ALLEGHENY INSTITUTE
FOR PUBLIC POLICY

TAX-EXEMPT PROPERTY IN THE CITY OF PITTSBURGH: 1993-2003

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Key Findings

- From 1993 to 2003, the market value of tax-exempt property in Pittsburgh increased 59 percent, while the value of taxable property increased 65 percent over the same period.

- As a share of total property value (taxable and exempt), the share of exempt value decreased from 34 percent to 33 percent between 1993 and 2003.

- The market value of hospitals, churches, and colleges and universities increased an average of 55 percent from 1993 to 2003, with no category growing faster than the increase in taxable market value.

- The market value of exempt property held by government and government-related agencies increased an average of 57 percent from 1993 to 2003. Four owners had percentage increases in excess of the City's increase in taxable value.

- The largest increase in exempt property value held by the public sector was in properties dedicated to sports and convention venues. Over the ten-year time frame, new facilities and adjacent land will drive up the value of these exempt uses by $775 million compared to the 1993 levels when the new convention center comes on line.

- The City's use of tax increment financing has also deferred much new real estate tax revenue from the City's tax coffers.

Introduction

For many years, we have heard an oft-repeated claim that Pittsburgh's City financial situation is being hamstrung by the presence of unbearably large amounts of tax-exempt properties. Many, including Mayor Tom Murphy, City Controller Tom Flaherty and the recently convened Pittsburgh in the 21st Century panel (PGH21), have argued that the City's large amount of tax-exempt property make it extremely difficult, if not impossible, to fund needed City services on the remaining tax base[1]. The estimate of the tax that would be collected from exempt property if it were taxable is approximately $70 million annually.[2]

This report catalogues and classifies the properties located in the City that were exempt from real estate tax in 1993 and exempt at the beginning of 2003. The report also analyzes the implications of the size and change in tax-exempt properties.

Methodology

Data on property values in the City of Pittsburgh were obtained from Allegheny County's Department of Property Assessment. The overall totals for taxable and exempt property are the certified totals of the Property Assessment Board that are used for purposes of tax billing and real estate collections. There are no certified totals for individual ownership categories, individual parcels, or uses of taxable or exempt property. However, the Assessment office maintains a list of exempt parcels that contain information on ownership, state and use codes, assessed values, sales prices, lot and block number, and other important information on exempt parcels. This database was utilized to organize ownership and market value of exempt parcels for various large owners in the City in 1993 and 2003.

Tax-Exempt Property In Pittsburgh: 1993 and 2003

Owners of tax-exempt properties include government, hospitals, churches, universities, charities, and utilities. Some of the properties are dedicated to recreation, others to worship, and still others for redevelopment in the City. This section compiles existing data on exempt property in Pittsburgh: particular focus is given to non-governmental owners that held more than $100 million in exempt value in 1993 as well as property owned by government and government-related agencies.

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[1] Tim McNulty "Tax-Exempt Properties are Killing City Financially, Controller Flaherty Says" and "City Urges Tax-Exemption Aid". Pittsburgh Post-Gazette, January 13, 2000 and February 25, 2000. Pittsburgh in the 21st Century Panel report, page 5 and page 41-43. Stephanie Franken "Mayor Pitches Tax Plan Again". Pittsburgh Tribune-Review, March 20, 2003.

[2] Ibid

Tax-Exempt Property as a Share of Total Market Value

Most estimates of the share of tax-exempt property as a percentage of all property in the City of Pittsburgh (taxable and exempt) put the share somewhere in the area of 35 percent. Those estimates are fairly accurate. Table 1 contains certified market value totals for 1993 and 2003.

Table 1-Exempt as a Percentage of City of Pittsburgh Total Market Value[3]

Year	Taxable	Exempt	Total	Exempt as % of Total
1993	8,221,362,936	4,154,709,120	12,376,072,056	34
2003	13,578,918,394	6,598,533,300	20,177,451,694	33

Based on certified values from 1993 and 2003, the share of tax-exempt property of total market value did not change much from 1993 to 2003, declining one percentage point in ten years (values are rounded). This is true despite two consecutive countywide reassessments in 2001 and 2002. In order to gauge the impact of the reassessments, the tables below detail the market value growth of taxable and exempt property from 1993 to 2000 (the last year before two successive reassessments), 2000 to 2003, and 1993 to 2003.

