

January 4, 2013 No. 13-1

## Highlights

- The bigger issue facing Boston is its overreliance on the property tax and its dependence on the state under home rule to broaden its revenue sources. Boston relies on the property tax for 66.2% of its operating revenue in FY13.
- Of the top 10 largest employers in Boston, 7 are tax-exempt institutions.
- The previous PILOT program generated \$35.5M in FY11, 1.5% of Boston's operating revenue. Massport paid \$17.1M or 48.1% of the total.

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333 Washington Street, Suite 854

Boston, Massachusetts 02108

617-227-1900 [www.bmr.org](http://www.bmr.org)

## Boston's New PILOT Program Completes First Year

*City achieves 91% of its first year goal as the program continues to evolve*

The City of Boston completed the first year of implementing a program to raise additional revenue for operations by seeking increased payments-in-lieu of taxes (PILOTs) from its 48 largest private tax-exempt institutions. The new policy provides a more systemic and consistent approach to the PILOT program based on property values and community services for the largest exempt institutions. The program is not static and is viewed as a collaborative program in the context of a partnership that will take time to evolve regarding cash payments and community services. These exempt institutions are significant drivers of the city and region's economy and of job creation, which makes Boston the envy of most other major cities in the country. With updated property values, the City seeks a significant increase in PILOTs phased-in over five years based on 25% of what property taxes would be if the institutions were taxable with 50% or more of the total made up of agreed upon community services that address city needs.

The City's new PILOT program, tied to property values for each of the top 48 private tax-exempt institutions in Boston, resulted in total receipts of \$19.5 million in fiscal 2012, a \$4.3 million or 28.9% increase and 90.7% of the first year goal. The second year may be more challenging for these institutions. The Assessing Department has not released the total amount being requested in fiscal 2013, but early estimates indicated a PILOT increase of \$8.3 million or 42.7%. The final revenue request is anticipated to be less than this amount. The voluntary nature of the PILOT program, the multiple variables affecting tax-exempt institutions and the already existing community benefits regulatory environment will likely mean that the timing and extent of compliance to the five-year plan may vary by institution. Other key issues in the report:

- The fiscal 2011 value of these 48 institutions totals \$13.7 billion or 15.8% of Boston's total taxable value. Of Boston's total land area, 49.1% is tax-exempt in fiscal 2012, of which 78.9% is held by government. The educational and medical institutions of the 48 represent approximately 15% of the City's total taxable value and 3% of its total land area.
- Of the 23 exempt institutions within the top 48 that did not make a PILOT payment in fiscal 2011, nine entered into PILOT agreements in fiscal 2012 for a total payment of \$410,511.
- Under the new PILOT program, preliminary estimates indicate that 48 nonprofit tax-exempt institutions with property values of \$15 million or more will generate PILOT payments of \$46.7 million after five years, an increase of \$31.5 million or 208% over fiscal 2011.

## History

Tax-exempt institutions have long been a part of Boston's landscape. In 1961, the first payments-in-lieu-of-taxes were made to the City of Boston to offset the fiscal pressure associated with tax-exempt institutions. The number of participants in the PILOT program has grown over the years as has the revenue generated from this program. However, throughout the years, PILOTS from tax-exempt institutions have been an ongoing point of discussion resulting in several task forces, reports, steering committees and forums debating the merits and direction this program should take. For example, in 1985, the Tax-exempt Property Steering Committee was formed and was active until 1989. This Committee formulated and implemented policy guidelines for the PILOT program.

The City of Boston's interest in private tax-exempt property stems from its heavy reliance on the property tax for its General Fund operating revenues and the fact that half of its land area is tax-exempt. Boston is primarily dependent on the property tax and only a limited number of other own-source revenues which sets it apart from most other major cities in the country. Under Massachusetts "home rule," Boston is restricted in its ability to raise revenue. Also, under Proposition 2½, Boston is limited in the amount it can increase the property tax levy annually without seeking approval from the voters through an override.

In 2009, Mayor Menino created the most recent PILOT Task Force to "*examine the critical role of the public-private partnership that exists between the City and its institutions.*" Motivated by the City's existing revenue structure with its heavy reliance on the property tax and the resulting tax burden placed on taxpayers, the Task Force was created because the PILOT program as it existed was deemed to "*fall short of yielding the funds needed to continue to provide nonprofits with the high level of city services to which they've grown accustomed.*" Also factors were the financial pressures on the City due to the 2008 recession and reductions in state aid.

## The Task Force Process

The PILOT Task Force consisted of nine members with a variety of backgrounds and interests and was staffed by the City of Boston Assessing Department. The Chairman is a lawyer specializing in taxation who had served as Commissioner of Revenue for the Commonwealth. The remaining members of the Task Force represented the following: two university presidents, two medical institution representatives, one City Councilor, one representative each from the business community, a city public union and a community development organization. **(Table 1)** No member on the Task Force represented the cultural institutions and museums in the City.

Table 1

### PILOT Task Force Members

Positions and Titles During Service on Task Force

1	<b>Stephen W. Kidder</b> , Taskforce Chairman Managing Partner, Hemenway & Barnes LLP
2	<b>Robert A. Brown</b> President, Boston University
3	<b>Zorica Pantic</b> President, Wentworth Institute of Technology
4	<b>Patricia A. McGovern</b> General Counsel & Senior VP for Corporate and Community Affairs, Beth Israel Deaconess Medical Center
5	<b>Thomas P. Glynn</b> Chief Operating Officer, Partners HealthCare, Inc.
6	<b>Stephen J. Murphy</b> At-Large Boston City Councilor
7	<b>James D. Gallagher</b> Executive VP of Communications, Government and Community Relations John Hancock Financial
8	<b>Thomas J. Nee</b> President, Boston Police Patrolman's Union
9	<b>Gail Latimore</b> Executive Director, Codman Square Neighborhood Development Corp.

The Task Force held 11 public meetings from February 9, 2009 to April 12, 2010. During this time, the Task Force developed a report and final recommendations for the role of tax-exempt institutions in Boston. At its third meeting in April 2009, the Task Force held a public hearing for the public to comment on PILOT issues. The Task Force held no subsequent public hearings. The Task Force primarily focused its attention on the large

educational and medical institutions throughout their meetings. However, members did agree that the participation in the PILOT program should be broadened to other large institutions not making payments.

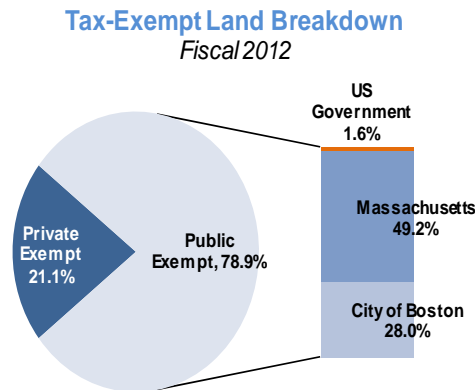
### Tax-Exempt Snapshot

With a population of over 600,000, Boston is the capital city of Massachusetts and the largest city in New England. These factors contribute to Boston being the home to several tax-exempt private institutions as well as state and federal offices and Massachusetts public authorities. In fiscal 2012, 49.1% of Boston's total land area was tax-exempt. The majority (38.7%) of total city land was held by the Commonwealth of Massachusetts, City of Boston and the Federal government. The remaining 10.4% of the land was held by private institutions such as hospitals, universities, cultural, benevolent and religious institutions. Of the total tax-exempt land, 78.9% is held by government.

million or more in property value. Utilizing tax-exempt filings already required by law, the City worked with institutions to ensure all data was complete and accurate. With this information, the City was able to prepare more reliable values for large private educational and medical tax-exempt institutions.

The focus of the Task Force in fiscal 2009, was the tax-exempt private institutions with \$15 million or more in property value not including religious institutions. These institutions represented 11.7% of Boston's total property value and 3.3% of City's total taxable and exempt land area. Within the tax-exempt property grouping, these institutions represented 39.1% of the exempt property value and 6.8% of the land area. The major educational and medical institutions in this group represented approximately 3% of the City's total land area in fiscal 2009, the year covered by the Task Force.

