: The Mayor's State of the City speech in January addresses specific City initiatives, PILOT community contribution credits are generally claimed in the spring.
    - Possible solution: initiate discussions in September, announce initiatives in January, provide community contribution in July.
- Categories of City priorities do not really change, but specific initiatives or programs do.
- Complete initiatives by slowly phasing them out, making room for new entries; other initiatives would be considered "sustainable" - funding would come from other sources.
- If institutions are interested in supplementing/replacing City services (i.e. plowing, street sweeping, police, fire protection, etc), unit costs for specific public services can be applied as PILOT credits.
    - Agreements/documentation would be required to establish unit costs and responsibilities.
- Good neighbor awards: City is planning to publicly recognize tax-exempt institutions and for-profit businesses for their community contributions.
- Scholarships – how they are measured and credited as community contributions?
    - Most institutions have financial aid policies that are a combination of need-based and merit based scholarship packages.
    - Most institutions have financial aid policies that are a combination of need-based and merit based scholarship packages.
    - Separation of need and merit – would both qualify as PILOT credits?
    - Who qualifies for the scholarships – Boston Public School students only or all Boston students?

The City of Boston made a presentation on PILOT programs in other Cities.

- Possibility of a simple currency-based PILOT system.
    - Ex: PILOT could be calculated by multiplying # of beds (hospital or college) and/or full-time employees by a fixed dollar amount, with escalation based on the Consumer Price Index or Implicit Price Deflator, such is the case in New Haven, CT.
    - Drawbacks to currency based system: discrepancies among institution types (museums do not have beds) and potential loss of community contributions provided by tax-exempt institutions.

- Consider providing tax-exempt institutions with a PILOT payment choice: a simple currency based PILOT agreement, *or* a more comprehensive agreement that would include a payment per square foot with community contribution credits (similar to simple tax deduction vs. itemized deduction). Offering institutions a payment choice may be a feasible way to attract PILOT participants.

Next Steps:

- Determine an equitable level of PILOT payments.
- Determine the community contributions that will qualify as offsetting PILOT credits.
- Engage other tax-exempt institutions with the City's PILOT program.
- Establish a timeline for implementing Task Force proposals into the City's PILOT program.
- Calculate PILOTs using various calculation methodologies to determine the impact on different types of institutions.

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.

Mayor Menino's PILOT Task Force

Meeting Minutes – December 18, 2009

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

Chairman Kidder briefly reviewed the PILOT Task Force Interim Report.

The Task Force discussed a proposal in Pittsburgh to assess college students a 1% of tuition "tax".

- Members felt the tax was unfair because it targeted only one area of the non-profit sector: colleges and universities.
- The tax does not take into account services and community contributions that schools provide.
- The tax could encourage perverse behavior from colleges and universities, including acting as a disincentive for schools to provide essential community contributions.
- The tax could end up as a long term public relations problem for Pittsburgh as people might view it as an extra burden placed on students who already have to pay a lot of money for an education.

The City made a presentation on the potential components of a PILOT payment: cash PILOT, community contribution credit, and property tax credit for taxable property used for institutional purposes.

General Task Force Discussion

- The top four hospitals and colleges should be studied to understand the values associated with community oriented programming.
- The Task Force needs to determine what the cap should be on the amount of community contribution PILOT credits for each institution, and further that the programs need to be carefully reviewed to ensure that they meet the qualifying community contribution criteria discussed in prior meetings.

Next Steps

- Invite other tax-exempt institutions to a future Task Force meeting to gain their feedback on PILOT topics discussed to date.
- Collect in-depth community contribution amounts from the top four hospitals and colleges: Mass General, Brigham and Women's Hospital, Beth Israel Deaconess Medical Center, Children's Hospital, Harvard University, Boston College, Boston University, and Northeastern University.

Mayor Menino's PILOT Task Force

Meeting Minutes – January 28, 2010

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

Chairman Kidder briefly reviewed the community benefits discussion from the prior Task Force meeting in December.

At the request of the Task Force, the City of Boston obtained specific community benefits information from the City's four largest hospitals and four largest universities as part of an effort to understand the magnitude of the contributions. In preparation for the meeting, the City attempted to organize the programs consistent with the Task Force's previously established categories: programs that qualify for PILOT credits, programs that require more clarification, and non-qualifying programs (for PILOT purposes).

The Task Force reviewed the community benefits filings of one university and one hospital:

Review of Community Benefits - University:

- How is the community program collaboration process between the institution and the City initiated?
- Community contributions should seek to match the assets of the institution with the needs of the City.
- If colleges and universities did not provide scholarships, would the City then fund scholarships for BPS students in its budget?
- Should a distinction be made between targeted scholarships for BPS students who might not otherwise gain entry to the school without a scholarship, and those scholarships that are awarded to BPS students who might have gained a scholarship elsewhere, for PILOT credit purposes?
- Should colleges and universities receive PILOT credits for providing free rent and access to their facilities to other non-profit organizations in the City?
- Some of the "Good Neighbor" type of programs offered by colleges and universities are also offered by for-profit organizations that pay property taxes. Example: Liberty Mutual makes cash donations to Boston-based charities.
- In establishing criteria for community benefit PILOT credits, the City and Task Force must be careful to avoid influencing policy that could result in perverse behavior from colleges and universities.

Review of Community Benefits – Hospital:

- The City would not bear the burden of subsidizing a medical program that the Federal Government is responsible for.
- There is a great deal of complexity in each area when categorizing community contributions - guidelines would have to be established to formalize the process.
- The contributions of hospitals and universities are very different, yet there are many analogies between the two sectors. In developing community benefits criteria, these analogies must be taken into account (ex: scholarships for schools and unreimbursed health care for hospitals).

Next Steps:

- The Task Force needs to further examine how the community contributions might best be incorporated into a revised PILOT program so institutions are recognized for their efforts in the community while allowing the City to receive more equitable and more evenly applied PILOT contributions.
- The City should reach out to the trade organizations of other non-profits (ex: museums, private schools) in an effort to engage their institutions in sharing with them the Task Force progress to date.

Mayor Menino's PILOT Task Force

Meeting Minutes – March 15, 2010

The meeting commenced at 3:00pm on the 6th floor of City Hall.

The City presented a PILOT proposal based on Task Force discussions to date. Under the proposal, colleges and hospitals would contribute a PILOT at 25% of what they would pay on their exempt property if taxable, less a credit for property taxes paid on property used for institutional purposes, and with a deduction for community benefits not to exceed 50% of the PILOT amount. Institutions would have a 5 year ramp-up to begin paying the cash PILOT at the target level, increasing their payment each year by 1/5 of the proposed PILOT.

General Discussion:

- The 50% cap on community benefits deductions might act as a disincentive for tax-exempt institutions to provide community benefits. Tax-exempt institutions might be more inclined to make cash payments instead of providing more community benefits since cash payments are more manageable and may cost less.
- Increasing PILOT payments could lead to an increase in student tuition and cuts in payroll, scholarships, and community benefits - especially among smaller institutions.
- Large capital items should be considered when determining PILOT payments and community benefit deductions. For example: a university donating a parcel of land to the City of Boston.
- A new PILOT formula requires a policy decision by the City, as it may affect an institution's ability to continue supporting certain community programs.
- The City is faced with the challenge of crafting a policy that achieves 100% buy-in from the institutions. A consensus among all universities and hospitals must be established in order for the proposed PILOT program to be successful.
- Implementation of the proposed PILOT program would require a careful valuation of all tax-exempt institution owned property.
- Community benefit deductions must be included in the PILOT program because they help reinforce institutions' good neighbor responsibilities and connections with the City.

Next Steps:

- Create a final Task Force report based on Task Force discussions and findings that will help the City in crafting a new PILOT policy.
- Establish an outline for the final Task Force report by the next meeting.

Mayor Menino's PILOT Task Force

Meeting Minutes – April 6, 2010

The meeting commenced at 2:30pm on the 6th floor of City Hall.

The City presented a draft Executive Summary of the proposed final Task Force report.

General Discussion:

- A 50% cap on community benefit credits may have unintended consequences - an institution might choose to reduce community-oriented commitments and instead make cash payments that are more manageable and may cost less within the structure of the proposed PILOT program.
- Capping the community benefit credit level would guarantee cash payments into the PILOT program, yet a softer cap would allow for flexibility in reviewing those benefits that might address more immediate community needs but that would otherwise exceed a hard cap.
- The City will need to review the community benefit filings by each institution on an annual basis to determine which should count for PILOT credit purposes.
- Small non-profits may lack the resources to fully engage in the PILOT program under the proposed guidelines, so a limit could be established based on budget or total valuation of property/ies.
- The main points in the Executive Summary arranged by importance:
    1. City must be transparent and fair in its approach to PILOT agreements
    2. All non-profits should participate and the program should remain voluntary
    3. Contributions should be based on the value of real estate
    4. PILOT should include a credit for Community Benefits
    5. PILOT commitments may have unintended consequences
    6. Phase-in period necessary for institutions to transition into the program
    7. Mechanism needed to determine participation of smaller non-profits

Next Steps:

- Revise the Executive Summary for the final Task Force report by the next meeting.

Mayor Menino's PILOT Task Force

Meeting Minutes – April 12, 2010

The meeting commenced at 3:30pm on the 6th floor of City Hall.

The City presented a revised draft of the Executive Summary of the proposed PILOT Task Force final report.

General Discussion:

- The word "normally" should be included at the beginning of the sentence that reads: "A threshold of $15 million in assessed value would meet this goal" to allow more flexibility when evaluating the smaller non-profits.
- A 50% cap on community benefit deductions should not be a firm cap - a community health center is an example of an organization that should be allowed to receive more than 50% in community benefit credits because it serves the immediate community only.
- The Task Force anticipates that there will be several tax-exempt organizations that take issue with the Task Force's recommendations for the final report.
- Some institutions perceive PILOT commitments as another tax issued by the City.
- Community benefit assessments for medical institutions should be similar to the Massachusetts Attorney General's methods for evaluating community benefits.
- The City is faced with the challenge of transitioning from the old method of issuing PILOT agreements to the new method that will be instituted by the City in accordance with the final recommendation of the Task Force.
- Task Force members unanimously voted to accept the Executive Summary of the final report as amended.

Next Steps:

- Create a Task Force final report based on the approved Executive Summary.

Appendix B

PILOT Program Information

B Payment in Lieu of Tax (PILOT) Program for Exempt Institutions

Introduction

Boston residents are fortunate to have access to some of the finest educational, medical, and cultural institutions in the country. However, this benefit is not without its costs. These institutions are situated largely on tax-exempt land. Property taxes are a critical part of City revenue, funding police, fire and public works services, and residential and commercial taxpayers are left to cover the cost of providing these essential city services to exempt institutions. As these institutions grow, so too does the property tax burden placed on taxpayers.

The City began collecting payment-in-lieu-of-tax (PILOT) contributions from tax-exempt institutions many years ago in an attempt to relieve the strain on residential and commercial taxpayers by diversifying the City's revenue stream. Today, institutions continue to make annual PILOT payments according to provisions in their agreement(s) with the City. In fiscal year 2007, 43 tax-exempt organizations made PILOT contributions totaling $32.5 million. With 52% of City land currently exempt from property taxation, the Assessing Department will continue to seek PILOT funds from non-profit institutions located within City limits.

Getting Started

The City of Boston Assessing Department typically initiates discussions regarding a PILOT agreement at the time a tax-exempt organization contemplates expanding its real estate holdings or begins new construction on existing property. Organizations filing project notification materials with the Boston Redevelopment Authority ("BRA") may contemplate PILOT considerations at the early project development stage. The BRA notifies all relevant City departments, including the Assessing Department, of the organization's intent to expand its property holdings. The Assessing Department's Tax Policy Unit will then make contact with the organization and request a PILOT determination meeting. PILOT discussions also emerge when non-profit organizations acquire previously taxable property and apply for a tax exemption.

Determining the Annual PILOT Contribution

The Base PILOT Amount

The City considers a number of factors when determining an appropriate base PILOT contribution for a tax-exempt project. As such, it is rare that two PILOT agreements are alike given the range in size and usage of non-profit facilities. The following are just a few of these considerations:

- Property taxes generated by the property: if the property was taxable prior to the acquisition by the non-profit organization, the City will look to recover some of the tax revenue that will be lost when the property becomes exempt.
- Size of the property/project: square footage data could be a factor in determining the magnitude of the PILOT contribution.
- Usage of the property/project: usage of the property – such as for research labs, classrooms, or hospital beds – could be a factor in determining the magnitude of the PILOT contribution.
- Construction costs: the amount that the organization spends on constructing or rehabilitating a facility could be a factor in determining the magnitude of the PILOT contribution.

