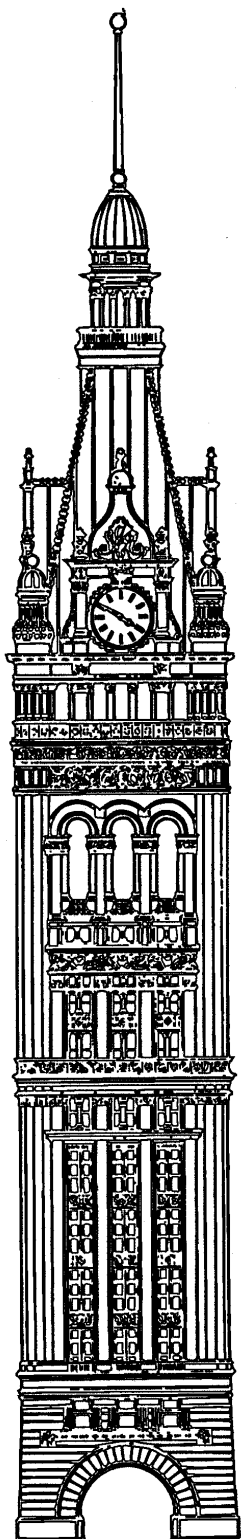


City of Milwaukee

- Fair Share Program -



Guidelines for Payments in Lieu of Taxes from Exempt Institutions

Thomas M. Barrett, Mayor

Mary Reavey, Assessment Commissioner

- Fiscal Year 2005 –

PILOT Procedure

The City of Milwaukee initiates discussions regarding a voluntary annual PILOT payment at the time a tax-exempt organization applies for a property exemption or when it contemplates either acquiring, expanding, improving or replacing its property. This policy has the pragmatic advantage of allowing exempt institutions to include the cost of any PILOT payment in their project financial plans.

When an institution anticipates multiple alterations to its campus, the agreement could take the form of a campus-wide agreement. This type of agreement allows for a predetermined formula to be applied to future property acquisitions or expansions and avoids duplicating the entire PILOT process each time a new project is undertaken.

There are four basic steps in the PILOT process:

1. When an institution applies for an exemption or demonstrates its intent to expand, improve, replace or acquire a facility, the institution is given a New PILOT Project Profile Form by either the City Assessor's office or the Department of City Development. (See Attachment A) The exempt institution provides relevant data regarding its property, revenue raising capability, intended use, and related data. The institution also submits its Project Master Plan with the application;
2. Representatives of both the tax-exempt institution and the City Assessor's office meet to discuss the formulation of a payment in lieu of tax agreement and the amount of payment;
3. Once an agreement in principal is reached, the City Assessor's office drafts the PILOT agreement using the standardized format as a guide (See Attachment B);
4. After the PILOT agreement is approved by the institution, City Assessor's office and the City Attorney's office, the contract is executed.

Guidelines for Establishing the Payment in Lieu of Tax Amount

PILOT payments are based upon the value of the property and the revenue the municipal government forgoes due to the exempt status of the property. The City utilizes the following guidelines, while understanding that each institution and property has unique features that make flexibility necessary.

Estimating Value: Value can be determined using one of the following methodologies:

1. **Cost:** When an institution undertakes a large construction and/or renovation project, the cost involved in the construction provides a basis for determining the value. The Assessor's Office establishes a price per square foot based on the cost information provided by the institution.

2. **Assessed Value:** In situations where the exempt institution purchases property that was previously taxable and no renovations are planned, the assessed value is used as the basis for the PILOT.
3. **Comparable Buildings:** When possible, the value of a facility is based on the assessed value of comparable buildings in the same or comparable neighborhood with similar use.

Calculating the PILOT Amount

The "tax value" of a tax-exempt property is determined by multiplying the project value by the current city tax rate and dividing by 1,000. In 2004, a tax-exempt property with an estimated value of \$1 million would make a payment of \$9,730. The calculation does not include the tax rates of other jurisdictions city taxpayers support like Milwaukee County, Milwaukee Public Schools, Milwaukee Area Technical College and the Milwaukee Metropolitan Sewerage District.

Credits for Services Provided by Tax-Exempt Institutions

Many institutions prefer offering community services, such as scholarships, or free use of the institution's facilities or services to making actual cash payments to the city. The city will evaluate requests for community service credits on a case-by-case basis, but services that support the priorities of the Barrett administration to promote education, public safety, and expand jobs are preferred. Such credits must be new services over and above what the institution was providing prior to the execution of the PILOT agreement.

Escalator Clause

PILOT agreements apply an escalator clause to the base year payment to mitigate the effects of inflation. The city uses the Consumer Price Index produced by the Bureau of Labor Statistics at the U.S. Department of Labor. PILOT agreements last five years and are automatically renewed using the same methodology unless either party provides notification otherwise.

SUMMARY

The City of Milwaukee would like to thank those institutions that support the PILOT program. City government and exempt institutions must maintain a cooperative partnership to ensure Milwaukee's fiscal and economic health. By contributing back to the community, exempt institutions increase the city's ability to sustain its level of city services, a benefit to all city residents and institutions.

Please do not hesitate to contact Mary Reavey at (414) 286-3101 if you have any questions or comments about these guidelines.

NEW PILOT PROJECT PROFILE

As tax-exempt organizations apply for property tax exemptions, expand, improve, replace or acquire property, the city requests annual contributions to offset the costs of providing municipal services to these properties. In this manner, the city and exempt institutions join together in a partnership which ensures that the burden of paying for municipal services is equitably distributed. This survey will provide the city with the information necessary to begin discussions with your organization.

Please answer all questions that are relevant to your project in as much detail as possible.

1. CONTACT INFORMATION

INSTITUTION NAME: _____

MAILING ADDRESS: _____

CONTACT PERSON: _____

TELEPHONE NUMBER: _____

FAX NUMBER: _____

E-MAIL ADDRESS: _____

2. PROJECT DESCRIPTION

PROJECT NAME: _____

PROJECT LOCATION: _____

PARCEL NUMBER: _____ ALDERMANIC DISTRICT: _____

PURPOSE/USE OF THE FACILITY:

FACILITY SIZE (include square footage, number of floors, parking spaces):

ESTIMATED PROJECT COSTS (acquisition, construction): _____

ANTICIPATED OCCUPANCY DATE: _____

Attachment A

WILL THIS FACILITY GENERATE ANY REVENUE? (Please attach estimates.)

3. INSTITUTIONAL CHARACTERISTICS

PURPOSE/MISSION:

CLIENTS SERVED ANNUALLY/ENROLLMENT: _____

NUMBER OF EMPLOYEES: _____

ANNUAL BUDGET (Attach annual report or financial statements, if available.):

BRIEF DESCRIPTION OF EXISTING PROPERTIES OWNED (Attach master plan or marketing brochure, if available.):

RETURN THIS FORM AND SUPPORTING DOCUMENTATION TO:

CITY ASSESSOR'S OFFICE
ATTN: MARY REAVEY
CITY HALL ROOM 507
200 E. WELLS ST.
MILWAUKEE, WI 53211
(414) 286-3101