



**Worcester
Municipal
Research
Bureau**

An Independent Voice For Responsible Government

**SHOULD NONPROFIT ORGANIZATIONS MAKE PAYMENTS IN LIEU OF TAXES?
THE CASE FOR AND AGAINST**

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EXECUTIVE SUMMARY

This report provides an overview of the issue of payment in lieu of taxes (PILOT) programs, through which private, nonprofit organizations holding tax-exempt property make voluntary payments to the municipality in which they are located.

1. Recently, there have been renewed calls for the City of Worcester to consider establishing a PILOT program. This issue has come up again, in spite of the fact that it was raised and considered by a committee appointed by City Manager William Mulford in 1992, and that, following the committee's report, the city declined to pursue such a course.
2. There are a variety of approaches to soliciting payments, and of types of nonprofits targeted for PILOTs, among states. Some municipalities solicit payments only from larger organizations, or those perceived to have substantial funds—usually colleges and hospitals. Others extend their efforts to a broad array of nonprofits. PILOTs are used primarily, although not exclusively, by larger municipalities. In this state, both Boston and Cambridge have PILOT programs: Boston's program applies to any expansion or improvement of property by a tax-exempt organization, rather than to an organization's existing property, while Cambridge bases its requests for payments on an organization's land area, and does not factor in buildings.
3. Municipalities in both Connecticut and Rhode Island receive a form of payment in lieu of taxes for privately held tax exempt property; however, these payments come in the form of local aid from the state, which reimburses each municipality a percentage of the property tax that would be due if exempt properties were taxable. A similar bill has been filed in the current session of the Massachusetts House of Representatives.
4. The amount of revenue that the city could realistically expect to receive through a payment in lieu of taxes program would contribute little to a municipal budget of almost \$350 million. Many nonprofit organizations might well refuse to make such payments; other cities such as Boston and Cambridge have only reached the level of payments they currently receive after years of effort; and the amount of payments received through such programs is typically only a small percentage of the taxes that would be paid on exempt properties. For example, after years of effort, Cambridge (which currently collects \$148 million in property taxes) receives approximately \$400,000 from nonprofits other than Harvard University and MIT. If, after a similar period, Worcester was to derive equivalent revenues, it could expect a total somewhere in the area of \$316,000, based on FY97 property tax revenues of \$117 million.
5. After reviewing the arguments for and against PILOT programs, the Research Bureau makes the following recommendations:
 - The city should begin lobbying for a local aid program similar to those established in Connecticut and Rhode Island.
 - The city should consider a regional approach to the issue of the burden placed on Worcester by nonprofit organizations, whereby support for these institutions is shared by Worcester and surrounding communities.

•The city should examine the possible return to be gained by taking a more aggressive stance in regard to those activities that are unrelated to the core missions of nonprofit organizations.

INTRODUCTION

Recently, there have been renewed calls for the City of Worcester to consider establishing a payment-in-lieu-of-taxes (PILOT) program in order to obtain revenue from private, nonprofit organizations that are currently exempt from paying property taxes. This issue was raised and considered by a committee appointed by City Manager William Mulford in 1992; following the committee's report, the city declined to pursue such a course. However, the issue has come up once again in the context of the city's current fiscal situation and its annual budget deliberations. A council order was filed earlier this year requesting that the City Manager initiate discussions regarding PILOT agreements with nonprofit agencies with 50 or more employees. As well, a PILOT program was one of a number of issues discussed by an ad hoc committee established by City Council and the City Manager to review the existing tax structure in the city and to determine if adjustments can be made so as to spread the tax load as equitably as possible to all property owners. This committee has recommended that the city not pursue implementation of a PILOT program.

In spite of this latest recommendation against PILOTs, the issue will likely continue to arise, given the certainty that municipalities including Worcester will continue to experience fiscal constraints and the need for additional sources of revenue.