Figure 1



In the past, little time and attention were paid to adjusting tax-exempt property values. Since these properties were not generating property tax revenue, it was not considered an efficient use of city resources to update these values. Starting in fiscal 2006, the Assessing Department began a process of revaluing certain tax-exempt property, especially the larger medical and educational institutions and eventually all property with \$15

### Why Tax-Exemptions

Tax-exempt institutions gain their exempt status from laws dating back to the early 1800's. Tax-exemptions for nonprofit institutions are provided in all 50 states and the District of Columbia. The motivation for granting these exemptions is that many nonprofit institutions offer services that would otherwise need to be provided by government. Since the exempt status was granted, the nature of exempt services has evolved as educational and medical institutions over the years have expanded their scope of activities and relationships.

### Boston's Financial Picture

The City of Boston's reliance on the property tax is evident by the fact that in the fiscal 2013 budget of \$2.5 billion, the net property tax represents 66.2% of total operating revenues. State aid for operations, the City's second largest revenue source, represents 16.3% of total revenues and has been cut in each year from fiscal 2008 through 2012, and increased 2.8% in fiscal 2013.

Boston's reliance on the property tax is far greater than other major cities in the country. A report prepared for The Boston Foundation, *Boston Bound*, in 2003 indicated that Boston depended on the property tax for more than two times that of six other major competitor cities. Further, the study noted that Boston is empowered to levy a much smaller number of different taxes than the six other cities due to the restrictions of Massachusetts Home Rule. Already noted are the limitations on Boston to increase property taxes due to Proposition 2½.

Boston spends over 70% of its budget on personal services for salaries and benefits. The School Department (\$770.8 million net of health insurance) is the City's largest department. The Departments of Police, Fire, Public Works and snow removal services collectively total \$564.4 million in spending, representing 22.9% of the fiscal 2013 operating budget and 33.8% of the total departmental budget.

During the 10-year period of 2002-2012, Boston's actual operating revenues (net of Teacher Pensions) have grown by \$644.9 million or 36.4%. During this time, there has been a shift in the revenue structure due to state aid being cut. In fiscal 2002, 52.4% of Boston's operating revenue was from the property tax. That compares with 65.3% in fiscal 2012. Accordingly, state aid has dropped from 29.5% of total revenues in fiscal 2002 to 16.2% in fiscal 2012. Reflecting the increase of 2% in the room occupancy excise and the authorization of the meals excise of 0.75% in fiscal 2010, total excise taxes have grown from 4.6% of total revenues in fiscal 2002 to 6.4% in fiscal 2012.

### Former PILOT Program

PILOT agreements in the past were not based on a systemic approach applied uniformly to all large tax-exempt institutions. PILOT agreements generally were made based on the expansion of a tax-exempt institution and its need to obtain a building permit or zoning variance. A tax-exempt institution's purchase of a taxable building and taking it off the

tax rolls could also trigger a request for a PILOT agreement. Absent these two situations, an exempt institution might not be asked to make a PILOT payment. For this reason, the program was described by the Task Force as being unbalanced and not necessarily correlated with an institution's use of city services. Prior agreements also took into consideration an institution's community service and engagement in the community. In order to determine the amount of a PILOT, the City's starting point was 25% of what the expanding institution would pay if it were taxable. This was not necessarily a standard that was strictly followed as negotiations between the City and tax-exempt institutions determined the final agreement.

In fiscal 2011 (the last year under the old program), the PILOT program generated \$35.5 million, 1.5% of Boston's general fund budget. Massport paid \$17.1 million or 48.1% of the total PILOT payments. Colleges and universities paid 24.9% of the total PILOT amount followed by hospitals contributing 19.4% and other miscellaneous institutions paid 7.6% of the total PILOT revenue in fiscal 2011.

Over the 10 years from fiscal 2002 to fiscal 2012, PILOT revenues to Boston have grown by \$17.8 million or 97.7%. Massport accounted for 56.8% of this growth, educational institutions 30.4% and medical institutions 15.2%

Table 2

### PILOT Payment History Total Operating Budget Revenues

Figures in 000

Category	Fiscal 2002	Fiscal 2012	Variance	%
Massport	\$7.3	\$17.4	\$10.1	138.4%
Educational	5.6	11.0	5.4	96.4%
Medical	3.9	6.6	2.7	69.2%
All others	1.4	1.0	-0.4	-30.4%
<b>Grand Total</b>	<b>\$18.2</b>	<b>\$36.0</b>	<b>\$17.8</b>	<b>97.7%</b>

In addition to PILOT payments, many institutions pay property taxes each year on property acquired

by the institutions that was previously taxable even when the building is used for an exempt purpose. That is the standard policy for Harvard University. In fiscal 2012, \$25.6 million in taxes was paid by medical, educational and cultural institutions in addition to their PILOT payments according to the Assessing Department. This represents taxes paid on property used for both commercial and exempt purposes.

Tax-exempt institutions also make payments to the City for the same reasons as taxable commercial properties do for Linkage payment, permits and licensing fees which do not qualify for PILOT credit. Also, these institutions pay for trash removal and water and sewer charges.

**Boston in US Context** - Even with the lack of uniformity in the former PILOT program, it was still considered a successful program in terms of revenue generation relative to other PILOT programs in the country. The extent of exempt institution located in Boston and Massport's large long-term agreement contributed to this situation. According to a 2010 Lincoln Institute of Land Policy report on PILOTs, Boston was considered to be the "most revenue productive program in the country." The report states there are PILOT programs in 117 municipalities across 18 states in the US. Large cities with PILOT programs include Boston, Baltimore, Philadelphia and Pittsburgh. Their forms vary as much as the cities themselves, but consistently the most successful PILOT initiatives arise out of partnerships between government and tax-exempt institutions.

Some states also act as an intermediary between the municipality and tax-exempt institutions such as Connecticut. In 1978, the state of Connecticut enacted a program included in state aid to municipalities in which it provided funds equal to 77% of the property taxes they would have collected if the value of the educational and medical tax-exempt institutions' property were not tax-exempt. This model provided a systematic approach to mitigate potential tensions between

municipalities and tax-exempt institutions. However, due to fiscal constraints, the state of Connecticut has funded only a small share of its financial commitment under the law causing the City of New Haven to enter into an individual PILOT agreement with Yale University.

Other variants of the PILOT concept have surfaced, such as Pittsburgh's Mayor Luke Ravenstahl's proposal to impose a 1% tuition tax directly on students in an effort to raise additional revenue. These measures tend to be politically tenuous and used to provide incentives for voluntary payments. Mayor Ravenstahl's proposal was never enacted.

### **New PILOT Program**

The most recent Mayoral PILOT Task Force in Boston released its recommendations in December 2010. The Task Force made six recommendations to be incorporated into a "fair and balanced" new PILOT program.

1. The PILOT program should remain voluntary.
2. The PILOT program should be applied to all private, nonprofit institutions whose assessed property values are \$15 million or above.
3. PILOT contributions should be based on the value of real estate with an institutions' contribution expected at 25% of the assessed property tax value.
4. Community benefits should be recognized and help offset PILOT payments. Generally, this offset should be no more than 50% of the full PILOT payment, but exceptions over 50% could be possible and not all services would count.
5. The PILOT program should be phased-in incrementally over five years.
6. 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.

These recommendations have some common themes with the previous program. Boston has been working with some institutions for decades on PILOTs and many of the provisions in the new formula stem from provisions already in existing

agreements. For instance, the target payment of 25% stems from a Research Bureau analysis prepared for Blue Cross and Blue Shield of Massachusetts which sought a basis for making PILOT payments to the City in the early 1970's. The analysis noted that the City, on average, expended roughly 25% its total budget on services like fire protection, police, public works and snow removal. The more recent Task Force agreed to use the 25% figure. Currently, Boston fire, police, public works and snow removal services account for 22.9% of the fiscal 2013 budget.

### Community Benefits

One tenet of the new PILOT formula (and under the old as well) is a formal credit for community services provided by private tax-exempt institutions participating in the PILOT program. These credits can generally count for as much as 50% of the full PILOT payment the institutions make. The Task Force report states that "*community benefits are an important aspect of an institution's contribution to the City.*" With that in mind, the Task Force spent a considerable amount of time examining which services to allow as community benefit credits for PILOT payments.

Which community benefit will qualify is probably the most fluid recommendation by the Task Force and one that is subject to negotiation or interpretation since not every contingency can be covered in a general benefits criteria. To guide the implementation of the new PILOT formula, the Task Force issued five overall principles for determining community benefits that qualify for recognition in the PILOT formula and payments. They are that the services should:

1. Directly benefit City of Boston residents.
2. Support the City's mission and priorities and be services the City would support in its budget if the institution did not provide it.
3. Afford ways in which the City and the institution can collaborate to address shared goals.
4. Be quantifiable.

