

FISCAL STRESS SURVEY OVERRIDING THE PROPERTY TAX CAP LEVERAGING NON-PROFITS

Mildred Warner, Austin Aldag, Alice Rayner, and Mark Cassidy



Cornell University: Department of City and Regional Planning

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See more information at <http://www.mildredwarner.org/restructuring/fiscal-stress>.

Context

2017 Local Government Fiscal Stress Survey Results

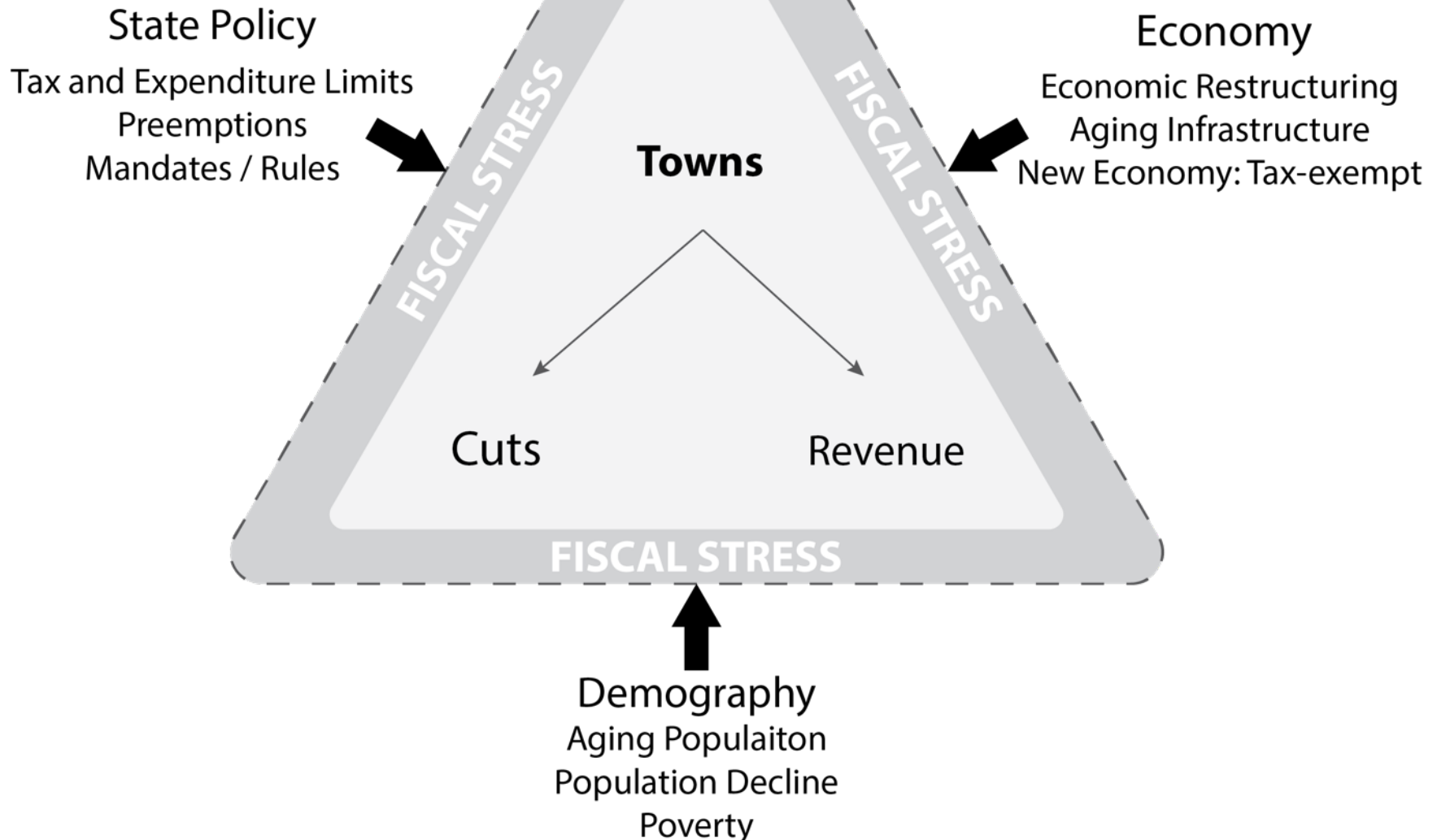
Tax Cap Overrides: Who, Where, and Why?