PILOT Escalator Clause

In order to mitigate the effects of inflation, PILOT agreements contain an escalator clause that causes the base PILOT amount to increase annually according to the escalation factor. The City currently employs a number of inflationary indexes, including the Implicit Price Deflator ("IPD"), Consumer Price Index ("CPI"), and Cost of Municipal Services index ("CMI"). The IPD, which measures the purchasing power of state and local governments, is produced by the Bureau of Economic Analysis at the U.S. Department of Commerce. The CPI is produced by the Bureau of Labor Statistics at the U.S. Department of Labor. Finally, the CMI is calculated using the City of Boston's budgeted amounts for fire, police, and snow removal. The index to be used for a PILOT project is reviewed on a case by case basis.

PILOT Credits for Extraordinary Community Services

In some cases, the City will consider including a community service deduction in the PILOT agreement. The community service deduction is intended to encourage non-profit institutions to adopt new community-oriented services or services above and beyond any service or contribution the institution was providing prior to the execution of the PILOT agreement (BRA negotiated community benefits are not considered community service credits for PILOT community service credit purposes). Current examples include academic scholarships, volunteer classes and/or workshops for community based non-profits, as well as the operation of free emergency medical clinics.

If approved, the City will offer a PILOT credit up to 25% of the aggregate PILOT for that year. Community services to be considered for the PILOT credit are carefully reviewed on an annual basis. Services that support the priorities of the Menino administration - promoting education and health, alleviating the fear of crime, expanding jobs and economic development - are preferred.

Summary

The City of Boston recognizes and appreciates those institutions that support the PILOT program. City government and exempt institutions must maintain a cooperative partnership to ensure Boston's fiscal health. These guidelines aim to provide an open and equitable process for the effective fiscal management of Boston's tax base.

AGREEMENT TO MAKE PAYMENTS IN LIEU OF TAXES
BY AND BETWEEN <CHARITABLE ORGANIZATION>
AND THE CITY OF BOSTON

AGREEMENT, made this ___ day of MONTH, YEAR at Boston, Massachusetts by and between <CHARITABLE ORGANIZATION>, a charitable corporation duly organized under Chapter 180 of the laws of the Commonwealth of Massachusetts having a usual place of business at ADDRESS, CITY, Massachusetts, ZIP, and the City of Boston ("City"), a municipal corporation in the Commonwealth of Massachusetts, with respect to TAX-EXEMPT PROPERTY/IES NAME(S) (the "Property"/"Project").

WITNESSETH THAT:

A. CHARITABLE ORGANIZATION, while currently entitled to exemption from obligations to pay local real estate taxes on its property pursuant to Massachusetts General Laws C. 59, § 5, Clause Third, recognizes that its operations at this Property require the City to furnish municipal services and is willing voluntarily to make certain payments to the City in the form of payment in lieu of taxes ("PILOT").

B. The Property may be exempt under the laws of the Commonwealth from local real property taxes provided that the uses remain consistent with the tax laws relative to exemption, and CHARITABLE ORGANIZATION intends to file appropriate papers required by law to obtain and maintain such exemption.

C. CHARITABLE ORGANIZATION and the City further acknowledge and agree that other real and personal property owned by CHARITABLE ORGANIZATION which is now entitled to exemption from taxation shall continue to remain so entitled, subject to applicable laws relative to exemption from real property taxation; and consistent with the above, that the above referenced Property/Project which is the subject of this Agreement shall be granted exemption upon timely application for exemption and preservation of statutory rights of appeal, insofar as may be necessary, in the event of any or all the property taxed by the City in any particular fiscal year.

NOW, THEREFORE, in consideration of the municipal services to be furnished by the City and the mutual agreements herein contained, the parties hereto hereby agree as follows:

1. **PILOT Term and Payment Schedule.** Beginning in the fiscal year in which the exemption is granted (the "Effective Date"), CHARITABLE ORGANIZATION will make an annual payment in lieu of taxes to the City of Boston for a term of X (X) years following such Effective Date. Each annual payment shall be due and payable in two installments with the first half due on November 1 and the second half on May 1 of each year during the term hereof in amounts and upon conditions set forth below.

2. **Base PILOT Payment Amount.** The "Base Payment," the amount due in the Effective Year, shall be AMOUNT ($AMOUNT).

3. **PILOT Escalation.** The payment due for each fiscal year after the first fiscal year in which payment shall be due pursuant to the terms of the Agreement shall be subject to adjustment as provided in the Inflation Adjustment Clause attached hereto as Exhibit A.

4. **Community Service Credits.** Twenty-five percent (25%) of the total amount due in each fiscal year shall be credited, contingent upon CHARITABLE ORGANIZATION's documentation of community services being provided or funded for the benefit of Boston residents.

5. **Property Exemption in Future Fiscal Years.** It is the intention of the City, through its Assessing Department, to recognize the Property as exempt pursuant to M.G.L. c. 59, § 5, Clause Third in future fiscal years so long as and provided that (a) exemption is warranted as a matter of ownership, use and occupancy and (b) Form 3 ABC is timely filed with the Assessing Department for each fiscal year.

6. **Property Tax Bill Issuance.** In the event a real estate bill is issued for the Property, it is the exclusive responsibility of CHARITABLE ORGANIZATION to do all things necessary to preserve the jurisdiction of the City's Assessing Department to grant abatement relief on the basis of exemption, overvaluation, misclassification, and/or disproportion including timely filing of application(s) for abatement, supporting documentation and appeal(s) to the Appellate Tax Board, as may be necessary, and timely payment of the deemed tax due as defined in M.G.L. c. 59, § 64.

7. **Commercial Operation or Use.** Pursuant to applicable law, the City may assess property taxes to CHARITABLE ORGANIZATION based upon commercial operation or uses of the Property.

8. **Change in Exemption Law(s).** If, during the term of this Agreement, there is a change in the laws applicable to exemptions from real property tax that affects the exempt square footage within the Property, then the PILOT payment shall be reduced by the percentage by which the commercial square footage exceeds 20% of the Property's total square footage (example: if a change in exemption laws results in 30% of the Property's total square footage being assessed as commercial and thus taxable space, then the PILOT payment will be reduced by 10%).

9. **State Reimbursement.** If the Commonwealth of Massachusetts hereafter reimburses the City for property taxes lost as a result of exemptions and said reimbursement is based in part on valuation of property held by CHARITABLE ORGANIZATION which is subject of this Agreement, there shall be a reduction of the amounts payable thereafter under this Agreement. Such reduction shall be in an amount equal to the percentage which the valuation of the Property under this Agreement constitutes of the valuation of all exempt buildings on which the reimbursement is based. Such reduction shall be credited against the payment due under this Agreement in each fiscal year in which the City receives the state reimbursement.

10. **Enforcement.** The provisions of this Agreement shall be binding and inure to the benefit of the parties hereto and their respective legal representatives, successors in office or interests, and assigns and may be amended only by an agreement in writing duly executed by both parties hereto or their successors.

11. **Headings.** The headings and captions of the paragraphs and sections of this Agreement are not to be considered a part of it and shall not be used to interpret, define, or limit the provisions hereof.

IN WITNESS THEREOF, each of the parties has caused this Agreement to be executed as a sealed instrument by its officers duly authorized as of the day and year first above written.

CHARITABLE ORGANIZATION

By: _____

Its:

THE CITY OF BOSTON

By: _____

Thomas M. Menino
Mayor

Approved as to form:

By: _____

William F. Sinnott
Corporation Counsel

By: _____

Ronald W. Rakow
Commissioner of Assessing

EXHIBIT A

Inflation Adjustment Clause

The payment adjustment shall be the percentage by which the "State and Local Government" component of the Implicit Price Deflator for Gross National Product ("IPD") for the quarter preceding the start of the then current fiscal year exceeds or is less than the "State and Local Government" component of the IPD in effect for the quarter preceding the start of the fiscal year in which the agreement is executed.

Thus, the payment due shall be adjusted annually by taking the amount payable pursuant to Section 2 of the Agreement, multiplying it by the percentage adjustment defined above, and adding the result to the amount payable pursuant to Section 2.

Educational Institutions - PILOT Contributors

FISCAL YEAR 2009

Institution	FY09 Cash PILOT	Community Service	Property Tax Credits	TOTAL
Berklee College of Music	$149,989.58	$89,441.06	$121,791.68	$361,222.31
Boston College	$293,250.91			$293,250.91
Boston University	$4,892,137.62			$4,892,137.62
Emerson College	$139,368.22			$139,368.22
Harvard University	$1,996,976.42			$1,996,976.42
MA College of Pharmacy	$170,984.72	$56,994.91		$227,979.63
NE Law Boston	$13,125.00			$13,125.00
Northeastern University	$30,571.00			$30,571.00
Showa University	$120,966.04			$120,966.04
Simmons College	$15,000.00			$15,000.00
Suffolk University	$375,289.53	$0.00		$375,289.53
Tufts University	$152,158.59			$152,158.59
Wentworth Institute	$31,012.53	$9,234.70	$500.00	$40,747.23
TOTAL	$8,380,830.17	$155,670.66	$122,291.68	$8,658,792.52

FISCAL YEAR 2008

Institution	FY08 Cash PILOT	Community Service	Property Tax Credits	TOTAL
Berklee College of Music	$138,851.85	$87,242.08	$126,139.68	$352,233.61
Boston College	$276,901.16			$276,901.16
Boston University	$4,615,523.02			$4,615,523.02
Emerson College	$131,597.96			$131,597.96
Harvard University	$1,929,786.85			$1,929,786.85
MA College of Pharmacy	$163,189.98	$54,396.66		$217,586.64
NE Law Boston	$13,125.00			$13,125.00
Northeastern University	$30,571.00			$30,571.00
Showa University	$114,221.77			$114,221.77
Simmons College	$15,000.00			$15,000.00
Suffolk University	$334,934.23	$0.00	$25,000.00	$359,934.23
Tufts University	$143,676.83			$143,676.83
Wentworth Institute	$29,255.60	$8,719.83	$500.00	$38,475.43
TOTAL	$7,936,635.23	$150,358.57	$151,639.68	$8,238,633.48

FISCAL YEAR 2007

Institution	FY07 Cash PILOT	Community Service	Property Tax Credits	TOTAL
Berklee College of Music	$188,408.68	$85,156.79	$70,144.14	$343,709.60
Boston College	$261,396.65			$261,396.65
Boston University	$4,355,163.89			$4,355,163.89
Emerson College	$77,029.05			$77,029.05
Harvard University	$1,835,946.01			$1,835,946.01
MA College of Pharmacy	$155,798.22	$41,540.24		$197,338.46
NE Law Boston	$13,125.00			$13,125.00
Northeastern University	$141,132.50	$36,853.83		$177,986.33
Showa University	$107,826.15			$107,826.15
Simmons College	$15,000.00			$15,000.00
Suffolk University	$316,550.19	$0.00	$25,000.00	$341,550.19
Tufts University	$135,581.84			$135,581.84
Wentworth Institute	$35,866.79	$0.00	$500.00	$36,366.79
TOTAL	$7,638,824.97	$163,550.86	$95,644.14	$7,898,019.97

Medical Institutions - PILOT Contributors

FISCAL YEAR 2009

Institution	FY09 Cash PILOT	Community Service	Property Tax Credits	TOTAL
Beth Israel Deaconess Med Ctr	$167,000.00			$167,000.00
Boston Medical Center	$128,491.91	$78,160.27	$14,991.83	$221,644.01
Brigham & Women's Hospital	$1,222,568.31	$93,253.81		$1,315,822.12
Childrens Hospital	$112,004.40	$62,500.00	$75,495.60	$250,000.00
Dana Farber Cancer Institute	$98,606.60	$32,868.87		$131,475.46
MA Bio-Medical Research Corp	$638,728.41	$180,000.00		$818,728.41
Partners Healthcare - MGH	$1,572,701.99	$5,269.72	$248,646.36	$1,826,618.07
Spaulding Rehab Hospital	$77,533.62			$77,533.62
Tufts Medical Center	$885,016.75	$156,217.07		$1,041,233.82
TOTAL	$4,902,652.00	$608,269.73	$339,133.79	$5,850,055.52

