



# City of Madison

City of Madison  
Madison, WI 53703  
www.cityofmadison.com

## Meeting Minutes - Approved PAYMENTS IN LIEU OF TAXES (PILOT) TASK FORCE

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Tuesday, December 4, 2012

5:00 PM

Water Utility A & B Conference Room  
119 E Olin Avenue

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### Special Meeting: Video Conference with the City of Boston

#### CALL TO ORDER / ROLL CALL

**Present:** 9 -

Joseph R. Clausius; Michael G. Heifetz; Jay Robaidek; Mark Elsdon;  
Timothy J. Conroy; Rachel E. Krinsky; Jean A. Bachhuber; Andrew M.  
Reschovsky and Roger Goodwin

**Absent:** 3 -

Jill Johnson; Darrell L. Bazzell and Robert H. Keller

**Member Krinsky left at 6:32 p.m.**

#### APPROVAL OF MINUTES

A motion was made by Conroy, seconded by Robaidek, to Approve the Minutes. The motion passed by voice vote/other.

#### PUBLIC COMMENT

There were no registrants.

#### DISCLOSURES AND RECUSALS

None.

#### AGENDA

1. 28520 Payment in Lieu of Taxes (PILOT) Task Force 12-3-12 Agenda

This meeting was video taped. It can be viewed at:  
<http://media.cityofmadison.com/mediasite/Viewer/?peid=867356d5287a4d00af7ad494a7e480a21d>

1. Comments from Task Force Chair
2. Task Force Member Comments

3. Video Conference with Mr. Matthew Englander, Director of Tax Policy, City of Boston

Chairman Goodwin asked if it is 52% of the land mass that is tax exempt or 52% of the estimated property value.

Mr. Englander responded that it is 52% of the land area that is tax exempt. Many of these institutions go vertical such as large scale dormitories. When you look at it on a land value basis, you will see that the non-profits hold a disproportionately high percentage of the land value. When you look at this map, it is strictly showing land area.

Member Elsdon asked if they did the valuations based on the properties being valued as exempt or as they would be valued if they were taxable.

Mr. Englander responded that the models that they used for their taxable properties are the same models they used for the exempt properties. We have a square footage rate that was used when evaluating the taxable laboratories. The same square footage rate was used when evaluating the non-taxable laboratories.

Chairman Goodwin asked how Boston used statutory authority to obtain detailed information on nonprofit-owned properties and what type of authority was used?

Mr. Englander responded that there is a form that all of the nonprofits have to fill out every year or risk losing their tax exempt status. This is required under the Real Estate Tax chapters of the Massachusetts State General Law. However, the institutions would not always provide all of the necessary information. In some cases, the date on the previous year's form was changed and submitted. Using the authority of the Massachusetts State General Law, we were able to require building specific information. We also have statutory authority to request the same type of information from for profit property owners. We blended the two to enforce compliance. We have a general letter that was sent out to them that we would be happy to share.

Chairman Goodwin asked who gave the presentation on the Institutions' Annual Community Benefit Report.

Mr. Englander responded that they invited a few colleges and hospitals to provide them with a rundown of their community benefits and they provided an annual report. The Colleges included such items as scholarships for students. The Hospitals included community programs like Free Care which is a program that offers free or discounted health care to local residents. The taskforce collected the information from the institutions and put the information together instead of having the institutions present to them. The institutions attended a meeting of the taskforce to answer questions.

Chairman Goodwin asked if staff did a survey that was sent out to the institutions to get this information.

Mr. Englander responded that they had already been in touch with a number of representatives on the institution side, so they engaged them and asked them to gather a list of their programs and the cost for them. When they asked for the list they received a wide array of programs and they weren't adept at

determining things such as if the institution's funds were being used or grants. Even on the subject of scholarships given to students, were they based on need or merit? Scholarships could be a lot of things. We asked for the information in a template format so we could ask questions like "Was it a one time or multi-year program"? "Whose money was it"? "Do you have partners"? That way we could compare the institutions as apples-to-apples to get an idea of the value they were ascribing to their programs.

Chairman Goodwin asked how time consuming the process was for collecting the community benefit information and the analysis of the data.

Mr. Englander answered that they allowed for a month, but it only took about 2 weeks for himself and one other person to do it.

Member Reshovsky asked if Boston considered the property value of a nonprofit or just the evaluation or assessment of the land. It seems that the exemption is defined by land value while the value of the payment system seems to be defined by the total value of the property.

Mr. Englander explained when they use land value and when they use property value.

Member Goodwin asked about the threshold of \$15 million. Did Boston lay out the value of all of the non-profits in a range from low to high? Was the \$15 million the natural cutoff? Was there a large space between the properties at \$15 million and the properties below that? How did they make that cutoff?