The following report provides an overview of the PILOT issue. It examines the character and extent of tax-exempt property in Worcester, describes PILOT programs (and state local aid programs) in Massachusetts and elsewhere, outlines the arguments made for and against PILOT programs, and concludes with some observations and recommendations.

In the interest of full disclosure, it should be noted that the Worcester Municipal Research Bureau is itself a tax-exempt organization. Further, although the Research Bureau itself does not own any real property, it is housed and receives some services at no expense from Assumption College, which is a major tax-exempt property holder in Worcester.

WHAT ARE PILOTS?

For purposes of this report, "payment in lieu of taxes" or "PILOT" refers to voluntary payments to municipalities by private nonprofit agencies in compensation for the fact that these organizations are exempted by state law (M.G.L. Ch. 59, sec. 5, cl. 3) from paying property taxes. Such payments are of necessity voluntary on the part of nonprofit agencies, since municipalities are prohibited by law from taxing them.

It should be stressed that the issue of PILOTs involves only exemptions from property taxes. Private nonprofit agencies pay other municipal fees—water and sewer fees, building and inspection fees, licensing fees, etc. As well, these agencies are exempted only from paying property taxes in regard to those services and activities

that are related to their "core mission." Activities that are unrelated to this core mission are subject to property and other taxes. For example, Clark University, Holy Cross College, and Worcester Polytechnic Institute all pay property taxes on off-campus residential rental properties they own; and Mechanics Hall pays property taxes on the portion of rentals it makes to promoters who use the space for profit-making purposes.

TAX-EXEMPT PROPERTY IN WORCESTER

The Worcester Assessor's Office reports that tax-exempt property in the city is officially assigned a valuation of approximately \$1.699 billion. Total valuation of taxable property in the city is \$5.074 billion for FY97; the assigned value of tax-exempt property, therefore, represents 25% of the total (taxable plus tax-exempt) assessed property value in Worcester. However, it is not accurate to use this figure when considering the issue of private nonprofit organizations for two reasons. First, tax-exempt properties have not been assessed since the early 1980s, and as a result this figure does not reflect fluctuations in the real estate market since then, new construction and improvements, etc. As well, the Assessor's Office believes that an assessment of these properties today using more accurate assessing methods would result in a lower valuation of them. Consequently, the Assessor's Office believes that the figure of \$1.699 billion currently cited as the value of these properties is likely high and estimates that a more accurate valuation falls somewhere in the range of \$1.2–1.3 billion, which is 19–20% of the city's total assessed value. Second, the \$1.699 billion figure is the value for **all** tax-exempt property in the city, not just property held by private organizations. Tax-exempt property classifications include a variety of public and quasi-public bodies, as well as private agencies, as is indicated in Table 1.

TABLE 1: Exempt Properties, Fiscal Year 1997

Class	Description	# of Parcels	Valuation
903	City of Worcester	663	\$479,838,800
904	Colleges/Private Schools	151	\$367,368,100
905	Private Hospitals/Charitable Orgs.	272	\$270,131,700
906	Churches, Synagogues, Temples	314	\$229,400,500
901	Commonwealth of MA	82	\$169,069,400
908	Worcester Housing Authority	37	\$91,050,200
921	121A Corporations	34	\$40,779,400
902	Worcester County	3	\$23,428,300
950	WBDC/Bio-Tech	8	\$15,731,400
900	U.S. Government	5	\$9,690,400
952	Upper Blackstone Water Auth.	1	\$2,295,800
953	Town of Auburn	1	\$559,800
943	Railroad Right of Way	5	\$269,800
909	WRTA	1	\$26,500
TOTAL		1577	\$1,699,640,100

Source: City of Worcester Assessor
Prepared by: Worcester Municipal Research Bureau

Private, nonprofit organizations of the type targeted by PILOT programs are classes 904, 905, and 906: Colleges and Private Schools; Charitable Organizations and Private Hospitals; and Churches, Synagogues, and Temples. Based on the existing valuation, the total value of properties in these classes is \$866,900,300, or 51% of the valuation of all tax-exempt properties. Assuming, for purposes of discussion, that all tax-exempt property is equally overvalued at present, the total value of private tax-exempt property would be roughly \$638 million, which is 10% of total assessed value¹ in the city.

