



MEMORANDUM

To: The Honorable President and Members of the City Council
c/o Shamoyia Gardiner, Deputy Chief of Staff

From: KC Kelleher, Deputy Chief of Staff

Date: September 3, 2025

Re: 25-0036 Property Taxes – Baltimore City Payment in Lieu of Taxes Task Force REVISED
(originally submitted on May 9, 2025)

Position: Support with an Amendment

Summary

City Council bill 25-0036 - Property Taxes - Baltimore City Payment in Lieu of Taxes Task Force establishes the Baltimore City Payment in Lieu of Taxes (PILOT) Task Force to review and recommend policies regarding tax-exempt hospitals and universities making payments to the City in lieu of property taxes.

The Office of the Comptroller (OTC) supports the creation of a Baltimore City PILOT Task Force, with several key amendments to strengthen the bill's structure, effectiveness, and transparency.

Background

Baltimore City's non-profits offer vital services to residents and perform essential work. Many also possess valuable real estate, significant wealth and diverse assets, while contributing significantly less to the City's general fund than they consume.

More than 18,000 properties owned by nonprofits are fully exempt from real property taxes in Baltimore City, yet they impose significant costs for police and fire protection, street maintenance, and other public services. These nonprofits comprise only 7.5% of the City's real property but their parcels are some of the largest and most valuable. If taxed, these properties would represent 30% of the taxable base and would generate \$389 million in yearly tax revenue.

In March 2024, the Comptroller's Office released a report examining PILOT programs in peer cities and offering policy recommendations. Our report identified 10 best practices, which we summarize below:

1. Municipalities should work collaboratively with nonprofits when seeking and negotiating PILOTs. Because PILOTs are voluntary payments, the best PILOT initiatives arise out of partnerships between municipalities and nonprofit organizations.
2. PILOT agreements should standardize a formula that determines an institution's contributions. Using concrete and quantifiable methods reduces the appearance of unfairness, which increases exempt organizations' willingness to comply with municipal PILOT requests.
3. Cash contributions should be adjusted annually for public benefits provided to residents. City officials and nonprofit leaders should work together to identify which services would be most valuable for residents and most appropriate for each nonprofit to provide. But there must be a standard methodology used to calculate those community benefits.
4. Agreements should provide the opportunity to adjust annual contributions based on acquiring or relinquishing new property by exempt institutions. PILOTs that provide additional payments when land becomes tax-exempt under nonprofit ownership could help ensure that local governments can continue to provide the same level of services.
5. Municipalities should listen to each institution's priorities and earmark PILOTs for services consistent with a non-profit's mission and/or target a PILOT to fund activity that directly benefits the institution or supports its mission.
6. State governments should provide grants to reimburse overburdened local governments for the loss of revenue due to property tax exemptions, particularly when the entire state derives significant economic benefits from the nonprofit.
7. PILOTs should be multi-year agreements – with 10 years being the minimum. This provides for a predictable revenue stream for local governments and a known budget number for nonprofits.
8. Agreements should specify payment in the base year but adjust for inflation each year.
9. PILOT agreements and their negotiations should be a public and transparent process.
10. Local governments should track and publish PILOT contributions detailing total amounts – both cash contributions and community benefits credits – made by each nonprofit. Universities and hospitals may be more inclined to pay into PILOT agreements if they see other universities and hospitals doing so and know the public is privy to the information.

While not included in the official report, the Office of the Comptroller notes that any money generated from a PILOT deal must go to the general fund, NOT special interest funds. These monies should be treated like the real property tax they are substituting and fund essential City services within the ordinance of estimates.

Our research found that in cities with successful PILOT programs—such as Boston, Providence, and New Haven—progress was largely driven by strong executive leadership, not legislation. For example, Boston's PILOT framework was established by executive order. While the city councils in each of the cities we studied were supportive advocates of stronger PILOT agreements, the primary driver in each case was

the mayor. However, the OTC believes a formally established task force can still serve as a useful tool if properly structured and focused.

Bill 25-0036 proposes three objectives similar to those of Boston's 2009 Task Force:

- Establishing a standard contribution level for nonprofit institutions
- Recommending changes to City and State laws to support PILOT implementation
- Publicly publishing the voluntary PILOT contributions from nonprofit institutions

Amendment

Reporting

Task Force recommendations should be formally submitted to the Board of Estimates (BOE), then the City Council, instead of the Mayor, to ensure the body that determines the City's fiscal policy is informed. If or when a PILOT agreement is created, the BOE would have to approve such a deal, so reviewing the recommendations is essential.

The Office of the Comptroller respectfully requests a favorable report enabling this ordinance.

**AMENDMENTS TO COUNCIL BILL 25-0036
(1st Reader Copy)**

By: Office of the Comptroller
{To be offered to the Budget and Appropriations Committee}

Amendment No. 1

On page 5, in line 18, strike “MAYOR” and substitute “BOARD OF ESTIMATES”; and, on that same page, in line 26, strike “MAYOR” and substitute “BOARD OF ESTIMATES”.