

Payment in Lieu of Taxes (PILOT) Program

City of Northampton

DAVID J. NARKEWICZ, MAYOR

OCTOBER 2015

Tax-Exempt Property in Northampton

- 22.37% of the total value of all Northampton property is tax-exempt
- Northampton ranks 16th among 351 cities and towns in terms of the amount of property value that is exempt from real estate taxes
- Among cities, Northampton ranks the 5th highest in tax-exempt property behind only Worcester, Cambridge, Chelsea and Boston.

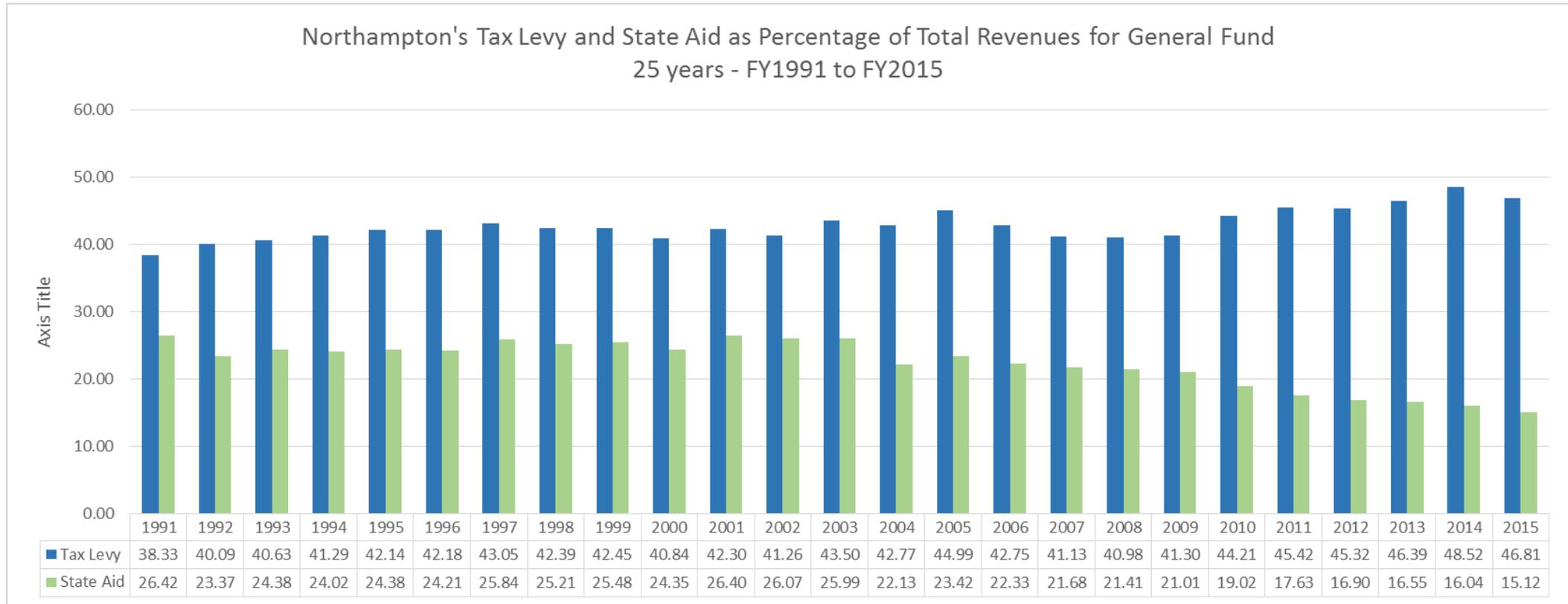
Northampton is 16th out of 351 cities and towns with 22.37% of the property value in the city owned by tax-exempt institutions.