FISCAL YEAR 2008

Institution	FY08 Cash PILOT	Community Service	Property Tax Credits	TOTAL
Beth Israel Deaconess Med Ctr	$167,000.00			$167,000.00
Boston Medical Center	$125,507.97	$78,160.27	$14,333.76	$218,002.00
Brigham & Women's Hospital	$949,500.88			$949,500.88
Childrens Hospital	$115,318.30	$62,500.00	$72,181.70	$250,000.00
Dana Farber Cancer Institute	$93,108.94	$31,036.31		$124,145.25
MA Bio-Medical Research Corp	$630,993.82	$180,000.00		$810,993.82
Partners Healthcare - MGH	$1,574,051.66	$4,975.91	$237,731.97	$1,816,759.54
Spaulding Rehab Hospital	$73,210.85			$73,210.85
Tufts Medical Center	$988,266.20	$147,507.42		$1,135,773.62
TOTAL	$4,716,958.63	$504,179.92	$324,247.43	$5,545,385.97

FISCAL YEAR 2007

Institution	FY07 Cash PILOT	Community Service	Property Tax Credits	TOTAL
Beth Israel Deaconess Med Ctr	$167,000.00			$167,000.00
Boston Medical Center	$123,114.23	$78,160.27	$13,273.78	$214,548.28
Brigham & Women's Hospital	$942,806.99			$942,806.99
Childrens Hospital	$115,318.30	$62,500.00	$72,181.70	$250,000.00
Dana Farber Cancer Institute	$87,895.49	$29,298.50		$117,193.99
MA Bio-Medical Research Corp	$623,659.09	$180,000.00		$803,659.09
Partners Healthcare - MGH	$1,571,140.83	$4,697.30	$236,363.52	$1,812,201.65
Spaulding Rehab Hospital	$69,111.56			$69,111.56
Tufts Medical Center	$912,317.27	$139,248.05		$1,051,565.32
TOTAL	$4,612,363.77	$493,904.12	$321,819.00	$5,428,086.89

PILOT payment for FY09 is projected.

Appendix C

PILOT Presentation and Exempt Property Values

PILOT Task Force Presentation

Educational and Medical Institution
Tax-Exempt Property Data

PILOT Program – Fiscal Year 2008

- The PILOT program generated $30.2* million in Fiscal Year 2008.
- Massport contributed $15.6 million.
- Educational institutions contributed $8.2* million.
- Medical institutions contributed $5.5* million.

*Includes community service and property tax credits

PILOT Program – Fiscal Year 2009

- The PILOT program will generate approx. $31.6* million in Fiscal Year 2009.
- Massport will contribute $16.2 million.
- Educational institutions will contribute approx. $8.7* million (5.8% more than FY08).
- Medical institutions will contribute approx. $5.8* million (5.2% more than FY08).

*Includes community service and property tax credits

Key Questions

- How much would each institution pay in c. 59 property taxes if exempt property were taxable?
- How does each institution's PILOT compare to what they would pay if their exempt property were taxable?

Exempt Property Valuation

- In Fall 2007, Assessing Dept requested tax-exempt facility info from all major educational and medical institutions in Boston (MGL c. 59 § 38D)
- "Income Approach" used to determine exempt property values
- Each institution was given a six (6) week period to review their facility values

Educational Institutions

Berklee College of Music
Boston College
Boston University
Emerson College
Emmanuel College*
Fisher College*
Harvard University
Mass College of Pharmacy
New England Law Boston
Northeastern University
Showa Institute
Simmons College
Suffolk University
Tufts University
Wentworth Institute of Tech
Wheelock College*

*No active PILOT agreement with the City of Boston

Educational Institutions

Colleges, Universities, and other schools:

- FY09 Total Tax-Exempt Value: **$7.0 billion**
- FY09 Total tax-Exempt SF*: **21.5 million**

If taxed at the FY09 commercial rate, tax-exempt educational properties would generate $190.2 million.

*Does not include square footage for dormitories or parking facilities

Educational Institutions

TOP EXEMPT PROPERTY OWNERS

Institution	FY09 Exempt Value	If Taxable	FY09 PILOT	% of Tax
Boston University	$2,115,919,700	$57,362,583	$4,892,138	8.53%
Harvard University	$1,477,225,500	$40,047,583	$1,996,977	4.99%
Northeastern Univ	$1,351,225,100	$36,631,712	$30,571	0.08%
Boston College	$561,952,500	$15,234,532	$293,251	1.92%

Medical Institutions

Beth Israel Deaconess
Boston Medical Center
Brigham & Women's Hosp
Caritas St. Elizabeth's*
Children's Hospital
Dana Farber Cancer Inst
Faulkner Hospital*
Mass Bio-Med Research Co
Mass General Hospital
NE Baptist Hospital*
Spaulding Rehab Hospital
Tufts Medical Center

*No active PILOT agreement with the City of Boston

Medical Institutions

Hospitals and other medical facilities:

- FY09 Total Tax-Exempt Value: **$5.7 billion**
- FY09 Total Tax-Exempt SF: **14.8 million**

If taxed at the FY09 commercial rate, tax-exempt medical properties would generate $154.8 million.

Medical Institutions

TOP EXEMPT PROPERTY OWNERS

Institution	FY09 Exempt Value	If Taxable	FY09 PILOT	% of Tax
Mass Gen Hospital	$1,457,667,100	$39,517,355	$1,826,618	4.62%
Beth Israel Deac	$823,917,300	$22,336,398	$167,000	0.75%
Brigham & Women's	$815,886,700	$22,118,688	$1,222,568	5.95%
Children's Hospital	$691,857,800	$18,756,265	$250,000	1.33%

Summary

- If taxable, educational and medical tax-exempt property would have generated $345.0 million in FY09.
- Estimated FY09 PILOT payments from educational and medical institutions is $14.5 million.
- PILOT payments represent 4.2% of what institutions would pay if exempt property were taxable.

EDUCATIONAL INSTITUTIONS:
Tax-Exempt Property
FY 2009

Institution	FY09 Exempt Value	Revenue If Taxable†	FY09 PILOT††	% of Taxable
Berklee College of Music	$161,741,600	$4,384,815	$361,222	8.24%
Boston College	$561,952,500	$15,234,532	$293,251	1.92%
Boston University	$2,115,919,700	$57,362,583	$4,892,138	8.53%
Emerson College	$177,826,400	$4,820,874	$139,368	2.89%
Emmanuel College*	$165,162,000	$4,477,542	-	-
Fisher College*	$16,719,000	$453,252	-	-
Harvard University	$1,477,225,500	$40,047,583	$1,996,977	4.99%
Mass College of Pharmacy	$106,910,300	$2,898,338	$227,980	7.87%
New England Law Boston	$15,888,500	$430,737	$13,125	3.05%
Northeastern University	$1,351,225,100	$36,631,712	$30,571	0.08%
Showa Institute	$54,718,800	$1,483,427	$120,966	8.15%
Simmons College	$152,572,500	$4,136,240	$15,000	0.36%
Suffolk University	$237,230,300	$6,431,313	$375,290	5.84%
Tufts University	$151,760,200	$4,114,219	$152,159	3.70%
Wentworth Institute of Tech	$207,977,400	$5,638,267	$40,747	0.72%
Wheelock College*	$60,362,200	$1,636,419	-	-
TOTAL	$7,015,192,000	$190,181,855	$8,658,793	4.55%

†Calculation uses the FY09 commercial tax rate ($27.11 per thousand dollars of value)
*Organization does not have a PILOT agreement with the City of Boston

- In Fiscal Year 2009, the tax-exempt property owned by the educational institutions in this analysis was valued at $7.0 billion, which, if taxable, would have generated $190.2 million in property taxes for the City of Boston.

- Educational institutions will contribute an estimated $8.7 million in PILOT funds in Fiscal Year 2009, 4.6% of what they would pay if taxable.

MEDICAL INSTITUTIONS:
Tax-Exempt Property
FY 2009

Institution	FY09 Exempt Value	Revenue If Taxable†	FY09 PILOT††	% of Taxable
Beth Israel Deaconess Med Ctr	$823,114,100	$22,314,623	$167,000	0.75%
Boston Medical Center	$300,928,700	$8,158,177	$221,644	2.72%
Brigham and Women's Hospital	$815,886,700	$22,118,688	$1,315,822	5.95%
Caritas St. Elizabeth's Med Ctr**	$252,504,700	$6,845,402	-	-
Children's Hospital	$691,857,800	$18,756,265	$250,000	1.33%
Dana Farber Cancer Institute	$226,522,000	$6,141,011	$131,475	2.14%
Faulkner Hospital*	$181,881,400	$4,930,805	-	-
Mass Bio-Medical Research Corp	$146,236,500	$3,964,472	$818,728	20.65%
Mass General Hospital	$1,457,667,100	$39,517,355	$1,826,618	4.62%
NE Baptist Hospital*	$144,781,500	$3,925,026	-	-
Spaulding Rehab Hospital	$86,751,700	$2,351,839	$77,534	3.30%
Tufts Medical Center	$581,770,900	$15,771,809	$1,015,628	6.44%
TOTAL	$5,709,903,100	$154,795,473	$5,824,449	3.76%

†Calculation uses the FY09 commercial tax rate ($27.11 per thousand dollars of value)
††PILOT amount includes community service and property tax deductions (if applicable)
*Organization does not have an active PILOT agreement with the City of Boston
**Organization signed a PILOT agreement with the City in 2007, with payments commencing upon construction completion.

- In Fiscal Year 2009, the tax-exempt property owned by the medical institutions in this analysis was valued at $5.7 billion, which, if taxable, would have generated $154.8 million in property taxes for the City of Boston.

- Medical institutions will contribute $5.8 million in PILOT funds in Fiscal Year 2009, which represents 3.8% of what they would pay if taxable.

Appendix D

Other Tax Exempt Data and Institutional Property Values

Other Large Tax-Exempt Property Owners

Other Educational	FY09 Land Area (SF)
Boston Baptist College	181,377
Boston College High School	1,701,414
The Boston Conservatory	37,200
New England Conservatory of Music	92,602
Roxbury Community College	235,617
Roxbury Latin	1,537,587
The Winsor School	322,767
University of Massachusetts	1,137,618

Other Medical	FY09 Land Area (SF)
Brighton Marine Health Center	379,669
Dimock Community Health Center	329,432
East Concord Medical, Inc.	56,800
Franciscan Hospital	453,997
Hebrew Rehabilitation Center	409,417
Rox Comp Community Health Ctr	41,699
Shriners Hospital	39,414
St. Mary's Women & Infants Ctr	104,092

Museums	FY09 Land Area (SF)
Children's Museum	65,509
Institute of Contemporary Art	38,363
Isabella Gardner Museum	76,193
Museum of Fine Arts	696,532
New England Aquarium	342,715

Cultural/Other Institutions	FY09 Land Area (SF)
Action for Boston Comm Dev	215,292
Boston Symphony Orchestra	68,238
Florence Crittendon League	190,246
Home for Italian Children	320,162
MA Audubon Society	2,643,821
NE Home for Little Wanderers	327,235
WGBH	102,496
YMCA	484,334

Educational Institutions	FY09 Land Area (SF)
Berklee College of Music	152,087
Boston College	4,639,001
Boston University	4,077,983
Emerson College	108,201
Emmanuel College	607,226
Fisher College	43,841
Harvard University	8,337,472
Mass College of Pharmacy	100,886
New England Law Boston	18,435
Northeastern University	2,677,962
Showa Institute	1,717,730
Simmons College	565,736
Suffolk University	135,830
Tufts University	126,119
Wentworth Institute of Tech	1,065,778
Wheelock College	153,650

Medical Institutions	FY09 Land Area (SF)
Beth Israel Deaconess Med Ctr	741,090
Boston Medical Center	287,336
Brigham and Women's Hospital	650,802
Caritas St. Elizabeth's Med Ctr	1,152,029
Children's Hospital	396,360
Dana Farber Cancer Institute	146,232
Faulkner Hospital	771,950
Mass Bio-Medical Research Corp	163,073
Mass General Hospital	794,324
NE Baptist Hospital	766,741
Spaulding Rehab Hospital	228,517
Tufts Medical Center	420,477

