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Northampton Mayor David Narkewicz set to broach 'long-simmering' payment-in-lieu-of-taxes idea

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NORTHAMPTON — Answering a clear call from city residents, Mayor David J. Narkewicz is pledging to forge ahead in the next six months to develop a voluntary payment-in-lieu-of-taxes program, commonly referred to as a PILOT program, with the city's largest nonprofit institutions.

The fiscal 2016 proposed budget Narkewicz unveiled Friday includes \$125,000 in payments from existing PILOT agreements. The largest share of that total comes from Smith College, but the amount also includes payments from the Northampton Housing Authority, Congregation B'nai Israel and the city of Easthampton.

Under a PILOT program, nonprofits not subject to property taxes agree to voluntarily pay a portion of what they would be taxed if their properties were taxable.

Narkewicz said because of growing pressure on communities to pay their costs through property taxes — particularly as state aid lags — many are looking for help from nonprofits that may rely on city services but not fund them because of their nonprofit status.

He said as city residents increasingly feel the pinch of their property tax payments, many have encouraged him to pursue other revenue sources, such as a PILOT program.

“It’s been a long-simmering issue in Northampton. It’s always at the margins. It sort of flares when we’ve had tight budget years,” said Narkewicz.

“It’s a conversation that’s long overdue and city residents want me to pursue it,” he said. “I’m going to charge up that hill.”

The city of Boston has recently implemented a PILOT program in which educational, medical and cultural institutions with property holdings over \$15 million are asked to voluntarily pay 25 percent of what their tax bill would be.

Narkewicz said he has already begun discussions with some of the city’s nonprofit institutions — but again, he said, he does not have much leverage.

“This is voluntary,” said Narkewicz. “I can’t wave a magic wand and say, ‘Everybody do this.’ ”

The idea of a PILOT program is a complex, multi-faceted issue, he said — one that requires thoughtful, deliberate discussions because of that complexity.

While they do not pay property taxes, there are many ways that institutions such as Smith College provide financial and other benefits to the community. Northampton High School students, for instance, can take classes at Smith for free.

So discussions would have to take those factors into account, the mayor said.

“I want it to be respectful and thoughtful and based on data, not anecdotes or emotion,” Narkewicz said. “It’s time to have an honest conversation and come up with a plan that is fair and equitable.”

Narkewicz said he does not have a realistic estimate of what the city could raise through a PILOT program at this early stage in the conversation, in part because there are so many variables.

He said he explored the idea with the help of the City Council and residents, and aims to have a detailed PILOT proposal by Oct. 1.

“I realize I’m biting off a lot with it, but I also feel like it’s my job and it’s what the community wants,” he said.

He also noted that state Rep. Stephen Kulik, D-Worthington, has submitted a bill that would require PILOT payments on a model similar to the one Boston has implemented on a voluntary basis.

“I strongly support this legislation, as does the Mass Municipal Association,” Narkewicz said.

But the Legislature has considered a similar bill in the past and encountered heavy opposition from nonprofits.

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