DOR Code	Municipality	Fiscal Year	Total Taxable Property Values	Total Tax Exempt Property Values	Total Taxable and Tax Exempt Property Values	Taxable as a % of Total	Tax Exempt as a % of Total
143	Huntington	2015	190,749,313	125,883,400	316,632,713	60.24	39.76
106	Gill	2015	143,353,073	65,161,200	208,514,273	68.75	31.25
348	WORCESTER	2015	11,171,271,238	4,945,157,390	16,116,428,628	69.32	30.68
195	Mount Washington	2015	84,288,303	37,259,300	121,547,603	69.35	30.65
049	CAMBRIDGE	2015	30,143,180,521	12,993,522,076	43,136,702,597	69.88	30.12
057	CHELSEA	2015	2,399,373,740	1,004,406,300	3,403,780,040	70.49	29.51
074	Deerfield	2015	660,442,398	271,582,518	932,024,916	70.86	29.14
204	New Salem	2015	107,964,663	44,229,817	152,194,480	70.94	29.06
008	Amherst	2015	2,190,527,500	875,724,500	3,066,252,000	71.44	28.56
124	Hardwick	2015	218,327,405	84,245,532	302,572,937	72.16	27.84
035	BOSTON	2015	110,736,862,222	41,490,496,874	152,227,359,096	72.74	27.26
234	Petersham	2015	147,820,467	54,884,300	202,704,767	72.92	27.08
313	Washington	2015	77,666,252	26,504,500	104,170,752	74.56	25.44
112	Granville	2015	191,058,970	58,795,900	249,854,870	76.47	23.53
099	Foxborough	2015	2,624,494,720	763,355,100	3,387,849,820	77.47	22.53
214	NORTHAMPTON	2015	3,259,044,078	939,342,100	4,198,386,178	77.63	22.37
341	Williamstown	2015	959,107,200	272,604,800	1,231,712,000	77.87	22.13
319	Wendell	2015	92,148,368	26,152,000	118,300,368	77.89	22.11
209	NORTH ADAMS	2015	712,068,051	196,750,450	908,818,501	78.35	21.65
097	FITCHBURG	2015	2,093,135,075	578,039,700	2,671,174,775	78.36	21.64
103	GARDNER	2015	1,131,686,711	306,260,500	1,437,947,211	78.70	21.30
312	Warwick	2015	76,824,362	20,489,400	97,313,762	78.95	21.05
202	New Braintree	2015	110,734,543	29,497,300	140,231,843	78.97	21.03
160	LOWELL	2015	6,332,311,813	1,633,580,920	7,965,892,733	79.49	20.51
036	Bourne	2015	4,095,521,960	1,035,284,640	5,130,806,600	79.82	20.18

Reliance on Property Taxes

- With 22.37% of the total value of property in Northampton classified as tax-exempt, the responsibility to fund city services falls to the remaining 77.63% of taxpayers
- Of these 77.63% of taxpayers, 80% are residential taxpayers
- Reliance on property tax has grown in direct proportion to the decline in state aid
- In FY1991, the city received 26.42% of its revenue from state aid, in FY2015 it was 15.12%
- In FY1991, the city derived 38.33% of its revenue from property taxes, in FY2015 it was 46.81%
- With an 11.3% reduction in state aid, property taxes have had to make up the difference

For Northampton, the preponderance of tax-exempt properties combined with a high reliance on the property tax for local revenue has made this impact particularly acute.



Types of Tax-Exempt Land Use in Northampton

- Government – Local, County, State, Federal
- Quasi-Governmental – Housing Authority, Hampshire COG
- Private Educational
- Religious
- Hospital
- Charitable and Social Services
- Recreation and Conservation
- Charitable Fraternal and Community Groups
- Museums
- Cemeteries

Breakdown of Tax-Exempt Land Use in Northampton

Tax Exempt Land in City of Northampton, MA - Type of Use		
Type of Exempt Use	Value of Exempt Use	% of Total Exempt Value
Private Educational	\$ 433,652,010.00	46.79%
Municipal - Northampton	\$ 221,924,382.00	23.95%
State - Massachusetts	\$ 67,658,100.00	7.30%
Federal - USA	\$ 62,017,230.00	6.69%
Housing Authority	\$ 51,769,310.00	5.59%
Religious	\$ 30,840,200.00	3.33%
Hospital	\$ 21,786,390.00	2.35%
Charitable and Social Services	\$ 12,429,715.00	1.34%
Recreation	\$ 6,745,180.00	0.73%
Charitable Fraternal and Community Groups	\$ 4,037,230.00	0.44%
County - Hampshire COG	\$ 3,634,190.00	0.39%
Charitable Housing	\$ 3,213,560.00	0.35%
Transportation	\$ 2,193,880.00	0.24%
Private Conservation	\$ 1,897,150.00	0.20%
Museums	\$ 1,458,250.00	0.16%
Cemetaries	\$ 1,455,030.00	0.16%
Total	\$ 926,711,807.00	100.00%