Mr. Englander explained that they discussed various institutions to determine if they should be included or not. They started at \$10 million but moved up to \$15 million and were able to shield some of the institutions that they felt should not be included such as some of the community-help centers.

Chairman Goodman asked if the institutions receive up to the 50% PILOT deduction for community benefits, who made the evaluation and what was it based on? Did you send out a form? Did the Assessor's office do it? How often is it done?

Mr. Englander explained that they had the institutions fill out the evaluation forms. They are more knowledgeable about their offerings and their values. The Assessor's office communicates with other city agencies that know more about the benefits the city is receiving from the institutions. The institutions are asked to submit that information every March. They set the PILOTs up for semi-annual payments. They are to submit their report prior to the 2nd installment. The Assessor's office determines which evaluations are appropriate and which aren't. The hope is that in the near future they will have a salaried employee that would be responsible for this part of the relationship.

Member Elsdon asked what they are expecting to collect.

Mr. Englander responded that they are on track to obtain 90% compliance in year 5.

Member Krinsky asked why they had so many institutions participate. Does something happen to those that don't participate?

Mr. Englander responded that the institutions feel an obligation to the city and to help keep the city solvent. It is easy to see the amount of services that they receive. We showed them the impact that they have on city services. Colleges and medical institutions bring a lot of people into the city which the police, fire and emergency personnel need to take care of. They recognize how important this program is and that they need to contribute. We post the information on our website in a way that recognizes the importance of the institutions and their contributions.

Member Robaidek asked how they came up with the 50% cap for community benefits.

Mr. Englander explained that before the PILOT plan began, they had up to 20 year contracts with institutions we gave them a 25% benefits deduction which both sides thought was fair. When we worked through this, the discussion began at 75% which would have put us below the neighborhood of where we were under the old guidelines. There was a healthy conversation about doing it 50-50 which was felt to be fair.

Alder Clausius asked about the push back or reasons from the 14 institutions that haven't participated yet.

Mr. Englander explained that in almost all of the cases the reason for not participating was financial. We understand that everyone has their financial challenges and all we can do is work with them and hope that we can make some inroads where they can reach a position that they can participate at some point. We still send them their notices and forms to fill out even though they don't participate.

Ms. Miley asked what other types of institutions are participating besides educational and medical institutions.

Mr. Englander explained that they have three sectors of nonprofits. The educational sector, medical sector, cultural sector. Most of the cultural sector either doesn't meet the \$15 million threshold or primarily service only the local population. Religious institutions are an example of this condition.

Chairman Goodwin and Member Krinsky asked how nonprofit housing and social services fit into this.

Mr. Englander explained that many of Boston's social service organizations are valued below the \$15 million threshold and they mainly work with members of the local community. Many also receive money from the city so to ask for money would seem contradictory to what we are trying to accomplish. They have a chapter in their general laws that allows for a reduced payment for low income housing complexes that is connected to their residential income. We left them out of the PILOT agreements because they already had a payment mechanism.

Member Reshovsky asked if they were willing to negotiate in lieu of tax payments.

Mr. Englander explained that they are trying to not have institutions dictate to

them what they feel is appropriate. If someone approaches them and wants to do that it compromises what they are trying to build. They used to have a program where they negotiated on an individual basis. It hurt their ability to achieve a level of consistency. There has been instances where they have made special exceptions.

Video Conference follow-up discussion:

Member Elsdon asked how much the city currently receives from the UW System.

Mr. Schmiedicke responded that it comes from the state through a municipal services payment. The payment is for all state-owned property, not just the UW System. We look at the buildings and the construction value of the buildings and subtract the amount that the city receives for shared revenue payments. Then there is a percentage that is calculated on the construction value of the state-owned property. Then we apply that percentage against our police and fire costs. That formula generates a number that the state currently is paying 50% of the eligible amount the city should be receiving.

Member Krinsky asked what the current tax rate is.

Mr. Schmiedicke responded that the rate is the same for all property. Mr. Hanson added that it is around 2.4%.

#### 4. Scheduling Next Meeting

It was suggested that we try to schedule our next meeting during the daytime. A survey will be conducted.

Member Krinsky left.

**Present:** 8 -

Joseph R. Clausius; Michael G. Heifetz; Jay Robaidek; Mark Elsdon; Timothy J. Conroy; Jean A. Bachhuber; Andrew M. Reschovsky and Roger Goodwin

**Absent:** 4 -

Jill Johnson; Darrell L. Bazzell; Rachel E. Krinsky and Robert H. Keller

#### ADJOURNMENT

A motion was made by Heifetz, seconded by Conroy, to Adjourn at 6:35 p.m. The motion passed by voice vote/other.