- Desired Reforms to Fix the Cap

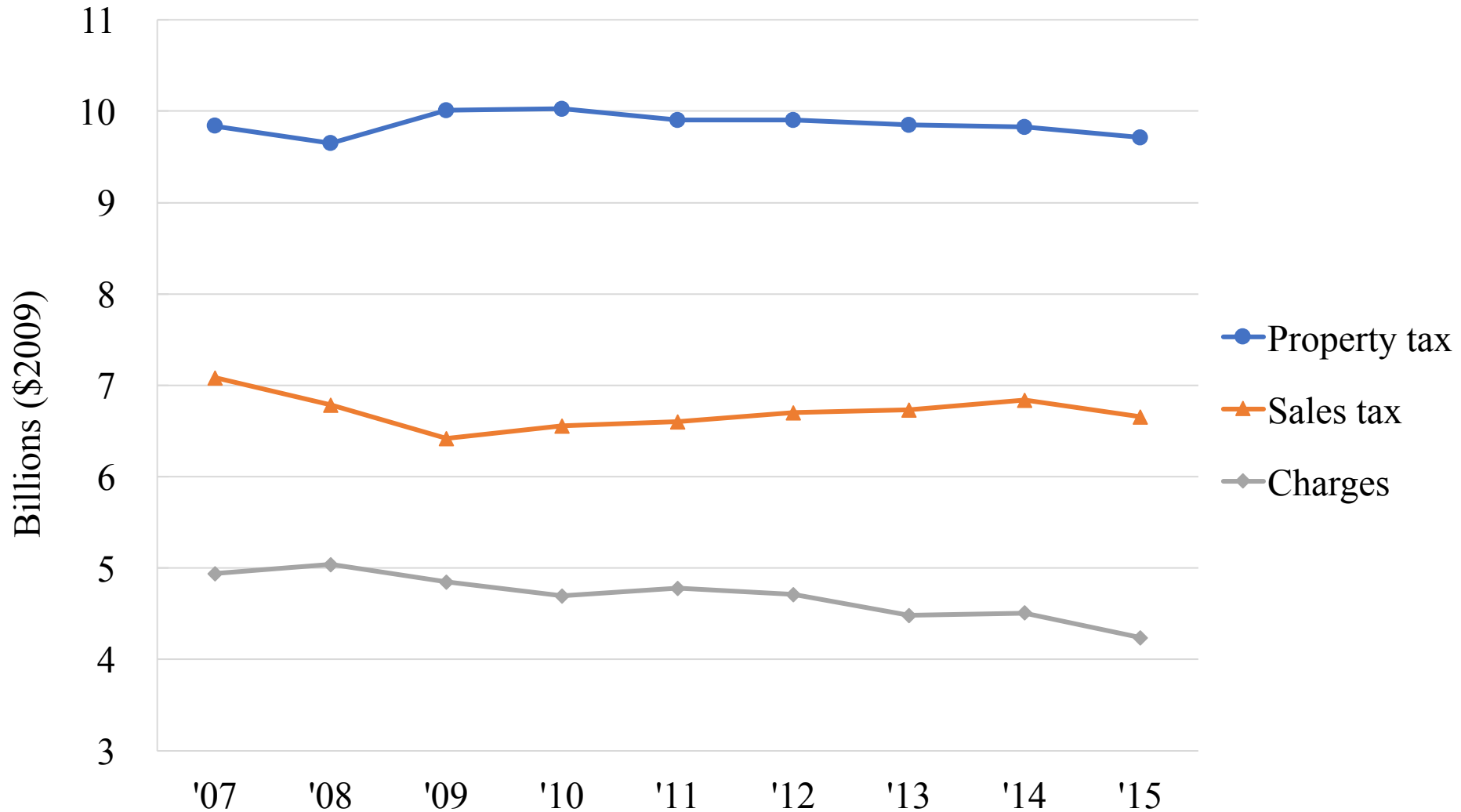
Leveraging Non-Profits

- Payments and Services in Lieu of Taxes
- Community Benefits Agreements

Sources of Fiscal Stress on Towns

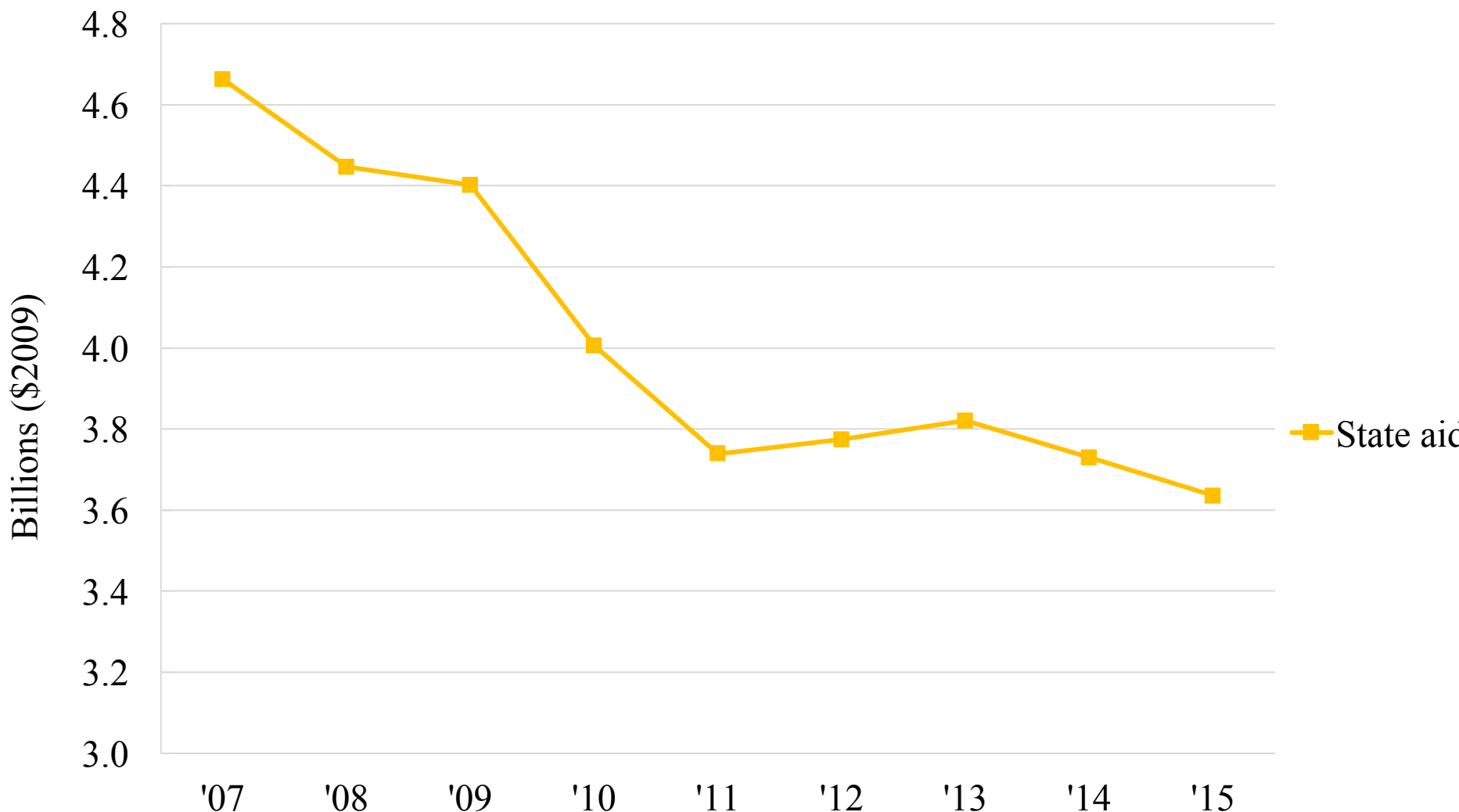


Own-Source Local Revenues are Stagnant



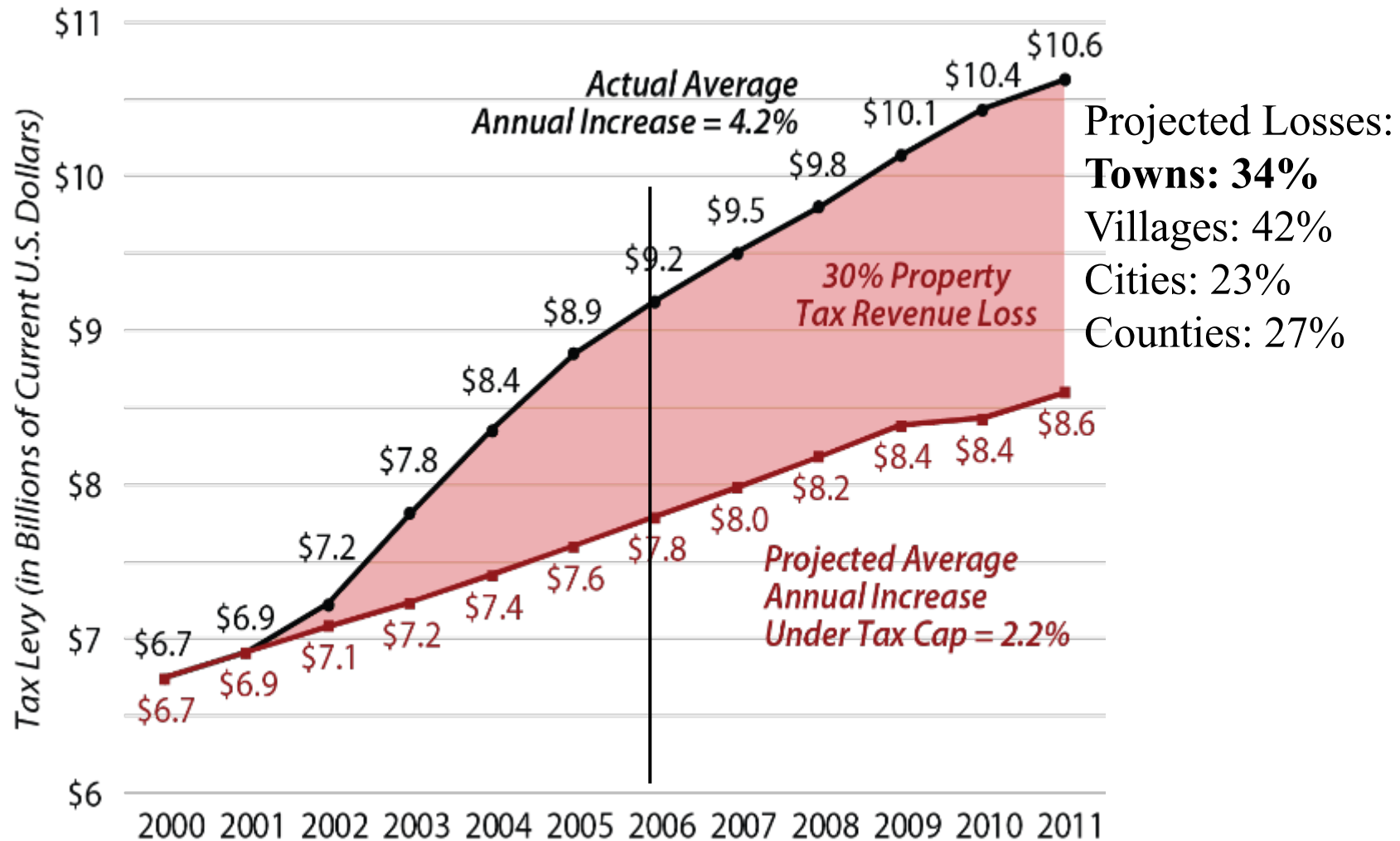
Source: NYS Office of the State Comptroller. Includes cities, counties, towns, and villages.

State Aid – A Billion Dollar Drop!



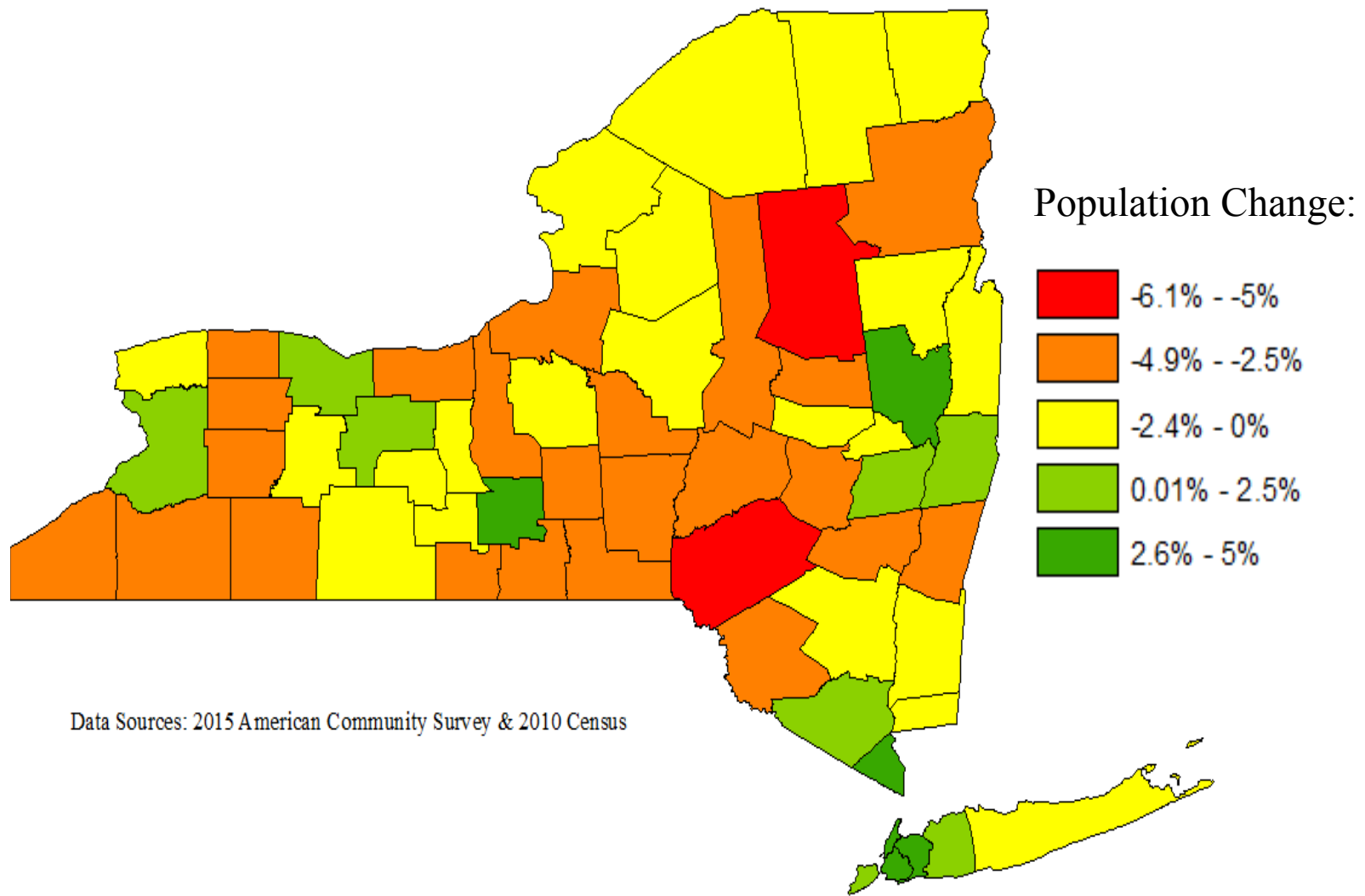
Source: NYS Office of the State Comptroller. Includes cities, counties, towns, and villages.