Top Ten Owners of Tax-Exempt Property in Northampton by Valuation

Top Ten Owners of Exempt Property in City of Northampton, MA - Valuation		
Owners of Exempt Property	Valuation	Percent of Total Tax Exempt Valuation
Smith College	\$ 420,758,090.00	45.40%
City of Northampton	\$ 221,923,682.00	23.95%
Commonwealth of Massachusetts	\$ 63,608,820.00	6.86%
United States of America	\$ 62,017,230.00	6.69%
Northampton Housing Authority	\$ 51,769,310.00	5.59%
Cooley Dickinson Hospital	\$ 21,786,390.00	2.35%
Roman Catholic Bishop of Springfield	\$ 9,680,830.00	1.04%
Hamshire Regional YMCA	\$ 5,908,570.00	0.64%
Clarke School for the Deaf	\$ 4,720,690.00	0.51%
Service Net	\$ 4,668,030.00	0.50%

Top Ten Owners of Tax-Exempt Property in Northampton by Acreage

Owners of Exempt Property in City of Northampton, MA - Acreage		
Owners of Exempt Property in Northampton, MA by Acreage	Acreage	Percent of Tax Exempt Acreage
City of Northampton	4,175.31	68.44%
Massachusetts Audubon Society	558.76	9.16%
Commonwealth of Massachusetts	487.05	7.98%
United States of America	224.33	3.68%
Smith College	161.36	2.64%
Roman Catholic Bishop of Springfield	99.86	1.64%
Hospital Hill Development Corporation	58.81	0.96%
Cooley Dickinson Hospital	43.23	0.71%
Christ United Methodist Church	40.40	0.66%
Northampton Housing Authority	39.54	0.65%

PILOT Defined

PILOT is a formalized way for municipalities to request **tax-like payments** from tax-exempt property owners in recognition of the local services from which tax-exempt institutions benefits.

Common Elements of a PILOT Program

- Typically focused on largest private tax-exempt institutions
- Participation is voluntary and in recognition of municipal services from which the institution benefits
- Credit for community services and in-kind contributions provided by the tax-exempt institutions
- Typical land uses exempt from local PILOT's include government, religious, conservation, and cemeteries
- Can be individual agreements with tax-exempt institutions or a formalized municipal PILOT program

Current Northampton PILOT Revenue

PILOT Payments to City of Northampton, MA - Fiscal Year 2012 - Fiscal Year 2015				
	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>
PILOT-HOUSING AUTHORITY	\$ 24,756.78	\$ 25,051.89	\$ 27,338.83	\$ 28,910.70
PILOT-SMITH COLLEGE	\$ 49,644.75	\$ 52,503.62	\$ 66,651.66	\$ 90,561.33
PILOT-CONGREGATION B'NAI ISRAEL	\$ 3,495.03	\$ 6,412.10	\$ 6,719.36	\$ 7,320.36
PILOT-US FISH & WILDLIFE	\$ 50.00	\$ -	\$ 243.00	\$ 552.00
PILOT - EASTHAMPTON	\$ -	\$ 4,373.65	\$ 968.03	\$ 993.82
PILOT - STATE OWNED LAND	\$ 101,469.00	\$ 101,502.00	\$ 103,509.00	\$ 64,620.00
TOTAL	\$ 179,415.56	\$ 189,843.26	\$ 205,429.88	\$ 192,958.21

House Bill 2584 – An Act relative to payments in lieu of taxation by organizations exempt from the property tax

