

TIMBER | PUBLIC COMMENTS

PILOTS for Pipes (2-17-23)

Background: Nonprofits organized for religious, charitable, hospital, educational, and other select purposes are exempted from paying property taxes under section 420-a of New York State's 501(c)(3) real property tax law.¹ Because many of Troy's largest employers are nonprofits with enormous portfolios of valuable real estate,² the law significantly limits the City's ability to generate revenue through property taxes. The City must still fund its government somehow, so that burden gets shifted to property owners (directly) and tenants (indirectly). Because of this, the Office of the State Comptroller often - and most recently in November 2022 - recommends that Troy seek alternative methods of generating revenue.³

Payments in lieu of taxes, or **PILOTS**, are designed to address this problem. PILOTS are voluntary agreements reached by governments and entities with tax-exempt property with the intent of recouping some or all of the money that would otherwise be collected through property taxes.⁴ Nationally, these agreements are most commonly sought for not-for-profit schools and hospitals.⁵

An understandable but widespread misconception about nonprofits is that they are, by definition, scraping by. Another misconception about nonprofits is that they must compensate their managers and employees poorly. In truth, the key financial distinction between a not-for-profit organization and a for-profit enterprise is that a not-for-profit organization does not distribute its profits to shareholders. Many nonprofits net quite a lot of income and compensate their executives quite well.

Troy has several PILOTS agreements. Some recoup lost tax revenue from nonprofits, while others are used to attract developers to the City. **A February 2018 report by the Office of the State Comptroller notes that the City had not renegotiated its agreed-upon PILOT totaling \$450 thousand with the Troy Redevelopment Foundation (representing RPI, Russell Sage, Saint Peters, and Emma Willard) in over 20 years.**⁶ TIMBER hopes to receive documents that will clarify whether that has since been updated and how the numbers break down between contributors. That being said, the 2022 budget's approved estimates suggest that Troy collected \$375 thousand from all gifts and donations (including nonprofit PILOTS),⁷ and the Troy Redevelopment Foundation's most recent public 990 for the fiscal year ending in December 2020 still shows \$450 thousand in total revenue.⁸

Resselaer Polytechnic Institute ended FY20 with a **\$33.7 million surplus** and **\$521.9 million in assets**. In the same fiscal year, its president received approximately \$2.6 million in compensation.⁹ RPI charges **\$58,600 for tuition**.¹⁰ As of 2021, RPI has a **\$1.06 billion endowment**. Based on the most recent publicly available filing, **RPI appears to contribute \$135.9 thousand dollars a year to the Troy Redevelopment Foundation**.

¹ <https://codes.findlaw.com/ny/real-property-tax-law/rpt-sect-420-a.html>

² <https://www.renscochamber.com/doing-business-here/major-employers-industry-sectors>

³ <https://www.troyny.gov/ArchiveCenter/ViewFile/Item/1269>

⁴ https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3216056

⁵ https://www.lincolinst.edu/sites/default/files/pubfiles/nonprofit-pilots-policy-brief-v2_0.pdf

⁶ <https://www.osc.state.ny.us/files/local-government/publications/pdf/property-tax-exemptions.pdf>

⁷ <https://www.troyny.gov/ArchiveCenter/ViewFile/Item/81>

⁸ <https://projects.propublica.org/nonprofits/organizations/141777575/202142799349300404/full>

⁹ https://apps.irs.gov/pub/epostcard/cor/141340095_202006_990_2021052618206506.pdf

¹⁰ <https://admissions.rpi.edu/aid/cost>

Emma Willard School ended FY21 with a **\$109 million surplus** and **\$250.3 million in net assets**.¹¹ Its head of school received approximately \$502 thousand in compensation. Emma Willard charges **\$69,970 per boarding student**.¹²

Samaritan Hospital ended FY20 with a **\$6 million budget surplus** and **\$111.1 million in net assets**.¹³ Its two highest-paid directors received a combined compensation of approximately **\$2.7 million**.

Public Comments: As voluntary agreements that may or may not be honored with little consequence, PILOTs are imperfect and inelegant solutions. If the alternative is a significant hike to the city's water rates, they should nevertheless be strongly considered.

It likely goes without saying that PILOT agreements with universities and hospitals can be much, much more substantial than what Troy has negotiated, but they are challenging to compare against one another even with all data in front of us. Without more thorough and recent documentation to review, it would be very difficult to be certain about when we are comparing apples to oranges. What we can plainly see even without the benefit of comparison is that Troy's nonprofits **clearly have enough money to do more for the City**. Considering the impact that lead poisoning has on health and education, **they should want to help the community more**, too.

Because they impact the rich and poor more or less equally, water rate hikes are regressive. Realistically, regressive revenue sources are going to be a feature of any healthy city budget. To the maximum extent practicable, however, we should endeavor to ask more from those who have money to spare than we do from those who do not. RPI has money to spare. We have heard many times from elected officials that RPI's new president is "opening the gates to the community." Before we commit to funding the proposal through water rate increases, we only ask that the City investigates whether that is actually true.

¹¹ https://apps.irs.gov/pub/epostcard/cor/141338390_202106_990_2022071120206414.pdf

¹² <https://www.emmawillard.org/admissions/tuition-and-fees>

¹³ https://apps.irs.gov/pub/epostcard/cor/141338544_202006_990_2021052518186176.pdf