Cumulative Impacts of Tax Cap



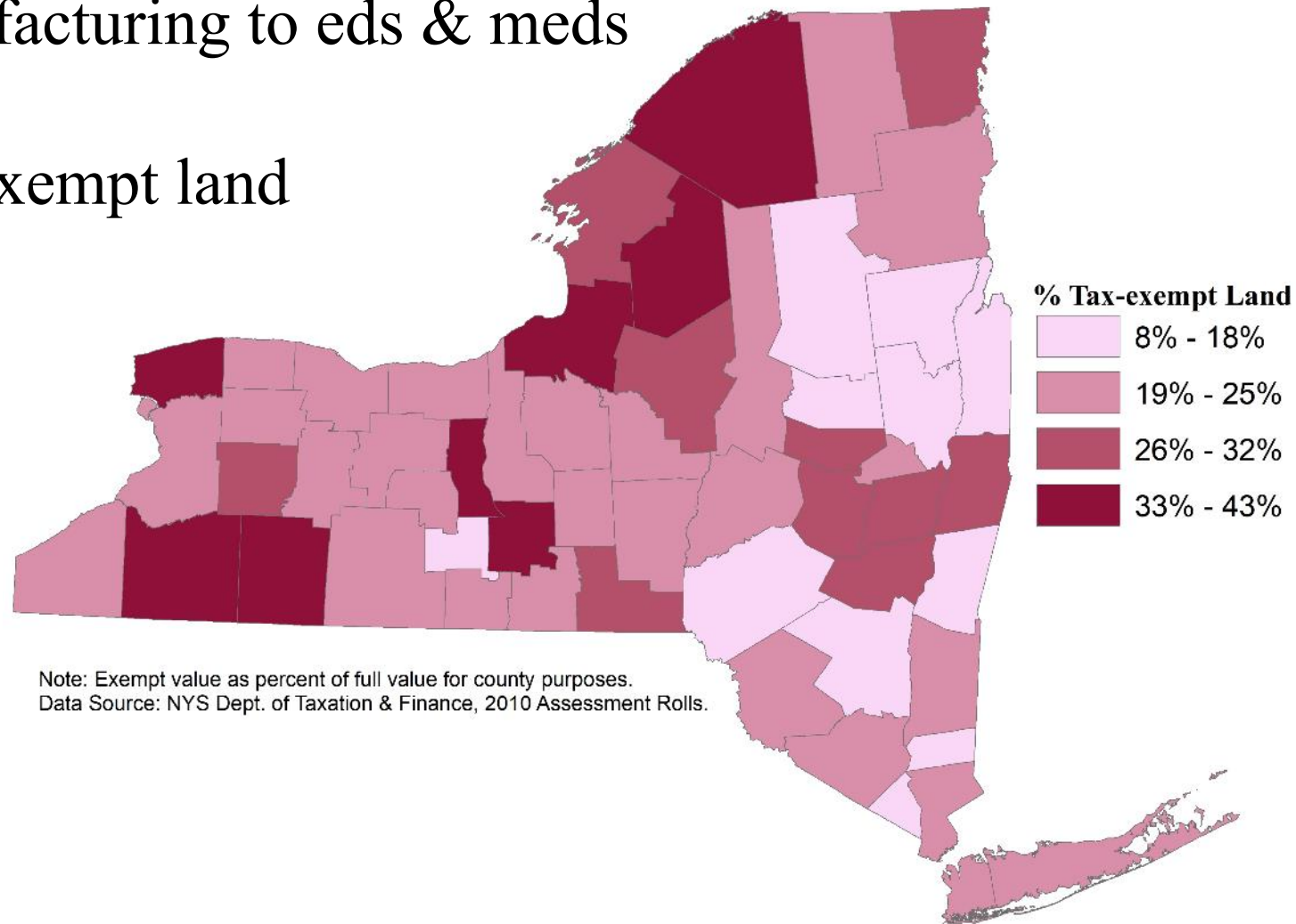
Source: Rivera, Robert and Yuanshuo Xu. (2014). "NY Property Tax Cap: Impact Analysis." Dept. of City and Regional Planning, Cornell University. <http://cms.mildredwarner.org/p/249>

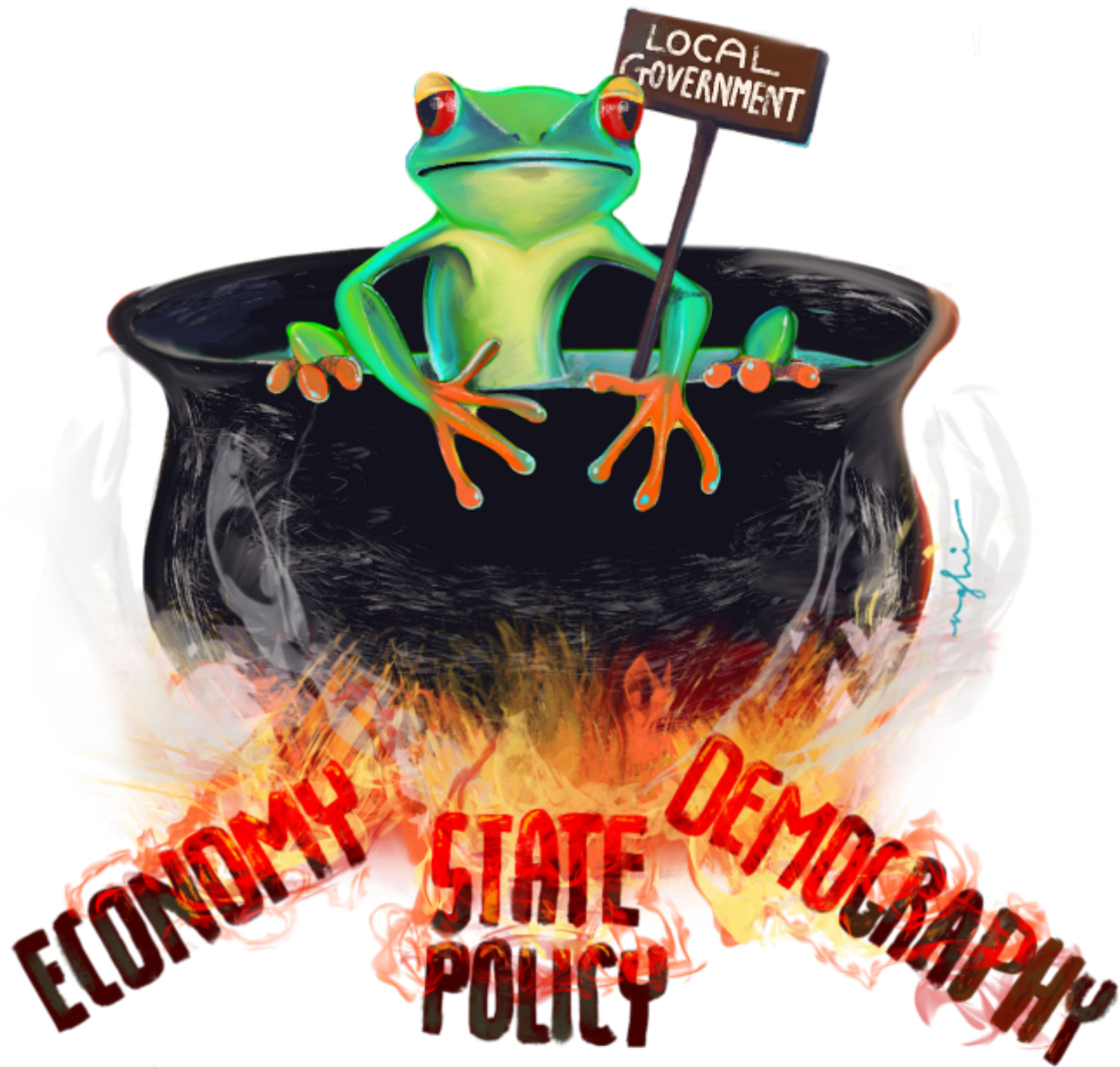
Shifting Demographics



Shift: Manufacturing to eds & meds

Tax-exempt land

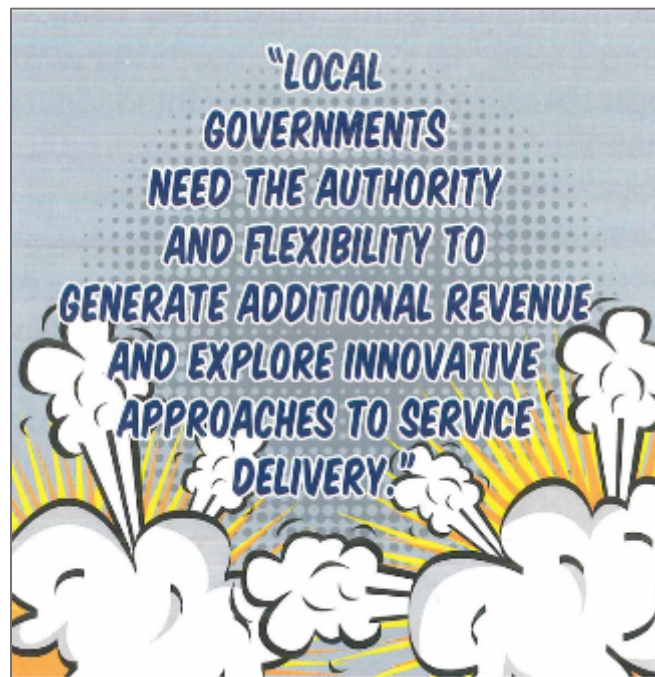




STRESSED OUT

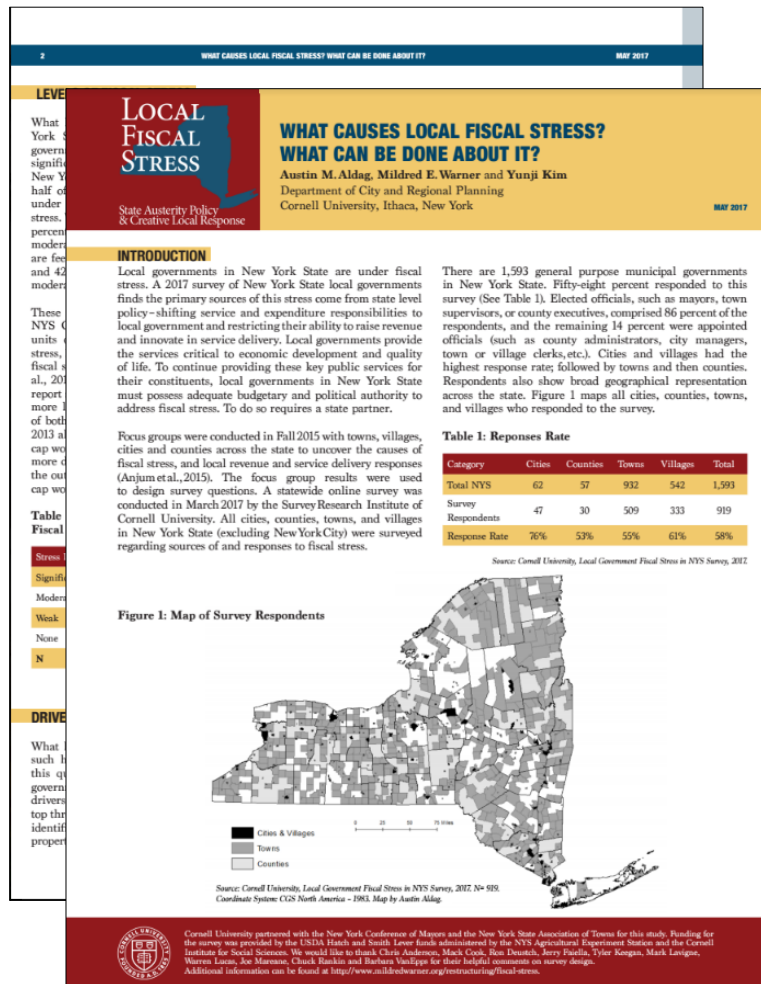
Causes of Local Fiscal Stress and Local Governments' Responses

By Austin Aldag and Dr. Mildred Warner, Dept. of City & Regional Planning, Cornell University, June 2017



Talk of the Towns (June, 2017) pages 9 – 12.