- Filed by Rep. Stephen Kulik - January 2015
- Would require local-option acceptance
- Would allow a municipality to implement a program for tax-exempt institutions to make an annual PILOT payment to the municipality in which they are located
- Payments would be equivalent to 25 percent of the amount the organization would have been assessed on real and personal property if it were not exempt from taxation
- PILOT program could include exemptions or consideration of community benefits that reduce the amount of the PILOT paid to the municipality
- Based on successful City of Boston PILOT Program

City of Boston FY2015: \$25.9 million in voluntary cash PILOT payments from 49 colleges and universities, hospitals, and cultural institutions



Valuation of Northampton tax-exempt properties:

- Valuations on tax-exempt properties are generated by the Assessors using proprietary software
- Values relative to land are determined by a land value schedule particular to the neighborhood in which the property is located and based on current sales of property in that area
- Values relative to buildings are formulated based on building square footage, construction and condition minus depreciation – does not include comparable sales data

Cost of Municipal Services – 25.36%

Devoted to Public Safety and Public Works

City of Northampton, MA - Public Safety and Public Works	
Department	FY16 Budget
Police	\$ 5,876,610.00
Public Safety Dispatch	\$ 576,367.00
Fire Rescue	\$ 5,725,847.00
Emergency Management	\$ 7,550.00
Public Works (Not including enterprise funds)	\$ 2,867,937.00
Street Lights	\$ 189,847.00
Employee Benefits for Public Safety and Public Works Employees (184 Employees)	\$ 3,149,755.01
Debt Service for Public Safety and Public Works	\$ 2,472,904.00
Total Public Safety and Health	\$ 20,866,817.01
Total FY16 General Fund Appropriation	\$ 82,283,697.00
Percentage of General Fund Budget	25.36%

Northampton PILOT Program Exemptions

- federal, state, regional, and city government property, churches and cemeteries, and conservation land exempt
- first \$1,000,000 of value exempt

Tax-Exempt Property included in Northampton PILOT Program

Owners of Exempt Property	Valuation	Exempt first \$1.0 million valuation	Value remaining after \$1.0 million exemption for PILOT Calculation
SMITH COLLEGE	\$ 420,758,090.00	\$ 1,000,000.00	\$ 419,758,090.00
COOLEY DICKINSON HOSPITAL INC	\$ 21,786,390.00	\$ 1,000,000.00	\$ 20,786,390.00
HAMPSHIRE REGIONAL YMCA	\$ 5,908,570.00	\$ 1,000,000.00	\$ 4,908,570.00
CLARKE SCHOOL FOR THE DEAF	\$ 4,720,690.00	\$ 1,000,000.00	\$ 3,720,690.00
SERVICENET INC	\$ 4,668,030.00	\$ 1,000,000.00	\$ 3,668,030.00
LATHROP HOME	\$ 2,470,900.00	\$ 1,000,000.00	\$ 1,470,900.00
PEOPLES INSTITUTE	\$ 1,581,780.00	\$ 1,000,000.00	\$ 581,780.00
NORTHAMPTON COMMUNITY ARTS	\$ 1,316,710.00	\$ 1,000,000.00	\$ 316,710.00
HISTORIC NORTHAMPTON	\$ 1,268,250.00	\$ 1,000,000.00	\$ 268,250.00
HILL INSTITUTE	\$ 1,233,050.00	\$ 1,000,000.00	\$ 233,050.00
NORTHAMPTON LODGE OF ELKS #977	\$ 1,225,580.00	\$ 1,000,000.00	\$ 225,580.00
GANDARA MENTAL HEALTH CTR INC	\$ 898,790.00	\$ 1,000,000.00	\$ -
COMMUNITY ENTERPRISES INC	\$ 885,500.00	\$ 1,000,000.00	\$ -
CLINICAL & SUPPORT OPTIONS INC	\$ 875,120.00	\$ 1,000,000.00	\$ -
WORLD WAR II VETERANS ASSOC	\$ 782,200.00	\$ 1,000,000.00	\$ -
MICHAEL CURTIN V F W POST 8006	\$ 753,810.00	\$ 1,000,000.00	\$ -
NONTUCK RESOURCE ASSOC. INC.	\$ 634,400.00	\$ 1,000,000.00	\$ -

