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# Editorial: Mayor's pitch to nonprofits strikes reasonable balance in Northampton

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Few question the value that Northampton's largest nonprofits bring to the city, but with an ever-increasing tax burden falling on residential and business property owners, the time is right to ask these groups to chip in more for the betterment of the community.

That's why we're encouraged by Mayor David J. Narkewicz's proposal calling on the city's 11 largest nonprofits — Smith College and Cooley Dickinson Hospital top the list — to voluntarily contribute cash through a new program called payment in lieu of taxes, or PILOT.

The proposal would be phased in over three years and would ask these institutions to ultimately contribute as much as \$1.8 million annually, or 25 percent of what they would pay in local taxes if their property was not exempt. Though nonprofit institutions are exempt from property taxes by virtue of their charitable missions, we hope they agree to some version of this proposal.

It should be noted that Smith College and others already make invaluable contributions to the city. But the business of running Northampton — a job that includes providing police, fire, snow plowing, street repairs and other essential services — falls disproportionately on residential and commercial taxpayers (64 percent of the city's \$103 million fiscal 2016 budget). Northampton is the 38th most populated city in Massachusetts, yet it ranks fifth in tax-exempt property, at 22 percent.

Combine that with a sharp drop in state aid over the years and it's unreasonable to continue to ask owners of taxable property to pay more in the form of overrides without at least considering a PILOT program that has proven successful elsewhere.

The majority of tax-exempt property owners in the city would be exempt because their property holdings fall below \$1 million in value, which is the threshold set in the proposal. The plan also exempts government entities, houses of worship, cemeteries and conservation land.

Of the nonprofits that would qualify, Smith College is by far the largest, and could end up paying 88 percent of the total amount raised through the tax. The college has 161 acres of tax-exempt property valued at nearly \$421 million, which would amount to a \$1.6 million annual payment based on the 25 percent formula and the city's current tax rate. By comparison, the college contributed \$90,500 in PILOT money in the most recent fiscal year.

There's been no indication these nonprofits will balk at paying more through a PILOT. Most said they are considering the plan. They are not freeloaders.

Quite the contrary. Smith College notes on its website that it already pays \$855,600 in sewer and water charges; \$530,800 in real estate taxes on non-exempt properties; and \$92,000 in stormwater fees.

Discussion about the mayor's PILOT plan continues with public forums this month and before the City Council next month.

The mayor is offering a "community services credit" as a nod to the nonprofits' contributions to the city. Through this credit, nonprofits can get a 50 percent reduction against their annual PILOT payment for services that directly benefit city residents.

But good works aren't always a substitute for cash. Narkewicz's proposal strikes the right balance and opens a discussion with the parties involved. Some of the smaller nonprofits, in fact, will likely end up paying next to nothing thanks to the credit. Given its contributions to the community, the Elk's Lodge, for example, will have little problem whittling its proposed bill of \$891 in half.

The same holds true for most of the other nonprofits, but if, as the Elks leader told the Gazette this week, even a few hundred dollars is a "substantial burden" to some nonprofits without big endowments like Smith, some wiggle room in the total can always be part of the conversation. These discussions should include talk about an organization's ability to pay.

Northampton is not alone in exploring this issue. All over the country, municipal governments are seeking budget relief through PILOTs. Well-funded universities such as Yale, Boston, Princeton and Brown have agreements with their host cities to make significant yearly PILOT payments ranging from

\$1.2 million to as high as \$8 million. Boston's new PILOT venture, meanwhile, is collecting some \$25 million each year through its new program, a model which Narkewicz studied extensively when crafting his plan for Northampton.

The mayor has wisely answered the call from constituents to push this issue forward. The first forum took place Wednesday. Future forums are scheduled for Tuesday at Leeds Elementary School and Wednesday, Oct. 28, at the Florence Civic Center, both at 7 p.m.

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