2017 NYS Fiscal Stress Survey



Link to full report:

- <http://cms.mildredwarner.org/p/268>

Collaborators:

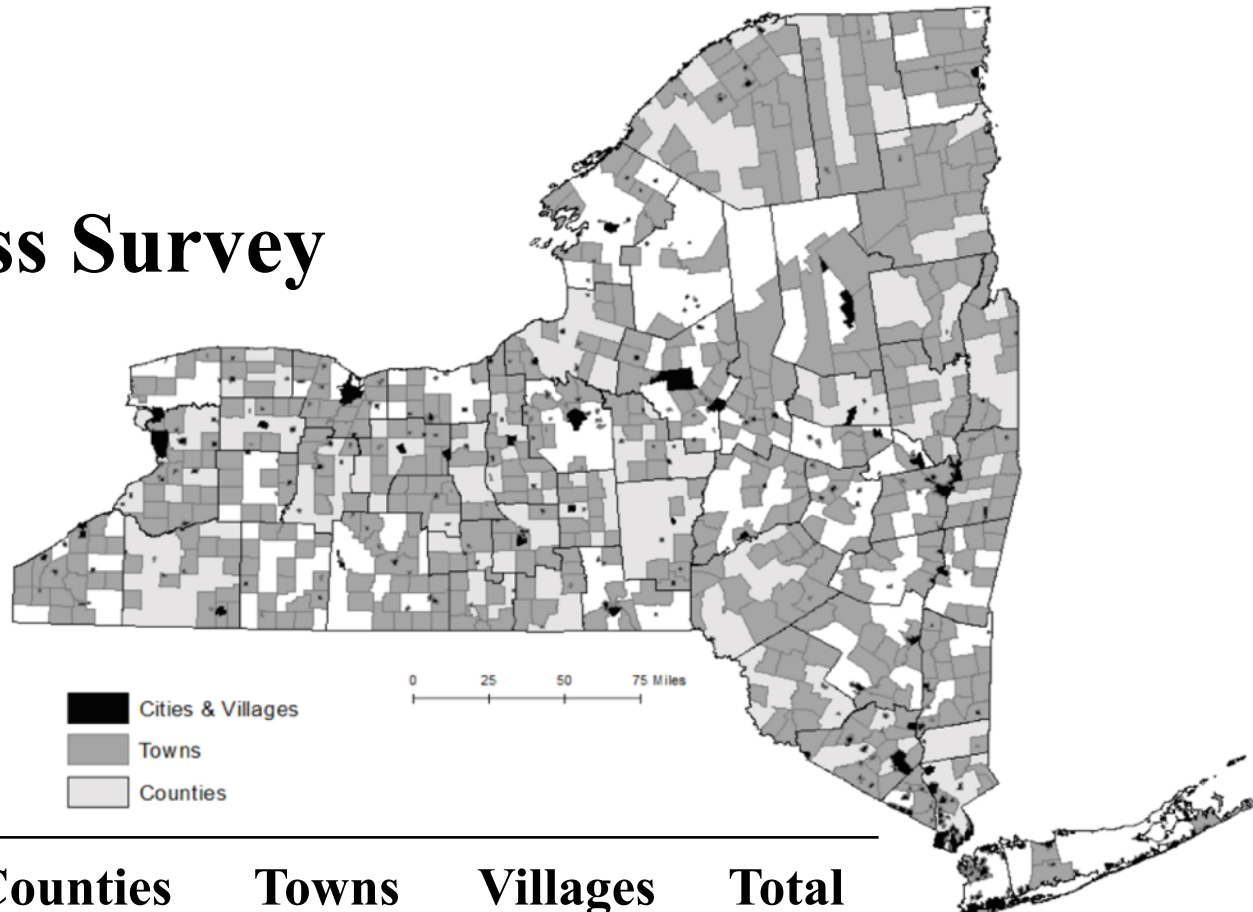
Cornell University

- Dept. of City & Regional Planning
- Association of Towns of the State of New York
- New York Conference of Mayors

Funding for the survey was provided by the USDA Hatch and Smith Lever funds and the Cornell University Institute for Social Sciences.

2017 Fiscal Stress Survey

Response Rates

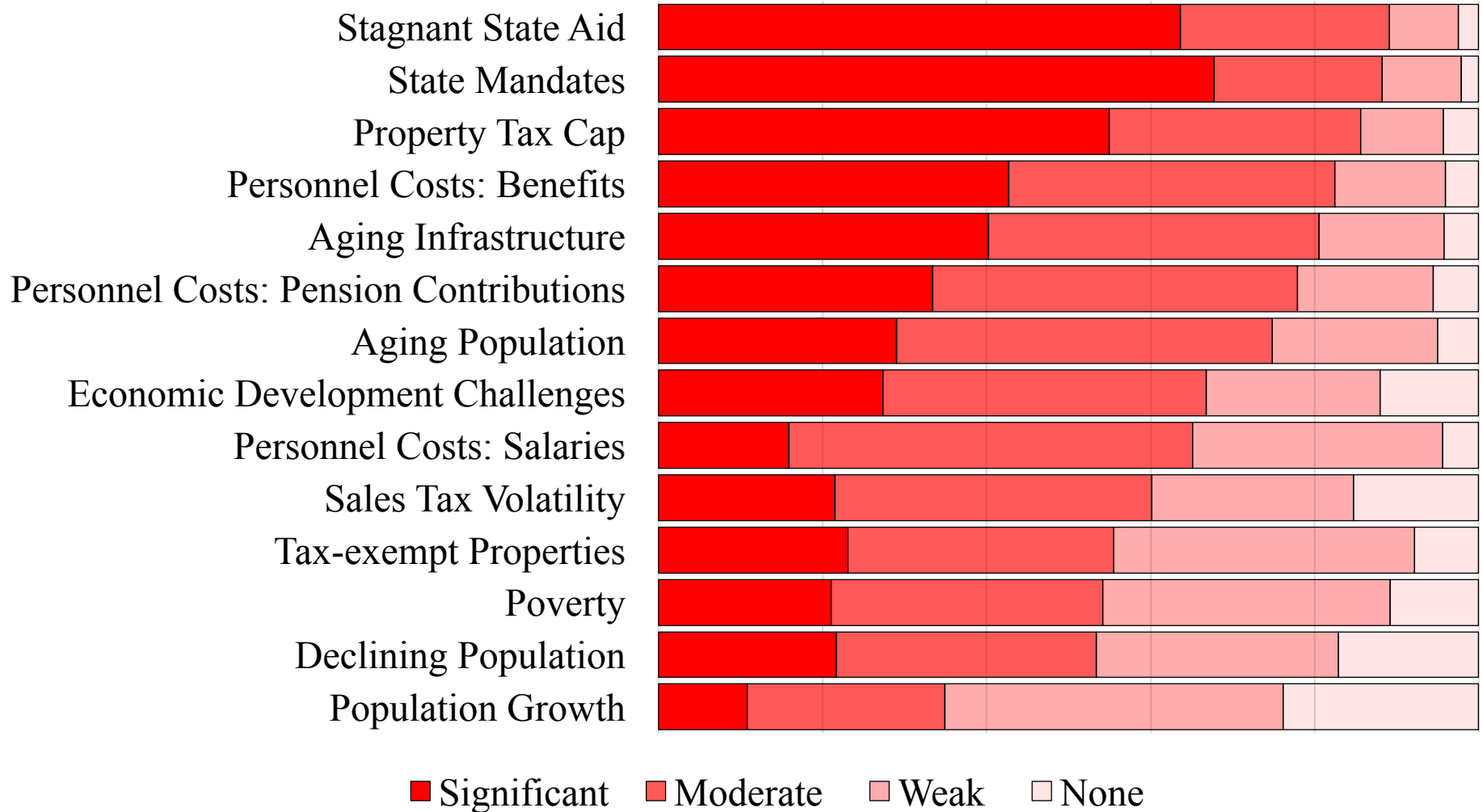


	Cities	Counties	Towns	Villages	Total
Total NYS	62	57	932	545	1,596
Responses	47	30	509	333	919
Response Rate	76%	53%	55%	61%	58%

Sources of Local Fiscal Stress



0% 20% 40% 60% 80% 100%



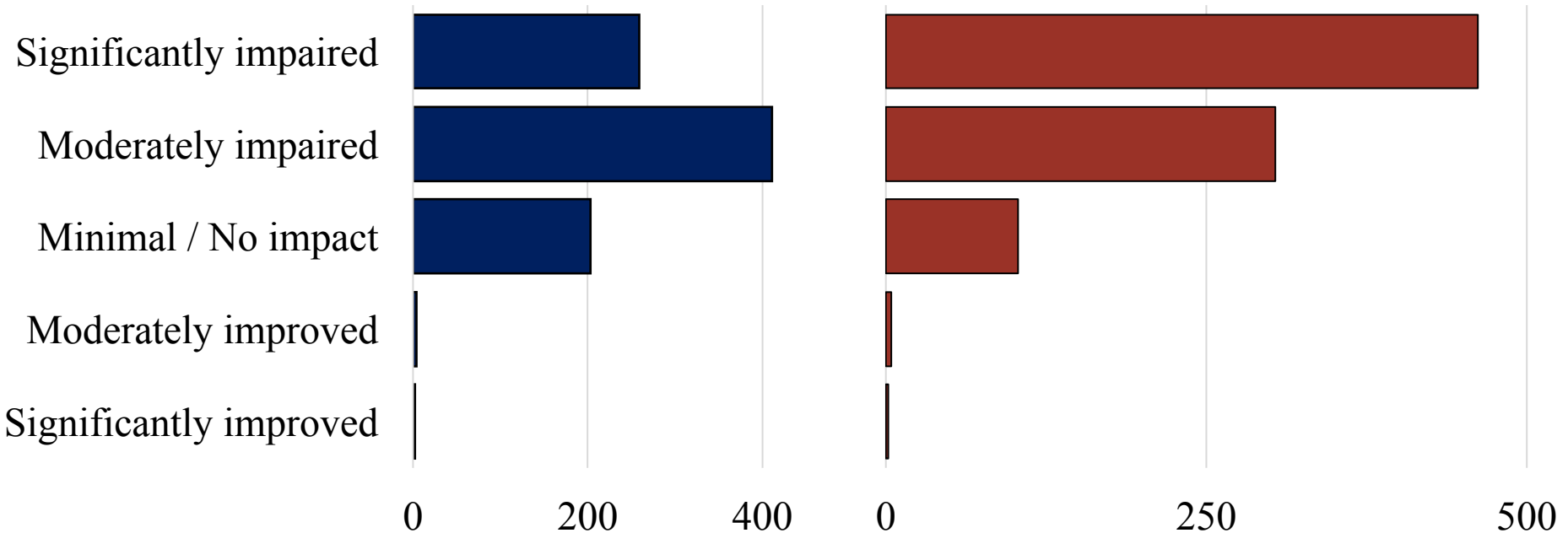
Current vs. Future Budgetary Needs



How has the Property Tax Cap affected your jurisdiction's ability to meet budgetary needs?