Taxable vs. Tax-Exempt Property: Medical and Educational Institutions

Medical Institution	FY09 Taxable Value	FY09 Taxes Paid	FY09 Exempt Value	Revenue If Taxable†
Beth Israel Deaconess Med Ctr	$12,264,000	$332,477	$823,114,100	$22,314,623
Boston Medical Center	$2,228,500	$60,415	$300,928,700	$8,158,177
Brigham and Women's Hospital	$7,486,200	$202,951	$815,886,700	$22,118,688
Caritas St. Elizabeth's Med Ctr*	$8,308,500	$225,243	$252,504,700	$6,845,402
Children's Hospital	$52,574,500	$1,425,295	$691,857,800	$18,756,265
Dana Farber Cancer Institute	$1,402,500	$38,022	$226,522,000	$6,141,011
Faulkner Hospital*	$9,583,700	$259,814	$181,881,400	$4,930,805
Mass Bio-Medical Research Corp	$16,026,500	$434,478	$146,236,500	$3,964,472
Mass General Hospital	$9,976,300	$270,457	$1,457,667,100	$39,517,355
NE Baptist Hospital*	$5,622,400	$152,423	$144,781,500	$3,925,026
Spaulding Rehab Hospital	$188,000	$5,097	$86,751,700	$2,351,839
Tufts Medical Center	$50,380,500	$1,365,815	$581,770,900	$15,771,809
TOTAL	$176,041,600	$4,772,488	$5,709,903,100	$154,795,473

*Institution does not currently pay a PILOT to the City of Boston

†Figures reflect property taxes if taxed at the commercial rate ($27.11 per thousand)

Educational Institution	FY09 Taxable Value	FY09 Taxes Paid	FY09 Exempt Value	Revenue If Taxable†
Berklee College of Music	$5,879,500	$159,393	$161,741,600	$4,384,815
Boston College	$14,136,800	$383,249	$561,952,500	$15,234,532
Boston University	$270,291,000	$7,327,589	$2,115,919,700	$57,362,583
Emerson College	$6,368,000	$172,636	$177,826,400	$4,820,874
Emmanuel College*	-	-	$165,162,000	$4,477,542
Fisher College*	$6,098,500	$165,330	$16,719,000	$453,252
Harvard University	$255,650,900	$6,930,696	$1,477,225,500	$40,047,583
Mass College of Pharmacy	$229,500	$6,222	$106,910,300	$2,898,338
New England Law Boston	-	-	$15,888,500	$430,737
Northeastern University	$108,308,560	$2,936,245	$1,351,225,100	$36,631,712
Showa Institute	-	-	$54,718,800	$1,483,427
Simmons College	$757,000	$20,522	$152,572,500	$4,136,240
Suffolk University	$262,500	$7,116	$237,230,300	$6,431,313
Tufts University	$3,304,000	$89,571	$151,760,200	$4,114,219
Wentworth Institute of Tech	$529,400	$14,352	$207,977,400	$5,638,267
Wheelock College*	-	-	$60,362,200	$1,636,419
TOTAL	$671,815,660	$18,212,923	$7,015,192,000	$190,181,855

*Institution does not currently pay a PILOT to the City of Boston

†Figures reflect property taxes if taxed at the commercial rate ($27.11 per thousand)

Appendix E

Community Benefits Submission Summaries

Boston University Office of the President

Dr. Robert A. Brown
President
One Silber Way
Boston, Massachusetts 02215
T 617-353-2200 F 617-353-3278

BOSTON UNIVERSITY

May 15, 2009

Stephen W. Kidder, Esq.
PILOT Task Force Chairman
Hemenway & Barnes LLP
60 State Street
Boston, MA 02109 – 1899

Dear Steve:

This letter is in reply to your letter of April 22, 2009, requesting information regarding community services on behalf of the Mayor's PILOT Task Force. Attached you will find data as of June 30, 2008, as follows:

Exhibit I	Direct Payments, Scholarships, Initiatives, and Services
Exhibit II	Economic Impact
Exhibit III	Social Programs and Service.

With regard to Exhibit I, direct payments to the City of Boston included PILOT payments, real estate tax payments, and linkage payments totaling $8.9 million in fiscal year 2008. In addition, other miscellaneous payments totaling just over $550,000 are noted. Scholarships, Initiatives, and Services totaled more than $23.5 million in fiscal year 2008.

Exhibit II summarizes the economic impact of Boston University operations. According to information provided by the Boston Redevelopment Authority, Boston University is the City's fourth largest employer. In fiscal 2008, Boston University:

- Accounted for more than 14,500 jobs in the City
- Employed more than 4,300 adult Boston residents
- Generated economic activity in Boston totaling more than $1.16 billion.

The tables contained in Exhibit II expand on this information.

Finally, Exhibit III itemizes numerous Boston University initiatives, such as scholarship programs, after school programs, literacy initiatives, health care initiatives, community service programs and a diverse set of other social programs.

Two highlights of these initiatives include:

- Step UP, a five-university collaboration with the City of Boston in which Boston University provides specific programs and initiatives that respond to needs identified by Boston Public Schools. In fiscal 2008, Boston University contributed $329,125 in salaries, overhead, and transportation costs to this program.
- In addition to CityLab, an educational program for middle and high school students, CityLab Academy is a free Boston University Medical Campus academic and job skills certificate training program for Boston high school graduates who are interested in pursuing a successful career in biotechnology. In fiscal 2008, Boston University provided $214,620 in scholarships to this program.

I trust that you will find these exhibits responsive to your request. If you have any questions or would like more detailed descriptions, please feel free to call on me.

Sincerely,

Robert A. Brown

RAB/km

Enclosures: Community Contribution Report,
Exhibits I, II, and III

BOSTON COLLEGE

OFFICE OF GOVERNMENTAL & COMMUNITY AFFAIRS

May 19, 2009

Stephen W. Kidder, Esq.
Hemenway & Barnes, LLP
60 State Street
Boston, MA 02109

Re: Boston College Community Benefits & Economic Impact Report

Dear Mr. Kidder:

In response to the request by Mayor Menino's PILOT Task Force for information regarding Boston College's community outreach and involvement, please find enclosed a report detailing a broad range of community service programs that benefit the residents of Boston, as well as information on the University's economic impact on the city and the region.

Boston College looks forward to working with the Task Force as it evaluates the information requested, engages in a meaningful dialogue with the diverse educational, medical and cultural institutions in Boston and makes recommendations to enhance the positive relationships that currently exist between the City and its non-profit community. If you have any questions regarding the report, please do not hesitate to contact me at (617) 552-4787.

Sincerely,

Thomas J. Keady, Jr.
Vice President
Governmental & Community Affairs

HOPKINS HOUSE, 116 COLLEGE ROAD, CHESTNUT HILL, MA 02467-3847

TEL: 617-552-4787 FAX: 617-552-8659

Community Benefits and Service Programs

Introduction

Located in Boston and Newton, Boston College enjoys a special relationship with its host communities, enriching the vibrancy of these cities through its academic and financial resources, cultural and recreational offerings, community partnerships and volunteer service programs. Boston College's contributions to both cities reflect its mission as an institution of higher learning and its Jesuit tradition of forming students to be men and women in service to others.

As an active neighbor, Boston College is committed to making University resources available to residents of Allston-Brighton and Newton through the formal programs and partnerships described in this chapter, through the many campus activities and events open to local residents, and through the time, talents and energies of Boston College student, faculty and staff volunteers. Thanks to a culture of volunteerism where community service is encouraged, supported and valued, recent survey results indicate that Boston College students volunteer more than 444,000 hours of community service throughout the year, and that University employees volunteer an average of 4.8 hours a week, exceeding both the national and state averages of 2.5 and 1.9 hours per week. The University estimates that Boston College undergraduates provide $3.5 million in service to the community and that faculty provide an additional $1.5 million in annual volunteer service.

This chapter provides an overview of Boston College's community benefits programs offered in the following areas:

- Educational Partnerships and Scholarships
- Community Development Assistance
- Volunteer Service Programs
- Cultural Resources
- Athletic and Recreational Programs

JOSEPH E. AOUN, PHD
PRESIDENT

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PRESIDENTAOUN@NEU.EDU

May 20, 2009

Stephen W. Kidder, Esq.
Hemenway & Barnes LLP
60 State St.
Boston, MA 02109

Dear Mr. Kidder,

Northeastern's civic contributions reach every corner of our surrounding neighborhoods. Every day, our faculty and students find new ways to improve the lives of our neighbors and strengthen the fabric of both our immediate community and the city as a whole.

The university's core missions of teaching, research and service are inseparable from our extensive civic engagement and are rooted deeply in Boston. In the current economic climate, when businesses seek to move away or cut back, Northeastern is redoubling efforts to make Boston and our community better through the energy of our students, the talents of our faculty, and the depth of our institutional commitment.

Much of our success comes from our vast and growing array of partnerships with community organizations and individuals. This is embodied in our new Stony Brook Initiative, which is about listening to our neighbors and finding creative, collaborative solutions to urban challenges.

The enclosed report details Northeastern's broad and deep community engagement and the university's overall economic impact in the City of Boston, for the consideration of the Task Force. We estimate our measurable, direct impact at more than $340 million annually.

We applaud Mayor Menino's leadership in creating this Task Force as well as the members' dedication to reviewing the many ways in which institutions such as Northeastern contribute. The result of your work will shape consensus for a road map to move us toward a shared goal: sustaining and accelerating the prosperity of Boston and all its citizens.

Please contact my office if we can provide any further assistance as the Task Force continues its important work.

Sincerely yours,

Joseph E. Aoun
President

EXECUTIVE SUMMARY

This report details the impact of Northeastern University's community involvement, specifically those services that directly benefit Boston residents. The University's economic impact in Boston is more than $340 million a year — a conservative estimate that does not take into account myriad services and long-term benefits or ripple effects of dollars spent in the community.

As articulated in the university's Academic Plan, urban engagement is one of Northeastern's core values, reinforced by our academic program and emphasized to our student body. This engagement is broad and deep, and remarkable in light of Northeastern's relative size and assets compared to our peer institutions.

Our engagement is best expressed through partnerships in our neighborhoods, an approach embodied in our Stony Brook Initiative, which convenes university and community organizations to identify and address neighbors' most pressing concerns. These partnerships work for Bostonians because they target specific needs as identified in and by the community.

Some salient points:

- Northeastern is the most extensively civically engaged institutional community in Boston. Together our students, faculty and staff contribute, in service and funding, $17.6 million to our Stony Brook neighborhoods and the City of Boston in the form of programs and partnerships.
- Northeastern's open campus provides our neighbors a welcoming environment on a daily basis. The space we provide is valued at over $1.4 million annually.
    - We are the only institution to host on campus a Boston public high school — Health Careers Academy, recently named one of the best high schools in the country by U.S. News & World Report.
    - We provide 30,000 square feet rent-free to Whittier Street Health Center, which serves 12,000 residents in some of Boston's most underserved communities.

- Northeastern's contributions continue to grow. Even in a time of economic uncertainty, we have launched two new community partnerships "Foundation Year" and "Healthy Kids, Healthy Futures."

- Northeastern's essential mission is education, and we have chosen to focus our civic engagement most deeply on education programs and partnerships that benefit the City of Boston and our neighbors. In support of this mission, Northeastern accepts — and, more importantly, graduates — more Boston Public Schools students than any other private institution.

- We do so in large part due to our $10.1 million in scholarship aid to Boston residents, which is expected to increase by $500,000 for the academic year 2008-2009

This report will tell part of the story of Northeastern's community engagement with numbers, though numbers cannot tell the entire story. Some of the figures we explain inside are provided here.

NORTHEASTERN'S ECONOMIC IMPACT IN BOSTON, 2008

Direct payments to the City	$3,220,000
Scholarships to Boston residents	$10,100,000
Programs, services and projects in Boston	$17,600,000
Space for Boston groups and institutions	$1,400,000
Institutional purchasing from Boston firms	$146,000,000
Payroll for Boston-resident employees	$45,000,000
Student spending (estimated) in Boston	$82,300,000
Employee daytime spending (estimated) in Boston	$16,206,000
Visitor spending (estimated)	$18,700,000
TOTAL	**$340,526,000**

Executive Summary

Introduction:
The information contained in this binder summarizes a range of financial and programmatic benefits that Harvard University provides to Boston. The University's engagement with Boston has grown over many decades and has become particularly strong over the last ten years. While many benefits are negotiated with City and community leaders, many more emerge from Harvard's and the City's mutual interest in the current and future welfare of Boston. Countless ties between teaching and research at Harvard and the interests of Boston have grown from a foundation of strong relationships between the City and the University.

