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Points of order on Gainey's tax-exempt review

By Colin McNickle

A City of Pittsburgh perhaps already licking its chops that a review of current tax-exempt properties will yield enough new tax dollars to make up for exhausted federal bailout dollars would be wise to consider looking more inward, concludes a new analysis by the Allegheny Institute for Public Policy.

"If city officials want to strengthen the operating results and fund balance, they should be focusing on curtailing spending growth to bring it in line with per resident spending in comparably sized cities," says Eric Montarti, research director at the Pittsburgh think tank.

That would force it to focus "on core city functions and outsourcing or privatizing those that are better handled by other entities," he says (in *Policy Brief Vol. 23, No. 7*).

It was on Jan. 24 that Mayor Ed Gainey signed an executive order directing two city departments to "begin a review of all tax-exempt properties to determine if properties currently designated as exempt from property taxes are owned by institutions of purely public charities and direct them to act on such information."

It's the most recent measure by the city to extract money, possibly through a payment-in-lieu of taxes (PILOT) arrangement, from large nonprofits.

The order came just under a year since three proposals were introduced in City Council regarding tax-exempt property (see *Policy Brief Vol. 22, No. 12*).

One would levy a tax on users of medical and higher education facilities. Another would place those tax revenues into an infrastructure trust fund.

A third would direct the Finance Department and the City Solicitor to examine the fair market value of land and buildings owned by tax-exempt organizations and discern how much would be paid in property and payroll preparation taxes as a starting point for PILOT discussions with purely public charities and universities.

While those proposals remain in committee, Gainey's executive order apparently supplants the third proposal as the Finance and Law Departments will be in charge of the 2023 review.

Such a tax-exempt review is no small task. Of the city's 142,576 parcels, 18,156, or 13 percent, are tax-exempt. But not all tax-exempt property is owned by charitable organizations.

Churches and religious institutions will not be part of the review. And likely to be eliminated rather quickly are properties owned by various levels of government. This would include authorities like the Sports & Exhibition Authority.

"So there is no chance Acrisure Stadium, PNC Park or PPG Paints Arena will be returning to the tax rolls by virtue of this review," Montarti says. "Making those venues taxable would generate over $11 million annually in city property taxes."

A 2007 County Council ordinance ordered charitable property holdings to undergo "a parcel review… at least once every three years" and continues.

Which raises an interesting question: "Did the city administration inquire how the county's review was proceeding before starting what appears to be a duplicative analysis, even though the city will examine fewer parcels?" Montarti asks.

Curiously, at least one city official involved with the review appeared to already be banking the dollars.

"The City of Pittsburgh is facing a revenue shortfall, especially once the (American Rescue Plan Act) funds run out. … We need this money in order to properly run the city," the official said.

But "The city's problem is not revenue as much as it is the very high levels of spending for a city its size," Montarti reiterates.

Additionally, refraining from anti-business measures will go a long way to grow the tax base as well.

"In 2021, the city abated and diverted $8.1 million in property tax revenue in economic development arrangements," Montarti reminds of just one questionable move. "That could be avoided if the city had a business-friendly climate, carried out necessary functions well and had a low tax framework in place."

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