Current

Future

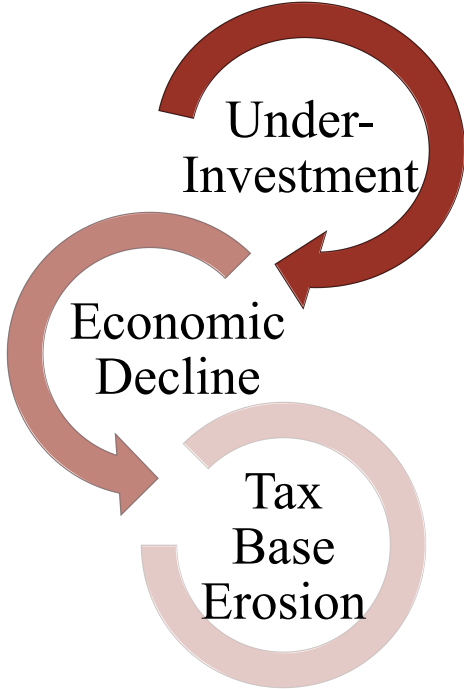


Source: Cornell University, Local Government Fiscal Stress in NYS Survey, 2017, N=879.

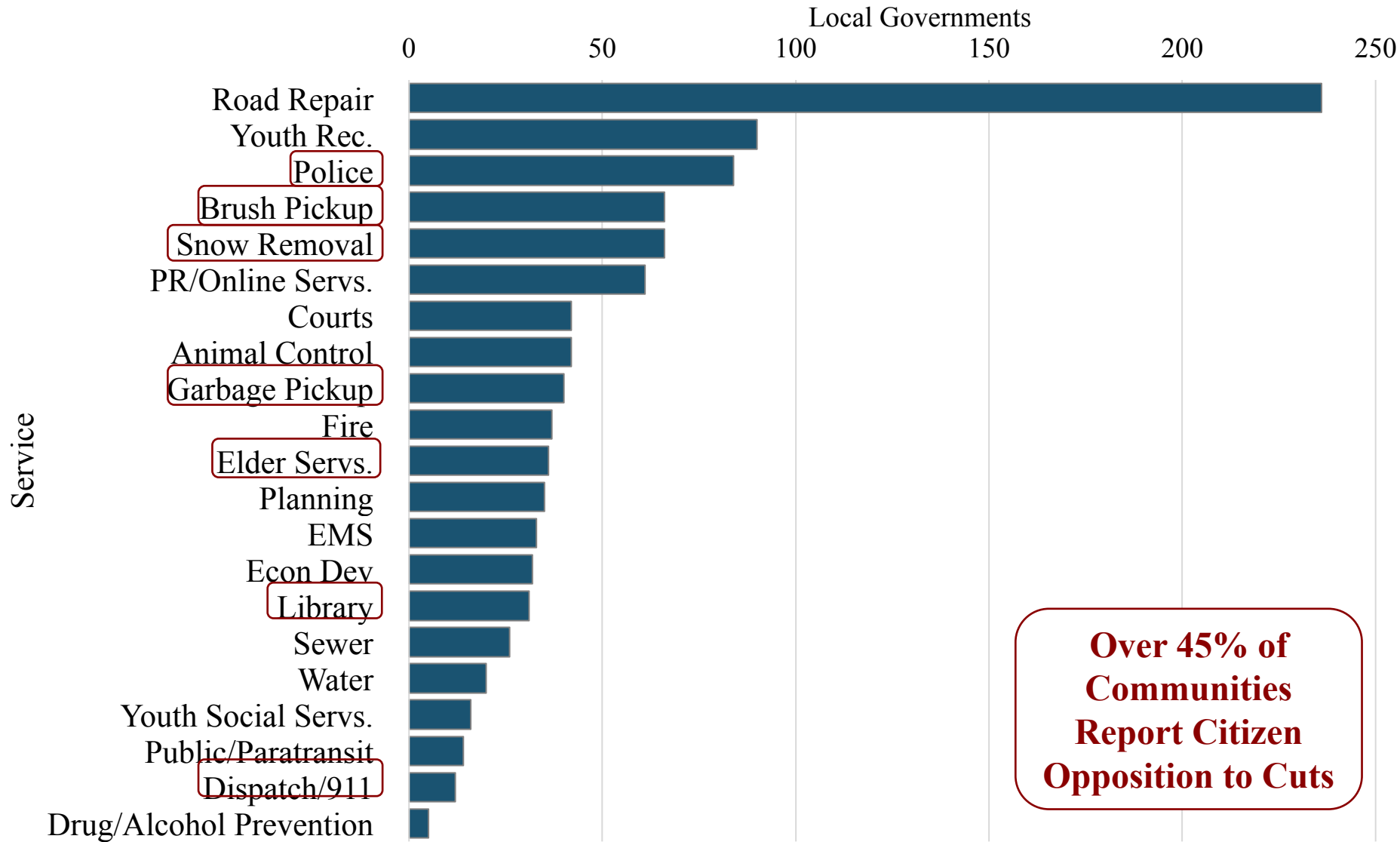
Budgetary Needs Most Affected by Tax Cap

Which future budgetary needs will be most affected?
(Select all that apply)

Service	% Yes
Infrastructure Investments	86%
Long-term Planning	63%
Recreation	26%
Elder Services	19%
Social Services	10%
Source: Cornell University, Local Government Fiscal Stress in NYS Survey, 2017, N= 766, multiple responses allowed.	

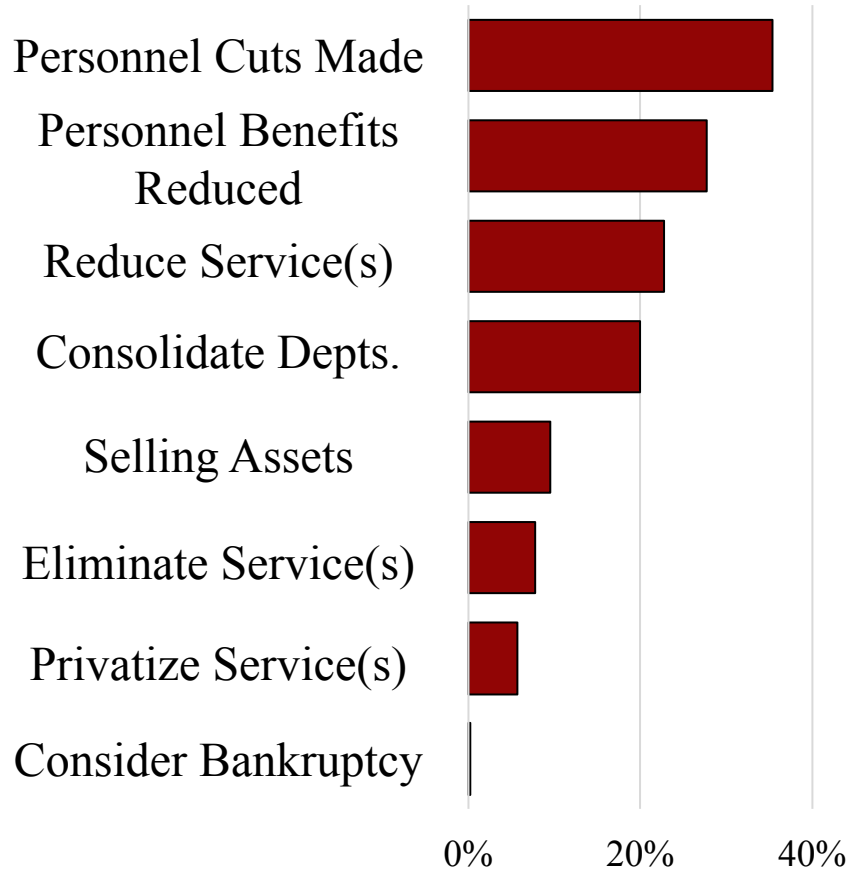


Service Cuts in Response to Fiscal Stress

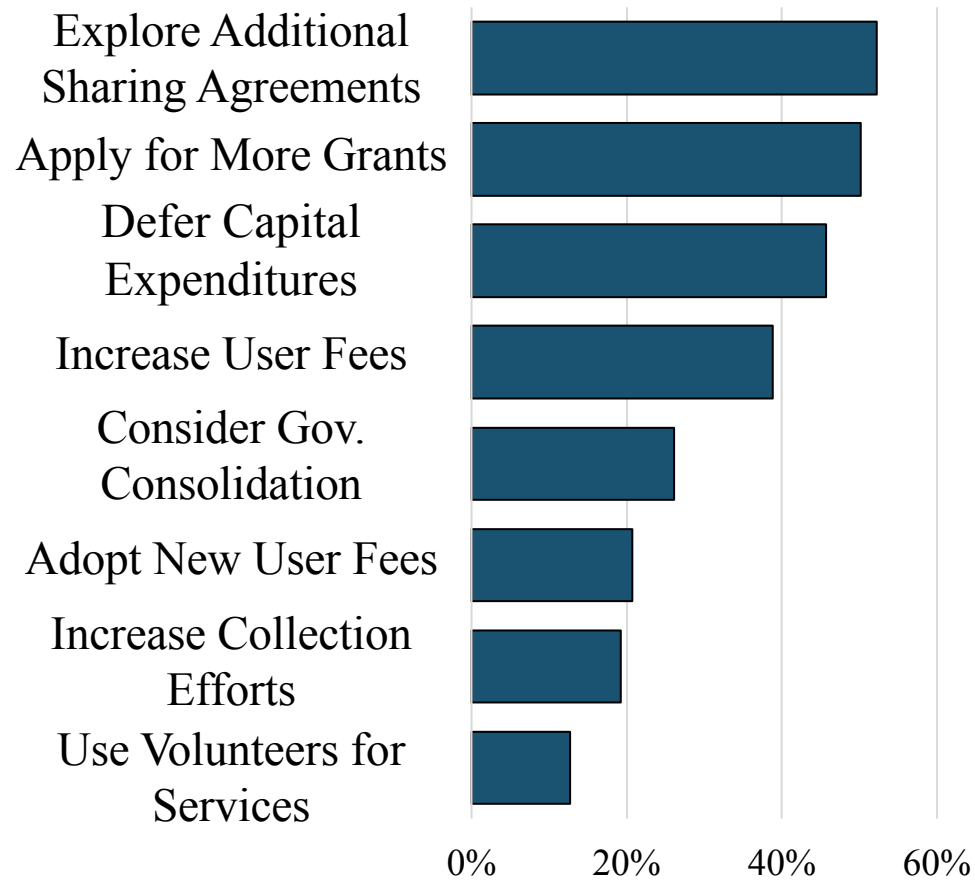


Local Reactions to Fiscal Stress

Cuts (Mean =1.3)