PILOTS IN MASSACHUSETTS AND OTHER AREAS OF THE COUNTRY

The laws defining and regulating tax-exempt status for private nonprofit organizations vary from state to state. Consequently, some states provide environments that are more conducive to attempts to negotiate PILOTS than others do. There are a variety of approaches to soliciting payments, and of types of nonprofits targeted for PILOTS, among states. Some municipalities solicit payments only from larger organizations, or those perceived to have substantial funds—usually colleges and hospitals. Others extend their efforts to a broad array of nonprofits. PILOTS are used primarily, although not exclusively, by larger municipalities. That this is the case is not surprising: nonprofit organizations tend to be concentrated in larger urban centers. Hence, even though they tend to provide services to a regional clientele or population, the burden of supporting them falls primarily on central cities.

Boston. Boston's PILOT program applies to any expansion or improvement of property by a tax-exempt organization, rather than to an organization's existing property. The rationale for targeting property expansion or improvement is that the city views such activity as a useful proxy for an organization's ability to make payments, since acquisition or improvement requires funds; by limiting PILOTS to property acquisition or improvement, the city avoids having to attempt to determine which organizations have the resources to make such payments. As well, the permitting process required for new projects in particular gives the city some leverage in requesting PILOT agreements. The program was formally instituted in 1983, although the city had agreements with individual organizations prior to that time. The city has no formal policy on which types of organizations are asked for PILOTS, but as a general rule, the assessing department does not ask churches for PILOTS. The department approaches hospitals, universities and private schools, cultural organizations, and some social service organizations, but has executed most of its agreements with hospitals, universities, and major cultural organizations. Currently, the city has 65 agreements with over 40 organizations. It is currently receiving about \$8 million in lieu of taxes from private nonprofits, as compared to \$749 million in property tax revenue.

When an organization indicates its intention to expand or improve its holdings, the city initiates the PILOT process. The city requests that the organization make an annual payment based on the value of the acquired or improved property and on the revenue the city foregoes due to that property's tax-exempt status. The value of the affected property is determined in the following ways. When the property is being improved,

¹Here "total assessed value" is assumed to be \$6.324 billion: taxable property (\$5.074 billion) plus an estimated value of \$1.25 billion for tax-exempt property.

the cost of the construction is used to determine the value. When the organization purchases property that was previously taxable and does not improve it, the assessed value of the purchased property is used to determine the annual payment. In addition, whenever possible, the value of a facility is based on the assessed value of comparable facilities, in comparable neighborhoods, occupied for a similar use. Finally, the city uses existing PILOTS as a frame of reference for negotiating new agreements in comparable situations.

Once this property value has been established, its tax value is determined by multiplying the property value by the applicable current tax rate. The basic PILOT amount is in turn determined by multiplying the tax value by 25%. The city uses this percentage because it is roughly the percentage of the city's operating budget allocated to basic services—police protection, fire protection, and public works; it is these services to which the city believes that tax-exempt organizations should contribute. This calculation establishes the base PILOT amount; in subsequent years, this payment amount is adjusted for inflation. Most of the PILOT agreements contain no end point, that is, the nonprofit party has agreed to make these payments to the city in perpetuity.

In addition to cash payments, the city accepts services-in-lieu-of-taxes; it evaluates proposals for such services on an individual basis, and favors proposals that reflect the priorities of the city administration. In any event, such services cannot exceed 25% of the negotiated PILOT dollar amount, and they must be new services.