Table 2-Market Value Growth of Taxable Property in City of Pittsburgh[4]

Years	1993	2000	Change, $	Change, %
	8,221,362,936	8,475,434,120	254,071,184	3
Years	2000	2003	Change, $	Change, %
	8,475,434,120	13,578,918,394	5,103,484,274	60
Years	1993	2003	Change, $	Change, %
	8,221,362,936	13,578,918,394	5,357,555,458	65

Table 3- Market Value Growth of Exempt Property in City of Pittsburgh

Years	1993	2000	Change, $	Change, %
	4,154,709,120	4,613,337,180	458,628,060	11
Years	2000	2003	Change, $	Change, %
	4,613,337,180	6,598,533,300	1,985,196,120	43
Years	1993	2003	Change, $	Change, %
	4,154,709,120	6,598,533,300	2,443,824,180	59

It is clear that successive countywide reassessments of property in 2001 and 2002 accounted for the majority of the increase in taxable and exempt value. This is particularly pertinent for taxable value, which rose a mere 3 percent from 1993 to 2000, but 60 percent from 2000 to 2003. Exempt property value likewise increased in value significantly over the time frame. From 1993 to 2003, taxable market value grew faster than exempt market value (65% to 59% overall).

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[3] Allegheny County Department of Property Assessment, Local Certifications: Reports of Real Estate Valuation and Tax as Certified to the Controller, 1993, 2000, and 2003. Un-rounded amounts are 33.6% (1993) and 32.7% (2003)--a decline of 0.9 percentage point.

[4] Ibid

The share of exempt property market value as a percentage of total market value has decreased from 1993 to 2003, and while both taxable and exempt value increased over the decade, taxable value grew faster than exempt. Due to the fact that taxable parcels often have more comparable parcels and are more reliable, on the whole, than exempt assessments, the growth in taxable value will be used to gauge growth among various owners of exempt property over the decade.

Ownership by Non-Government Entities

This section focuses on the large non-governmental uses--those that owned over $100 million in market value in 1993 and then measures the change in those uses over the time period. There were three use categories that owned more than $100 million in market value in 1993 and all carried over into 2003--that is, not one of these categories fell under $100 million in market value in 2003. Based on a literature review of local, statewide, and nationwide articles, these groups are the most likely subjects of plans to extract direct contributions to support government services.[5]

Table 4-Tax-Exempt Ownership by Non-Governmental Entities[6]

Use Code	1993 # of Parcels	1993 Market Value	2003 # of Parcels	2003 Market Value	Change in Market Value ($)	Change in Market Value (%)
Charitable/Hospital/ Homes	211	688,027,960	239	1,135,265,500	447,237,540	65
Churches/Public Worship	589	206,533,080	614	335,907,700	129,374,620	63
Owned by College/University/Academy	306	996,062,820	345	1,453,965,800	457,902,980	46
Totals	**1,106**	**1,890,623,860**	**1,198**	**2,925,139,000**	**1,034,515,140**	**55**

When taken together, the categories of churches, universities, and hospitals accounted for $2.9 billion of the tax-exempt market value in 2003. Measured against that year's certified totals, this value represented 44 percent of the market value of exempt property and 14 percent of total value. Only the charitable/hospital/homes category grew as fast as

[5] See: Mark Murphy "PILOTs Give Local Government Revenues a Lift" (www.afscme.org); Kathleen Sylvester "Can Ivy Cure the Urban Blues?" Governing, December 1989; Bridgette Blair "Penn State Retains Tax-Exempt Status" The Collegian, February 11, 1997; Christie Campbell "Statewide, Cities Can't Keep Up with Wealthy Neighbors" Observer-Reporter, January 12, 2003; Andrew Conte "City Collecting Less Money from Non-Profit Groups" Pittsburgh Tribune Review, October 3, 2002; Act 55 of 1997 (www.legis.state.pa.us); Sheila Hotchkin "Cities Threatening to Tax Non-Profits to Help Shrink Budget Deficits" Associated Press, June 13, 2001; Bill Archambeault and Allison Connolly "Hospitals May Face More Taxing Questions" Boston Business Journal, February 25, 2003; Harry Themal "Tax-Exempt Sites Beggar Wilmington" Delaware News Journal, June 17, 2002. Linda Gorman "Can we Profit by Taxing Non-Profits" Independence Institute, September 12, 1996; Ilana Rosman "Should Providence Tax Brown's Property?" Providence Herald April 30, 1998.

[6] Allegheny County Department of Property Assessment Database

the increase in City taxable value over the decade. Colleges and universities increase in market value lagged well behind.