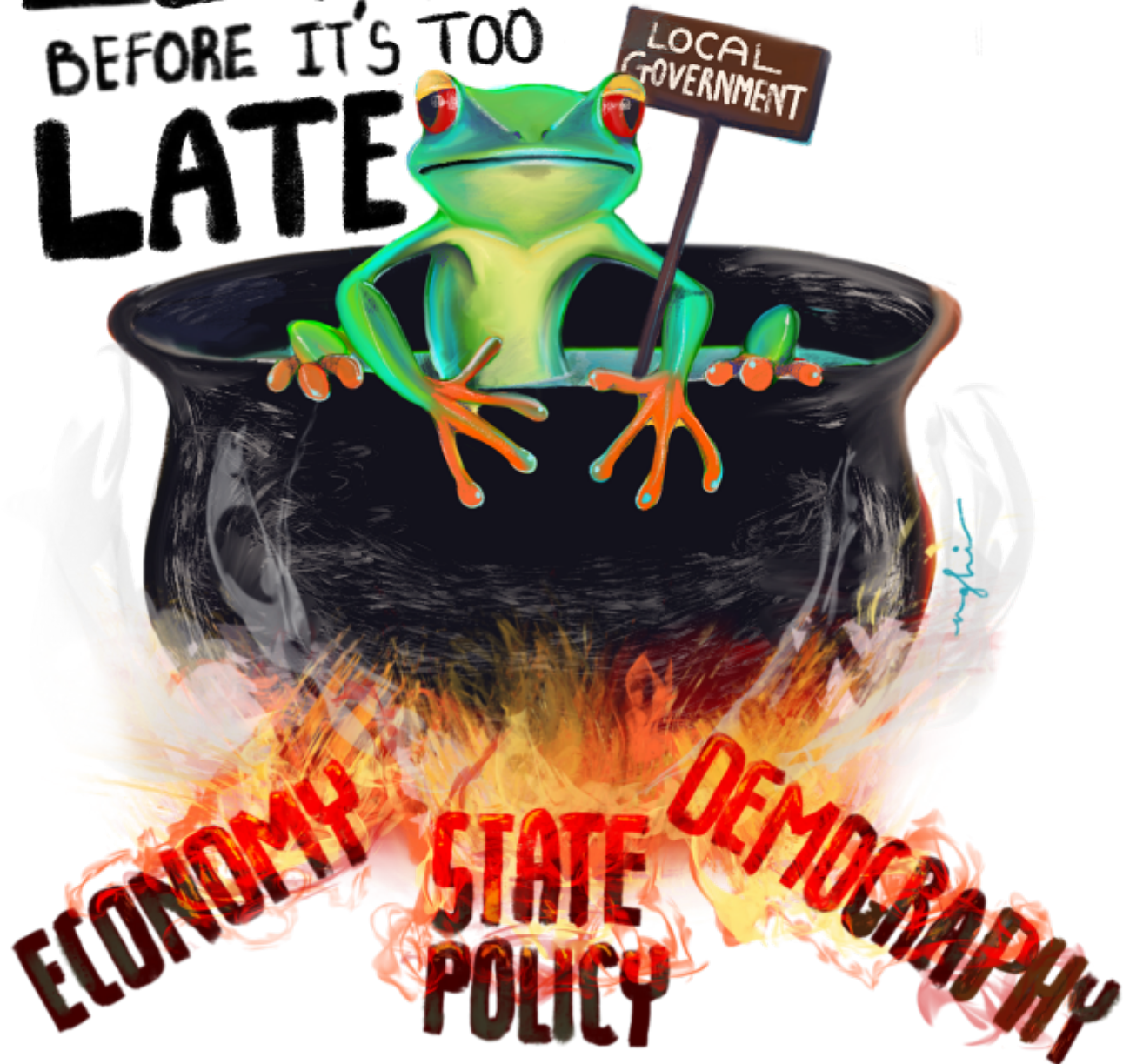


Revenue Enhancements (Mean =2.4)

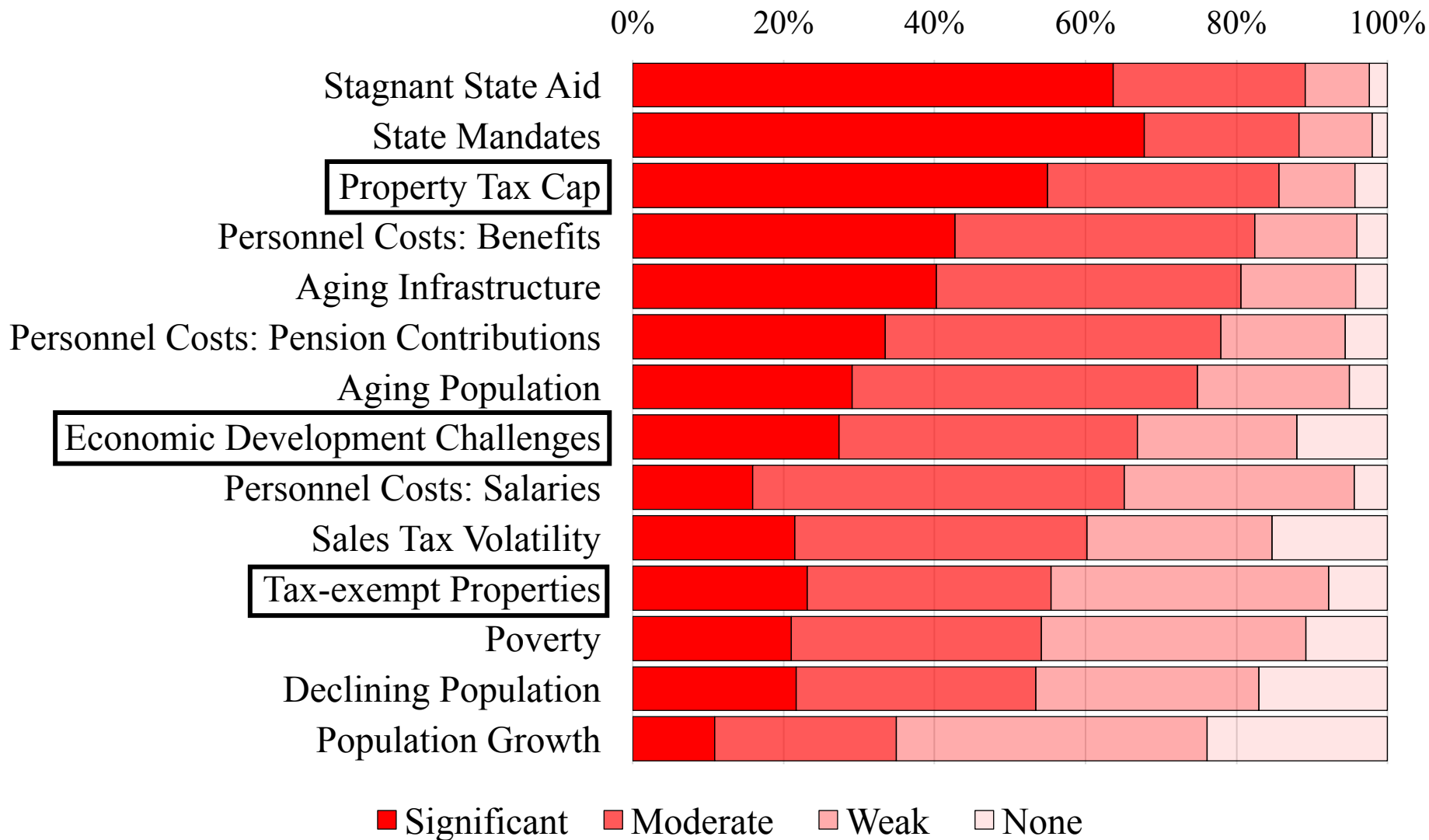


Source: Cornell University, Local Government Fiscal Stress in NYS Survey, 2017, N=855. Multiple responses allowed.

LEAP
BEFORE IT'S TOO
LATE



Sources - Within Local Gov. Capacity



Linking Stress Sources to Tools



Stress Source	% Moderate or Significant Source	Local Government Tool
Property Tax Cap	86%	Overriding Tax Cap
Tax-exempt Properties	55%	Payments in Lieu of Taxes (PILOTs)
Economic Development Challenges	67%	Community Benefits Agreements (CBAs)



Link to full toolbox:
<http://cms.mildredwarner.org/p/280>

Overriding the Property Tax Cap: Who, Where, and Why?



Tool	Override Tax Cap	PILOTs	CBAs & SILOTs
Stress Source	Tax Cap	Tax-exempt Properties	Econ. Dev. Challenges

For General Purpose Local Governments in NYS:

- ✓ **Pass ordinance** with a 60% supermajority of governing board.
- ✓ **Pass final public budget** following the override vote.

Who is Overriding?