Tax-Exempt Property included in Northampton PILOT Program			
Owners of Exempt Property	Valuation	Exempt first \$1.0 million valuation	Value remaining after \$1.0 million exemption for PILOT Calculation
NORTHAMPTON MONTESSORI SOCIETY	\$ 607,000.00	\$ 1,000,000.00	\$ -
SMITH CHARITIES	\$ 597,200.00	\$ 1,000,000.00	\$ -
TRI COUNTY YOUTH PROGRAMS INC	\$ 594,340.00	\$ 1,000,000.00	\$ -
MEDIA EDUCATION FOUNDATION INC	\$ 565,250.00	\$ 1,000,000.00	\$ -
FLORENCE CIVIC & BUSINESS	\$ 504,990.00	\$ 1,000,000.00	\$ -
SMITH CHILD CARE CENTER INC	\$ 502,200.00	\$ 1,000,000.00	\$ -
HUMAN RESOURCES UNLIMITED INC	\$ 496,200.00	\$ 1,000,000.00	\$ -
AMERICAN LEGION POST #28	\$ 466,280.00	\$ 1,000,000.00	\$ -
WINDHORSE ASSOCIATES INC	\$ 445,825.00	\$ 1,000,000.00	\$ -
BRIDGE ST LLC	\$ 428,460.00	\$ 1,000,000.00	\$ -
NORTHAMPTON FRIENDS MEETING	\$ 396,100.00	\$ 1,000,000.00	\$ -
BETTY ALLEN CHAPTER DAR	\$ 304,370.00	\$ 1,000,000.00	\$ -
YOUNG WOMENS CHRISTIAN ASSOC	\$ 294,500.00	\$ 1,000,000.00	\$ -
SAFE PASSAGE INC	\$ 286,600.00	\$ 1,000,000.00	\$ -
COMMUNITY CARE RESOURCES INC	\$ 235,200.00	\$ 1,000,000.00	\$ -
COMMITTEE FOR NORTHAMPTON INC	\$ 190,000.00	\$ 1,000,000.00	\$ -
HAMPSHIRE COMMUNITY UNITED WAY	\$ 117,500.00	\$ 1,000,000.00	\$ -
PIONEER VALLEY HABITAT FOR HUMANITY	\$ 1,900.00	\$ 1,000,000.00	\$ -
Grand Total	\$ 478,801,775.00		\$ 456,938,040.00

Community Services Credit

- Recognizes the significant in-kind contributions made by tax-exempt institutions that benefit Northampton residents
- Up to 50% credit applied against annual PILOT payment for direct community services
- Community services must:
 - directly benefit City of Northampton residents
 - support the city's mission and priorities, or
 - offer ways for the city and tax-exempt institution to collaborate to meet shared goals
- Community services must be quantifiable, well documented, and differentiated from broader economic or employment benefits
- Each year participating institutions may submit a form outlining activities that qualify for community services credit

Three Year Phase-In

Tax-Exempt Property included in Northampton PILOT Program					
Owners of Exempt Property	100% Tax @ \$15.80/\$1000 valuation	PILOT PAYMENT @ 25%	FY17 33.33%	FY18 67.3%	FY19 100.00%
SMITH COLLEGE	\$ 6,632,177.82	\$ 1,658,044.46	\$ 552,626.22	\$ 1,116,361.33	\$ 1,658,044.46
COOLEY DICKINSON HOSPITAL INC	\$ 328,424.96	\$ 82,106.24	\$ 27,366.01	\$ 55,282.13	\$ 82,106.24
HAMPSHIRE REGIONAL YMCA	\$ 77,555.41	\$ 19,388.85	\$ 6,462.30	\$ 13,054.51	\$ 19,388.85
CLARKE SCHOOL FOR THE DEAF	\$ 58,786.90	\$ 14,696.73	\$ 4,898.42	\$ 9,895.31	\$ 14,696.73
SERVICENET INC	\$ 57,954.87	\$ 14,488.72	\$ 4,829.09	\$ 9,755.25	\$ 14,488.72
LATHROP HOME	\$ 23,240.22	\$ 5,810.06	\$ 1,936.49	\$ 3,911.91	\$ 5,810.06
PEOPLES INSTITUTE	\$ 9,192.12	\$ 2,298.03	\$ 765.93	\$ 1,547.26	\$ 2,298.03
NORTHAMPTON COMMUNITY ARTS	\$ 5,004.02	\$ 1,251.00	\$ 416.96	\$ 842.30	\$ 1,251.00
HISTORIC NORTHAMPTON	\$ 4,238.35	\$ 1,059.59	\$ 353.16	\$ 713.42	\$ 1,059.59
HILL INSTITUTE	\$ 3,682.19	\$ 920.55	\$ 306.82	\$ 619.80	\$ 920.55
NORTHAMPTON LODGE OF ELKS #977	\$ 3,564.16	\$ 891.04	\$ 296.98	\$ 599.94	\$ 891.04
Grand Total	\$ 7,203,821.03	\$ 1,800,955.26	\$ 600,258.39	\$ 1,212,583.18	\$ 1,800,955.26