Property Taxes and Payments in Lieu of Taxes:
Since the focus of the Commission is on payments in lieu of taxes (PILOT), this binder first summarizes Harvard's PILOT and property tax payments. Last year, Harvard University paid a total of $8,245,721 in taxes and Payments In Lieu of Taxes to Boston. Harvard's PILOT payments, which totaled $1,929,788 in FY 2008, are scheduled to increase annually.

Additional Payments:
Over the past ten years, the University has paid more than $2,500,000 in linkage payments to the City of Boston to support housing and workforce development efforts. Recently Harvard also paid the City of Boston a building permit fee of approximately $5.1 million for the Allston Science Complex.

Community Benefits Associated with Campus Development:
By working with the City and community leaders, Harvard has also been able to advance a significant program of benefits associated with its planning for development in Allston. One example is the University's standing commitment to make $25,000,000 in contributions and community benefits associated with the Allston Science Complex. Harvard's Allston Education Portal, which currently mentors Allston children in science, math and writing, is just one element of that agreement. A total of 455 Allston residents are currently registered as members. In addition to services aimed at Boston youth, the Education Portal features programs for adults, including a lecture series by Harvard faculty and workforce development classes.

Harvard's Investment in Innovation and the Regional Economy:
These direct payments represent only part of Harvard's financial and economic impact on the region. Today, Harvard is the second-largest private employer in the Boston area and the third-largest employer in Massachusetts. Last year, Harvard invested $4.8

billion in the local economy, with the vast majority of those funds having been imported from outside the region. While approximately 90 percent of Harvard's total revenues – more than $3.1 billion a year – come from sources outside the Boston metropolitan area, about two-thirds of the University's budget is spent locally.

Research and education at Harvard help to fuel the regional economy, and the University's investment in them has more than doubled in the past decade from $1.7 billion to $3.5 billion. Research at Harvard incubates private job growth by spinning off companies and industries throughout the local technology and biotechnology sectors. In the past two years, two-dozen new Boston-area companies with roots at Harvard secured more than $280 million in private equity financing.

More importantly, Harvard helps educate the next generation of Boston's leaders. Over 100 students from Boston currently study at Harvard College with the benefit of over $3 million in need-based grant assistance. As was recently reported in the Boston Globe, Boston Latin School and Stuyvesant High in New York were the largest sources of students admitted by the University. In the last 10 years, Harvard has provided more than $18 million in financial aid to about 250 students from Boston; during the same period, more than 2,300 Harvard students from Massachusetts have received roughly $100 million in financial aid.

Reduced Demand on Municipal Services:
Like other major institutions, Harvard University also reduces the demand for

Boston and Harvard

Direct Payments

- $8,245,721 in taxes and PILOT to Boston last year.
- More than $2,500,000 in linkage payments to Boston in the last decade.

Strong Economic Engine

- Harvard: Second largest private employer in Boston area; third largest in Massachusetts.
- $4.8 billion invested in the local economy by Harvard last year.
- 90% of revenues from out-of-state, but Harvard spends two-thirds of budget ($2.4 billion a year) locally.

Benefiting Local Students

- Over 100 Boston students at Harvard College today; they receive more than $3 million in financial aid.
- Boston Latin School: One of top two sources for Harvard students.
- About 250 Harvard students from Boston received more than $18 million in financial aid over the past decade.
- 2,300-plus Harvard students from Massachusetts received $100 million in aid over the past decade.

Service to Community

- 300-plus Harvard-affiliated community outreach programs and activities benefit thousands of Boston residents.
- Roughly 7,000 Harvard students collectively perform about 900,000 hours of community service work in local communities each year.

local municipal services by operating many of its own services including the Harvard University Police Department (HUPD), shuttle services, health services and recycling.

Community Service Impact:

In addition to these financial and economic contributions, Harvard also provides Boston residents with a wide range of important qualitative educational, social and cultural benefits. Harvard's academic campus comprises less than 1.5 percent of Boston's tax-exempt land. Nevertheless, the University is fully committed to its role as a major civic partner. To that end, Harvard sponsors or participates in a total of more than 300 outreach programs and activities focused on areas like educational preparedness, after-school initiatives, affordable housing and economic opportunity.

Working with the Mayor, we have prioritized programming that supports educational achievement and preparedness like the Harvard Achievement Support Initiative (HASI) and Step UP. These are only two examples of the scores of educational programs Harvard operates in Boston. In total, approximately 7,000 Harvard students collectively performed more than 900,000 hours of community service work in Boston-area communities in 2005-06, either as volunteers or through service-learning programs. In addition to volunteerism, thousands of Harvard students and faculty from the four professional schools located in Boston also engage in professional service throughout the City in furtherance of their training in health care, dentistry and business.

Conclusion:

These materials offer a brief overview of Harvard's many contributions to Boston, both broad and deep. Harvard's tax payments, PILOT agreements, negotiated cooperation agreements, investments in innovation and vast range of community contributions and programs have each grown significantly over recent years. This growing engagement reflects a foundation of cooperation and mutual benefit that will continue to support our shared interests in the current and future health of Boston.

PARTNERS™

Matthew E. Fishman
Vice President for Community Health

An integrated health care system founded by Brigham and Women's Hospital and Massachusetts General Hospital

May 6, 2009

Stephen W. Kidder, Esq.
Hemenway & Barnes, LLP
60 State Street
Boston, MA 02109

Dear Steve,

In response to your request of April 22, Tom Glynn asked that I forward to you information regarding the community benefit contribution of Massachusetts General Hospital and Brigham and Women's Hospital.

Please find enclosed the overview to our annual community benefit report to the Attorney General, a financial table detailing the value of our community benefit contribution by entity, and the chapters for MGH and BWH. The table shows the value according to the guidelines issued by the Attorney General, and also shows the value according to a broader definition of community benefit contributions.

We would be happy to provide additional information if that would be helpful.

Best regards,

Matt

Matt Fishman

cc: Tom Glynn
Chief Operating Officer

Partners HealthCare System, Inc., Prudential Tower, Suite 1150, 800 Boylston Street, Boston, MA 02199-8001
Tel: 617 278-1007, Fax: 617 278-1087, email: mfishman@partners.org

PARTNERS HEALTHCARE
COMMUNITY BENEFIT OVERVIEW

Community Benefit Mission

Since its founding in 1994 by Brigham and Women's Hospital (BWH) and Massachusetts General Hospital (MGH), Partners[1] has continued and expanded the long tradition of community commitment that is at the heart of each of its institutions. Focusing on their specific communities and populations, each hospital's community commitments are consistent with the system's community benefit mission, adopted by the Partners Board of Trustees in January 1995:

> ***Partners is committed to working with community residents and organizations to make measurable, sustainable improvements in the health status of underserved populations.***

Partners not only has a commitment to long term organizational and financial investment in programs, but also to a deep engagement with communities to listen, learn, and continuously improve collaborations.

While maintaining their unique identities, the hospitals and health centers of Partners HealthCare share a systemwide vision dedicated to improving the health of underserved populations and working with communities to address priority needs. This commitment has four distinct components:

- Provide access to quality care regardless of patients' ability to pay, insurance status, or other potential barriers to care
- Collaborate with underserved communities to make measurable, sustainable improvements in health status by focusing on issues the communities identify as priorities
- Support community health centers in their efforts to provide community-focused, cost-effective, and high quality, accessible care, including building primary care capacity in the Commonwealth
- Create economic opportunity

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[1] *Partners is an integrated health care delivery system that offers patients throughout the region a continuum of coordinated, high-quality care. The system includes two founding academic medical centers, community hospitals, primary care and specialty physicians, community health centers, specialty facilities, and rehabilitation and home care services.*

Beth Israel Deaconess
Medical Center

A teaching hospital of
Harvard Medical School

Paul F. Levy
President and
Chief Executive Officer

May 20, 2009

Stephen W. Kidder, Esq.
Hemenway & Barnes, LLP
60 State Street
Boston, MA 02109

Dear Mr. Kidder,

Thank you for your recent letter regarding the Payment-in-Lieu-of Tax Task Force request for information. As a starting point, Beth Israel Deaconess Medical Center (BIDMC) is pleased to submit its FY 2008 Community Benefits Report to the Attorney General.

This report will provide the PILOT Task Force with a description of our community benefits process from soup to nuts: governance and involvement of the medical center's Board and senior leaders to the community needs assessment and our partners; our community benefits priorities, plan and annual progress; and finally, expenses associated with community benefits as calculated according to the Attorney General's Guidelines.

Community Health Center Support

As described in the report, BIDMC's first community benefits priority supports access to primary and specialty care in the Greater Boston community. This goal is achieved primarily through the network of seven affiliated community health centers, with six of the seven located in Boston: Bowdoin Street Health Center in Dorchester, the Dimock Center in Dorchester, Fenway Health in Boston, Joseph M. Smith Community Health Center in Brighton, Sidney Borum Jr. Health Center in Boston, and South Cove Community Health Center in Chinatown and Quincy. We are also privileged to affiliate with Outer Cape Health Services.

Collectively these health centers serve 80,000 patients in more than 436,000 visits annually. In addition to financial support that BIDMC provides for these centers - which totals more than $4 million yearly- BIDMC also sends specialists to the community sites, provides on-site laboratory services, collaborates on research designed by community physicians to improve care to vulnerable populations, and provides teaching opportunities that stimulate and keep engaged these committed community practitioners. BIDMC also assists the health centers in enhancing their physical facilities including support of Fenway's new building at 1340 Boylston

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Affiliated with Joslin Clinic | A Research Partner of Dana-Farber/Harvard Cancer Center | Official Hospital of the Boston Red Sox

Street, South Cove's expansion, and Dimock's new pharmacy.

Support for Public Health Programs

BIDMC also supports public health programs in the community, many conducted in collaboration with the Boston Public Health Commission. Besieged by a wave of violence, our Bowdoin Street Health Center is at the center of the Commission's and the Police Department's efforts of finding solutions to the escalating violence in this Dorchester neighborhood and bringing peace and safety to the residents. Through our nationally renowned Center for the Prevention of Violence and Recovery, BIDMC and Bowdoin Street have held several "Nights of Healing"—a positive community response to strengthen and sustain residents, all of whom have been affected by violence. Other public health initiatives target diseases that most impact Boston's residents including diabetes chronic disease management programs at The Dimock Center, Bowdoin Street and Joseph M. Smith Community Health Centers and cancer programs like The Wellness Center at Dimock—the only free, drop-in cancer support group for people of color in the City of Boston.

A Commitment to Serving Diverse Populations

BIDMC recognizes that not all care can be provided in the community and there are times when patients will need to come to the medical center for care. Our second priority is to ensure that BIDMC is a welcoming and inclusive environment for patients, visitors and employees. Through a longstanding Cultural Competence Initiative, we are committed to ensuring the delivery of culturally responsive care, an effort that includes an extensive Interpreter Services Department of more than 50 employees who provided over 121,000 face-to-face and telephonic encounters in FY 2008. In addition to verbal interpretation, BIDMC also invests in written translation of patient information and educational materials. All totaled these expenses are approximately $3.1 million annually.

Contributing to Boston's Safety Net

Several other programs also help our most vulnerable patients navigate BIDMC and the health care system. Our Cancer Patient Navigators and Community Resource Specialists are invaluable in providing case management services and psychosupport to patients dealing with life-threatening diseases. Patient Financial Counselors assist thousands of benefit-eligible patients in applying for health insurance, WIC, and Social Security programs. Last year, BIDMC's total Charity Care was $48,969,987 and reflects our continued commitment that no patient will ever be denied medically necessary care for financial reasons. Last year we also provided more than $804,000 worth of free medications to patients and assisted scores more with applications to pharmaceutical companies. In response to the dearth of mental health services in the Latino community, BIDMC initiated a Latino mental health team in 1998 that today continues to provide a full spectrum of psychiatric and mental health programming.

Dedicated to Ending Health Disparities

Our third community benefit priority targets the elimination of health disparities, a goal we share with the Mayor, the Public Health Commission and the Commonwealth's Department of Public Health. As the first hospital to publish a Patient Bill of Rights in 1972, BIDMC is committed to fulfilling our promise of equal care for all. This year, the Board's Community Benefits Committee examined this issue in-depth and set forth an agenda for advancing this goal. We examined our current efforts in patient care; diversity among staff, physicians, trainees and Board members; and research to identify areas of disparity and to test strategies to improve health of diverse populations.

Conclusion

In addition to this Community Benefits report, we are also preparing supplemental information that will describe services that directly benefit Boston residents as requested in your letter. We hope to have this additional information to you by the end of next week and look forward to dialoguing with the committee at a future meeting as indicated in your letter. In the meantime, please don't hesitate to call me with any further questions or suggestions.

