



Diagnosing the UPMC Hearing

Allegheny County Council held a public hearing recently regarding the University of Pittsburgh Medical Center, better known as UPMC. Based on the motion passed by Council in November the purpose of the hearing was "...to allow the opportunity for public comment regarding the tax exempt status of property owned by [UPMC] within Allegheny County pursuant to the Institutions of Purely Public Charity Act".

The twelve Council members who were present at the November meeting voted in favor of holding the hearing. The Council member who would chair the hearing said at the time "it's a good idea to have this meeting and air it out properly in front of everybody" though the "it" and the "everybody" were never exactly clear. The motion said "tax-exempt property" but some believed "labor relations" was the intent.

A day after that quote an opinion piece appeared stating "given the backdrop of labor politics, the event should not be a club aimed at UPMC, but a lens through which a broad system of tax exemption and its public impact get close examination". However, a newspaper report detailing the meeting stated "...many of the speakers talked more about what they said was UPMC's opposition to union organizing efforts by the Service Employees International Union."

Maybe we will never know for sure whether this was supposed to be a fact-finding mission or a show trial. In the spirit of the holiday season, let's give Council the benefit of the doubt on three points; one, the meeting really was aimed at examining UPMC properties exempt from taxation to ascertain whether the justification for each parcel was warranted; two, the chair could not stop the large numbers of people from speaking on issues tangentially related to the topic at hand (salaries, pay levels, and organizing come to mind) thereby depriving many who might have been ready to speak to the tax-exemption issue of that opportunity (they have been encouraged to submit their comments in writing); and third, there will be a sincere effort to examine other tax exempt property owners and that the UPMC hearing was just the first of many (the Council meeting chair was quoted as saying "We're not picking on UPMC. They just happen to be the biggest and the first").

However, even assuming all the benefit of the doubt is warranted, what transpired was in direct violation of the ordinance Council passed to determine if properties are deserving of their tax-exemption.

Council passed ordinance #3504-07 in November of 2007 to establish "a County policy for periodically reviewing the status of all properties qualifying for exemption from property taxation

under the Institutions of Purely Public Charity Act”, the state law that sets out the parameters for non-profit tax exemption.

But this County ordinance does not give Council the power to review tax-exemptions: that’s the job of the Chief Assessment Officer. The ordinance’s language added a new section to 5-210.12 of the Administrative Code stating:

“All properties granted tax-exempt status by the Chief Assessment Officer under the provisions of the Institutions of Purely Public Charity Act...shall be subjected to a parcel review by the Chief Assessment Officer...at least once every three years...the Chief Assessment Officer shall determine whether each property or any portion thereof continues to qualify for tax-exempt status , and shall forward written notice of this determination to the legal or equitable owner of the property and all taxing bodies within which the property is located”.

Nothing in that language assigns Council or the public responsibility for determining whether a tax-exemption is warranted under state law. Was the Chief Assessment Officer (currently a contract employee holding the title of “acting” director) or assessment office staff present at the hearing? Were they invited? Is Council forwarding the recorded comments to the assessment office? Will officials from municipalities and school districts where UPMC owns property get any information on the findings of the hearing?

In addition, note that the ordinance language states the review is to be done every three years. Since the ordinance was passed in 2007, all exemptions subject to review should have been done in 2010 and the County should be gearing up for another review next year. Clearly, something happened on the way to implementation—much like the delays in carrying out the County Charter’s required Sunset reviews.

A news article in September quoted the Council member who chaired the hearing—and who sponsored Ordinance #3504—that something “fell through the cracks...and what we have to do is sit down with [the County Executive] and talk about that”. In that same article the administration said that the tax-exempt review process had not been formalized and that it would start once the reassessment was over. Since the reassessment is supposed to be completed December 20th it is curious as to why the UPMC hearing took place December 5th. Two days after the hearing it was reported that the administration was prepared to direct the Office of Property Assessments to begin the process of reviewing exemptions, thus enforcing the ordinance six years after its enactment. Is there confusion over territory in this episode?

Lastly let’s examine something the ordinance does not do; a sin of omission, perhaps. State law allows tax exemptions for many types of property, not just those owned by non-profits. Ordinance #3504 does not instruct the Chief Assessment Officer to review all tax-exempt property every three years, only the tax-exempt property owned by non-profits under the provisions of the Purely Public Charity Act.

That means the County is not going to scrutinize the broad swathes of property owned by Federal, state, local, school, and authority governments. A report done by the County Controller’s office in June looked at exempt property in the County based on land use codes. Roughly the same percentage of property value is held by higher education, churches, and hospitals as that attributed to County, municipal, and school district uses. But stadia and the convention center owned by the Sports and Exhibition Authority, and property owned by the array of authorities at the County, City, and municipal level (redevelopment, housing, transit, airport, parking, etc.), school districts,

municipalities, and the County itself won't come under the auspices of #3504. Council's thinking in 2007 must have been that only non-profits are expansionist and take taxpaying properties off of the tax ledgers and that such action must be justified every three years.

There is merit in reviewing tax-exempt property to see if the exemption is truly justified. It is not clear if anyone involved in the UPMC hearing, either from County government or members of the public who attended came away with a better understanding of the issue of property tax exemptions. That is a shame, but with plenty of tax-exempt non-profits, and Council's pledge to be vigilant, along with the Executive's directive to the Office of Property Assessments to do the job Council gave it, the public might be become well-informed of the topic in the months and years to come.

Eric Montarti, Senior Policy Analyst

*Policy Briefs may be reprinted as long as proper attribution is given.
For more information about this and other topics, please visit our website:
www.alleghenyinstitute.org*

<p>Allegheny Institute for Public Policy 305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234 Phone (412) 440-0079 * Fax (412) 440-0085 E-mail: aipp@alleghenyinstitute.org</p>