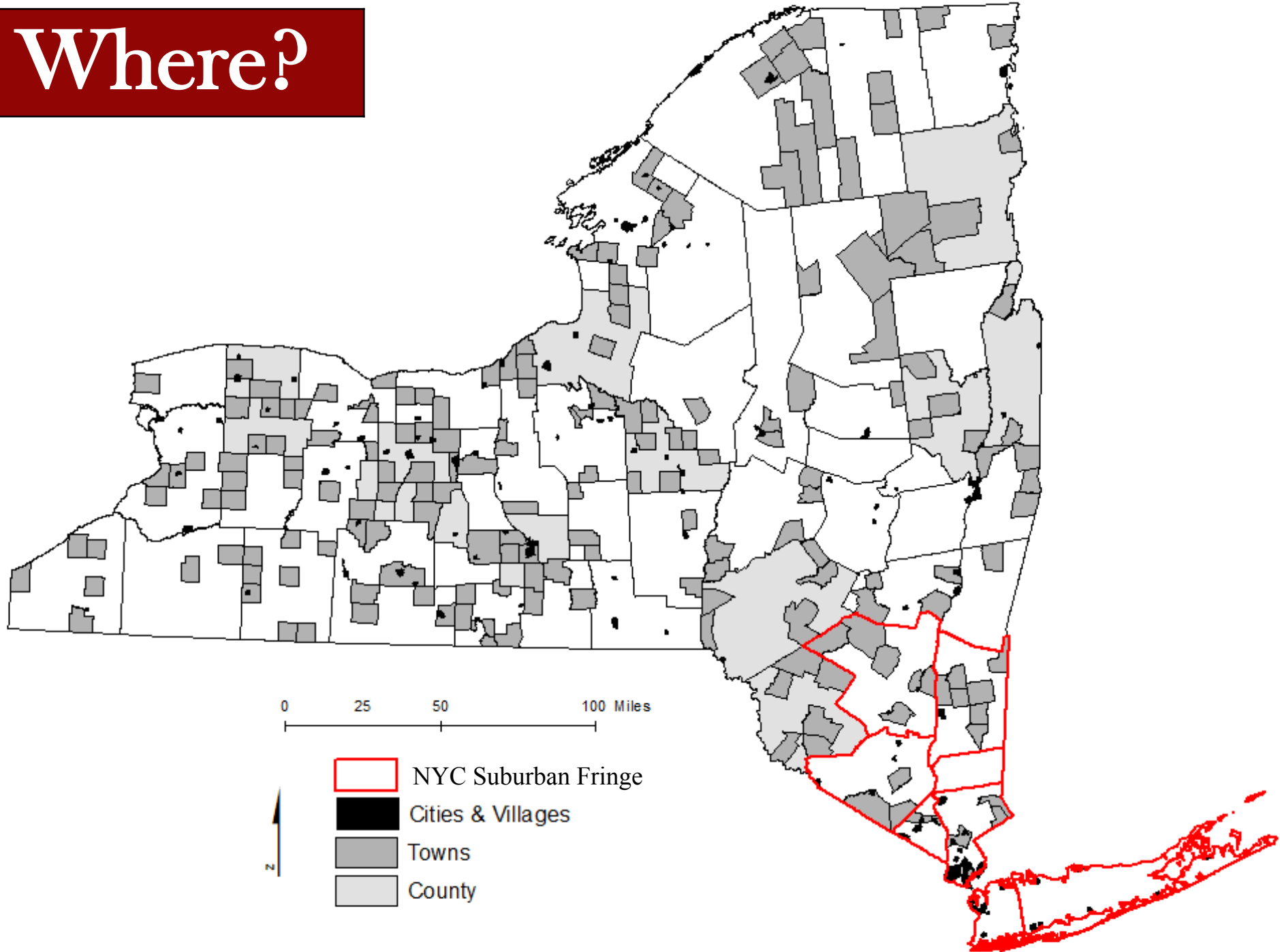


In the last three years, has your jurisdiction overridden the Tax Cap?

Government Type	% Yes
All	38%
Towns	39%
Cities	43%
Counties	43%
Villages	34%

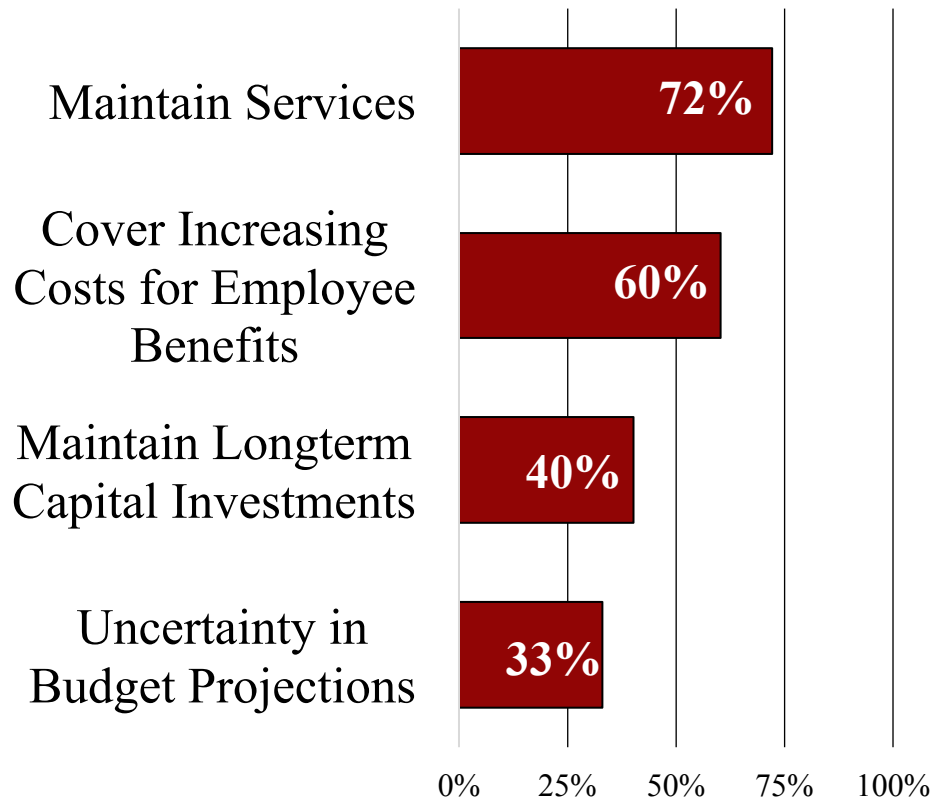
Source: Cornell University, Local Government Fiscal Stress in NYS Survey, 2017, N=878.

Where?

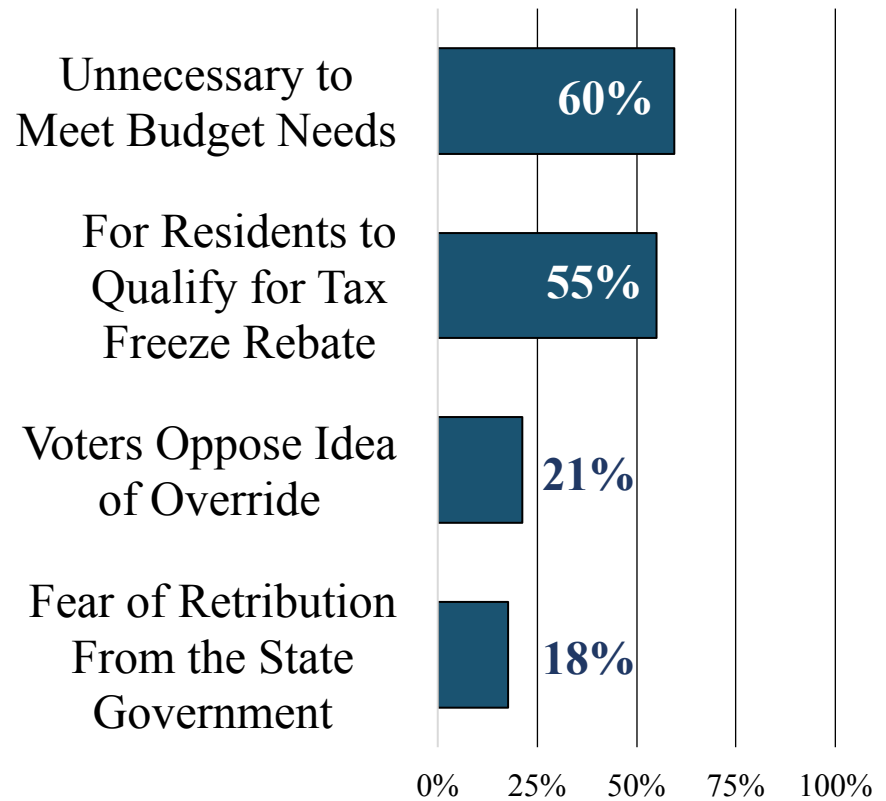


Why / Why Not Override the Cap?

Why did your jurisdiction decide to **override** the Tax Cap? (N=330)



Why did your jurisdiction **not** override the Tax Cap? (N=548)



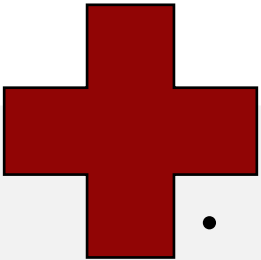
Source: Cornell University, Local Government Fiscal Stress in NYS Survey, 2017. Multiple responses allowed.


