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City to nonprofits: Pay up

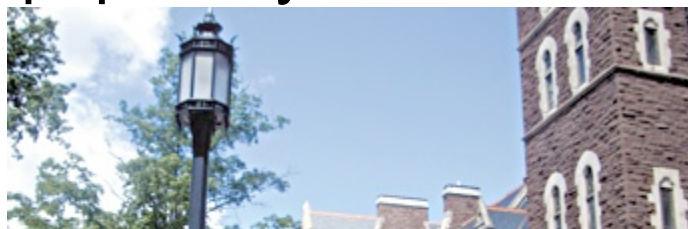
By Greg Bordonaro

gbordonaro@HartfordBusiness.com

Yesterday

Facing a \$56.2 million budget deficit next fiscal year, Hartford city officials are considering a payment-in-lieu-of-taxes program aimed at larger nonprofits. The goal is to generate revenue from tax-exempt organizations that own a significant amount of property in the Capitol City.

Such programs, known as PILOTs, are gaining increasing popularity across the country as cash-strapped



HBJ FILE PHOTO

cities and towns look for ways to generate more revenue without raising taxes on businesses and residents.



Trinity College could be among the institutions asked to make PILOT payments to the city of Hartford.

But the programs can be challenging to implement.

Since nonprofit organizations are exempt from property taxes, PILOTs require nonprofits to voluntarily make payments to cities.

Nationwide, the results have been mixed.

“In general communities have been able to achieve it by having people see their better angels,” said David Panagore, the chief operating officer of the city of Hartford.

Panagore said the city has been studying PILOT programs that have been

implemented or considered in other cities including Boston and Springfield, Mass.

He said the city expects to bring a proposal on a PILOT program to the city council soon. While details on how it would work are not fully hashed out, Panagore said the program would likely target large nonprofit property holders that don't pay city taxes but benefit from services provided by the city like police, fire and snow removal.

Panagore said the city would need to sit down with those nonprofit organizations and come to an agreement on fair PILOT payments that consider the benefits the city provides those organizations and vice versa.

“We are definitely considering it,” said Panagore, who would not disclose which organizations might be targeted.

In Hartford, nearly 51 percent of the property is tax-exempt because it is owned by the state, educational, nonprofit or religious groups. The state, through its own PILOT program, reimburses the city about \$40 million for some of that lost revenue.

The city values tax-exempt property at about \$3.6 billion, Panagore said.

The largest nonprofit organizations in Hartford — and the most likely targets of a PILOT program — are hospitals and colleges including Hartford Hospital, St. Francis Hospital and Medical Center and Trinity College.

While those institutions have a significant economic impact on the city by employing thousands of people and drawing people to local businesses, they also own a significant amount of tax-exempt property that drains potential revenue from the city's

coffers.

Trinity College declined to comment on a potential PILOT program until it can review a proposal from the city.

Yvette Meléndez, the vice president of government and community alliances for Hartford Hospital, also declined to weigh in on the measure until more details emerged. But Meléndez did say the hospital is already a major contributor to the city, providing, for example, \$84 million in community benefits in 2010 including things like charity care, community health and services, training, and sponsorships.

The hospital has also spent nearly \$75 million in new construction in the last year-and-half and has helped rehab vacant buildings in the city, Meléndez said.

“We are very engaged economically in the community that surrounds the hospital,”

Meléndez said, adding that the hospital is facing its own financial challenges from decreased reimbursements from government payers.

Panagore said the city does get approximately \$15,000 from Trinity College, and budget records show that the Connecticut Center for Performing Arts and the Hartford 21 residential tower also kick in some funds in lieu of taxes.

Hartford has been facing tough budget crunches for years, including roughly a \$3.8 million shortfall for this fiscal year, and a projected \$56 million deficit for 2012-13.

Next year's deficit is being driven in part by the city's recent property revaluation, which found that many commercial properties lost value. The city also eliminated a surcharge on commercial properties. Increases in expenses are also driving the deficit, Panagore said.

If no action were taken, the city could be forced to increase taxes, city officials said. That would draw the ire of businesses, some of which saw tax relief in 2011 for the first time in years. It would also jeopardize the city's efforts to become more business friendly, a top priority of Mayor Pedro Segarra.

With commercial vacancy rates hovering around the 30 percent mark, the stakes are high.

The PILOT program is seen as an opportunity to raise revenue without asking businesses to ante up more money.

In recent years, local government budget crunches have led to heightened interest in PILOTs, and over the last decade they have been used in at least 117 municipalities across 18 states, according to the Lincoln Institute, an organization that has done extensive research on the topic.

Large cities collecting PILOTs include Baltimore, Boston, Philadelphia, and Pittsburgh, according to Lincoln Institute.

In Connecticut, the city of New Haven is the only known municipality that has a PILOT program, but it's had varying degrees of success.

Yale University contributes about \$8 million to that city, while Yale-New Haven Hospital provides about \$1.8 million, according to Elizabeth Benton, a spokesperson for New Haven. Besides those two nonprofits, however, New Haven's PILOT program efforts haven't generated much interest.

Years ago, Benton said, the city sent out letters to the nonprofit community asking them for contributions but "it didn't get much of a response."

"Generally, sending out a letter was not very successful," Benton said. "In the end,

it's a voluntary program.”

Panagore said the only way the program would be successful if it's done in cooperation with the nonprofit community.

He points to Boston's recent success as a potential model.

Boston revamped its PILOT program in 2009 after a number of nonprofits didn't contribute much to the city.

Now Boston sends out letters to the 45 largest tax-exempt institutions in the city with revenues over \$15 million, requesting they pay 25 percent of what their property tax would be if they were not tax exempt.

Through the first half of fiscal 2012, Boston Mayor Thomas Menino recently announced the city raised \$9.4 million in PILOT contributions, nearly 88 percent of the target goal of \$10.8 million.

Eventually Boston's goal is to raise up to \$28 million through the PILOT program.

"You can't just pick up the phone and launch something like this," Panagore said. "There must be a lot of public discussion."

There are other potential approaches besides PILOTS. In some cases, cities have begun charging water or street drainage fees to nonprofits, but there are no indications Hartford is headed in that direction.

Hartford's largest nonprofit organizations, including Hartford Hospital and St. Francis Hospital and Medical Center, could be asked to voluntarily make payments to the city in lieu of taxes under a new PILOT program being considered by the Segarra Administration.