



MAYOR DAVID J. NARKEWICZ

City of Northampton

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MEMORANDUM

TO: Northampton City Council
FROM: Mayor David J. Narkewicz
DATE: November 17, 2015
RE: Changes to Northampton Payment In Lieu Of Taxes (PILOT) Program

As the City Council considers the resolution seeking its endorsement of the Northampton PILOT Program, I wanted to outline three changes I have made to my original proposal based on feedback I received during the 45-day public review period:

1) Exempting social service agencies:

Section 5.3 of the original PILOT proposal identified the following kinds of tax-exempt property as not included in the program: governmental, houses of worship and cemeteries, and conservation land. Based on feedback from residents and institutions, I am also removing tax-exempt property owned by social service agencies from the program. Tax-exempt institutions like ServiceNet, Gandara Mental Health Center, Tri-County Youth Programs, Safe Passage, etc. exist solely to provide critical social services to adults, children, and families in our community, receive significant state and federal tax funding for their programs, and are open to all residents in need. The pressing issues of homelessness, substance abuse, mental health, domestic violence, etc. that these agencies address daily in our community would otherwise fall to local and state government to address. Nearly all of these agencies that own tax-exempt property fall below the \$1,000,000 exemption, so the only institution currently affected by this modification is ServiceNet.

2) 50% Community Services Credit cap exemption provision

One provision of the Boston PILOT model that I did not include in Section 5.4 of the original proposal was the ability to allow a tax-exempt institution to exceed the 50% limit on PILOT payment credit in specific cases where there are "exceptional or extraordinary opportunities for direct community services." Several residents and institutional leaders pointed out my omission of this feature from the Northampton PILOT Program during the public review period. After further consideration, I have decided to incorporate it but only after full phase-in of the program. This provision would be at the discretion of the Mayor and I would emphasize the "exceptional or extraordinary" case-specific nature of the provision.

3) Extension of the phase-in period from three to five years.

Section of 5.5 of the original Northampton PILOT Program proposal phased the program in over a three-year period to allow participating institutions to build voluntary PILOT payments into their operating budgets gradually. After discussing the program with institutional leaders, I am extending the phase-in period to five years in an effort to further mitigate any negative financial impacts. Thus, the first request to tax-exempt institutions for voluntary PILOT payments next year would be based on 5% of what their property would be taxed if not exempt. It would then move up annually to 10% in year 2, 15% in year 3, 20% in year 4, and the full 25% in year 5. The ability to receive up to 50% credit for community services during phase-in remains. I have attached an updated version of the chart that appears in Section 5.5 of the Northampton PILOT Program proposal to show how the extended, five-year phase-in works using the estimated FY2016 property tax rate for illustration purposes. As before, please note that these charts will require updating annually to reflect changes in assessment and tax rate.

I hope this memo is helpful to you as you deliberate on the resolution before you. As always, I stand ready to answer any questions you have or provide additional information.

Tax-Exempt Property included in Northampton PILOT Program - Five Year Phase In

						Estimated - subject to annual tax rate				
Owners of Exempt Property	FY16 Valuation	Exempt first \$1.0 million valuation	FY16 Value remaining after \$1.0 million exemption for PILOT Calculation	Preliminary FY16 Tax Rate 100% Tax @ \$16.16/\$1000 valuation	Year 1 FY16 June 30, 2016 5%	Year 2 FY17 June 30, 2017 10%	Year 3 FY18 June 30, 2018 15%	Year 4 FY19 June 30, 2019 20%	Year 5 FY20 June 30, 2020 25%	
SMITH COLLEGE	\$ 420,758,090	\$ 1,000,000	\$ 419,758,090	\$ 6,783,290.73	\$ 339,164.54	\$ 678,329.07	\$ 1,017,493.61	\$ 1,356,658.15	\$ 1,695,822.68	
COOLEY DICKINSON HOSPITAL INC	\$ 21,786,390	\$ 1,000,000	\$ 20,786,390	\$ 335,908.06	\$ 16,795.40	\$ 33,590.81	\$ 50,386.21	\$ 67,181.61	\$ 83,977.02	
HAMPSHIRE REGIONAL YMCA	\$ 5,908,570	\$ 1,000,000	\$ 4,908,570	\$ 79,322.49	\$ 3,966.12	\$ 7,932.25	\$ 11,898.37	\$ 15,864.50	\$ 19,830.62	
CLARKE SCHOOL FOR THE DEAF	\$ 4,720,690	\$ 1,000,000	\$ 3,720,690	\$ 60,126.35	\$ 3,006.32	\$ 6,012.64	\$ 9,018.95	\$ 12,025.27	\$ 15,031.59	
LATHROP HOME	\$ 2,470,900	\$ 1,000,000	\$ 1,470,900	\$ 23,769.74	\$ 1,188.49	\$ 2,376.97	\$ 3,565.46	\$ 4,753.95	\$ 5,942.44	
PEOPLES INSTITUTE	\$ 1,581,780	\$ 1,000,000	\$ 581,780	\$ 9,401.56	\$ 470.08	\$ 940.16	\$ 1,410.23	\$ 1,880.31	\$ 2,350.39	
NORTHAMPTON COMMUNITY ARTS	\$ 1,316,710	\$ 1,000,000	\$ 316,710	\$ 5,118.03	\$ 255.90	\$ 511.80	\$ 767.71	\$ 1,023.61	\$ 1,279.51	
HISTORIC NORTHAMPTON	\$ 1,268,250	\$ 1,000,000	\$ 268,250	\$ 4,334.92	\$ 216.75	\$ 433.49	\$ 650.24	\$ 866.98	\$ 1,083.73	
HILL INSTITUTE	\$ 1,233,050	\$ 1,000,000	\$ 233,050	\$ 3,766.09	\$ 188.30	\$ 376.61	\$ 564.91	\$ 753.22	\$ 941.52	
NORTHAMPTON LODGE OF ELKS #977	\$ 1,225,580	\$ 1,000,000	\$ 225,580	\$ 3,645.37	\$ 182.27	\$ 364.54	\$ 546.81	\$ 729.07	\$ 911.34	
WORLD WAR II VETERANS ASSOC	\$ 782,200	\$ 1,000,000	\$ -							
MICHAEL CURTIN V F W POST 8006	\$ 753,810	\$ 1,000,000	\$ -							
NORTHAMPTON MONTESSORI SOCIETY	\$ 607,000	\$ 1,000,000	\$ -							
SMITH CHARITIES	\$ 597,200	\$ 1,000,000	\$ -							
MEDIA EDUCATION FOUNDATION INC	\$ 565,250	\$ 1,000,000	\$ -							
FLORENCE CIVIC & BUSINESS	\$ 504,990	\$ 1,000,000	\$ -							
SMITH CHILD CARE CENTER INC	\$ 502,200	\$ 1,000,000	\$ -							
AMERICAN LEGION POST #28	\$ 466,280	\$ 1,000,000	\$ -							
BETTY ALLEN CHAPTER DAR	\$ 304,370	\$ 1,000,000	\$ -							
COMMITTEE FOR NORTHAMPTON INC	\$ 190,000	\$ 1,000,000	\$ -							
Grand Total	\$ 467,543,310		\$ 452,270,010	\$ 7,308,683.36	\$ 365,434.17	\$ 730,868.34	\$ 1,096,302.50	\$ 1,461,736.67	\$ 1,827,170.84	