Sincerely,

Paul F. Levy

Children's Hospital Boston

A teaching affiliate of Harvard Medical School

M. Laurie Cammisa, Esq.
Vice President for Child Advocacy
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Boston, Massachusetts 02115
phone 619-919-3055 | *fax* 617-919-3118
laurie.cammisa@childrens.harvard.edu

May 20, 2009

Stephen W. Kidder
Hemenway and Barnes
60 State Street
Boston, MA 02109-1899

Dear Steve:

I am writing in response to your letter to Sandra Fenwick dated April 22nd. As you requested, I am enclosing information on Children's Hospital Boston's contributions to the community. These include:

- Our *Annual Report on Community Benefits, Fiscal Year 2008* submitted to the Attorney General's Office
- A recent edition of our semi-annual *kidvocate* newsletter that focuses on our broader community benefits initiatives
- A *Spotlight on Boston* document, which breaks out our community initiatives targeted to children and families in Boston

We are proud of our partnerships with and contributions to our community and are pleased to share this information highlighting the recent accomplishments that those partnerships and contributions have yielded.

We hope this helps with the work of the PILOT Task Force. Please feel free to contact me if you have any additional questions.

Sincerely,

Laurie

M. Laurie Cammisa, Esq.
Vice President for Child Advocacy

cc: James Mandell, M.D.
Sandra Fenwick

Executive Summary

Children have unique health needs that simply cannot be addressed by the adult medical system. Their medical conditions, the type of care they need, and how care is delivered differ significantly from adults.

As the only independent hospital in the state, Children's Hospital Boston is the only hospital in Massachusetts with a singular focus on children and their needs. And that singular focus is brought to its work with and in the local community. Known for excellence in patient care, teaching, and research, Children's also strives to be a dedicated, enduring, and culturally sensitive community partner, a beacon of access to care for the underserved, an accountable health-improvement organization, and a civic and public policy leader. This is particularly true in times of greater need, when everyone – patients and families, our community and civic partners, and even our organization – feels the pinch of an economic recession. Children's has encapsulated its vision for a system of care for Boston children – care that is local, accessible, culturally responsive and comprehensive – in a few simple words: "Healthy Children. Healthy Communities," a vision predicated on the hospital's commitment to four fundamental "deliverables," outlined below.

This commitment requires that the hospital expand the traditional medical model of care and combine it with a public health model of care to reach a new, more comprehensive definition of child health – one that involves a seamless continuum encompassing patient care, community health, and public policy advocacy.

It also requires the formation of deep and lasting partnerships with community organizations already engaged in improving the health and lives of Boston's children and their families.

Finally, it requires taking a very broad and long view, effecting change on a broader scale over time. While maintaining longstanding partnerships and core programs in targeted neighborhoods, the hospital seeks to leverage its resources and work toward systemic change, with public policy advocacy as the primary vehicle. By sharing local program successes with elected and appointed officials, providers and other decision-makers, the hospital can make a case for expanding proven interventions and approaches beyond the hospital's targeted neighborhoods.

While this is a long-term approach, three examples from 2008 in these key areas of activity speak eloquently about the hospital's ability to achieve its vision:

1. In *community health*, the hospital showed that a comprehensive approach to asthma care can improve health and reduce the number of emergency department visits and inpatient hospitalizations, and that children referred to physical fitness activities through the Fitness in the City program have increased the level of their physical activity.
2. In *advocacy*, Children's led a partnership of health and community leaders who successfully accomplished legislative reform of the Commonwealth's children's mental health system.
3. In *partnership* with community health centers, public housing developments, and community residents, the hospital formed a Trauma Response Team in Jamaica Plain to address the problem of youth violence; team members provide support to victims' families as well as support and education for the community.

To begin to achieve the "Healthy Children. Healthy Communities." vision, the hospital has reinvigorated its role and commitment to the community. For 140 years, the hospital has stood out as an example of excellence in pediatric patient care, teaching, and research. But providing superb hospital-based care is not enough.

Children's also embraces its role as the community hospital for the children of Boston, and is the largest provider of inpatient and outpatient services to them. More than half of all children hospitalized in the city of Boston come to Children's; nearly one-third of the hospital's patients come from Boston and immediately neighboring towns. Children's is the single largest provider of medical care to low-income children in Boston and in Massachusetts.

Children's has recognized and must respond to the wide range of factors outside its doors that affect the health status of Boston's children, and has a special commitment to the wellness of the city's children. The hospital addresses these factors on four levels:

1. serving as the **community/safety net hospital** for the children of Boston
2. targeting the **most pressing health care needs** by using a community-based care model that focuses on eliminating health disparities and ensuring quality through measurement and evaluation
3. **speaking out as a voice** for children, through public policy advocacy, about the crucial, unmet needs of children, adolescents, and young adults
4. **supporting community partners** to make Boston a better place for children and families, and a more vibrant and livable city

The Community Safety Net

Children's is the community's safety net hospital and the largest provider of medical care to low-income children in the state, so it is vitally important that the hospital maintain an open-door policy for all Massachusetts children, regardless of their families' ability to pay. To improve access to care and to enhance parents' ability to care for a sick child, the hospital provides an array of family-centered services, from parking to meal vouchers, and many others. Children's also provides, or supports others who provide, those vital, hospital-subsidized services that either are not available elsewhere or only are available in limited capacity, such as primary care, mental health services, dental care, or child protection services. *This is what we mean by providing a health care safety net.*

A Focused Commitment to the Most Pressing Community Health Needs

Children's is committed to helping children lead healthy, safe, and actives lives; to ensure that they are ready to learn; and to encourage them to be engaged in the world around them. To accomplish this, the hospital must address the most serious health issues faced by the city's children. These problems – asthma, obesity, injury and violence, and mental health disorders – are best addressed by a coordinated, culturally sensitive, and accessible program of prevention, treatment, education, and advocacy. By partnering with the local community to merge the medical model of care with a public health model, the hospital and its partners provide a continuum of needed services in these issue areas. This model has the potential to achieve some very important outcomes: true coordination within the systems of care, the ability to treat "the whole child" rather than episodic or discrete problems, and the ability to track and measure improvements in child health in targeted communities by developing systems that set quality benchmarks and evaluate the effectiveness of each program.

Promoting community health is one of Children's four core missions and one of its eight strategic goals. As such, community health, along with the hospital's patient care, teaching, and research missions, is monitored and measured through a "quality dashboard" against benchmarks for safety, effectiveness, timeliness, patient centeredness, efficiency, and equitability. Children's is among the first hospitals in the nation to include community health among its strategic goals and to measure results using the same rigors and benchmarks against which patient care quality is measured. Process and outcome measures (process measures track service-related issues such as waiting times for appointments, while outcome measures track health-related issues such as repeat hospitalizations) have been developed for each of the four core commitment areas and are used both to track quality and to identify gaps in services. *This is Children's approach to community health programming.*

A Voice for Children

Influencing public policy by working to change laws that will improve the health of children and families is an important aspect of the hospital's commitment to community health. As the critical safety net hospital for children throughout Boston, the Commonwealth, and the region, Children's recognizes its special obligation to engage in public policy activities that will ensure access to the services children need. *This is what we mean by speaking out about the crucial needs of children.*

Supporting Essential Community Partners

In working with community partners, the hospital seeks to be a good neighbor, a health partner, and a civic leader. The hospital's community commitments are directed at improving the infrastructure of organizations that care for children and families in the city – supporting community partners and working with them to make Boston a better place for children and families, and a more vibrant and livable city. These supportive partnerships with community health centers, schools, community organizations, and city-sponsored initiatives include: programs in the hospital's core commitment health areas and other areas aimed at improving child health more broadly; support for the city's infrastructure for the delivery of health and social services; employment and workforce development; and acknowledging and acting on the hospital's civic role and responsibilities. *This is what we mean by supporting community partners.*

In pursuit of this extensive community benefits mission, the hospital's reach is broad and deep. In FY08, Children's provided an estimated 166,000 patient visits through hospital and community-based clinical services. In addition, Children's has served an estimated 7,000 children and youth along with their parents and caregivers through community initiatives; countless more have been impacted by the results of the hospital's advocacy efforts, civic leadership and active participation in community events.

Appendix F

Community Benefits Presentation – Part One

Incorporating Community Benefits into Boston's PILOT Program

PILOT Task Force Meeting
June 11, 2009

www.cityofboston.gov/pilot

Draft – For Policy Making Purposes Only

Task Force Goals

The Task Force is challenged with completing the following tasks:

1. Set a standard level of contributions – in programs and payments – to be met by all major nonprofit land holders in Boston.
2. Develop a standard methodology for valuing the community partnerships made by tax-exempt institutions.
3. Propose a structure for a consolidated program and payment negotiation system, which will allow the City and its tax-exempt institutions to structure longer term, sustainable partnerships focused on improving services for Boston's residents.
4. Clarify the costs associated with providing City services to tax-exempt institutions.
5. If necessary, provide recommendations on legislative changes needed at the City or state level.

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Materials Gathered

The Task Force requested materials from the eight largest tax-exempt land-owning institutions

- Harvard University
- Boston University
- Boston College
- Northeastern University
- Massachusetts General Hospital
- Brigham and Women's Hospital
- Beth Israel Hospital
- Children's Hospital

Materials provide a sample of community benefits accounting practices across our key non-profit sectors (hospitals and universities)

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How Community Benefits are Currently Incorporated in PILOT Program

Institutions Can Contribute a Portion of their PILOT Payment through Community Services

- Up to 25% of PILOT payment can be made through community services
- Applies only to new services or contributions performed above and beyond what was provided prior to the execution of the PILOT agreement
- Credit applied to negotiated PILOT amount, not 25% of taxable value
- Approximately one-half of PILOT-contributing organizations take advantage of community service deductions
- Community service deductions are reviewed regularly by the Assessing Department.

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Types of Community Activities Noted in Submissions

Contributions to PILOT Program
- PILOT Payments

Other Cash Transfers
- Real Estate Taxes
- Linkage Payments
- Permits, Inspection Fees

Employment/Economic Impact Benefits
- Student Spending
- Salaries Paid to Employees & Multiplier Effect Across Economy
- Construction Costs
- Purchase of Goods, Services
- Grants Received / Outside Money Leveraged

Participation in Mayoral Initiatives
- Scholarships
- Summer Job Creation / Youth Employment
- Step Up Initiative
- Mayor's Health Disparities Initiative

Provision of Public Services
- Snow Removal / Street Cleaning
- Construction / Maintenance of a Public Facility
- Public Use of Facilities

Policy Based Collaborations
- Public/Community Health Initiatives
- Partnerships with Local Schools
- Job Training Initiatives

Medical Care
- Operating Support for Community Health Clinics
- Free Care (Safety Net Care)
- Unreimbursed Medicare or Medicaid

'Good Neighbor' Activities
- Volunteer Efforts of Students/Employees
- Donations to Neighborhood Assns. / Main Streets
- Corporate Leadership, Sponsorships

Other Efforts
- Housing Initiatives / Neighborhood Development
- Cultural Programs (e.g. Arts Initiatives, etc.)
- Outreach Programs or Community Education

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Discussion

Draft – For Policy Making Purposes Only

City of Boston Priorities in Community Services

- **Methodology which is:**
  - Consistent
  - Transparent
  - Accepted by our institutional partners
  - Quantifiable, allowing for reliable administration
- **Services and collaborations that:**
  - Directly benefit City of Boston residents
  - Support the City's mission
  - Address the highest needs of the community
  - Leverage the skills and capacities of our institutional partners
- **Investments which are:**
  - Above and beyond what is currently provided for IMP negotiations, Article 80 negotiations, Determination of Need procedures, etc.
  - Unique from activities for which an institution receives reimbursement

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Appendix G

Community Benefits Presentation – Part Two

Incorporating Community Benefits into Boston's PILOT Program (Cont.)

www.cityofboston.gov/pilot
July 20, 2009

Draft – For Policy Making Purposes Only

Types of Community Activities Noted in Submissions

Contributions to PILOT Program
- PILOT Payments

Other Cash Transfers
- Real Estate Taxes
- Linkage Payments
- Permits, Inspection Fees

Employment/Economic Impact Benefits
- Student Spending
- Salaries Paid to Employees & Multiplier Effect Across Economy
- Construction Costs
- Purchase of Goods, Services
- Grants Received / Outside Money Leveraged

