

Contact: Joan Racki / Ann McCarthy

### **UNIVERSITY AGREEMENTS / RELATIONSHIPS WITH LOCAL PUBLIC ENTITIES**

**Actions Requested:** Receive the report on University agreements / relationships with local public entities and consider recommending to the Board, for first reading, a proposed policy on Payments in Lieu of Taxes (PILOTs).

**Executive Summary:** The most recent Facilities Governance report (February 2014) noted that Iowa's public universities continue to expand cooperation and sharing arrangements with the public entities (cities, counties, school districts, and conservation boards, etc.) in the municipalities in which they are located. This document includes an overview of Payment in Lieu of Taxes (PILOTs) agreements, including for the Iowa River Landing Ambulatory Care Facility, Phase I between the Board (on behalf of the University of Iowa Hospitals and Clinics) and the City of Coralville. This report also provides a review of the agreements and relationships that exist among the three Regent universities and local public entities.

As requested at the June 2014 Committee meeting, this agenda item also includes a proposed Board policy on Payments in Lieu of Taxes (PILOTs).

#### **University /Local Public Entity Interdependence**

Maintaining and strengthening existing partnerships and developing new partnerships between the Regent universities and the municipalities in which they are located are to the mutual advantages of all entities. The universities contribute to the economy, civic life and infrastructure of the municipalities in which they are located by attracting human capital and technological innovation while boosting the skills of the workforce in addition to providing community services. The city and its neighborhoods support a university's ability to function well by offering the public services and social and cultural amenities that help to keep people and jobs in the area. (Source: Kemp p. 151) The University of Iowa Hospitals and Clinics provides health care for an entire region and the state – health care that significantly exceeds what would be found in other similarly sized cities.

The universities are often among the most significant economic generators in the cities in which they are located for a variety of reasons, including:

- They are major employers, providing jobs in a wide range of skill and pay levels;
- They are often among a city's major draws for visitors, whose spending supports local jobs and generates local tax revenues;
- University capital projects support impressive levels of construction and associated jobs;
- Expenditures by the universities and its students and staff have a multiplier effect throughout the city's economy. (Source: Econsult Solutions, page 6)

#### **Iowa Historical Context and Statutory Provisions**

In 1929, in response to a request for an opinion, the Attorney General stated that the State Board of Education (The Board of Regents was created in 1955 as the successor to the State Board of Education.) did not have the legal right, under the existing statutes to pay the City of

Iowa City any amount for fire protection regardless of the fund source. "The University property and buildings being located within the city limits of Iowa City, it is incumbent upon the city to furnish fire protection." (Source: Fletcher, J).

In 1931 (44<sup>th</sup> General Assembly), the Code of Iowa was amended to include a specific provision providing the Board with the power to enter into contracts with the governing body of any city, town, or other municipal corporation for the protection from fire of any property located in that entity or in territory upon terms that may be agreed upon. (Current Iowa Code §262.33)

Under §427.1 of the Iowa Code, property of the State of Iowa, which includes the universities and special schools, is exempt from taxation and has been since the first General Assembly (1851). In 1984, a provision was added to Iowa Code §364.19, which permits a city council or county board of supervisors to enter into a contract with an entity whose property is totally or partially exempt from taxation to provide specified services including but not limited to police protection, fire protection, street maintenance and waste collection.

#### Payments in Lieu of Taxes

Experts have not always defined Payments in Lieu of Taxes (PILOTs) in exactly the same way. For purposes of this paper, they are defined as payments negotiated voluntarily by officials of a tax-exempt entity and officials of the community where it is located as a substitute for property taxes. They do not include payments made under the fire protection agreements specifically provided by Iowa Code §262.33.

PILOTs have been around for a number of years. According to the literature, Harvard became the first academic institution to pay a PILOT to a local government - in 1929. (Source: Kemp, page 36)

A review of the literature indicates that the greatest majority of PILOT activity is in the Northeast. Experts cite a number of reasons for this including that the Northeast is substantially more reliant on property tax as a revenue source for funding local governments than other parts of the country. In addition, the Northeast has a larger nonprofit sector than other regions and since localities tend to copy successful practices from surrounding jurisdictions, "the greater prominence of PILOTs in the Northeast could lead even more localities to pursue these payments." (Source: Langley, Kenyon and Bailin, page 2)

In April 2010, the Board of Regents approved a PILOT Agreement with the City of Coralville for the Iowa River Landing Ambulatory Care Clinic Facility. The agreement states that notwithstanding that the property is exempt from taxation pursuant to Iowa Code §427.1, it provides a mechanism for UIHC to pay the City of Coralville for police, fire and other services to the property and for the construction and maintenance of streets, sidewalks, storm water drainage and other improvements and facilities benefiting the Ambulatory Care Facility (ACF). (Service agreements were not already in place for these functions.) Payment was to be in the amount of \$1 million for the first year of the ACF operation with the amount to be adjusted annually based on changes in the tax rate. The FY 2014 payment to the City of Coralville was \$1,013,011.

