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# Proposed payment-in-lieu-of-taxes program spurs debate among Northampton nonprofits

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NORTHAMPTON — A program proposed by Mayor David J. Narkewicz earlier this month that would ask 11 of Northampton's largest nonprofit, tax-exempt property owners to make voluntary payments to the city has raised questions about what it means for local organizations to contribute to the community.

Proponents say the program is long overdue and simply asks nonprofits to pay their fair share for the basic municipal services on which they rely. But critics say the initiative would take money away from organizations that provide much-needed community services — often stepping in, they say, where government falls short.

Phased in over three years, the payment-in-lieu-of-taxes, or PILOT, program would ask these institutions to collectively contribute as much as \$1.8 million in voluntary payments to the city.

[Northampton Pilot Program Oct 2015 \(https://www.scribd.com/doc/284793999/Northampton-Pilot-Program-Oct-2015\)](https://www.scribd.com/doc/284793999/Northampton-Pilot-Program-Oct-2015)

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The proposed annual payments — based on the city’s current tax rate of \$15.80 for every \$1,000 in assessed property value — range from approximately \$1.66 million from Smith College to \$891 from the Northampton Lodge of Elks #977. Under the proposal, up to half of an organization’s contribution could be covered by in-kind services with a “community service credit” — services that “directly benefit city residents, support the city’s mission and priorities, or offer ways for the city and nonprofit to collaborate to meet shared goals.”

The 11 organizations included in the proposal — Smith College, Cooley Dickinson Hospital, Hampshire Regional YMCA, Clarke Schools for Hearing and Speech, ServiceNet Inc., Lathrop Home, People’s Institute, Northampton Community Arts, Historic Northampton, Hill Institute and Northampton Lodge of Elks #977 — own property with assessed values ranging from \$421 million to \$1.2 million.

Government entities, religious institutions, cemeteries, conservation land and tax-exempt institutions whose property holdings fall below \$1 million in valuation — the threshold set in the mayor’s plan — are excluded from the program.

Northampton Pilot Program OCT15 : Sheet1

Owner	Valuation	Proposed PILOT Pay
SMITH COLLEGE	\$420,758,090	\$1,658,044.46
COOLEY DICKINSON HOSPITAL INC	\$21,786,390	\$82,106.24
HAMPSHIRE REGIONAL YMCA	\$5,908,570	\$19,388.85
CLARKE SCHOOLS FOR THE DEAF	\$4,720,690	\$18,646.73
SERVICENET INC	\$4,668,030	\$14,488.72
LATHROP HOME	\$2,470,900	\$5,810.06
PEOPLES INSTITUTE	\$1,581,780	\$2,298.03
NORTHAMPTON COMMUNITY ARTS	\$1,316,710	\$1,251.00
HISTORIC NORTHAMPTON	\$1,268,250	\$1,059.59
HILL INSTITUTE	\$1,233,050	\$920.55
NORTHAMPTON LODGE OF ELKS #977	\$1,225,580	\$891.04
	<b>TOTAL:</b>	<b>\$1,804,905.27</b>

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“One of the great things about Northampton is we have these large institutions,” Narkewicz said, pointing to Cooley Dickinson as a regional medical hub. However, in turn, he said, the city bears a “disproportionate burden” for providing municipal services such as road upkeep, which benefits clients who come from outside of Northampton in addition to city residents.

Under the mayor’s proposal, the 11 organizations would be asked to pay 25 percent of what they would contribute if they paid property taxes — an amount the mayor claims covers basic services such as police, fire rescue and public works.

“We need to protect them just like we protect the rest of the city,” Narkewicz said.

The structured approach, similar to a system Boston implemented in 2011, offers a “paradigm shift,” he said. Instead of singling out one or two institutions and furtively asking for contributions, it addresses the issue in a transparent and holistic way, he said.

Uneven support

Support for the program varies among local nonprofit leaders. As staff from the organizations begin meeting individually with Narkewicz to discuss the proposal, many said it was too early to form an opinion, some said they understood the city's predicament and were willing to help, and at least one nonprofit leader said he opposed the idea.

