Partnership Agreements

Between Municipalities and Nonprofit Organizations

Background

Across all fifty states, charitable nonprofit organizations, including private and public universities, are exempt from property taxes. As these organizations still use public services, some negotiate a voluntary partnership agreement with their local government to provide one or more contributions to the municipality, which often include a payment in lieu of taxes (PILOT).

Partnership agreements and PILOTs have existed for decades but have become more important to municipalities over time as property values have increased. Many universities have large swaths of property that, if owned by a for-profit organization, would generate significant property taxes and potentially provide other development opportunities. Furthermore, universities can impact the housing market because of students who live off campus either by choice or because of limited on-campus housing options. While universities offer many cultural, scientific, and educational benefits, these benefits may disproportionately benefit neighboring residents while all constituents in the community ultimately bear the loss of tax revenue.

All partnership agreements are voluntary, and they are often a product of one-on-one negotiations between nonprofits and municipalities. They can include direct monetary payments (PILOTs) as well as community benefits. A review of agreements between various universities and host communities indicates that these community benefits can include (but are not limited to):

Potential Community Benefits

-Additional consideration for applications from local students*
-Scholarships for local students*
-Donations to public schools
-After-school tutoring and mentorship programs for local students
-Educational outreach programs*
-Early education programs and day care access*
-Free training programs for community members*
-Reduced course costs for community participants
-Local-first prioritization for goods and services
-Waiving rental fees for municipal use of nonprofit facilities*
-Traffic planning and analysis for the surrounding areas
-Funding additional transit services (seasonal bus routes)
-Direct contributions to infrastructure projects
-Contributions to community projects such as improvements for athletic facilities and playgrounds
-Donations to development of low-income housing

**Currently part of the agreement with Tufts*

Agreements Reviewed

Boston University
Brown University
Clark University
Cornell University
Harvard University
Ithica College
John Hopkins University
Loyola University Maryland
Middlebury College
MIT
Springfield College
Syracuse University
University of Pennsylvania
WPI
Yale University

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Many of these agreements also include a direct payment (PILOT) to the municipality, though there is great variation in the methodology for determining the PILOT amount and how the PILOT is paid:

PILOT Options (not exhaustive)

-Payment based on a flat percentage of the value of the property (Boston, MA)
-Payment based on square footage (Cambridge, MA)
-Payment based on operating income (Baltimore, MD)
-Payment is a lump sum paid over a number of years
-Payment starts at a certain value and increases by a set amount or percentage annually
-Payment is recalculated annually based on assessed property value
-Payment is calculated based on use of public services

Some partnership agreements include additional negotiated benefits for the nonprofit organizations. For example:

Additional Negotiated Benefits to Universities

-Ability to purchase publicly owned property
-Parking rights
-Zoning exemptions