Regent University Agreements / Relationships with Local Public Entities

The Regent universities, due to health, welfare and safety demands, often enter into agreements with local public entities for basic services including fire prevention, law enforcement, emergency response, animal control, electrical power, water, sewer, and landfill services. With sizable, highly populated campuses, research facilities and critical expertise, academic institutions are also important partners in homeland security efforts.

As dollar-conscious community stewards, academic institutions often enter into sharing agreements or joint facility leases to maximize the use of municipal facilities such as parking structures, bus maintenance facilities, municipal airports, parks, and sports complexes. Likewise, local governments directly and indirectly receive property tax dollars when a university leases space for health and dental clinics, student housing, and other services. In FY 2014, the University of Iowa paid directly \$2.1 million in property taxes on leased space in total to the cities of North Liberty, Coralville and Iowa City. (In addition to this amount, universities indirectly pay property taxes as they are included in the rental rates when the landlord is responsible for the taxes.)

Included in the \$2.1 million directly paid by the University of Iowa is more than \$120,000 paid by medical and dental clinics. It is the Board Office staff's understanding that clinics owned by hospitals in the greater Iowa City area are also on the tax rolls.

While no property taxes are paid on farmland owned by Iowa State University, the Board Office understands that they are paid on farmland owned by nonprofit organizations affiliated with the University. It is further understood that the taxes are passed through to the University on the parcels which it rents from the affiliated organizations.

Table 1 (Attachment B, pages 6 – 11) includes a detailed listing of the agreements Regent universities have with local public entities. The table has been divided into three categories: Safety, Health and Welfare Service Agreements, including fees for services with Local Governments; Homeland Security Agreements; and Community Collaboration Agreements. Specific agreements include those for emergency response and rescue, joint law enforcement activities, and joint communications networks for public safety services. Community collaboration agreements include, among others, the lease of property to the City of Ames for the City Aquatic Center and Intermodal Site, and UNI's joint use of recreational fields and sports complexes with the City of Cedar Falls. The listings do not include grant agreements with local entities nor do they include agreements with the Iowa Department of Transportation for institutional road maintenance and improvements.

While many of the agreements provide for each party to compensate its own personnel, the following table summarizes major FY 2014 expenditures by the universities to local public entities:

<u>Service / Function</u>	<u>FY2014 Expenditures</u>
Fire Protection	\$ 3,965,429
Sewer, Water, Landfill, Campus Power Purchases From Local Municipalities	10,112,789
Tuition and Transportation Payments for School Children Living in University Housing	473,664
Property Taxes Paid Directly by Universities as Tenants	2,132,309
Payment in Lieu of Taxes – Iowa River Landing	1,013,011
Parking Agreement & Easement – City of Coralville	2,157,012

Proposed Policy on Payments in Lieu of Taxes

While there are many agreements between the Regent universities and local public entities which necessitate the payment of fees, on occasion there may be a need for a PILOT agreement. To ensure that any PILOT is negotiated in the best interest of the appropriate university and the Board, the attached policy (Attachment A) is proposed for first reading. Adoption of the policy would ensure that Board expectations are established for the universities and local public entities with whom they would be negotiating.

**PROPOSED POLICY ON PAYMENTS IN LIEU OF TAXES (PILOTS)**

**9.02G Payments in Lieu of Taxes**

Payments in lieu of taxes (PILOTS) are defined as payments negotiated voluntarily by officials of a tax-exempt entity and officials of the community where it is located as a substitute for property taxes. They do not include payments made under service agreements specifically provided by Iowa Code.

Prior to beginning any negotiations with a political subdivision on a PILOT, the institution shall notify the Executive Director of its intent to negotiate such an agreement.