5. Be consistent and transparent in their approach so that institutions can plan appropriately.

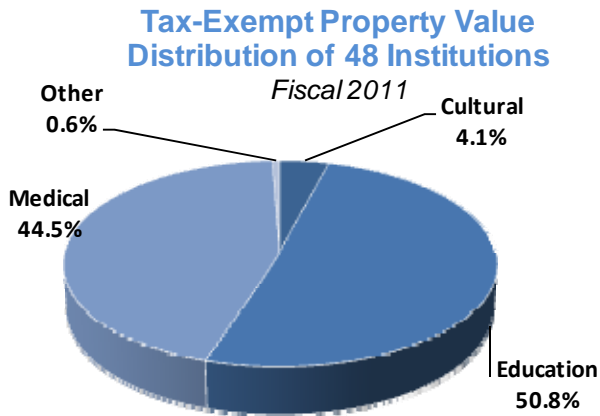
The community benefit criteria developed by the Task Force is intended as a guide to assist in the individual negotiations to determine whether community benefits are acceptable or not. The Task Force identified those services that: qualify for a PILOT credit, those that do not and those that require further clarification. Community services that qualify for a PILOT credit include participation in city initiatives such as targeted scholarships, summer job creation, job training and partnerships with schools. Those services requiring further clarification include, but are not limited to, snow removal, street cleaning, public use of institutional facilities and donations to neighborhood associations. Some examples of services that the Task Force has recommended should not qualify for a PILOT credit include: Linkage payments, permit fees, operating support for community health centers and salaries paid to employees. **Appendix A** outlines the community benefit criteria.

### Tax-Exempt Values

The values of the 48 private tax-exempt institutions with \$15 million or more in property value have been recently updated and collectively total \$13.7 billion in fiscal 2011. That total represents 15.4% of Boston's total taxable value and 44.1% of the City's total business value.

Of the \$13.7 billion in value, 95.3% is attributable to medical institutions (\$6.1B or 44.5%) and educational institutions (\$6.9B or 50.8%). (**Figure 2**) The largest tax-exempt property owners in Boston include: Mass General Hospital (\$1.8B), Boston University (\$1.9B), Harvard University (\$1.5B) and Northeastern University (\$1.3B).

Figure 2



### Impact of the New PILOT Formula

The new PILOT program will evolve over time as the City and the tax-exempt institutions address the implementation of the new standard. As a partnership, the execution by some institutions may require negotiations over time with the City regarding the amount and timing of cash payments and what qualifies as an acceptable community benefit. The impact of the new formula will vary greatly due to the questions surrounding acceptable community benefits. Some institutions have been making PILOT payments for many years, and they are already involved in a process of itemizing community benefits. For other institutions this will be their first time making a PILOT payment.

In fiscal 2012, the City had identified 48 private tax-exempt institutions with a property value of \$15 million or more. City officials met with representatives of these institutions to explain the new process and what was expected for the two payments on November 1, 2011 and May 1, 2012 for fiscal 2012. Of these institutions, 23 have never made a PILOT payment to Boston in the past. Actual fiscal 2012 receipts produced a 28.9% increase in the first year for a total of \$19.5 million.

To help mitigate the impact on institutions, the City has instituted a five-year ramp-up period for private

institutions to achieve the goal amount for PILOT payments. **Appendix B** contains the values and the five-year ramp up payments by individual institutions. Based on the new formula, after allowing for credits and exemptions, in year five of the ramp-up, the City's goal was to collect \$46.7 million from tax-exempt institutions. Despite a five-year ramp-up, in year one, three institutions made payments of more than \$500,000 over their fiscal 2011 payment. They are: Mass General Hospital (+\$840,352, 31.5%), Northeastern University (+\$855,429, 2798%) and Beth Israel Deaconess Hospital (+\$585,948, 351%). The Boston Symphony is the only tax-exempt institution paying over the formula amount already with a fiscal 2011 payment of \$84,976 and a proposed target of \$55,011 in 2016. **Table 4** shows the dollar impact of the new PILOT payments by category and with a few examples for the current year. **Appendix C** provides the full listing of the impact on the 48 institutions.

Table 3

### Projected PILOT Payments

Ramp-up Year	Payment Projection	Variance Over Prior Year	%
FY12 * (Year 1)	\$19,452,506	\$4,305,514	28.9%
FY13 (Year 2)	\$27,756,285	\$8,303,779	42.7%
FY 14 (Year 3)	\$34,060,931	\$6,304,646	22.7%
FY15 (Year 4)	\$40,365,577	\$6,304,646	18.5%
FY16 (Year 5)	\$46,670,223	\$6,304,646	15.6%

\* FY12 reflects actual payments received.

In year five of the ramp-up, the City projects collecting PILOT payments of \$46.7 million, an increase of \$31.5 million or 208% over fiscal 2011. Medical PILOT payments are expected to grow by \$15.1 million or 251%, educational payments by \$14.8 million or 167%, cultural payments by \$1.6 million or 1067% and others by \$45,190 or 30%. The largest dollar increase over five years would be paid by Mass General Hospital (+\$4.2M), Northeastern University (+4.1M), Harvard University (+\$3.7M), Beth Israel Deaconess Medical

Center (+\$2.9M) and Children's Hospital (+\$1.7M).  
(See Appendix D)

### First Year Results in Fiscal 2012

The response to the new PILOT program by the 48 private tax-exempt institutions as a group demonstrates a good faith effort to increase their financial support for the City and that the partnership will need to evolve through further discussions over cash payments and community services. In fiscal 2012, the City received \$19.5 million in PILOT payments from the 48 institutions, an increase of \$4.3 million or 28% over the prior year. That increase represents 90.7% of the amount the City requested in fiscal 2012. Of the 23 exempt institutions that did not make a PILOT payment in fiscal 2011, nine entered into PILOT agreements in fiscal 2012 for a total of \$410,511.

The medical institutions, in aggregate, came closer to the requested amount in fiscal 2012 at 96% than the educational institutions at 88%. The 16 medical institutions paid \$8.7 million or \$2.7 million over the prior year, an increase of 45%. Eleven medical institutions paid 100% of the first year request. Of the seven medical institutions that did not make a payment in fiscal 2011, four made payments in fiscal 2012, three at 100%.

Of the 23 educational institutions, 12 paid \$10.4 million or \$1.6 million over fiscal 2011, an increase of 18%. Of the remaining 11 educational institutions that did not make a payment in fiscal 2011, four made PILOT payments in fiscal 2012 (two at 100%) and seven did not make payments. Four private secondary schools were included in the seven institutions that did not make payments.

Two of the seven cultural institutions in the top 48 made PILOT payments in fiscal 2011 and fiscal 2012, and a third institution contributed in fiscal 2012. A different revenue structure than the medical and educational institutions and community services contribute to this situation. The total PILOT payment of \$187,062 in fiscal 2012 from this group represents an increase of \$35,866 or 24%, but this

Table 4

### PILOT Summary by Category & Examples

Category	FY11 PILOT	FY12 PILOT	% Change
<b>Medical</b>	<b>\$6,007,904</b>	<b>\$8,693,040</b>	<b>44.7%</b>
MGH	2,668,355	3,508,707	31.5%
Beth Israel Deaconess	167,000	752,948	350.9%
Children's Hospital	111,921	451,434	303.4%
<b>Educational</b>	<b>\$8,836,230</b>	<b>\$10,419,603</b>	<b>17.9%</b>
Boston Univ.	5,082,079	5,329,936	4.9%
Harvard Univ.	2,109,293	2,121,894	0.6%
Northeastern	30,571	886,000	2798.2%
<b>Cultural</b>	<b>\$151,196</b>	<b>\$187,062</b>	<b>23.7%</b>
Museum of Fine Arts	66,220	56,316	-15.0%
NE Aquarium	-	-	n/a
WGBH	-	51,763	n/a
<b>Other</b>	<b>\$151,662</b>	<b>\$152,801</b>	<b>0.8%</b>
<b>Grand Total</b>	<b>\$15,146,992</b>	<b>\$19,452,506</b>	<b>28.4%</b>

Source: City of Boston Assessing Department

group reached only 39% of what was requested. This matter will continue to evolve through discussions over the next few years.

The response of the private tax-exempt institutions in meeting 90.7% of the City's first year goal demonstrates a sincere effort by the institutions to generate greater financial support for city services. In the second year, early estimates indicated that collectively these institutions would be asked to increase PILOT payments by a total of \$8.3 million or 42.7%. The Assessing Department has not released the total amount being requested in fiscal 2013, but that total is anticipated to be less than the original estimate. Negotiations between the City and each institution will continue to play an important role in decisions regarding increases in PILOT payments and the share that community



services will be of the total agreement in the second and subsequent years.