✓ Cambridge. Cambridge has been requesting payments in lieu of taxes from nonprofit organizations since 1972. The amount of payment it requests is based on the land area held by an organization, and does not factor in buildings. Currently, the city requests a payment of 16.5¢ per square foot of land. The amount per square foot was originally set in 1982 and was based on the total taxes paid on land divided by total land area, including tax-exempt land, in the city. Since then, the city has increased the square-foot amount by 2.5% each year. All payments received (except for some of the payments made by Harvard University; see discussion below) go into the city's general revenue fund. The city makes a yearly request of a range of tax-exempt owners; the city does not request payments from religious organizations. The city assessor determines which organizations are approached for payments. Currently, Cambridge has approached 55 organizations, and receives payments from 22; its major sources of in-lieu-of-taxes revenue are Harvard University and the Massachusetts Institute of Technology. The city currently receives a total of approximately \$2.8 million in payments, of which Harvard and MIT contribute roughly \$2.4 million (in FY97, Cambridge received \$148 million in property tax revenues). MIT is making a payment of \$1 million this year; the amount of its contribution roughly corresponds to the land-area formula used by the city. Harvard University, on the other hand, entered a written PILOT agreement with Cambridge in 1990. The agreement covers a ten-year period commencing in 1990, and is automatically renewed each year after that until the year 2010, unless either side gives formal notice of its intention to terminate the agreement. The agreement pertains only to certain residential properties from which Harvard receives rent. Harvard agrees to make a minimum "threshold" payment of \$766,718 annually. The actual amount of the payment is determined by a complex formula that incorporates several factors; the

payment is not to exceed the property taxes that would be owed on the properties if they were not tax-exempt, and if the payment falls short of the threshold amount, Harvard makes an additional voluntary payment to Cambridge of the difference. Further, if the calculated payment exceeds the threshold amount, Harvard pays the excess into the Cambridge Affordable Housing Trust Fund. In return for this payment, Cambridge effectively agrees to leave Harvard alone and not to pursue PILOTs in regard to any other Harvard properties. Harvard is currently paying roughly \$1.38 million to Cambridge.²

New Haven, Connecticut. New Haven currently has a PILOT agreement with Yale University through which the university makes an annual payment to the city's fire department budget. The university pays 5.68% of the department budget, which is approximately \$1.6 million at present. Thus, in this case, the nonprofit organization's payment is targeted to a specific city service and, accordingly, paid to a particular department, rather than into the city's general revenue fund.

Pennsylvania. No other state comes close to Pennsylvania in the number of PILOTs that municipalities have negotiated and the aggressiveness with which they pursue such agreements. By one estimate, more than 1,000 tax-exempt organizations in the state have been solicited for payments in lieu of taxes. This situation is the direct result of a 1985 Pennsylvania state court case in which an application for a sales tax exemption was challenged. The court delineated five characteristics of a "purely public charity," all of which have to be met if an organization is to qualify for any state tax exemption, including exemption from property tax.³ However, the court did not give any specific guidance concerning how these five criteria are to be applied; in subsequent cases, the court's defining test has been applied inconsistently by various courts, and an authoritative decision has not yet been rendered at the appellate level. Following this court decision, municipalities began challenging the property tax exemption of nonprofit organizations based on this five-point test, and began using the threat of such a legal challenge, with its attendant expense and uncertain outcome, to extract payments from nonprofits in exchange for an agreement not to legally challenge their exemptions.⁴

State Local Aid Programs

Connecticut. Connecticut municipalities receive a form of payment in lieu of taxes for privately held tax exempt property; however, these payments come in the form of local aid from the state. This program came into existence in 1986, and provides for reimbursement of up to 60% of the tax that would be due if these properties were taxable. After a municipality's assessor files a claim with the state based on the assessed value of the exempt properties, the municipality is reimbursed a maximum of 60% of the foregone tax revenues, subject to appropriation by the legislature. The

²Harvard is also paying \$1.2 million to the City of Boston.

³The five characteristics are: advances a charitable purpose; donates or renders gratuitously a substantial portion of its services; benefits a substantial and indefinite class of persons who are legitimate subjects of charity; relieves government of some of its burden; operates entirely free from private profit motive.