Next Steps:

- ✓ Mayor to file resolution seeking City Council endorsement for consideration following 45-day public comment period (November 19, 2015).
- ✓ Mayor to hold three Northampton PILOT Program Town Hall Meetings:
 - October 14, 2015 @ 7:00 p.m. - Police Station Community Room, 29 Center Street
 - October 21, 2015 @ 7:00 p.m. - Leeds Elementary School, 20 Florence Street, Leeds
 - October 28, 2015 @ 7:00 p.m. - Florence Civic Center, 90 Park Street, Florence
- ✓ Mayor to meet with leadership of tax-exempt institutions identified for voluntary participation

Hypothetical Religious Property

Religious Organizations	Current Valuation	Value after \$1,000,000	Total Pilot	PILOT at 25%	33.30%	67.70%	100%
ROMAN CATHOLIC BISHOP OF SPFLD	9,680,830.00	8,680,830.00	137,157.11	34,289.28	11,418.33	23,213.84	34,289.28
FIRST CONGREGATIONAL CHURCH OF	4,572,170.00	3,572,170.00	56,440.29	14,110.07	4,698.65	9,552.52	14,110.07
COLLEGE CHURCH INC THE	3,379,800.00	2,379,800.00	37,600.84	9,400.21	3,130.27	6,363.94	9,400.21
CHRIST UNITED METHODIST CHURCH	1,931,480.00	931,480.00	14,717.38	3,679.35	1,225.22	2,490.92	3,679.35
EDWARDS CHURCH OF NORTHAMPTON	1,838,220.00	838,220.00	13,243.88	3,310.97	1,102.55	2,241.53	3,310.97
UNITARIAN CHURCH	1,396,450.00	396,450.00	6,263.91	1,565.98	521.47	1,060.17	1,565.98
ST JOHN'S EPISCOPAL CHURCH	1,368,090.00	368,090.00	5,815.82	1,453.96	484.17	984.33	1,453.96
FLORENCE CONGREGATIONAL CHURCH	1,353,970.00	353,970.00	5,592.73	1,398.18	465.59	946.57	1,398.18
FIRST CHURCH OF CHRIST	1,101,760.00	101,760.00	1,607.81	401.95	133.85	272.12	401.95
BIBLE BAPTIST CHURCH THE	859,170.00						
CORNERSTONE CHAPEL OF THE	612,810.00						
FAITH BAPTIST CHURCH INC	442,500.00						
ST VALENTINE'S POLISH NATIONAL	436,780.00						
HOMEOWNERS ASSOCIATION OF LAUREL PARK	428,700.00						
NORTHAMPTON CONGREGATION OF JEHOVAH'S WITNESS	394,050.00						
SEVEN DAY ADVENTISTS	378,540.00						
RESURRECTION LIFE INTERNATIONAL	276,000.00						
ST VALENTINE'S POLISH NATIONAL	272,500.00						
WEST FARMS CHAPEL	116,380.00						
B'NAI ISRAEL CONGREGATIONAL	-						
TOTAL	\$ 30,840,200.00	\$ 17,622,770.00	\$ 278,439.77	\$ 69,609.94	\$ 23,180.11	\$ 47,125.93	\$ 69,609.94