### Tax-Exempt Role in Boston

While tax-exempt institutions are not legally required to pay property taxes, they do make payments to the City as do taxable properties for various city initiatives, Linkage payments for expansion or building projects, in-kind services to city residents and permits for operations and buildings. Often overlooked in the discussion of tax-exempt institutions is the fact that institutions pay property taxes on properties that have a commercial purpose, such as a coffee shop in a hospital, and in some cases for buildings recently purchased that are used for an exempt purpose. In fiscal 2012, \$25.6 million was paid in taxes by medical, educational and cultural institutions for both commercial and exempt purposes.

In addition to direct cash payments, community service benefits are a substantial contribution made to the City of Boston by tax-exempt institutions on an annual basis. These institutions provide services to the City and its residents that range from education to health care. The Conference of Boston Teaching Hospitals (COBTH) reported that their community benefit totaled \$186 million in fiscal 2011 for all communities, the majority of which goes to Boston. **Appendix F** has a partial list of recent community services provided to Boston residents from various tax-exempt institutions to show the range of services.

If not for tax-exempt institutions, these types of services would either not be offered in Boston or the burden would be placed on taxpayers to deliver these services.

### Tax-Exempts and the Economy

Boston's tax-exempt institutions make a significant contribution to the City and region's economy and play an important role in the quality of life in the metropolitan area. From employing a large workforce, attracting billions in research grants, fostering start-up companies, providing in-kind

services directly to residents and adding to Boston's popularity as a destination city, these institutions are an integral component of the economic strength of Boston.

In recent years, tax-exempt institutions have been the one sector continually adding jobs to Boston's economy. In a Research Bureau review of Boston's largest private employers in 2012, seven of the top 10 largest private employers are tax-exempt institutions.

Table 5

#### Top 10 Private Employers

1	Massachusetts General Hospital
2	Boston University
3	State Street Bank & Trust Co.
4	Brigham and Women's
5	Beth Israel Deaconess Medical Center
6	Children's Hospital, Boston
7	Fidelity
8	Boston Medical Center Corporation
9	John Hancock
10	Dana Farber

Source: BMRB SURVEY

\*Are tax-exempt

Beyond jobs, the institutions attract and encourage business development, research grants that make Boston a leader in biotech and medical research among other fields, provide community services that may not otherwise be available and that make Boston a leader in innovation in the private, nonprofit, and municipal sectors. In a 2000 report, *Higher Education in Boston: Intellectual Capital as the Catalyst for Economic Growth*, the BRA found that student spending for consumer goods and services contributes approximately \$707 million to the City's economy, while the entire "education economy" was \$4.4 billion, or 11% of the City's total economy.

Aside from educational institutions, Boston is home to some of the top hospitals and medical centers in the country, with Massachusetts General hospital (MGH) and Brigham and Women's Hospital named

to U.S. News and World Report's Best Hospitals Honor Roll and the Dana-Farber Cancer Institute ranked in the top five best cancer centers in the country. Children's Hospital Boston was ranked the #1 children's hospital in the country. According to a 2008 COBTH report, Boston's teaching hospitals generated \$5.1 billion in economic activity for Boston and contributed 34,456 jobs to the City.

Boston's economy is growing in the life sciences and bio-technology industries supported, in good part, through receipt of National Institute of Health (NIH) grant awards by institutions located in the City. In 2011, Boston led all cities in NIH funding with approximately \$1.7 billion according to a June 2012 report by the BRA. For 17 consecutive years, Boston has been awarded the largest amount of NIH funds of all cities in the country. Of the \$1.7 billion received in 2011, 95% was awarded to the tax-exempt medical and educational institutions in Boston, indicating their critical role in expanding this economy and creating jobs, with many jobs held by Boston residents. As a result of the combined work of the medical and educational institutions and research institutes, every major pharmaceutical company in the world is located in Boston or Cambridge or will soon be located here, contributing to the economy.

## Our Survey

After the release of the Task Force report, the Research Bureau surveyed ten institutions about the overall PILOT program and the inclusion of community service credits in their PILOT payments. This survey revealed a variety of concerns and opinions on the matter of PILOT payments at that time. Over the last year, the Administration has met with each institution to discuss the new plan and negotiate, if necessary, the first year response. These discussions have clarified some of the six areas of concern that are briefly summarized below.

1. **Aligning with the City's mission and priorities** - The institutions had a concern about how frequently city priorities would change and what would count as community services. Institutions

had differing beliefs as to how services they provided aligned with the City's priorities. Institutions operate within multi-year strategic plans and were anxious about city priorities that might change more frequently.

2. **Formula Limitations** - Institutions were concerned about whether a standardized payment formula based on property values would be construed legally as payment of a property tax bill or accommodate the variety of services and activities covered by different institutions. The fact was raised that this approach for cultural institutions ran counter to the practice in other major cities that provide public financial support to the cultural institutions they host.

3. **Qualifying Community Benefits** - The community benefits criteria established by the Task Force provided a general framework which could not address every category (**Appendix A**). The eligibility uncertainty of services not explicitly identified caused concern among some institutions since those services not listed would require negotiations with the City. For example, snow removal and street cleaning are services not clearly defined. Medical institutions are wrestling with the sense that operating support for community health centers does not qualify for PILOT credit while public and community health initiatives do qualify.

4. **Community Benefit Credit Limit** - The new PILOT Program recognizes that community benefits should be recognized and help offset PILOT payments. Uncertainty over whether community services could or could not exceed 50% of the total payment existed among the institutions even though the Task Force report stated that in instances where the "City and an institution identify exceptional or extraordinary opportunities to provide services, the 50% cap may be exceeded."

5. **Other Cash Payments to the City** - Many institutions questioned whether the direct cash donations they make to various city departments to

support important service delivery would count toward the PILOT payment.

6. **Five-Year Ramp-up** - Even with a 5-year ramp-up time frame designed to mitigate the financial impact on institutions, some institutions questioned whether program cuts would be required to meet their PILOT payment. Other institutions are proud to lead the payments process and do not believe their programs will be threatened by increased PILOTS, assuming all institutions pay their share.

## Conclusions and Recommendations

The City of Boston is the envy of most other major cities in the country for the strength of its educational, medical and research institutions and their impact on creating a highly educated workforce and being significant drivers of the city and regional economy and job creation. Boston's cultural institutions play an important complementary role that contributes immeasurably to the quality of life in the region making the Boston area an attractive location in which to live and work. This positive environment exists even with the challenges facing the city and state economy of the high cost of housing and energy to name a few factors. The location of the educational and medical institutions in the City is an important factor in the strength and growth of the service, financial, high tech, bio-medical, convention and innovative economies that thrive in the city and region.

We are living in changing times with a turbulent economy, fluctuating market and a fractured Congress under pressure to reduce federal spending that is already beginning to affect state and local governments as well as federal research and other grants relied upon by local medical and educational institutions. The hospitals also are experiencing changes in health care financing such as reduced Medicare reimbursements, especially for graduate medical education and efforts to lower health care costs. Faced with its heavy reliance on the property tax, the revenue consequences of the recession and subsequent slow growth, the City of Boston modified its existing PILOT program for tax-exempt

institutions in an effort to provide a more systemic, uniform approach to establish revenue and service levels requested of the tax-exempt institutions whose property values exceed \$15 million. This new plan does not change the basic premise that a PILOT agreement is voluntary and that the provisions in the agreement as to revenue payment and the value of community services are subject to negotiation.

The City's plan to provide a more standardized approach to its PILOT program and increase its in-lieu-of-tax revenue while suggesting the direction of community services is a reasonable response in its effort to expand its revenue base for operations. The Assessing Department expanded its property information for the large, private tax-exempt institutions to enable it to establish more realistic property values. The City expected 23 tax-exempt institutions to participate in the new PILOT program for the first time, including several cultural institutions and four private secondary schools. Of these institutions nine actually participated in the first year. The City required the large exempt institutions to quantify their community services as well as revenue payments, which was a worthwhile exercise for the City to understand the full scope of contributions these institutions make to Boston. In addition, this process brought attention to the services that the City does provide to the tax-exempt institutions.