Participation in City Initiatives
- Scholarships
- Summer Job Creation / Youth Employment
- Step Up Initiative
- Mayor's Health Disparities Initiative

Provision of Public Services
- Snow Removal / Street Cleaning
- Construction / Maintenance of a Public Facility
- Public Use of Facilities

Policy Based Collaborations
- Public/Community Health Initiatives
- Partnerships with Local Schools
- Job Training Initiatives

Medical Care
- Operating Support for Community Health Clinics
- Free Care (Safety Net Care)
- Unreimbursed Medicare or Medicaid

'Good Neighbor' Activities
- Volunteer Efforts of Students/Employees
- Donations to Neighborhood Assns. / Main Streets
- Corporate Leadership, Sponsorships

Other Efforts
- Housing Initiatives / Neighborhood Development
- Cultural Programs (e.g. Arts Initiatives, etc.)
- Outreach Programs or Community Education

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Review of Community Benefit Suggestions Made at June Task Force Meeting

Qualifies for PILOT Credit

Contributions to PILOT Program
PILOT Payments

Participation in City Initiatives
Scholarships
Summer Job Creation / Youth Employment
Step Up Initiative
Health Disparities Initiative

Policy Based Collaborations
Public/Community Health Initiatives
Partnerships with Local Schools
Job Training Initiatives

Requires Further Clarification:

Provision of Public Services
Snow Removal / Street Cleaning
Construction / Maintenance of a Public Facility
Public Use of Facilities

'Good Neighbor' Activities
Volunteer Efforts of Students/Employees
Donations to Neighborhood Assns. / Main Streets
Corporate Leadership, Sponsorships

Doesn't Qualify for PILOT Credit

Other Cash Transfers
Real Estate Taxes
Linkage Payments
Permits, Inspection Fees

Employment/Economic Impact Benefits
Student Spending
Salaries Paid to Employees & Multiplier Effect Construction Costs
Purchase of Goods, Services
Grants Received / Outside Money Leveraged

Medical Care
Operating Support for Community Health Clinics
Free Care (Safety Net Care)
Unreimbursed Medicare or Medicaid

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Participation in City Initiatives & Policy Based Collaborations

Discussion Topics

Participation in City Initiatives
Scholarships
Summer Job Creation / Youth Employment
Step Up Initiative
Health Disparities Initiative

Policy Based Collaborations
Public/Community Health Initiatives
Partnerships with Local Schools
Job Training Initiatives

Providing Guidance to Institutions Wishing to Participate in City Initiatives/Policy Based Collaborations

Mayor's State of the City Address (January)

↓

Guidance on City Priorities Issued to PILOT-Eligible Institutions (mid-February)

↓

Notice of Plans to Participate Submitted to City (mid-March)

↓

Contributions Reflected in City's Proposed Budget (April)

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Provision of Public Services

Discussion Topics

Provision of Public Services
Snow Removal / Street Cleaning
Construction / Maintenance of a Public Facility
Public Use of Facilities

'Good Neighbor' Activities
Volunteer Efforts of Students/Employees
Donations to Neighborhood Assns. / Main Streets
Corporate Leadership, Sponsorships

Snow Removal / Street Cleaning
Basic Maintenance Activities raises questions of who determines whether this is needed and to whom the benefit accrues?

Construction / Maintenance of a Public Facility
In order to qualify for PILOT credit, it must be a City of Boston facility, not simply one that is accessible to the public

Public Use of Facilities
Should be incorporated into 'Good Neighbor' Activities

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Provision of Public Services

Discussion Topics

Provision of Public Services
Snow Removal / Street Cleaning
Construction / Maintenance of a Public Facility

'Good Neighbor' Activities
Volunteer Efforts of Students/Employees
Donations to Neighborhood Assns. / Main Streets
Corporate Leadership, Sponsorships
Public Use of Facilities

'Good Neighbor' contributions to be recognized through separate awards program administered by the Mayor's Office.

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Other Methodology Questions

Contributions to PILOT Program
- PILOT Payments

Other Cash Transfers
- Real Estate Taxes
- Linkage Payments
- Permits, Inspection Fees

Employment/Economic Impact Benefits
- Student Spending
- Salaries Paid to Employees & Multiplier Effect Across Economy
- Construction Costs
- Purchase of Goods, Services
- Grants Received / Outside Money Leveraged

Participation in City Initiatives
- Scholarships
- Summer Job Creation / Youth Employment
- Step Up Initiative
- Mayor's Health Disparities Initiative

Provision of Public Services
- Snow Removal / Street Cleaning
- Construction / Maintenance of a Public Facility
- Public Use of Facilities

Policy Based Collaborations
- Public/Community Health Initiatives
- Partnerships with Local Schools
- Job Training Initiatives

Medical Care
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'Good Neighbor' Activities
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- Corporate Leadership, Sponsorships

Other Efforts
- Housing Initiatives / Neighborhood Development
- Cultural Programs (e.g. Arts Initiatives, etc.)
- Outreach Programs or Community Education

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PILOT Programs in Other Areas

- **St. Paul, MN**: Non-profits and commercial property owners both charged a "Right of Way Assessment Fee" to pay for street maintenance (rate per linear foot of curb space)
- **Burlington, VT**: PILOTs based on square footage, with increases taking effect when institution expands.
- **Hanover, NH**: Dorms and kitchens are taxable (collected $3 million in 2007 from Dartmouth College in property taxes alone).
- **New Haven, CT**: Payment calculated by multiplying # of beds (hospital or college) and full-time employees by $250, with escalation rate based on changes in the Consumer Price Index.
- **Ann Arbor, MI**: University of Michigan conducts its own snow removal and owns and pays associated costs for a fire station building on its campus.

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City of Boston Priorities in Community Services

- **Methodology which is:**
  - Consistent
  - Transparent
  - Accepted by our institutional partners
  - Quantifiable, allowing for reliable administration
- **Services and collaborations that:**
  - Directly benefit City of Boston residents
  - Support the City's mission
  - Address the highest needs of the community
  - Leverage the skills and capacities of our institutional partners
- **Investments which are:**
  - Above and beyond what is currently provided for IMP negotiations, Article 80 negotiations, Determination of Need procedures, etc.
  - Unique from activities for which an institution receives reimbursement

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Appendix H

PILOT Calculation Methods

PILOT Calculation Methods: Colleges and Universities

Institution	FY09 PILOT	Exempt Property Value per Enrolled Student	Exempt Property Value per Square Foot	25% of Tax on Exempt Property[1]	$2.00 per SF[2]	$450 per Student
Berklee College of Music	$361,222	$41,010	$144	$1,096,204	$1,125,100	$1,774,800
Boston College	$293,251	$40,997	$114	$3,808,633	$4,915,474	$6,168,150
Boston University	$4,892,138	$64,638	$131	$14,340,646	$16,109,522	$14,730,750
Emerson College	$139,368	$43,713	$96	$1,205,219	$1,856,424	$1,830,600
Emmanuel College		$76,606	$169	$1,119,386	$978,702	$970,200
Fisher College		$32,976	$138	$113,313	$121,354	$228,150
Harvard University[3]	$1,996,977	$403,725	$133	$10,011,896	$11,084,212	$1,646,550
Mass College of Pharmacy	$227,980	$35,179	$131	$724,585	$813,438	$1,367,550
New England Law Boston	$13,125	$14,698	$108	$107,684	$146,702	$486,450
Northeastern University	$30,571	$71,503	$148	$9,157,928	$9,139,284	$8,504,100
Showa Institute	$120,966	$232,846	$145	$370,857	$377,796	$105,750
Simmons College	$15,000	$31,303	$125	$1,034,060	$1,216,926	$2,193,300
Suffolk University	$375,290	$26,706	$130	$1,607,828	$1,819,690	$3,997,350
Tufts University[3]	$152,159	$88,079	$108	$1,028,555	$1,409,714	$775,350
Wentworth Institute of Tech	$40,747	$56,332	$98	$1,409,567	$2,124,008	$1,661,400
Wheelock College		$60,849	$133	$409,105	$455,536	$446,400
TOTAL	$8,658,794			$47,545,463	$53,693,882	$46,886,850

Mean	$82,573	$128
Median	$50,023	$131
Max	$403,725	$169
Min	$14,698	$96
Range	$389,027	$73

[1]FY09 commercial property tax rate utilized ($27.11 per $1,000 of property value)

[2]Square footage amount based on 25% of rate for commercial sector, and includes estimated square footage for dormitories

[3]Number of students includes only those students enrolled in Boston campus schools

PILOT Calculation Methods: Medical Institutions

Institution	FY09 PILOT	Exempt Property Value per Bed	Exempt Property Value per Square Foot	25% of Tax on Exempt Property[1]	$2.00 per SF[2]	$7,500 per Bed
Beth Israel Deaconess Med Ctr	$167,000	$1,177,560	$384	$5,578,656	$4,290,174	$5,242,500
Boston Medical Center	$221,644	$539,299	$293	$2,039,544	$2,057,394	$4,185,000
Brigham and Women's Hospital	$1,315,822	$1,092,218	$407	$5,529,672	$4,009,972	$5,602,500
Caritas St. Elizabeth's Med Ctr		$680,606	$344	$1,711,351	$1,469,218	$2,782,500
Children's Hospital	$250,000	$1,742,715	$343	$4,689,066	$4,029,262	$2,977,500
Dana Farber Cancer Institute	$131,475	$8,389,704	$270	$1,535,253	$1,676,464	$202,500
Faulkner Hospital		$1,212,543	$549	$1,232,701	$663,154	$1,125,000
Mass Bio-Medical Research Corp	$818,728		$206	$991,118	$1,417,210	
Mass General Hospital	$1,826,618	$1,607,130	$541	$9,879,339	$5,388,444	$6,802,500
NE Baptist Hospital		$1,026,819	$341	$981,257	$848,218	$1,057,500
Spaulding Rehab Hospital	$77,534	$442,611	$499	$587,960	$348,014	$1,470,000
Tufts Medical Center	$1,015,628	$1,289,958	$349	$3,942,952	$3,331,148	$3,382,500
Total	$5,824,449			$38,698,868	$29,528,672	$34,830,000

Mean	$1,745,560	$377
Median	$1,177,560	$347
Max	$8,389,704	$549
Min	$442,611	$206
Range	$7,947,093	$342

[1]FY09 commercial property tax rate utilized ($27.11 per $1,000 of property value)

[2]Square footage amount based on 25% of rate for commercial sector

Appendix I

Conceptual PILOT Models

PILOT Task Force
Community Benefit Criteria

Qualifies for PILOT Credit

Contributions to PILOT Program
PILOT Payments

Participation in City Initiatives
Targeted scholarships for Boston residents
Summer Job Creation / Youth Employment
Set Up Initiative
Health Disparities Initiative

Policy Based Collaborations
Public/Community Health Initiatives
Partnerships with Local Schools
Job Training Initiatives

Other Cash Transfers
Real Estate Taxes on Property used for Institutional Purposes

Requires Further Clarification:

Provisions of Public Services
Snow Removal / Street Cleaning
Construction Maintenance of a Public Facility
Public Use of Facilities

'Good' Neighbor' Activities
Volunteer Efforts of Students/Employees
Donations to Neighborhood Assns./ Main Streets
Corporate Leadership, Sponsorships

Doesn't Qualify for PILOT Credit

Other Cash transfers
Real Estate Taxes on Property used for Non-institutional Purposes
Linkage Payments
Permits Inspection Fees

Employment/Economic Impact Benefits
Student Spending
Salaries Paid to Employees &
Multiplier Effect Construction Costs
Purchase of Goods, Services
Grants Received / Outside Money Leverage

Medical Care
Operating Support for Community Health Clinics
Free Care (Safety Net Care)
Unreimbursed Medicare or Medicaid

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Components of PILOT Structure