Like those at fellow nonprofits included in the proposal, Hampshire Regional YMCA interim CEO Steven McCafferty said he and his colleagues are in the process of "try(ing) to understand what it might mean for us" and look forward to having a "substantive conversation" with the mayor.

"The difficult part of the equation is balancing what services (nonprofits) provide versus what (municipal) services they actually use," he said.

Kiki Smith, president of the Historic Northampton board, said that while its members have yet to discuss the initiative, she suspects they will "be fine with taking on a small share," particularly since the city has been generous with grant money.

"We are of course trying to save every dollar we can," she said. "But we also appreciate what the city's circumstances are and all the support and services we get."

But Michael Bardsley, exalted ruler of the Elks Lodge, sees the program in a different light. For a small charitable organization like his, even just a few hundred dollars would be a "substantial burden," he said, noting that the institution's budget doesn't have the flexibility — as some others do — that a hefty endowment affords.

The Elks would be asked to pay \$891.04 each year under the mayor's proposal at the end of the three-year phase-in period.

"Not all nonprofits are created equal," said Bardsley, a former City Council president who ran against Narkewicz in the 2011 mayoral election. "Using a strict formula based on the value of the properties doesn't take into account the ability of that organization to pay."

For Cooley Dickinson — which would be asked to contribute about \$82,000 each year after the phase-in period — the program is something that requires additional exploration, spokeswoman Julia Sorensen said. When considering its contributions, prioritizing the hospital's mission of providing health care to local residents is key, she said.

"These are challenging times for hospitals and health systems," Sorensen said in a statement.

"Although the voluntary payment is not a large dollar amount, any dollars we don't have to invest in our programs does add to the challenge of providing the high-quality, personal care that residents expect."

Representatives from Smith College, the Clarke Schools, ServiceNet, Lathrop Home and Northampton Community Arts said they are reviewing the proposal but declined to comment further, saying it was too early at this stage. Representatives from the People's Institute and the Hill Institute could not be reached for comment.

## Other PILOT programs

In Northampton, about 22.37 percent of property is tax-exempt — more than a third of tax-exempt property is government land. Among Massachusetts cities, Northampton ranks 38th in population size but holds the fifth highest amount of tax-exempt property, behind Worcester, Cambridge, Chelsea and Boston, according to the mayor's report.

One way of addressing this reduced tax base, some communities have found, is through such PILOT programs. The practice is becoming increasingly common in Massachusetts, where municipalities rely heavily on property taxes, said David Thompson, vice president of public policy at the National Council of Nonprofits in Washington.

Boston, which introduced a PILOT program in 2011, took in nearly \$28 million through such contributions in fiscal 2015, according to city data.

Mayors who are "desperate for money" often characterize the initiative as a matter of fairness — a way nonprofits can team up with the government to address budget issues, Thompson said.

But to him, the program is nothing more than municipal bullying. "It's not collaborative at all," he said. "It's always rammed down nonprofits' throats."

Thompson added that demonizing nonprofits for refusing to pay, as is often done, is unfair because much of the value such institutions contribute is intangible.

"It's hard to put a price tag on reducing community hatred or improving community engagement," he said, citing, for instance, the work the YMCA does nationwide to keep young people out of gangs.

As part of a 45-day public comment period on the plan — which can be found online at [northamptonma.gov/PILOT \(http://www.northamptonma.gov/PILOT\)](http://www.northamptonma.gov/PILOT) and at City Hall, Forbes Library and Lilly Library — the mayor is hosting three public meetings, the first of which will be at 7 p.m. Wednesday at the police station on Center Street. The second will be Oct. 20 at Leeds Elementary School and the last one Oct. 28 at the Florence Civic Center, both at 7 p.m.

Part of the upcoming back-and-forth will likely revolve around the city's property assessment methodology, why certain nonprofits like houses of worship were excluded and the kinds of services that would count toward the "community service credit."

"Many of these institutions do provide benefits to the city," Narkewicz said. "It may not be a check, but we want to make sure we monetize that."

Local nonprofit leaders cited numerous services they hoped the city would recognize — scholarship money, basketball leagues, free health care services, art exhibits, lecture series and more.

Narkewicz said he is looking forward to feedback and will tweak the proposal based on what he hears. Then, he plans to present the program to the City Council and ask for its endorsement.

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