The City's program to provide a more uniform approach to PILOT payments and community services will continue to evolve in year two as the Administration and institutions settle on the individual responses in fiscal 2013 based on the preliminary targets that would have increased payments by \$8.3 million or 42.7%. Actual PILOT payments by some institutions will be less based on negotiations. As initially planned, some tax-exempt institutions would have been asked to increase payments in year two by more than 80%.

## Recommendations

To achieve a balance of moving towards higher PILOT revenue payments and directed community services with flexibility in the actual amounts and timing as well as balance with the categorization of community services, the Research Bureau makes the following recommendations.

### 1. **PILOT program needs to continue to evolve.**

The City of Boston's initiative to establish a standardized plan based on property values for tax-exempt institutions with property values of \$15 million or more should be viewed in the context of a partnership that will take time to evolve regarding cash payments and community services. The starting point should be the property tax standard modified by community services, but the voluntary nature of the PILOT program and the multiple variables affecting tax-exempt institutions will more likely mean that the timing and the extent of full compliance with the plan will vary by institution. The compliance results reported for the first year demonstrates a good faith effort to increase financial support and that further negotiations will occur. Mayor Menino has publicly stated that the goal of the program is not to create a hardship for any private tax-exempt institution, and he has offered to meet with the leaders of any tax-exempt institution to discuss their response to the PILOT payment request.

### 2. **Directed community benefits should have more flexibility.**

The Administration's effort to direct community services to be aligned with the City's objectives will also require time to establish. The large medical and educational institutions establish multi-year community service strategies, and any adjustments will more likely occur in subsequent plans. To be a true partnership between the City and the private tax-exempt institutions, this program cannot be built from a one-size-fits-all approach. The framework has been improved, but its success in influencing the direction of community services will require negotiations with most institutions in reaching a voluntary agreement. A more flexible approach will provide positive gains to the City and not jeopardize worthwhile programs

beneficial both to the City and the tax-exempt institutions. The Administration has shown a willingness to agree to community services exceeding the 50% standard in cases that the services meet city needs. For example, the City agreed to a 75% community benefit share for Boston Medical Center and the Hebrew Rehabilitation Center in fiscal 2012.

An already complex community benefits regulatory environment needs to be a factor in any negotiations. For example, nonprofit hospitals are required by regulations of the Massachusetts Attorney General and new IRS requirements to conduct a rigorous community needs health assessment every three years to identify the health needs in Boston and any contiguous high need areas and to develop programs to address those needs. Nevertheless, there can be a legitimate value in developing city-wide programs with the City and the exempt institutions as part of the community service component. For example, the Boston hospital assessments routinely identify diabetes, obesity and asthma as community needs. A collaborative approach by these institutions and the City's Public Health Commission in implementing a unified citywide program for these problems would be a positive outcome of the community service requirement.

### 3. **All payments should be included as acceptable cash payment credits.**

Contributions made directly to any departments and commissions in the City should qualify as part of a PILOT payment. For example, several institutions make direct contributions to support the work of the Boston Public Health Commission or provide direct services to the Boston School Department and enrichment opportunities for its students, and these funds and services should be counted when determining PILOT payments. Many of the services funded by these contributions would otherwise need to be provided by the City. One recent example is that Children's Hospital over a two-year period provided direct funding of \$500,000 to the City's Public

Health Commission for an exhaustive study of the status of children's health in the City of Boston.

**4. Cultural institutions warrant greater flexibility.**

Seven cultural institutions in the group of 48 are different enough in their revenue structure and community services to merit greater flexibility under this program. These institutions serve as major tourist attractions bringing millions of people into the City each year which generates significant economic benefits to the Boston economy. These institutions also contribute significantly to the quality of life in Boston and the region. The City has been involved in discussions with the seven institutions regarding the structure of their participation in the PILOT program.

The focus of the PILOT Task Force was primarily on the large educational and medical institutions, but the members did agree that the participation in the PILOT program should be broadened to other large institutions not making payments. These institutions have some level of endowment but rely heavily on annual revenue from attendance and sponsorships which are more susceptible to changing economic conditions or facility changes to exhibit space or stage or seating capacity. These institutions generally provide a high degree of direct services to Boston city departments and residents that financially could exceed the estimated PILOT payments requested by the City. For these reasons, a greater degree of flexibility in negotiating agreements with the cultural institutions is warranted. In some instances no PILOT cash payment may be justified. For the cultural institutions, community services should be able to represent a larger share than 50% based on demonstrable service. It is interesting to note that these institutions receive no public funds from the City of Boston, but their counterparts in most other major cities are the recipients of public funds from their host city.

**5. PILOT program should be reviewed annually.**

To ensure that the program is meeting its goals and objectives and remains fair and balanced, the PILOT program should be reviewed by the City annually. This review should include an evaluation of all aspects of the program and the financial and service implications and suggest modifications to the program if warranted. A program evaluation report for each fiscal year should be submitted by the Mayor to the City Council and City Clerk on or before December 1 of the following fiscal year.

## Appendix A

### PILOT Task Force: Community Benefit Criteria

Qualifies for PILOT Credit	Requires Further Clarification	Doesn't Qualify for PILOT Credit
<b>Contribution to PILOT Program</b>	<b>Provisions of Public Services</b>	<b>Other Cash Transfers</b>
PILOT Payments	Snow Removal/Street Cleaning	Real Estate Taxes on Property Used For Non-Institutional Purposes
	Construction Maintenance of a Public Facility	Linkage Payments
<b>Participation in City Initiatives</b>	Public Use of Facilities	Permits Inspection Fees
Targeted Scholarships for Boston Residents		
Summer Job Creation/Youth Employment	<b>Good Neighbor Activities</b>	<b>Employment/Economic Impact Benefits</b>
Step-up Initiative	Volunteer Efforts of Students/Employees	Student Spending
Health Disparities Initiative	Donations to Neighborhood Assns./ Main Streets	Salaries Paid to Employees
	Corporate Leadership/ Sponsorships	Multiplier Effect Construction Costs
		Purchase of Goods, Services
<b>Policy Based Collaborations</b>		Grants Received/Outside Money Leverage
Public/Community Health Initiatives		
Partnerships with Local Schools		
Job Training Initiatives		<b>Medical Care</b>
		Operating Support for Community Health Centers
<b>Other Cash Transfers</b>		Free Care (Safety Net Care)
Real Estate Taxes on Property Used For Institutional Purposes		Unreimbursed Medicare or Medicaid