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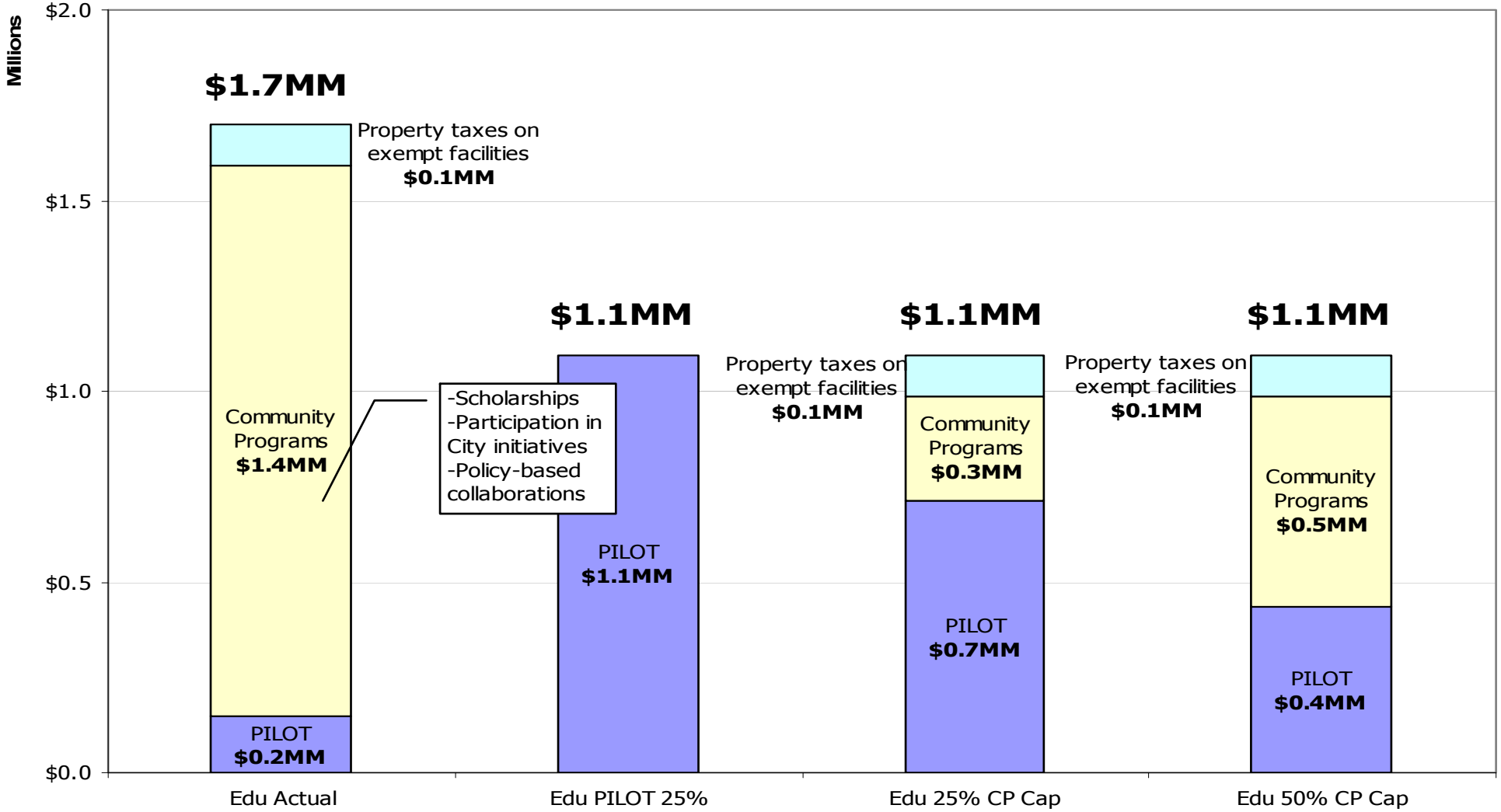
Educational Institution: PILOT Analysis Fiscal Year 2009



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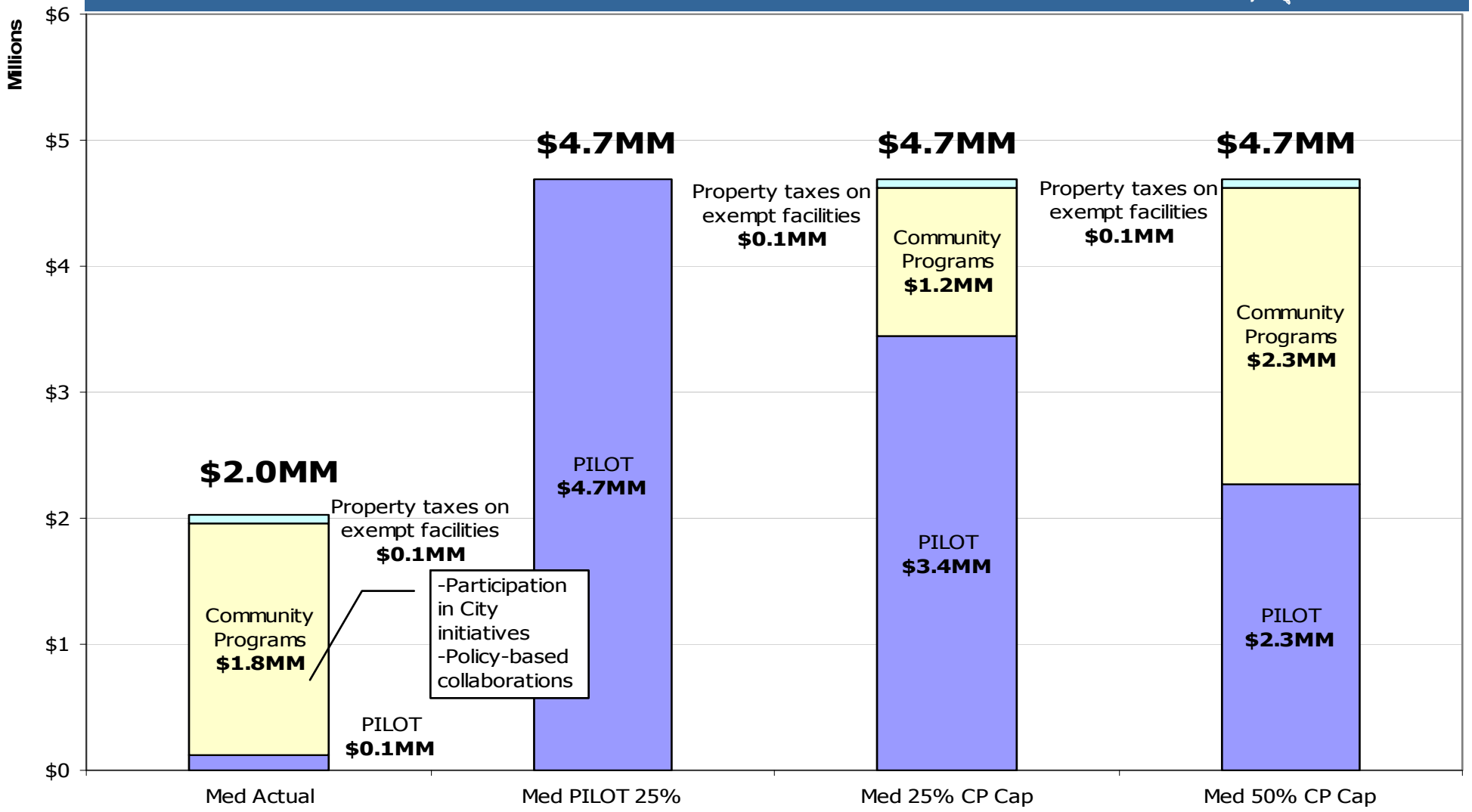
Medical Institution: PILOT Analysis Fiscal Year 2009



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Appendix J

Projected PILOT Payments for Major Colleges and Hospitals

50% Community Benefits Deduction with 5 year Ramp-Up

Description: colleges and hospitals would contribute a PILOT at 25% of what they would pay on their exempt property if taxable, less a credit for property taxes paid on property used for institutional purposes (on which they would ordinarily qualify for exemption), and with a deduction for community benefits not to exceed 50% of the PILOT amount. Institutions would have a 5 year ramp-up to begin paying the cash PILOT at the target level, increasing their payment each year by 1/5 of the proposed PILOT.

	FY09 PILOT	FY09 Tax-Exempt Property if Taxed	25% of Tax on Exempt Property	Less Property Tax Credit[1]	Less 50% Community Benefits Deduction[2]	Proposed PILOT	Ramp up Increment per Year[3]	FY09 PILOT plus Ramp up[4]
BIDMC	$167,000	$22,314,623	$5,578,656	$0	$2,789,328	$2,789,328	$524,466	$691,466
BMC	$128,492	$8,158,177	$2,039,544	$0	$1,019,772	$1,019,772	$178,256	$306,748
CSEMC	$0	$6,845,402	$1,711,351	$110,609	$800,371	$800,371	$160,074	$160,074
CHB	$112,004	$18,756,265	$4,689,066	$0	$2,344,533	$2,344,533	$446,506	$558,510
Dana	$98,607	$6,141,011	$1,535,253	$0	$767,626	$767,626	$133,804	$232,411
Baptist	$0	$3,925,026	$981,257	$0	$490,628	$490,628	$98,126	$98,126
Tufts Med	$885,191	$15,771,809	$3,942,952	$677,411	$1,632,771	$1,632,771	$149,516	$1,034,707
Partners*	$3,511,532	$72,883,159	$18,220,790	$3,201,203	$7,509,793	$7,509,793	$799,652	$4,311,184
TOTAL	$4,902,826	$154,795,472	$38,698,868	$3,989,223	$17,354,823	$17,354,823	$2,490,399	$7,393,226

*Includes Brigham & Women's, Faulkner Hospital, Mass Bio-Med Research Corp, MGH, and Spaulding

	FY09 PILOT	FY09 Tax-Exempt Property if Taxed	25% of Tax on Exempt Property	Less Property Tax Credit[1]	Less 50% Community Benefits Deduction[2]	Proposed PILOT	Ramp up Increment per Year[3]	FY09 PILOT plus Ramp up[4]
Berklee	$149,990	$4,384,815	$1,096,204	$0	$548,102	$548,102	$79,622	$229,612
BC	$293,251	$15,234,532	$3,808,633	$383,249	$1,712,692	$1,712,692	$283,888	$577,139
BU	$4,892,138	$57,362,583	$14,340,646	$3,416,497	$5,462,074	$5,462,074	$113,987	$5,006,125
Emerson	$139,368	$4,820,874	$1,205,219	$0	$602,609	$602,609	$92,648	$232,016
Emmanuel	$0	$4,477,542	$1,119,386	$0	$559,693	$559,693	$111,939	$111,939
Fisher	$0	$453,252	$113,313	$0	$56,657	$56,657	$11,331	$11,331
Harvard	$1,996,976	$40,047,583	$10,011,896	$0	$5,005,948	$5,005,948	$601,794	$2,598,771
MCPHS	$170,985	$2,898,338	$724,585	$0	$362,292	$362,292	$38,262	$209,246
NESL	$13,125	$430,737	$107,684	$0	$53,842	$53,842	$8,143	$21,268
NU	$30,571	$36,631,712	$9,157,928	$1,947,985	$3,604,971	$3,604,971	$714,880	$745,451
Showa	$120,966	$1,483,427	$370,857	$0	$185,428	$185,428	$12,892	$133,859
Simmons	$15,000	$4,136,240	$1,034,060	$0	$517,030	$517,030	$100,406	$115,406
Suffolk	$375,290	$6,431,313	$1,607,828	$0	$803,914	$803,914	$85,725	$461,014
Tufts	$152,159	$4,114,219	$1,028,555	$0	$514,277	$514,277	$72,424	$224,582
Wentworth	$31,013	$5,638,267	$1,409,567	$0	$704,783	$704,783	$134,754	$165,767
Wheelock	$0	$1,636,419	$409,105	$0	$204,552	$204,552	$40,910	$40,910
TOTAL	$8,380,830	$190,181,853	$47,545,463	$5,747,731	$20,898,866	$20,898,866	$2,503,607	$10,884,437

[1]Real estate tax credit on property used for institutional purposes that would ordinarily qualify for a tax exemption.

[2]Up to a 50% deduction for an institution's community benefits benefitting Boston residents according to Task Force's criteria.

[3]Represents the increment amount to be paid per year for the 5 year period over the institution's FY09 PILOT contribution: ((Proposed PILOT - FY09 PILOT) / 5)

[4]Represents the amount an institution would be expected to pay in Year 1, the sum of the FY09 PILOT payment plus ramp-up increment: FY09 PILOT + Ramp Up Year 1

Appendix K

Executive Summary of Final Report

Executive Summary

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 Nonprofit 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.

In consideration of the City's smaller nonprofits previously mentioned, all participating institutions should receive an exemption for the first $15 million in tax-exempt assessed value. This provision would eliminate the PILOT requirement for the smaller institutions, while mitigating the financial impact of PILOT payments on institutions just beyond this threshold.

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.