

Should nonprofits chip in? In lean times, suburbs cast hungry eyes on colleges and agencies

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Call it municipal fantasy math. There's hardly an official of almost any suburb who has not cast a longing gaze at the campus of a tony private school or the expansive headquarters of a local social-service agency and wished that nonprofit organizations had to pay local taxes on the properties they own.

In Newton, it's a fantasy worth millions. In February, the city's Blue Ribbon Commission, a citizen advisory group, urged officials to confront its five local colleges with a combined assessed property value of \$450 million. If Boston College, Lasell College, Mount Ida College, Andover Newton Theological School, and Hebrew College paid property taxes, the city would collect nearly \$6 million annually, the commission found.

Framingham, meanwhile, has become the first community to take official action on the dream, formally requesting payments from more than a dozen tax-exempt social service agencies with local holdings.

The town's actions are being closely watched in the nonprofit world, concerned that other host towns will attempt to strong-arm nonprofit educational, religious, and charitable institutions - none of which pay local property taxes - into donating payments in lieu of taxes, also known as PILOT arrangements.

Residents and officials alike have focused on affluent local institutions that, by virtue of their tax-exempt status, own properties but pay no real estate taxes. Names of well-heeled suburban educational institutions like Wellesley College and Boston College, both of which reported more than \$1.5 billion in assets to the IRS in 2005, surface in discussion groups and letters to the editor when their host communities hit budget crises.

But nonprofits - poor and rich alike - cry foul, saying the payments would threaten their core missions to educate the young, help the needy, or minister to the faithful.

Earlier this month, Framingham selectmen voted to seek voluntary payments from groups with state contracts that run homeless shelters, sports programs for low-income youths, and programs for the mentally ill, as well as local outposts of larger charitable groups such as the Boy Scouts and the American Cancer Society.

Payments are strictly voluntary, said Julian Suso, Framingham's town manager. The town cannot legally impose payments in lieu of taxes, and has not made projections about how much money officials hope to raise. The policy, which did not target churches or schools, was necessary because Framingham hosts more than its fair share of tax-exempt social service agencies, he said.

"There's no dollar and cents amount. It's an evolutionary process," said Suso. "We don't have a preordained idea of what the amounts will be, but we want to work in the direction of establishing a reasonable balance."

The move outraged Jerry Desilets, director of policy and planning for the town's largest nonprofit organization, the South Middlesex Opportunity Council, a Framingham-based agency that, among other services, runs shelters for the poor and homeless in several area communities.

The demand for money unfairly targets agencies helping the most vulnerable citizens and perpetuates "persistent discrimination of people with disabilities," said Desilets.

SMOC reported \$46 million in revenue and more than \$3 million in assets to the IRS last year, but those figures are misleading in terms of representing the agency's wealth, Desilets said.

"All of the money is dedicated to things in our contracts. There is nothing there to give reimbursement for local real estate taxes," he said. "There are no discretionary dollars here. It's not an asset, like money in the bank. These are contract dollars we are required to spend in a certain way."

Among the sources of inspiration for communities like Framingham and Newton in asking for payments are the PILOT plans already in place in cities like Cambridge and Boston, which have persuaded their wealthy schools to pay healthy assessments. Cambridge collects \$1.7 million from Harvard University and \$1.2 million annually from MIT, while Boston takes \$3.2 million from Boston University and another \$1.6 million from Harvard, according to a report by Newton's Blue Ribbon Commission.

But of Newton's schools, only BC offers the city an annual cash payment, to the tune of \$100,000.

"These institutions directly benefit from the quality of service provided by Newton's Police, Fire, and Public Works departments and indirectly through all the services that contribute to the quality of life in the city," the commission reported.

Newton is projecting a \$10.1 million operating deficit, and residents face the prospect of a property tax increase through a Proposition 2 1/2 override, but city officials are not targeting their venerable educational institutions for PILOT cash.

"Our view of our financial situation is that payments in lieu of taxes would not make a significant dent in the deficit we're facing," said city spokesman Jeremy Solomon.

And asking for money from Newton-Wellesley Hospital, which reported \$392 million in net assets to the IRS in 2005, is out of the question, he said. (The hospital paid Newton nearly \$500,000 in property taxes last year on its parking garage and medical office building, said spokeswoman Rachel Kagno.)

"We're fortunate to have a hospital of that caliber. They provide countless benefits and support to the city," said Solomon, citing the hospital's participation in the city's emergency preparedness plan and frequent public health programs and vaccine clinics.

Boston College has not discussed any change to its current payment to Newton, said school spokesman Jack Dunn.

BC is also Newton's largest employer, with 740 workers from the Garden City on its books, he noted.

"Our experience is that we are best capable of making a contribution through scholarships, donated services, in-kind gifts, and the 375,000 hours of volunteer service our students and faculty provide to our host communities," said Dunn.

Some area communities have negotiated PILOT arrangements on a case-by-case basis in recent years, especially with private golf courses, which enjoy a 75 percent discount on their property taxes. Increasingly, nonprofits purchasing properties in the suburbs are expected to keep them on the tax rolls. After a local uproar in 2001, when Harvard bought 30 acres in Watertown's new Arsenal on the Charles office complex, the university agreed to make annual multimillion-dollar PILOT contributions to the town.

In Needham, a PILOT arrangement resulted in payments from the local outpost of Boston-based Beth Israel Deaconess Medical Center, which reported \$406 million in net assets in 2005 tax filings.

Beth Israel Deaconess Hospital Needham - now in the midst of a \$29 million expansion of its prime location near downtown - makes a \$39,000 annual payment and is negotiating a new PILOT agreement with the town, said Margaret Pantridge, the hospital's vice president for marketing.

Wellesley officials may be the one exception to the PILOT movement, declining to pursue payments from prominent nonprofits like Wellesley College, Babson College, Dana Hall School, and Tenacre School.

Like many prestigious institutions, Wellesley College promotes its in-kind contributions to the community. It produces a two-page annual report detailing its contributions to civic life, including 250 public cultural and educational events and \$267,000 in donations to the Fire Department over the past decade. The report notes the college was Wellesley's fourth-largest taxpayer last year, paying \$603,000 for a group of nonexempt buildings on its 500-acre campus.

The town is satisfied with the school's contributions, said Owen Dugan, chairman of the Wellesley Board of Selectmen.

"It's felt there is a benefit to hosting the colleges and universities. We have a good healthy relationship with those schools. It's not 'we and they' with them, it's 'us.'" said Dugan. "All the schools recognize they are community citizens."

Wellesley wouldn't turn away donations, of course, said Dugan. "Any town would like more money, but we aren't demanding that."

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