⁴This summary of the current state of affairs in Pennsylvania is based on Pamela Leland, "Nonprofit Organizations As a Source of Municipal Revenue: Evidence and Implications." Paper presented at the Annual Meeting of the Urban Affairs Association, Toronto, Ontario, April, 1997.

amount payable to each municipality is reduced if the total amount claimed by municipalities exceeds the amount appropriated. Currently, the program is paying about 55% of tax revenues lost due to this exemption.

Rhode Island. Rhode Island has a similar program for reimbursing revenues lost by municipalities due to property tax exemptions. The Rhode Island program is limited to colleges and hospitals (although a bill has been filed in the current session of the state legislation to make property held by private museums eligible for compensation). The establishing legislation caps the rate of reimbursement at 25% of the tax that would be paid on the properties if they were not exempt; however, the rate of reimbursement is subject to appropriation, and is set each year by the governor and legislature as part of the state budget. In the initial years of the program, the reimbursement level was minimal; it is currently close to 25%.

Massachusetts. A bill has been filed in the current session of the Massachusetts House of Representatives to establish a program to reimburse municipalities revenues lost due to tax exemptions on private and state property, based on municipal valuation of such property. If passed, the bill would establish payment by the state of a “grant in lieu of taxes” to municipalities of 25% of the property taxes that would be paid on tax-exempt properties held by private nonprofit organizations and by all state agencies.

The disposition of this bill is uncertain, but an official in the Boston Assessor’s Office noted that the City of Boston has filed such legislation for at least the past ten years without success.

Related Issues

Colorado. One alternative to soliciting payments in lieu of taxes from nonprofit organizations is removing or restricting their tax-exempt status. In 1996, an amendment to the Colorado Constitution concerning property tax exemptions was placed on the ballot in that state. The proposed amendment would have removed the tax exemption for real property used for religious purposes; for charitable purposes other than for community corrections facilities, orphanages, or for housing low-income elderly, disabled, homeless, or abused persons; and, for nonprofit cemeteries. It would have further mandated that any revenues gained from the removal of these exemptions be used to decrease the property tax rate so that there would be no net revenue gain to any municipality.

This amendment was overwhelmingly defeated by Colorado voters; it received 16.7% of the vote in favor, with 83.3% against.

THE ARGUMENTS FOR AND AGAINST PILOTS

1. Arguments for PILOTS

1. The major argument made for PILOTS is one of fairness: because nonprofit organizations are exempted from paying property tax, they benefit from the services—police and fire protection, public works such as roads, lighting, etc.—provided by the city but do not help to pay for them. The result is that those who are subject to property

tax are forced to subsidize these exempt organizations. In requesting such payments, then, the city would be asking only that nonprofit organizations "pay their fair share," and indeed, not even their fair share, since the level of payments made under such agreements is rarely if ever equal to the amount of taxes that these organizations would be paying if they were not exempt.

2. Supporters of PILOTs argue that the exemptions enjoyed by nonprofits are unfair in another way as well. Nonprofits sometimes engage in activities or provide services that directly compete with local businesses—for example, restaurants, meeting facilities, camps, day care centers—and through their tax exemption, they in effect receive a subsidy that gives them a competitive advantage over their taxable for-profit counterparts. Although the logical conclusion of this claim is the revocation of tax exemptions in regard to such activities, proponents of PILOTs argue that the competitive field in effect is leveled through the use of PILOTs.

3. PILOT advocates suggest that the nonprofit category has, in numerous ways, been stretched far beyond its original limits and intentions. They point to the substantial endowments held by many larger nonprofit organizations and to the salaries and benefits enjoyed by the executives of many larger nonprofits as evidence both for the claim that these institutions have moved beyond the bounds of traditional nonprofit behavior, and for the contention that these organizations, at least, have the resources to make some contribution to defraying the cost of the municipal services they enjoy.