These entities have pointed out the benefits they deliver to the City time and time again: contributions to other tax categories such as wage and parking; free services donated to City residents; relief of public agencies of particular functions, and contributions by way of economic activity at City businesses. Consider the case of the colleges and universities in the City. These organizations are bolstered by federal and state dollars (such as guaranteed loans) that allow students to attend institutions of higher learning in the first place. Their presence benefits City-owned business and thus employs a significant number of City residents.

The City should undertake an evaluation to determine if these three uses deliver benefits (in the way of dollars) in excess of the costs they impose. For instance, do universities provide enough parking taxes, wage and property from employees that live in the City, sales taxes through the Regional Asset District, and business activity to enterprises located in the City to pay their way? If so, they can move on and repeat this process with hospitals and churches in order to measure the net benefit of these groups to the City.

Ownership by Government

Since non-governmental ownership does not account for all of the exempt property in the City, attention must be given to other large owners. Much of the remaining value of exempt property is under the control of government and government-related agencies.

Table 5 shows the ownership of tax-exempt property by governments and government agencies that hold property within the City's borders. General-purpose governments include the City, County, State, and Federal Governments. Special-purpose governments include the City School District, the City's Housing, Parking, Stadium, and Urban Redevelopment authorities, the County's Port Authority, and the City-County Public Auditorium Authority/Sports and Exhibition Authority[7] and the Sanitary Authority.

[7] The Public Auditorium Authority function was assumed by the Sports and Exhibition Authority. The County records still indicate PAA ownership of parcels classified as exempt in the City, but for purposes of this study, the PAA parcels are combined with the SEA-owned parcels.

Table 5--Tax-Exempt Ownership by Government and Related Agencies[8]

Owner	1993 # of Parcels	1993 Market Value	2003 # of Parcels	2003 Market Value	Change in Market Value ($)	Change in Market Value (%)
SEA/PAA	1	3,370,660	38	796,618,700	793,248,040	23534
County-City-School	106	1,095,000	133	6,948,000	5,853,000	535
Allegheny County	46	127,282,000	44	311,280,100	183,998,100	145
Federal Government	38	178,176,100	41	309,598,700	131,422,600	74
City of Pittsburgh	9,960	395,607,780	9,115	657,972,200	262,364,420	66
Pgh School District	436	293,823,920	464	347,140,400	53,316,480	18
Port Authority	322	46,101,620	414	47,897,300	1,795,680	4
URA	1,995	155,212,680	1,810	150,254,800	(4,957,880)	-3
Commonwealth of PA	206	441,912,800	230	417,604,700	(24,308,100)	-6
Parking Authority	87	78,608,100	87	67,496,000	(11,112,100)	-14
Housing Authority	206	231,191,100	227	191,236,100	(39,955,000)	-17
Alcosan	38	32,176,660	39	18,584,700	(13,591,960)	-42
Stadium Authority	6	136,885,600	1	5,186,700	(131,698,900)	-96
Totals	**13,447**	**2,121,444,020**	**12,643**	**3,327,818,400**	**1,206,374,380**	**57**

There were four owners--the SEA/PAA, joint City-County-School Board, Allegheny County, and the federal government--that increased market value well in excess of the total percentage increase in taxable value from 1993 to 2003. The enormous increase by the SEA/PAA category reflects the construction of two major new facilities and the addition of the Mellon Arena to its portfolio.

Measured against 2003's certified totals, the value of government ownership accounted for 50 percent of the exempt value total and 16 percent of total (taxable and exempt) value.

As briefly mentioned above, there was some movement of large exempt properties from one government owner to another during the time frame. According to County records, ownership of the Mellon Arena transferred from the Urban Redevelopment Authority to the Public Auditorium Authority sometime during the 1990s. Despite this fact, the URA's holdings only decreased about $5 million from 1993 to 2003. In 1993's records, the convention center ownership is attributed to the Commonwealth; once it is completed, the SEA will own the new convention center. That agency did not exist in 1993; according to County records, its predecessor, the Public Auditorium Authority, owned one theatre parcel on 7th Street in downtown in 1993. Several parcels are still shown as being owned by the PAA in the 2003 records.

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[8] Ibid.