Source: Mayor's PILOT Task Force Final Report & Recommendations, December 2010

Prepared by: Boston Municipal Research Bureau

**Appendix B**  
**City of Boston PILOT 5-year Ramp-up Proposal**

	Total Property Value in 000			FY12 Pmt				
	FY11 PILOT [1]	Proposed PILOT [2]	FY12 Pmt Year 1 ACTUALS	FY13 Pmt Year 2 [3]	FY14 Pmt Year 3 [3]	FY15 Pmt Year 4 [3]	FY16 Pmt Year 5+ [3]	
1 Beth Israel Deaconess	\$813.1	\$167,000	\$752,949	\$752,948	\$1,338,898	\$1,924,846	\$2,510,795	\$3,096,744
2 Boston Medical Center	316.9	137,625	226,396	226,396	315,166	403,937	492,708	581,479
3 Brigham & Women's Hosp.	778.5	1,538,506	1,823,270	1,823,270	2,108,033	2,392,797	2,677,560	2,962,324
4 Children's Hospital	660.7	111,921	451,434	451,434	790,948	1,130,461	1,469,975	1,809,488
5 Dana Farber	248.1	99,972	260,892	260,892	421,813	582,733	743,654	904,574
6 Faulkner Hospital	162.0	-	114,071	114,071	228,141	342,212	456,282	570,353
7 Franciscan Hospital	50.4	-	27,472	-	54,944	82,416	109,888	137,360
8 Harvard Vanguard	109.8	294,886	309,511	309,511	324,136	338,761	353,386	368,011
9 Hebrew Rehab.	53.0	-	14,751	7,500	29,501	44,252	59,002	73,753
10 Joslin Diabetes Center	86.3	-	55,324	-	110,648	165,972	221,296	276,620
11 Mass Eye Ear	115.7	-	78,129	78,500	156,258	234,386	312,515	390,644
12 Mass General Hospital	1,785.6	2,668,355	3,508,707	3,508,707	4,349,060	5,189,412	6,029,764	6,870,117
13 New England Baptist	134.5	-	92,718	92,718	185,436	278,154	370,872	463,590
14 Shriners Hospital	106.1	-	70,692	-	141,383	212,075	282,766	353,458
15 Spaulding Rehab. Center	84.4	78,919	116,969	116,969	155,020	193,070	231,120	269,170
16 Tufts Medical Center	568.8	910,720	1,119,694	950,124	1,328,668	1,537,642	1,746,616	1,955,590
<b>Medical Total</b>	<b>\$6,074.0</b>	<b>\$6,007,904</b>	<b>\$9,022,978</b>	<b>\$8,693,040</b>	<b>\$12,038,052</b>	<b>\$15,053,125</b>	<b>\$18,068,199</b>	<b>\$21,083,273</b>
1 Berklee	\$149.3	\$151,331	\$212,702	\$213,070	\$274,072	\$335,443	\$396,813	\$458,184
2 Boston Architectural	19.1	-	3,148	3,148	6,296	9,444	12,591	15,739
3 Boston College	526.2	297,571	582,689	309,405	867,807	1,152,926	1,438,044	1,723,162
4 Boston College High School	27.2	-	9,449	5,000	18,898	28,347	37,796	47,245
5 Boston Conservatory	23.1	-	6,285	-	12,570	18,854	25,139	31,424
6 Boston University	1,856.0	5,082,079	5,329,936	5,329,936	5,577,794	5,825,651	6,073,509	6,321,366
7 Catholic Memorial HS	16.8	-	1,360	-	2,721	4,081	5,442	6,802
8 Emerson	240.5	141,591	288,293	141,591	434,994	581,696	728,397	875,099
9 Emmanuel	153.1	-	107,186	50,000	214,372	321,557	428,743	535,929
10 Fisher	41.1	-	20,263	-	40,525	60,788	81,050	101,313
11 Harvard	1,522.3	2,109,293	2,855,575	2,121,894	3,601,857	4,348,139	5,094,421	5,840,703
12 Mass Coll. of Pharmacy	109.3	242,252	266,976	266,976	291,700	316,424	341,148	365,872
13 NE College of Optometry	25.1	-	7,811	7,811	15,622	23,432	31,243	39,054
14 NE Conservatory	31.6	-	12,903	-	25,805	38,708	51,610	64,513
15 Northeastern	1,285.5	30,571	847,721	886,000	1,664,870	2,482,020	3,299,170	4,116,319
16 Roxbury Latin	52.8	-	29,356	-	58,711	88,067	117,422	146,778
17 Showa	42.7	123,084	119,958	119,958	116,832	113,707	110,581	107,455
18 Simmons College	139.7	15,000	108,790	108,790	202,581	296,371	390,162	483,952
19 Suffolk	228.7	378,979	468,983	390,000	558,987	648,991	738,995	828,999
20 Tufts	158.3	232,975	297,581	300,000	362,188	426,794	491,400	556,007
21 Wentworth Institute	196.5	31,504	166,024	166,024	300,545	435,065	569,585	704,106
22 Wheelock College	54.7	-	30,773	-	61,546	92,319	123,092	153,865
23 Winsor School	41.3	-	20,396	-	40,793	61,189	81,585	101,982
<b>Education Total</b>	<b>\$6,940.9</b>	<b>\$8,836,230</b>	<b>\$11,794,158</b>	<b>\$10,419,603</b>	<b>\$14,752,085</b>	<b>\$17,710,013</b>	<b>\$20,667,940</b>	<b>\$23,625,868</b>
1 Boston Symphony	\$29.2	\$84,976	\$78,983	\$78,983	\$72,990	\$66,997	\$61,004	\$55,011
2 Children's Museum	31.0	-	12,439	-	24,877	37,316	49,754	62,193
3 ICA	37.2	-	17,198	-	34,396	51,594	68,792	85,991
4 Museum of Fine Arts	282.5	66,220	259,444	56,316	452,667	645,891	839,114	1,032,338
5 Museum of Science	34.9	-	15,445	-	30,890	46,335	61,780	77,226
6 NE Aquarium	70.2	-	42,817	-	85,633	128,450	171,267	214,083
7 WGBH	76.2	-	47,478	51,763	94,956	142,434	189,912	237,390
<b>Cultural Total</b>	<b>\$561.1</b>	<b>\$151,196</b>	<b>\$473,803</b>	<b>\$187,062</b>	<b>\$796,410</b>	<b>\$1,119,017</b>	<b>\$1,441,624</b>	<b>\$1,764,231</b>
1 Bayridge Center	\$29.8	\$17,884	\$25,783	\$17,884	\$33,681	\$41,580	\$49,479	\$57,377
2 MASCO	50.9	133,778	134,917	134,917	136,057	137,196	138,335	139,474
<b>Other Total</b>	<b>\$80.7</b>	<b>\$151,662</b>	<b>\$160,700</b>	<b>\$152,801</b>	<b>\$169,738</b>	<b>\$178,776</b>	<b>\$187,814</b>	<b>\$196,852</b>
<b>48 Grand Total ALL</b>	<b>\$13,656.7</b>	<b>\$15,146,992</b>	<b>\$21,451,638</b>	<b>\$19,452,506</b>	<b>\$27,756,285</b>	<b>\$34,060,931</b>	<b>\$40,365,577</b>	<b>\$46,670,223</b>

[1] According to the Assessing Department

[2] Represents cash only which assumes a 50% community benefit credit and tax credits. Boston Medical Center and Hebrew Rehabilitation Center negotiated a 75% credit.

[3] Preliminary figures.

Source: City of Boston Assessing Department

Prepared by: Boston Municipal Research Bureau

**Appendix C**  
**City of Boston PILOT Payments FY11-FY12 [3]**

	Total Property Value in 000	FY11 PILOT [1]	FY12 Proposed PILOT [2]	FY12 Pmt Year 1 ACTUALS	Variance FY11 - FY12 Actuals	%
1 Beth Israel Deaconess	\$813.1	\$167,000	\$752,949	\$752,948	\$585,948	350.9%
2 Boston Medical Center	316.9	137,625	226,396	226,396	88,771	64.5%
3 Brigham & Women's Hosp.	778.5	1,538,506	1,823,270	1,823,270	284,764	18.5%
4 Children's Hospital	660.7	111,921	451,434	451,434	339,513	303.4%
5 Dana Farber	248.1	99,972	260,892	260,892	160,920	161.0%
6 Faulkner Hospital	162.0	-	114,071	114,071	114,071	-
7 Franciscan Hospital	50.4	-	27,472	-	-	-
8 Harvard Vanguard	109.8	294,886	309,511	309,511	14,625	5.0%
9 Hebrew Rehab.	53.0	-	14,751	7,500	7,500	-
10 Joslin Diabetes Center	86.3	-	55,324	-	-	-
11 Mass Eye Ear	115.7	-	78,129	78,500	78,500	-
12 Mass General Hospital	1,785.6	2,668,355	3,508,707	3,508,707	840,352	31.5%
13 New England Baptist	134.5	-	92,718	92,718	92,718	-
14 Shriners Hospital	106.1	-	70,692	-	-	-
15 Spaulding Rehab. Center	84.4	78,919	116,969	116,969	38,050	48.2%
16 Tufts Medical Center	568.8	910,720	1,119,694	950,124	39,404	4.3%
<b>Medical Total</b>	<b>\$6,074.0</b>	<b>\$6,007,904</b>	<b>\$9,022,978</b>	<b>\$8,693,040</b>	<b>\$2,685,136</b>	<b>44.7%</b>
1 Berklee	\$149.3	\$151,331	\$212,702	\$213,070	61,739	40.8%
2 Boston Architectural	19.1	-	3,148	3,148	3,148	100.0%
3 Boston College	526.2	297,571	582,689	309,405	11,834	4.0%
4 Boston College High School	27.2	-	9,449	5,000	5,000	-
5 Boston Conservatory	23.1	-	6,285	-	-	-
6 Boston University	1,856.0	5,082,079	5,329,936	5,329,936	247,857	4.9%
7 Catholic Memorial HS	16.8	-	1,360	-	-	-
8 Emerson	240.5	141,591	288,293	141,591	-	0.0%
9 Emmanuel	153.1	-	107,186	50,000	50,000	-
10 Fisher	41.1	-	20,263	-	-	-
11 Harvard	1,522.3	2,109,293	2,855,575	2,121,894	12,601	0.6%
12 Mass Coll. of Pharmacy	109.3	242,252	266,976	266,976	24,724	10.2%
13 NE College of Optometry	25.1	-	7,811	7,811	7,811	-
14 NE Conservatory	31.6	-	12,903	-	-	-
15 Northeastern	1,285.5	30,571	847,721	886,000	85,429	2798.2%
16 Roxbury Latin	52.8	-	29,356	-	-	-
17 Showa	42.7	123,084	119,958	119,958	(3,126)	-2.5%
18 Simmons College	139.7	15,000	108,790	108,790	93,790	625.3%
19 Suffolk	228.7	378,979	468,983	390,000	11,021	2.9%
20 Tufts	158.3	232,975	297,581	300,000	67,025	28.8%
21 Wentworth Institute	196.5	31,504	166,024	166,024	134,520	427.0%
22 Wheelock College	54.7	-	30,773	-	-	-
23 Winsor School	41.3	-	20,396	-	-	-
<b>Education Total</b>	<b>\$6,940.9</b>	<b>\$8,836,230</b>	<b>\$11,794,158</b>	<b>\$10,419,603</b>	<b>\$1,583,373</b>	<b>17.9%</b>
1 Boston Symphony	\$29.2	\$84,976	\$78,983	\$78,983	(5,993)	-7.1%
2 Children's Museum	31.0	-	12,439	-	-	-
3 ICA	37.2	-	17,198	-	-	-
4 Museum of Fine Arts	282.5	66,220	259,444	56,316	(9,904)	-15.0%
5 Museum of Science	34.9	-	15,445	-	-	-
6 NE Aquarium	70.2	-	42,817	-	-	-
7 WGBH	76.2	-	47,478	51,763	51,763	-
<b>Cultural Total</b>	<b>\$561.1</b>	<b>\$151,196</b>	<b>\$473,803</b>	<b>\$187,062</b>	<b>\$35,866</b>	<b>23.7%</b>
1 Bayridge Center	\$29.8	\$17,884	\$25,783	\$17,884	-	0.0%
2 MASCO	50.9	133,778	134,917	134,917	1,139	0.9%
<b>Other Total</b>	<b>\$80.7</b>	<b>\$151,662</b>	<b>\$160,700</b>	<b>\$152,801</b>	<b>\$1,139</b>	<b>0.8%</b>
<b>48 Grand Total ALL</b>	<b>\$13,656.7</b>	<b>\$15,146,992</b>	<b>\$21,451,638</b>	<b>\$19,452,506</b>	<b>\$4,305,514</b>	<b>28.4%</b>

