

TAX EXEMPT PROPERTIES

A. Non-profit educational, charitable, and religious organizations receive tax exemption. Is there reason why the real property owned by educational, charitable and religious organizations (exception those used directly in the performance of their duties), should be totally free from taxation. The exemption should be limited to a specific use and not expanded to include rooming houses, university owned apartment complexes, businesses etc. It is not fair to those that must bear the increased burden for these exemptions. Inadequate municipal services can occur to such communities that are over burdened with tax exempt land.

New tax policies are needed to cope with the forecast increased costs of the 1970's. In-Lieu-Of-Tax payments by Federally owned properties should be enacted by Congress. Many of the properties now exempt should be restored to the tax rolls thru legislative action.

Cambridge has been in the forefront in the administration of "In-Lieu-Of-Tax" payments. A more responsible and comprehensive program should be initiated immediately.

The following are the current statistics concerning tax exempt properties:

CURRENT TAX EXEMPT STATISTICSENTIRE CITY

<u>AREA</u>	<u>LAND VALUE</u>	<u>TOTAL VALUE</u>
34,350,000 sq. feet	\$37,008,900.00	\$235,697,200.00

MAJOR SCHOOLS

<u>Area</u>	<u>Land Value</u>	<u>Total Value</u>
Harvard 6,863,830 ft.	\$6,951,100.00	\$70,091,000.00
Radcliffe 857,604 ft.	\$ 596,100.00	\$17,069,300.00
MIT 5,394,211 ft.	\$5,113,200.00	\$44,340,100.00

CURRENT IN LIEU OF TAX PAYMENTS

Harvard	\$ 90,932.32
Radcliffe	\$ 13,014.92
MIT	\$229,000.00
Cambridge Housing Authority	\$ 74,615.87

Why are the universities paying "In-Lieu-Of-Tax" payments?

In 1928 there was a concern on the part of city and university officials that this small city was already over burdened by the tax exempt properties. Therefore, the city, Harvard, Mass. Inst. of Tech. and Radcliffe entered into an agreement to pay In-Lieu-Of-Taxes on all acquired property after 1928 regardless of use, on the assessed value of the land only at the time of acquisition at the going tax rate for 20 years.

This agreement was renewed in 1949 for 20 years and was up for renewal in 1968. It has been renewed on an annual basis since.

One of the inequities of the past agreement was the provision that allowed the property to drop completely off the In-Lieu-Of-Tax rolls after 20 years. (Example, a property purchased by the institutions in 1950 would be removed from payments in 1970). This explains the difference in the amounts of payments between Harvard and M.I.T. Harvard purchased much of their property prior to 1950 and M.I.T. has purchased a great deal after that time.

Due to high municipal costs, and the fact that we were renegotiating the In-Lieu-Of-Tax payments agreements, we felt a reexamination of the entire area was called for. We also felt that this should be initiated at the local level.

Let us examine the facts.

1. It should be mentioned here that the tax exempt properties of the city are exempt due to the laws of the land (Federal, State).

Under present law, they are not legally obligated to pay taxes in any form. No matter how anyone feels personally in this regard, it must always be remembered that they are legally exempt. Any payments at this time are strictly voluntary.

2. Three of the universities in this city felt the government was overburdened by tax exemptions in 1928 and realize the magnitude of the present situation. We have had cordial administrative experience in the past and present and they have indicated a desire to be more helpful in the future.

3. Nation-wide, the focus is on the rising taxation of real estate and the causes for it. And of course, we find that tax-exempt property is somewhat responsible for this dilemma. Here in Cambridge, where tax-exempt property is rapidly approaching fifty percent of all property, the problem becomes more evident. There is a growing awareness on the part of members in the taxation field concerning a change in the laws regarding tax-exempt institutions. It is our opinion that in the near future (5-10 yrs.) we will see taxation of some kind placed on tax-exempt properties at least in part. Therefore, we do not desire to affect any agreements for a long period of years as has been done in the past.

4. We feel that perhaps this is the time to request an In-Lieu-Of-Tax payment from all tax exempt groups. Hence, we felt it vitally necessary to develop some plan, method or formula that because of its basic concept would be fair and equitable to all.

How do you arrive at a formula that is equitable for all tax exempt properties? We have examined several different methods. (Percentage of land formula, percentage of building formula, head tax, percentage of municipal services to mention a few). We finally concluded a payment should be based on square footage.

We have related the costs of municipal services to square footage. This city comprises 6.25 square miles. This amounts to 4000 acres or 174,240,000 square feet. The land is divided into these categories as follows:

Taxable Land (54%) approximately 94,000,000 sq. ft.

Tax Exempt Land (46%) approximately 80,000,000 sq. ft.

A. Privately owned tax exempt approx. 34,000,000

B. City owned tax exempt approx. 46,000,000

This land is currently producing approximately \$9,000,000.00 in revenue to the city or 5.2¢ per square foot.

The 1971 figures indicate that approximately 34,000,000 square feet are now being used by tax exempt properties. If these were assessed .052 cents per sq. ft. the city would realize approximately 1,768,000.00 in revenue.

This would amount to an increase of approximately \$1,400,000.00 in revenue. Bearing in mind once again that these properties are completely tax exempt under the law, it is impossible to send them tax bills in any form.