Factors Influencing the Growth of Exempt Value

Plan B

What has been the total impact from the Plan B projects--Heinz Field, PNC Park, and the convention center--on the market value of tax-exempt property in the City? In 1993, County records show that Three Rivers Stadium and adjacent parcels were valued at $136 million and the convention center and adjacent parcels were valued at $24 million, a total of $160 million. As of now, the stadiums and adjacent land are on the records at a combined $617 million. Using an estimate of $320 million for the value of the center places the total of $937 million in exempt property from Plan B construction and related parcel control by the SEA.

Bear in mind that millions of dollars in taxable property were taken off of the tax rolls to accommodate Plan B development.

Table 6-Major Sports and Convention Facilities

Venues	1993 Market Value	2003 Market Value	Increase ($)	Increase (%)
Stadium(s) and Adjacent Parcels	136,885,600	617,037,000	480,151,400	351
David Lawrence Convention Center and Adjacent Parcels	24,181,320	320,000,000	295,818,680	1223
Total	**161,066,920**	**937,037,000**	**775,970,080**	**482**

The combined value of the Regional Destination Program has thus raised the total amount of tax-exempt facilities from $160 million to $937 million--an increase of $775 million. Absent the reassessment of properties, the total value of all tax-exempt properties would have changed little from 1993. Thus, it can be concluded that the Plan B projects have accounted for the lion's share of the increase in tax-exempt value. Consider that if the stadiums were not built, and assuming that there was no private taxable development at the North Shore site, the share of exempt property as a percentage of all value would be approximately 31 percent, two percentage points lower than where it now stands.

Projects that Delay Property Tax Receipts

The City's use (in conjunction with the County and the City School District) of tax increment financing has had mixed results. Some developments have been undertaken on formerly exempt land that is turned into taxable property that generates positive real estate increments. Others have been used on valuable property that removes productive uses or provide subsidized competition with established businesses.

To be certain, the use of tax increment financing delays the receipt of real estate tax revenue by the taxing body. Instead, some percentage of the incremental taxes is devoted toward the repayment of bonds that are sold to aid the project. Based on an analysis of several projects that have been built but are not yet through the phase of bond retirement, the City would have received $6.1 million in new real estate tax annually, but is instead receiving $1.9 million. Put another way, $4.2 million in new real estate tax revenue is tied up in a deferment arrangement to pay off bonds sold to finance part of the project.

Table 7-Sample of City TIF Projects[9]

Project	Pre-Project Market Value	2003 Market Value	Incremental Market Value	Incremental City Real Estate taxes	% Deferred to Retire Bonds	$ Deferred to Retire Bonds
Alcoa	0	36,664,400	36,664,400	395,976	100	395,976
Penn Ave Place	11,209,200	35,835,900	24,626,700	265,968	100	265,968
Lazarus	11,735,000	22,823,800	11,088,800	119,759	100	119,759
Penn Liberty	359,920	8,332,051	7,972,131	86,099	75	64,574
Schenley Ctr	30,800	11,624,800	11,594,000	125,215	75	93,911
Mellon	13,640,000	115,201,200	101,561,800	1,096,867	62	680,057
Giant Eagle	0	27,695,800	27,695,800	299,115	75	224,335
Fulton	1,242,800	26,247,800	25,005,000	270,054	60	162,034
Home Depot	558,312	6,861,000	6,302,688	68,069	66.7	45,402
South Side	607,600	230,859,610	230,252,010	2,486,722	60	1,492,033
PNC	3,940,900	90,903,500	86,962,600	939,196	75	704,397
Totals	**43,324,532**	**613,049,861**	**569,725,929**	**6,153,040**		**4,248,446**

There has been talk of no less than three new tax increment plans in the City, including one on the land between the two new stadiums on the North Shore. Once mentioned as a prime development site that would attract a flurry of private development activity, it now appears that the case will be more of a private-public partnership that will involve the diversion of new revenue from the City to pay for redevelopment bonds.

Conclusion

From 1993 to 2003, the market value of tax-exempt property grew 59 percent while taxable property grew over this same time frame by 65 percent. In both years, tax-exempt property represented less than 35 percent of the total tax base (taxable and exempt) in the City, so despite its growth in value, the share of exempt property remains at the same level as it did ten years ago.

The uses of property attributed to universities, hospitals, and churches increased an average of 55 percent from 1993 to 2003, much lower than the City's increase in taxable value over the same period. Only the category that includes hospitals increased as fast as the taxable increase, while universities grew much slower.