[1] According to the Assessing Department

[2] Represents cash only which assumes a 50% community benefit credit and tax credits. Boston Medical Center and Hebrew Rehabilitation Center negotiated a 75% credit.

Source: City of Boston Assessing Department

Prepared by: Boston Municipal Research Bureau



**Appendix D**  
**City of Boston PILOT 5-year Ramp-up Proposal**

	Total Property Value in 000	FY11 PILOT [1]	FY16 Pmt Year 5+ [3]	Variance FY11- FY16	%
1 Beth Israel Deaconess	\$813.1	\$167,000	\$3,096,744	\$2,929,744	1754%
2 Boston Medical Center	316.9	137,625	581,479	443,854	323%
3 Brigham & Women's Hosp.	778.5	1,538,506	2,962,324	1,423,818	93%
4 Children's Hospital	660.7	111,921	1,809,488	1,697,567	1517%
5 Dana Farber	248.1	99,972	904,574	804,602	805%
6 Faulkner Hospital	162.0	-	570,353	570,353	-
7 Franciscan Hospital	50.4	-	137,360	137,360	-
8 Harvard Vanguard	109.8	294,886	368,011	73,125	25%
9 Hebrew Rehab.	53.0	-	73,753	73,753	-
10 Joslin Diabetes Center	86.3	-	276,620	276,620	-
11 Mass Eye Ear	115.7	-	390,644	390,644	-
12 Mass General Hospital	1,785.6	2,668,355	6,870,117	4,201,762	157%
13 New Englan Baptist	134.5	-	463,590	463,590	-
14 Shriners Hospital	106.1	-	353,458	353,458	-
15 Spaulding Rehab. Center	84.4	78,919	269,170	190,251	241%
16 Tufts Medical Center	568.8	910,720	1,955,590	1,044,870	115%
<b>Medical Total</b>	<b>\$6,074.0</b>	<b>\$6,007,904</b>	<b>\$21,083,273</b>	<b>\$15,075,369</b>	<b>251%</b>
1 Berklee	\$149.3	\$151,331	\$458,184	\$306,853	203%
2 Boston Architectural	19.1	-	15,739	15,739	-
3 Boston College	526.2	297,571	1,723,162	1,425,591	479%
4 Boston College High School	27.2	-	47,245	47,245	-
5 Boston Conservatory	23.1	-	31,424	31,424	-
6 Boston University	1,856.0	5,082,079	6,321,366	1,239,287	24%
7 Catholic Memorial HS	16.8	-	6,802	6,802	-
8 Emerson	240.5	141,591	875,099	733,508	518%
9 Emmanuel	153.1	-	535,929	535,929	-
10 Fisher	41.1	-	101,313	101,313	-
11 Harvard	1,522.3	2,109,293	5,840,703	3,731,410	177%
12 Mass Coll. of Pharmacy	109.3	242,252	365,872	123,620	51%
13 NE College of Optometry	25.1	-	39,054	39,054	-
14 NE Conservatory	31.6	-	64,513	64,513	-
15 Northeastern	1,285.5	30,571	4,116,319	4,085,748	13365%
16 Roxbury Latin	52.8	-	146,778	146,778	-
17 Showa	42.7	123,084	107,455	(15,629)	-13%
18 Simmons College	139.7	15,000	483,952	468,952	3126%
19 Suffolk	228.7	378,979	828,999	450,020	119%
20 Tufts	158.3	232,975	556,007	323,032	139%
21 Wentworth Institute	196.5	31,504	704,106	672,602	2135%
22 Wheelock College	54.7	-	153,865	153,865	-
23 Winsor School	41.3	-	101,982	101,982	-
<b>Education Total</b>	<b>\$6,940.9</b>	<b>\$8,836,230</b>	<b>\$23,625,868</b>	<b>\$14,789,638</b>	<b>167%</b>
1 Boston Symphony	\$29.2	\$84,976	\$55,011	-\$29,965	-35%
2 Children's Museum	31.0	-	62,193	62,193	-
3 ICA	37.2	-	85,991	85,991	-
4 Museum of Fine Arts	282.5	66,220	1,032,338	966,118	1459%
5 Museum of Science	34.9	-	77,226	77,226	-
6 NE Aquarium	70.2	-	214,083	214,083	-
7 WGBH	76.2	-	237,390	237,390	-
<b>Cultural Total</b>	<b>\$561.1</b>	<b>\$151,196</b>	<b>\$1,764,231</b>	<b>\$1,613,035</b>	<b>1067%</b>
1 Bayridge Center	\$29.8	\$17,884	\$57,377	\$39,493	221%
2 MASCO	50.9	133,778	139,474	5,696	4%
<b>Other Total</b>	<b>\$80.7</b>	<b>\$151,662</b>	<b>\$196,852</b>	<b>\$45,190</b>	<b>30%</b>
<b>48 Grand Total ALL</b>	<b>\$13,656.7</b>	<b>\$15,146,992</b>	<b>\$46,670,223</b>	<b>\$31,523,231</b>	<b>208%</b>

[1] According to the Assessing Department

[2] Represents cash only which assumes a 50% community benefit credit and tax credits. Boston Medical Center and Hebrew Rehabilitation Center negotiated a 75% credit.

[3] Preliminary figures.