We propose, however, to send a request for payment to all tax exempt properties based on this formular.

Also, we must bear in mind that some of the tax exempt properties are providing uses to our citizenry that should not be included in this form of request for payment such as parochial schools. A breakdown of the tax exempt categories are now included for perusal in this regard.

A.	Benevolent Organizations (YMCA etc.) 8 @ 114,611 sq.ft. @ 5.2¢	\$ 5,959.77
B.	Cambridge Housing Authority 11 @ 2,207,384 sq.ft. @ 5.2¢	114,783.97
C.	Cambridge Redevelopment 59 @ 1,471,613 sq.ft. @ 5.2¢	76,523.88
D.	Cemetery 1 @ 507,400 @ 5.2¢	26,384.80
E.	Charitable (Elks, Knights, etc. Hosp.) 39 @ 2,038,201 sq.ft. @ 5.2¢	105,986.45
F.	Miscellaneous 192,230 sq,ft, @ 5.2¢	9,995.96
G.	Commonwealth of Mass. 19 @ 5,971,679 @ 5.2¢	310,527.30
H.	M.D.C. 18 @ 2,411,977 sq.ft. @ 5.2¢	125,422.80
I.	County 4 @ 210,965 @ 5.2¢	10,970.18

J.	Literary - Schools - Scientific 223 @ 15,624,637 @ 5.2¢	\$812,481.12
	Browne & Nichols 414,786 @ 5.2¢	21,569.87
	Buckingham 305,150 @ 5.2¢	15,867.80
	Cambridge Junior College 36,650 @ 5.2¢	1,905.80
	Lesley College 256,775 @ 5.2¢	13,352.30
	Harvard 6,863,830 @ 5.2¢	356,919.16
	Radcliffe 857,604 @ 5.2¢	44,595.41
	Roman Catholic 655,355 @ 5.2¢	34,078.46
	Shady Hill School 455,261 @ 5.2¢	23,673.57
	M.I.T. 5,394,211 @ 5.2¢	280,498.97
K.	M.B.T.A. 18 @ 408,233 @ 5.2¢	21,228.12
L.	Rectories 28 @ 226,197 @ 5.2¢	11,762.24
M.	Religious 142 @ 1,937,573 @ 5.2¢	100,753.80
N.	U.S.A. Fed. Gov't. 10 @ 525,748 @ 5.2¢	27,338.90
	TOTAL 33,848,448 @ 5.2¢	\$1,760,119.30

These changes to exempt properties would represent a very minor increase in tuition or dues. As we are providing valuable land as a tax-free basis and excellent municipal services, these institutions should be willing to pay at least a part of the cost.

These properties are using all the municipal services in the city in one form or another. The following are some of the major facilities being used.

- a. Fire Department - Even used by the few that have their own fire departments.
- b. Police Department - On duty often times because of the presence of some of these properties.
- c. Sewerage - All use these facilities.
- d. Libraries - Public libraries are used by all people.
- e. Health & Hospital - Used for emergency treatment quite often.
- f. City Solicitor - Have many additional hours of work and investigation relating to tax exempt properties.
- g. Traffic - Congestion and need for new lights etc. are in part due to students and others coming into the city because of various programs at these properties.
- h. Public Works - Cleaning up is a major cost to the city.
- i. Recreation, Executive, Building Department, Public Schools and all city agencies are utilized in one fashion or another.

Considering that only a handful of Cantabrigians are attending the universities and private schools it seems little to ask that the students share but a small part of the cost.

The only exemptions from the request would be religious groups supporting accredited grade school or high

school educational facilities that mainly depend upon parishoner financial support within their tuitions.

As mentioned previously it is our intention to send a request for In-Lieu-Of-Tax payments to all exempt properties. The proposal we suggest is only a request and these groups would make an In-Lieu-Of-Tax payment only if they felt a moral responsibility to the city within which they are located.

We are optimistic that the schools will accept our recommendation and agree to the formula as proposed.

Attached is a copy of the letter of request for In-Lieu-Of-Tax payments that we propose to forward in 1972.

Board of Assessors

Thomas F. Gibson

Charles R. Laverty, Jr.

Rudolph R. Russo

EXAMPLE

Dear Tax Exempt Property Owner:

Tax exempt properties take up approximately fifty per cent of the land area and represent almost 50% of assessed value in the city. Therefore, one half of the land in the city is responsible for financing and maintaining our needed municipal services. These services are considered essential for your protection and use.

As a property owner in the City of Cambridge you are receiving many tax supported property services without charge.

In 1971, taxable and tax-exempt land produced approximately \$9,000,000.00.

By dividing this amount by the total land area (174,000,000 sq. ft.) we arrive at a per foot unit of 5.2¢. We are suggesting that this unit is used in computing an amount of In-Lieu-Of-Tax payment to the City based on the amount of land used.

Owners of some tax exempt properties, recognizing the benefits of municipal services, are making voluntary financial contributions on this basis to the City's general fund.

Based on your ownership of 305,150 square feet your contribution for services would amount to \$15,867.80. A voluntary payment to the City of Cambridge in this amount will demonstrate civic responsibility and will be greatly appreciated by the tax paying public.

City Manager
Board of Assessors

180
Assessors' Report
Tax Exempt Properties