A review of individual units of government and government agencies shows there are significant increases in the amount of exempt property held, much of it from the late 1990s and the Plan B projects, one of which has yet to be completed and assessed. So while many authorities saw their market value decline, these decreases did not offset the increases by other agencies and other levels of government. Because government and

[9] URA Development Summaries and Allegheny County Real Estate Website

government agencies own a significant portion of exempt property, the "loss" of nearly $70 million in tax dollars to the City is obviously overstated.

Appendix

Tax-Exempt Property in Allegheny County

The Pennsylvania League of Cities and Municipalities provided us with a copy of a 1996 study conducted by the Commonwealth's Legislative Office of Research Liaison on tax-exempt property across the Commonwealth. In all, the study contained data from 52 of the state's 67 counties on assessed value of taxable property, assessed value of exempt property, a ratio of exempt to taxable, and exempt as a percentage of all (taxable and tax-exempt) property in each municipality. Where dollars amounts appear they are in terms of the assessed value formula that existed prior to 2001 (25% of market value).

This data shows that while Pittsburgh had, and still has, the largest dollar amount of exempt property in Allegheny County, its burden as a percentage of total value (taxable and exempt) is rather low compared with other communities in the County. The extreme outlier in this group was Findlay Township, which is home to Pittsburgh International Airport. Still, other communities, particularly some Mon Valley towns, carried a higher amount of exempt property as a percentage of total value than Pittsburgh.

There are also three tables that summarize 1993, 2000, and 2003 values for Pittsburgh and benchmark these values against non-city values and Allegheny County as a whole. These tables are based on certified value totals provided by the County.

Allegheny County Municipalities with Largest Amounts of Exempt Property, 1995

Municipality	$ Amount	1990 Population	Exempt Value per capita
Pittsburgh	$1,112,290,085	369,879	$ 3,007
Findlay	$348,938,150	4,500	$ 77,542
Moon	$77,529,330	19,631	$ 3,949
McCandless	$68,809,605	28,781	$ 2,391
Monroeville	$42,220,865	29,169	$ 1,447
McKeesport	$38,958,085	26,016	$ 1,497
West Mifflin	$36,847,825	23,644	$ 1,558
Mt. Lebanon	$35,071,355	33,362	$ 1,051
Bethel Park	$28,251,790	33,823	$ 835
O'Hara	$24,479,710	9,096	$ 2,691

Allegheny County Municipalities--Largest Populations in 1990 and Exempt Property, 1995

Municipality	1990 Population	$ Amount	Exempt Value per capita
Pittsburgh	369,879	$ 1,112,290,085	$ 3,007
Penn Hills	51,879	$ 18,979,900	$ 366
Bethel Park	33,823	$ 28,251,790	$ 835
Ross	33,482	$ 16,055,275	$ 480
Mt. Lebanon	33,362	$ 35,071,355	$ 1,051
Shaler	30,533	$ 15,216,835	$ 498
Monroeville	29,169	$ 42,220,865	$ 1,447
McCandless	28,781	$ 68,809,605	$ 2,391
McKeesport	26,016	$ 38,958,085	$ 1,497
Plum	25,609	$ 11,009,830	$ 430

Allegheny County Municipalities, Highest Amount of Exempt Property as Percentage of Total (Taxable and Exempt), 1995

Municipality	Percentage of Total Property (Taxable and Exempt) Classified as Exempt
Findlay	83.9
Rankin	43.7
Homestead	42.8
McKeesport	38.1
Pittsburgh	35.3
Duquesne	32.5
Bellvue	28.2
Clairton	26.2
Moon	26
Kilbuck	25.4

Allegheny County Certified Values, 1993, 2000, and 2003

Pittsburgh	Taxable	Exempt	Total	Exempt as % of total
1993	8,221,362,936	4,154,709,120	12,376,072,056	34
2000	8,475,434,120	4,613,337,180	13,088,771,300	35
2003	13,578,918,394	6,598,533,300	20,177,451,694	33

Non-Pittsburgh	Taxable	Exempt	Total	Exempt as % of total
1993	24,990,006,096	4,921,598,740	29,911,604,836	16
2000	30,328,627,556	5,458,162,980	35,786,790,536	15
2003	47,497,120,469	7,226,792,595	54,723,913,064	13

Allegheny County	Taxable	Exempt	Total	Exempt as % of total
1993	33,211,369,032	9,076,307,860	42,287,676,892	21
2000	38,804,061,676	10,071,500,160	48,875,561,836	21
2003	61,076,038,863	13,825,325,895	74,901,364,758	18