Source: City of Boston Assessing Department

Prepared by: Boston Municipal Research Bureau

**Appendix E**  
**City of Boston Cash PILOT**  
**FY11 & FY12**

	FY11 PILOT [1]	Proposed PILOT [2]	FY12 Pmt Year 1 ACTUALS [1]	Variance FY12 Proposed vs. Actual	Variance FY11-FY12 Actual	%	% Of Request
1 Beth Israel Deaconess	\$167,000	\$752,949	\$752,948	-\$1	\$585,948	351%	100%
2 Boston Medical Center	137,625	226,396	226,396	0	88,771	65%	100%
3 Brigham & Women's Hosp.	1,538,506	1,823,270	1,823,270	0	284,764	19%	100%
4 Children's Hospital	111,921	451,434	451,434	(0)	339,513	303%	100%
5 Dana Farber	99,972	260,892	260,892	(0)	160,920	161%	100%
6 Faulkner Hospital	-	114,071	114,071	0	114,071	-	100%
7 Franciscan Hospital	-	27,472	-	(27,472)	0	-	0%
8 Harvard Vanguard	294,886	309,511	309,511	(0)	14,625	5%	100%
9 Hebrew Rehab.	-	14,751	7,500	(7,251)	7,500	100%	51%
10 Joslin Diabetes Center	-	55,324	-	(55,324)	0	-	0%
11 Mass Eye Ear	-	78,129	78,500	371	78,500	100%	100%
12 Mass General Hospital	2,668,355	3,508,707	3,508,707	(0)	840,352	31%	100%
13 New England Baptist	-	92,718	92,718	(0)	92,718	100%	100%
14 Shriners Hospital	-	70,692	-	(70,692)	0	-	0%
15 Spaulding Rehab. Center	78,919	116,969	116,969	(0)	38,050	48%	100%
16 Tufts Medical Center	910,720	1,119,694	950,124	(169,570)	39,404	4%	85%
<b>Medical Total</b>	<b>\$6,007,904</b>	<b>\$9,022,978</b>	<b>\$8,693,040</b>	<b>-\$329,938</b>	<b>\$2,685,136</b>	<b>45%</b>	<b>96%</b>
1 Berklee	\$151,331	\$212,702	\$213,070	\$368	\$61,739	41%	100%
2 Boston Architectural	-	3,148	3,148	0	3,148	100%	100%
3 Boston College	297,571	582,689	309,405	(273,284)	11,834	4%	53%
4 Boston College High School	-	9,449	5,000	(4,449)	5,000	100%	53%
5 Boston Conservatory	-	6,285	-	(6,285)	0	-	0%
6 Boston University	5,082,079	5,329,936	5,329,936	(0)	247,857	5%	100%
7 Catholic Memorial HS	-	1,360	-	(1,360)	0	-	0%
8 Emerson	141,591	288,293	141,591	(146,702)	0	0%	49%
9 Emmanuel	-	107,186	50,000	(57,186)	50,000	-	47%
10 Fisher	-	20,263	-	(20,263)	0	-	0%
11 Harvard	2,109,293	2,855,575	2,121,894	(733,681)	12,601	1%	74%
12 Mass Coll. of Pharmacy	242,252	266,976	266,976	(0)	24,724	10%	100%
13 NE College of Optometry	-	7,811	7,811	0	7,811	-	100%
14 NE Conservatory	-	12,903	-	(12,903)	0	-	0%
15 Northeastern	30,571	847,721	886,000	38,279	855,429	2798%	105%
16 Roxbury Latin	-	29,356	-	(29,356)	0	-	0%
17 Showa	123,084	119,958	119,958	(0)	(3,126)	-3%	100%
18 Simmons College	15,000	108,790	108,790	(0)	93,790	625%	100%
19 Suffolk	378,979	468,983	390,000	(78,983)	11,021	3%	83%
20 Tufts	232,975	297,581	300,000	2,419	67,025	29%	101%
21 Wentworth Institute	31,504	166,024	166,024	(0)	134,520	427%	100%
22 Wheelock College	-	30,773	-	(30,773)	0	-	0%
23 Winsor School	-	20,396	-	(20,396)	0	-	0%
<b>Education Total</b>	<b>\$8,836,230</b>	<b>\$11,794,158</b>	<b>\$10,419,603</b>	<b>-\$1,374,555</b>	<b>\$1,583,373</b>	<b>18%</b>	<b>88%</b>
1 Boston Symphony	\$84,976	\$78,983	\$78,983	\$0	-\$5,993	-7%	100%
2 Children's Museum	-	12,439	-	(12,439)	0	-	0%
3 ICA	-	17,198	-	(17,198)	0	-	0%
4 Museum of Fine Arts	66,220	259,444	56,316	(203,128)	(9,904)	-15%	22%
5 Museum of Science	-	15,445	-	(15,445)	0	-	0%
6 NE Aquarium	-	42,817	-	(42,817)	0	-	0%
7 WGBH	-	47,478	51,763	4,285	51,763	-	109%
<b>Cultural Total</b>	<b>\$151,196</b>	<b>\$473,803</b>	<b>\$187,062</b>	<b>-\$286,741</b>	<b>\$35,866</b>	<b>24%</b>	<b>39%</b>
1 Bayridge Center	\$17,884	\$25,783	\$17,884	-\$7,899	\$0	0%	69%
2 MASCO	133,778	134,917	134,917	(0)	\$1,139	1%	100%
<b>Other Total</b>	<b>\$151,662</b>	<b>\$160,700</b>	<b>\$152,801</b>	<b>-\$7,899</b>	<b>\$1,139</b>	<b>1%</b>	<b>95%</b>
<b>48 Grand Total ALL</b>	<b>\$15,146,992</b>	<b>\$21,451,638</b>	<b>\$19,452,506</b>	<b>-\$1,999,132</b>	<b>\$4,305,514</b>	<b>28%</b>	<b>91%</b>

[1] According to the Assessing Department

[2] Represents cash only which assumes a 50% community benefit credit and tax credits. Boston Medical Center and Hebrew Rehabilitation Center negotiated a 75% credit.

Source: City of Boston Assessing Department

Prepared by: Boston Municipal Research Bureau

## Appendix F

### Sample of Community Services Offered by Various Tax-Exempt Institutions

#### Health Care

Community Health Center support  
Violence Prevention, Teen Dating Violence  
Public Health Initiatives - free drop-in clinics  
Free Medications & Health Care  
Latino Mental Health Program  
Food Pantry  
Cancer Ride Programs  
Youth Programs  
Screenings, vaccinations, supplies & educational materials at health fair  
Mayor's Summer Jobs Program  
Reduction in Disparities in Care Program  
Partnerships with YMCA to Target Seniors  
Year UP - eye exams and prescription glasses for those in need  
Substance Abuse Prevention & Reduction  
Asian Health Initiative, Dorchester Health Initiatives  
Nutrition & Healthy Life Long Habits  
Asthma Prevention

#### Educational

Scholarships to Boston residents  
Internships to low income students in high school  
Mayor Menino's Step- Up Initiative - to support learning in 10 Boston Public Schools  
Affordable Housing Initiatives  
Athletic & Recreational facility use donations  
Hosting Health Careers Academy on campus  
Free rent to Whittier Street Health Center  
Foundation Year, Healthy Kids, Healthy Futures Programs  
CityLab & CityLab Academy - free academic and job skills training program for Boston high school graduates interested in biotechnology  
Space provided to various neighborhood groups  
Educational Programs in BPS, after school initiatives, educational preparedness  
Harvard Achievement Support Initiative, Crimson Academy

#### Other Cultural

Community Nights  
Camp Scholarships  
Complimentary Admission Passes for Boston Residents  
Mayor's Summer Jobs Program

Prepared by: Boston Municipal Research Bureau

## Appendix G

### City of Boston Tax Exempt Real Property Area\* Fiscal Year 2012

Category	No. Items	Area/Acres	% of Exempt Area	% of City Area
<b>Public</b>				
US Government	68	241.03	1.6%	0.8%
MA State	1,351	7,312.41	49.2%	24.2%
Boston City	3,491	4,163.52	28.0%	13.8%
Other Public	3	0.32	0.0%	0.0%
<b>Total Public</b>	<b>4,913</b>	<b>11,717</b>	<b>78.9%</b>	<b>38.7%</b>
<b>Private</b>				
Literary	928	963.69	6.5%	3.2%
Char./Benevolent	1,032	527.41	3.6%	1.7%
Religious	854	1,212.55	8.2%	4.0%
121-A	559	233.81	1.6%	0.8%
Other Private	66	200.66	1.4%	0.7%
<b>Total Private</b>	<b>3,439</b>	<b>3,138.12</b>	<b>21.1%</b>	<b>10.4%</b>
		4.90 sq. mi.		
<b>Total Tax Exempt</b>	<b>8,352</b>	<b>14,855.40</b>	<b>100.0%</b>	<b>49.1%</b>
		23.21 sq. mi.		
<b>Taxable Real Property</b>	<b>152,902</b>	<b>15,398.46</b>		<b>50.9%</b>
		24.06 sq. mi.		
<b>Taxable &amp; Exempt Real Property</b>	<b>161,254</b>	<b>30,253.86</b>		<b>100.0%</b>
		47.27 sq. mi.		

\* Represents all tax-exempt property throughout Boston and not just those participating in the new PILOT program. Value is not shown due to lack of reliable data.

Source: City of Boston Assessing Reports

Prepared by: Boston Municipal Research Bureau