II. Arguments against PILOTs

1. The primary argument made against PILOTs is that nonprofit organizations should not be solicited for these types of payments for the same reason that they are exempt from taxation: the nature of the services they provide. Opponents of PILOTs argue that the function of nonprofit organizations is essentially charitable or aimed at the public good, and hence that these organizations provide services that either replace or supplement what would otherwise be provided by government. Without the nonprofits, these advocates maintain, many of these services either would not be provided at all, or would have to be provided by the government at taxpayer cost.

2. Consequently, if nonprofit agencies are placed in the position of making payments in lieu of taxes, some would likely close, while others would have to scale back the services they currently provide. To the extent that this resulted, the community would either experience a decrease in these types of services, or the government would have to attempt to provide them at taxpayer expense.

3. Opponents of PILOTs also point out that nonprofit organizations provide a wide array of services in and to the community. In many cases, these services fall outside the boundaries of an organization's core mission, and are provided not as part of that mission but out of a sense of responsibility to the community and neighborhood of which it is a part. Dozens of nonprofit agencies provide such services in Worcester, among which are the following:⁵

⁵A much more comprehensive overview of these services can be found in the report issued by the 1992 Non-Profit Partnership with Worcester Committee (*A Report to City Manager William J. Mulford on Community Benefits of The City's Non-profit Organizations*, Fall, 1992), and in a report prepared by Dr.

- Private colleges are involved in various efforts at neighborhood revitalization, the most prominent example of which is Clark University's University Park Partnership.⁶ The colleges provide various programs to the Worcester public schools, including teacher preparation, curriculum and professional development, and programs and courses for students. Colleges have also been developing collaborative partnerships on an ongoing basis with the quadrants of the Worcester schools. Colleges provide substantial⁷ financial aid to residents of Worcester and central Massachusetts. They also provide a range of cultural and educational events that are open to the public, and provide use of facilities at no charge to various community groups.
- In regard to private nonprofit hospitals and health care organizations, various state and federal laws and regulations mandate that hospitals provide free medical care for the indigent, and that they provide other measurable community benefits as well. In addition to extending their provision of health care through programs such as health clinics and screenings in the community, health education programs and publications, and counseling and support groups, hospitals also participate in community development and neighborhood revitalization efforts, offer the use of facilities to community groups at no charge, etc.
- Churches and religious institutions provide a myriad of services, including housing and shelter, community development, provision of food and clothing to the indigent, programs for children, youth and the elderly, and the use of facilities by community organizations.
- Cultural organizations engage in various collaborations with the public schools. They provide professional and curriculum development, and student programs, internships and scholarships, and tours.

PILOT opponents argue that this is the proper focus of the debate: that is, rather than considering whether nonprofits are "paying their fair share" for city services, the issue should be whether these organizations are providing an adequate or equitable level of services to their community.

4. Finally, supporters of the nonprofits argue that they constitute an important element of the economy of Worcester and central Massachusetts. The budgets, salaries, wages, and capital expenditures of these organizations are spent in the community. The 1992 Nonprofit Partnership Committee estimated that nonprofits employed 12,000 people and (excluding churches) spent between \$650 and \$700 million annually. Further, many of these organizations—hospitals, colleges, and cultural organizations—bring people and therefore spending from outside Worcester into the

Gale Nigrosh, a development specialist in the Superintendent's Office of the Worcester Public Schools ("Partnerships with Higher Education: Worcester Public Schools—Colleges of Worcester Consortium, 1995–1996").

⁶Clark University estimates that it has committed approximately \$4.6 million to this partnership to date.

⁷According to the Colleges of Worcester Consortium, its five private member institutions located in Worcester provided \$3.3 million in institutional financial aid to over 800 Worcester residents for the current academic year.

property tax revenues of \$117 million.