Overriding the Tax Cap Summary



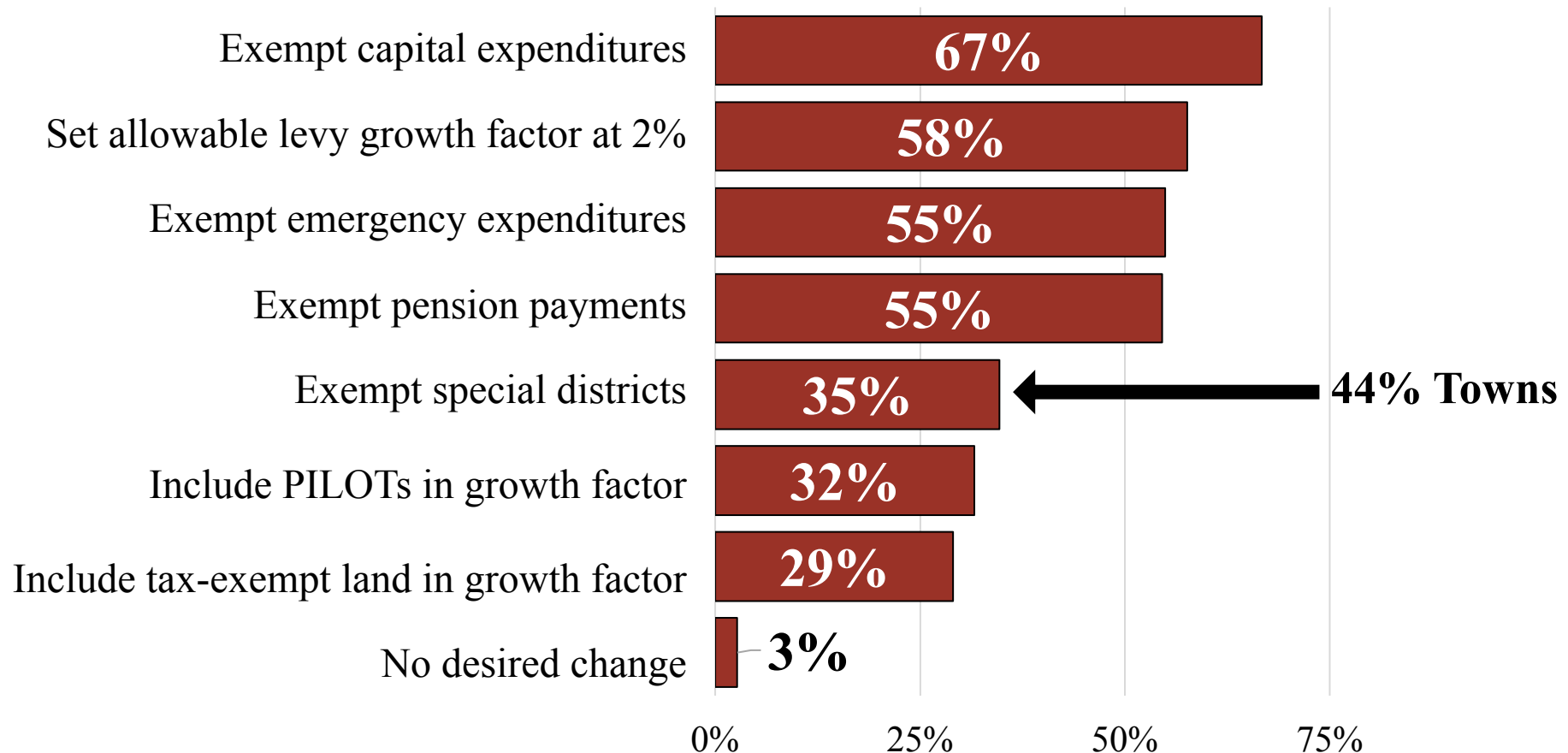
More Likely

Less Likely

- 
- Fiscal Stress
 - Cutbacks in Road Repair
 - Tax-exempt Property
 - Pushback Narrative
 - Total Services Provided
 - % Expenditure – Employee Benefits

- 
- NYC Region
 - Job Growth
 - High Tax Effort
 - Believe Narrative of Inefficiency
 - Submitted Govt. Efficiency Plan

Desired Reforms to Property Tax Cap



Source: Cornell University, Local Government Fiscal Stress in NYS Survey, 2017, N=878.

Lessons from Other States to Fix the Cap

Exemptions from caps in other states:

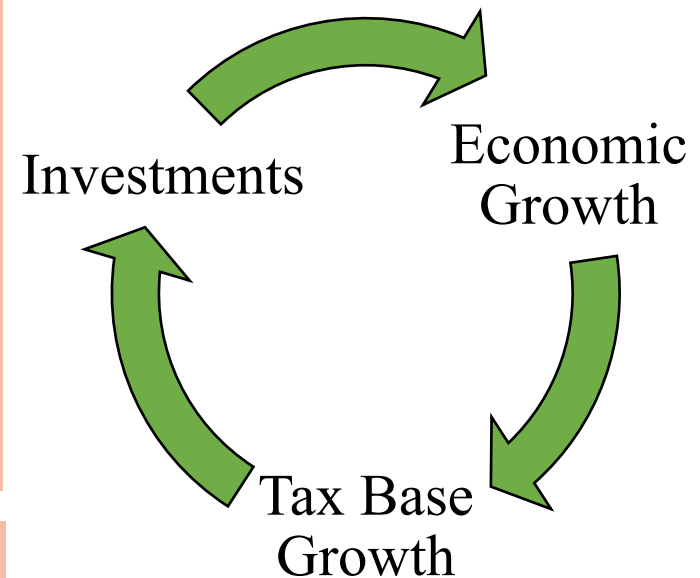
- Infrastructure investments
- Emergency or disaster expenses
- Special districts

Set growth factor at 2%, regardless of inflation.

Include PILOTs and developments on tax-exempt land in calculating growth factor.

Other states also:

- **Increased state aid** to localities and schools
- **Centralized fiscal responsibility** for mandates



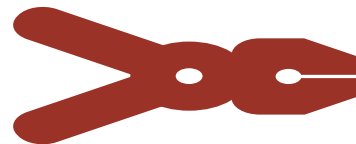
We want to hear from you!



Why did your jurisdiction override/not override the Tax Cap?

What reforms would you like to see in the Tax Cap?

Leveraging Non-profits: Payments and Services in Lieu of Taxes & Community Benefit Agreements



Tool	Override Tax Cap	PILOTs	CBAs & SILOTs
Stress Source	Tax Cap	Tax-exempt Properties	Econ. Dev. Challenges

What is a PILOT?

Voluntary payments made by tax-exempt property owners or users to compensate for all or part of lost property tax revenue.

Common Factors

- ✓ Large, wealthy non-profits with high value property ownings.
- ✓ Non-profit unlikely or unable to leave area.
- ✓ Area experiencing fiscal stress.
- ✓ Usually located in the Northeastern US.

Types of PILOTS



Tax Abatement	Service Agreement
Avoid paying some or all local property taxes	Contribute when tax-exempt
<u>NET LOSS</u>	<u>NET GAIN</u>
Goal: Encourage development	Goal: Compensate for public services

Why Establish a PILOT in NYS



1. Local governments reliance on property tax revenue

- Property tax is 30% of total revenue for local governments in New York
- Property tax is 58% of local revenue for NYS Towns

2. Offset tax burden of local residents

- Local property tax rates go up to compensate
- Many users of nonprofit services may not be local

3. Shifting role of non-profits

- More growth than GDP for last decade
- Many are regional economic drivers (especially eds and meds)
- Increased instead of decreased burden of service provision

Do any tax-exempt properties make payments in lieu of taxes to your jurisdiction?

Government Type	% Yes
All	34%
Towns	32%
Cities	53%
Counties	71%
Villages	31%

Source: Cornell University, Local Government Fiscal Stress in NYS Survey, 2017, N=837.

How to Establish a PILOT in NYS



Traditional:

Ad Hoc

1. Identify non-profit

Stick

2. Leverage government powers

Short-Term

3. Contract negotiation for short-term

Flexible

4. Agreement with flexible payment amount

Framework to Establishing a PILOT

Consistency

- Ad-hoc vs. Systematic

Local Government Leverage

- Carrot vs. Stick

Timeframe

- Short-term vs. Ongoing

Payment Determination

- Flexible vs. Specified

	City of Ithaca (Cornell University)	City of Syracuse (Syracuse University)	Oswego County (Wind Projects)	Boston (PILOT Program)
Implemented	1995	2016	2017	2017
Consistency	Ad Hoc	Ad Hoc	Systematic	Systematic
Government Leverage	Stick	Carrot	Stick	Combination
Timeframe	Short-Term	Short-Term	Ongoing	Ongoing
Payment	Flexible	Specified	Specified	Specified
Payment Amount	\$1,250, 000	\$850, 000	-	\$32.4 million



Address fiscal stress from the source.



Shifts the burden of service.



Opportunity for collaboration between local government and non-profits.

Services and Community Benefits Agreement

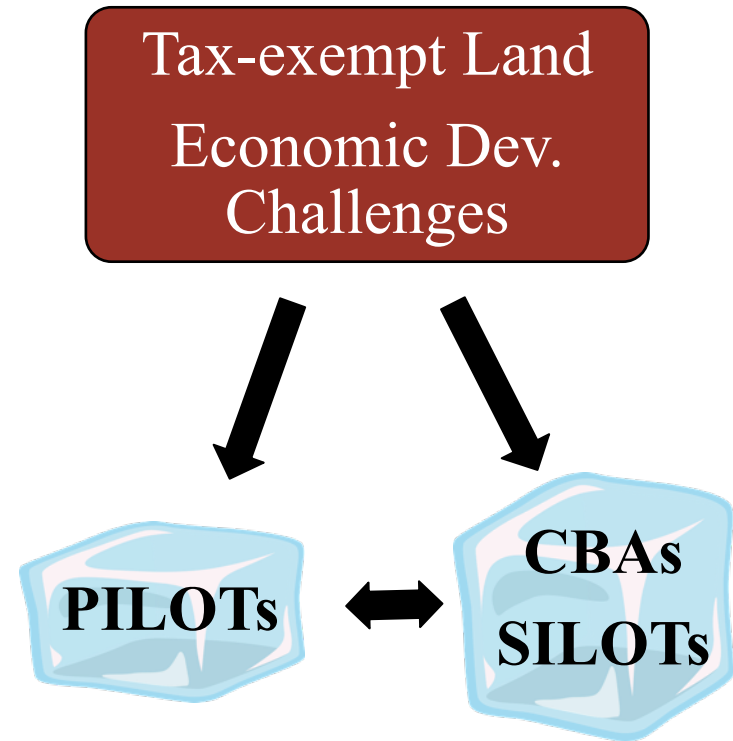
Legal agreement between stakeholders:

- Community members, developers, and local government

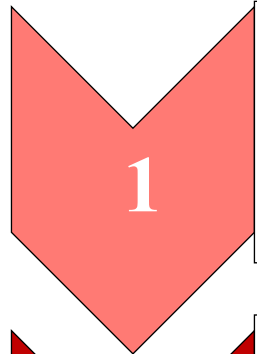
Offset negative impacts by securing benefits for directly affected residents.

Institutions of interest to Towns:

- Renewable energy
- Non-profits
 - Eds & Meds
- Historic re-development



Ideal CBA/SILOT Process



- New proposed development or investment
- Advocacy groups and/or residents identify affected area, and build community coalition



- Stakeholder engagement
 - Identify affected community needs
- Negotiate concessions from developer



- Draft and finalize legally binding benefits agreement
- Agreement enforcement & monitoring

Menu of Benefits



Provision Type	Examples of Common Provisions
Workforce Support	Local hiring
Community Amenities & Services	Community Facilities, Expanded Wi-Fi networks/ Broadband
Business Support & Procurement	Local product sourcing
Community Preservation	Anti-displacement policies; Historic preservation
Environmental Resiliency	Green business practices; Public transit
Enforcement	Contractual penalties; Community oversight
Community Empowerment	Community representation in decision-making

Linking Fiscal Stress & Equity

Stress Source	Tool	Result → Fiscal Stress	Result → Equity
Tax Cap	Overriding Tax Cap	Increase property tax revenue	Fund services for dependent populations
Tax-exempt Properties	Payments in Lieu of Taxes (PILOTs)	Align costs of service provision	New contributions decrease community burden
Econ. Dev. Challenges	Community Benefits Agreements (CBAs)	Reduce burden on local governments for economic development	Secure benefits for residents of development

We want to hear from you!



Do tax-exempt properties drive fiscal stress in your town?

Does your town currently have a PILOT, SILOT, or CBA?

Are there other ways your town has leveraged non-profits?

Thank you



Question or comments?

Link to full report & issue brief:

<http://www.mildredwarner.org/restructuring/fiscal-stress>

Save me Kenneth!