RECOMMENDATIONS

As alternatives to the approach used in cities such as Cambridge and Boston, the Research Bureau makes the following suggestions:

- The city should begin lobbying for a local aid program similar to those established in Connecticut and Rhode Island, through which the state reimburses municipalities at least a percentage of the tax revenues that they would receive if private tax-exempt properties were taxable. Although it is unlikely that the state will be willing to fund any comprehensive aid program prior to the expiration of funding for the Education Reform Act in 2000, it is not too early to begin discussing the possibility of such a program with the city's state legislative delegation and with other interested parties such as the Massachusetts Municipal Association. In particular, the city should urge the state delegation and the MMA to lobby in support of the bill establishing such an aid program that is currently before the state legislature.
- The city should consider a regional approach to the issue of the burden placed on Worcester by nonprofit organizations. Institutions such as colleges, hospitals, and museums, clearly provide a range of benefits beyond the city's borders, while the cost of supporting them is borne primarily by city taxpayers. The city should initiate discussions with surrounding communities concerning the use of a mechanism such as the regional assets districts established in Denver, and Allegheny County, Pennsylvania. These districts are essentially a form of tax-sharing, via a sales tax increment; the funds raised are distributed according to a formula which ensures that all participating governments receive funds for their own scientific and cultural facilities. (See Research Bureau Report No. 95-2, *Considering Regional Government for Worcester. Part II: Proposals for Comprehensive Regional Governance*).
- The city should examine the possible return to be gained by taking a more aggressive stance in regard to those activities that are unrelated to the core missions of nonprofit organizations. To the extent that such activities are unrelated businesses and compete with for-profit enterprises, they are properly subject to property taxation.

city, and contribute more generally to the attractiveness of the city as a place to live, work, and visit. Again, it is argued that PILOTS could hurt the ability of these organizations to make such economic contributions to Worcester, especially given the competitive environment in which the larger nonprofits—in particular, the colleges and hospitals—now operate.

OBSERVATIONS

The amount of revenue that the city could realistically expect to receive through a payment in lieu of taxes program would contribute little to a municipal budget of almost \$350 million. Many nonprofit organizations might well refuse to make such payments; other cities such as Boston and Cambridge have only reached the level of payments they currently receive after years of effort; and the amount of payments received through such programs is typically only a small percentage of the taxes that would be paid on exempt properties. The question that must be asked is whether the potential damage to the services provided by nonprofits, and to the relationship with nonprofits and their willingness to provide the types of ancillary services they currently provide, make it worth pursuing the amount of revenue that would likely be raised through a PILOT program.

It is difficult to estimate the level of payments that Worcester might reasonably expect from a PILOT program, and all such estimates are necessarily speculative. Cambridge, to take one example, currently collects \$148 million in property taxes, and \$2.8 million in PILOT payments. However, \$2.4 million of the total PILOT payments received come from two institutions, Harvard and MIT, and these clearly cannot be compared to any nonprofit institution in Worcester, and indeed to few elsewhere. To illustrate this, it is a useful exercise to calculate the percentage of their endowments that each of those institutions pays to Cambridge, and compare the colleges located in Worcester based on their endowments. Harvard's endowment is approximately \$8.75 billion; its payment to Cambridge (\$1.38 million currently) is .016% of that amount. MIT's endowment is \$2.49 billion; its payment to Cambridge (\$1 million at present) is .04% of that amount. Payments equivalent to those made by Harvard and MIT as a percentage of their endowments are shown in Table 2 for the five private colleges located in Worcester.

Table 2: Potential College PILOTS Compared to Endowments

College	Endowment	PILOT equivalent to Harvard	PILOT equivalent to MIT
Holy Cross	\$228,000,000	\$36,480	\$91,200
WPI	\$177,500,000	\$28,500	\$71,000
Clark	\$92,000,000	\$14,270	\$36,800
Assumption	\$22,000,000	\$3,520	\$8,800
Becker	\$9,900,000	\$1,580	\$3,960
TOTAL	\$528,400,000	\$84,710	\$211,760

After years of effort, Cambridge receives approximately \$400,000 from nonprofits other than Harvard and MIT. If, after a similar period, Worcester was to derive equivalent revenues, it could expect a total somewhere in the area of \$316,000, based on FY97