Agreements resulting in payments in lieu of taxes (PILOTS) between institutions under the control of the Board of Regents and a political subdivision shall be approved by the Board. The request for approval shall include a detailed explanation of the need for the PILOT, the manner in which it was calculated, and concurrence from the applicable public entity assessor(s) as to the assessment calculation for establishing the amount of the PILOT. The negotiated PILOT shall include a sunset / termination date and shall ensure, to the extent permitted by law, that the PILOT is dispersed to the applicable taxing entities (county, city, school district, etc.).

**Table 1**  
**University Agreements with Public Entities**

**Safety, Health and Welfare Service Agreements, including fees for services with Local Governments**

<u>Institution</u>	<u>Entity</u>	<u>Service Provided</u>	<u>Amount Paid by University University (FY 2014)</u>
SUI	City of Iowa City	Fire protection	\$ 1,761,342
SUI	City of Coralville	Fire protection	31,679
SUI	City of Iowa City	Downtown patrol assistance	200,000
SUI	City of Coralville	Sewer & water fees	236,168
SUI	City of Iowa City	Sewer & water fees	2,170,000
SUI	City of Iowa City	Animal Control Service	4,300
SUI	City of Iowa City	Landfill fees	134,000
ISU	City of Ames	Fire protection	1,589,417
ISU	City of Boone	Fire protection	Billed \$25 for each hour
ISU	City of Ames Fire Dept. and Mary Greeley Medical Center	Emergency response and rescue, emergency medical services	-
ISU	County of Story, City of Ames	Joint law enforcement activities - County of Story, City of Ames, Iowa State University	-
ISU	Counties of Story and Boone, Cities of Ames Boone, Huxley and Nevada	Combined law enforcement activities for controlled substances	-
ISU	County of Story, City of Ames	Joint communications network for public safety services	-
ISU	City of Ames	Water supply for campus	524,480

<u>Institution</u>	<u>Entity</u>	<u>Service Provided</u>	<u>Amount Paid by University University (FY 2014)</u>
ISU	City of Ames	Sewage treatment for campus	695,128
ISU	City of Ames	Campus power purchases, electrical transmission services, and other services related to the procurement of wholesale electricity	2,999,124
ISU	Metro Waste Authority	Power Plant ash transportation and disposal	683,235
ISU	City of Ames Animal Shelter	Animal Control Services	
UNI	City of Cedar Falls	Fire Protection Agreement	582,991
UNI	City of Cedar Falls	Law enforcement	Each party compensates its own personnel
UNI	Cities, Counties	Tri-County Drug Task Force	-
UNI	City of Cedar Falls Utilities	Sewer, water, natural gas, electricity	3,316,652
UNI	City of Cedar Falls	Landfill and transfer station	37,237



<b>Homeland Security Agreements</b>			
<u>Institution</u>	<u>Entity</u>	<u>Service Provided</u>	<u>Amount Paid</u>
ISU	Story County Public Health/Homeward	Provide Lied Recreation/Athletic Center and State Gym to serve as local dispensing site for the Strategic National Stockpile in the event of a large-scale communicable disease outbreak or bioterrorism event	Reasonable expenses will be reimbursed
ISU	Mary Greeley Medical Center	Provide Lied Hall, Beyer Hall, State Gym, etc. to serve as alternate care facility in the event of a catastrophic incident causing mass casualty that overwhelms the provider's ability to care on site	Reasonable expenses will be reimbursed
ISU	Iowa Department of Public Health, Bureau of Radiological Health (IDPH)	Promote coordination of radiation protection activities and to assure timely investigations of all potentially hazardous situations resulting from radioactive materials	-
ISU	Iowa Homeland Security and Emergency Management Department	Provide a radiological emergency response team and State of Iowa Trusted Agent	\$127,089 to ISU Environmental Health and Safety
ISU	Story County Multi-Jurisdictional Hazard Mitigation Plan	Plan will be used to help guide and coordinate mitigation activities and decisions for local land use policy in the future	-
UNI	Cedar Falls Comm. School District	Evacuation or parent reunification site for District students	-



<b>Community Collaboration</b>			
<u>Institution</u>	<u>Entity</u>	<u>Purpose of Agreement</u>	<u>Annual Payment or Other Consideration</u>
ISU	City Of Ames - Aquatic Ctr	Lease for 50 years of land for Ames Aquatic Center at 13th Street	-
ISU	Ames Airport- Flight Services	\$3,000 @ year Agreement for Flight Services, 30 day termination - since Jan. 1, 1964	3,000
ISU	City Of Ames- Ice Arena	30 years from opening date of Ames Ice Rink & Arena (June 3, 1999)	20,000
ISU	City Of Ames - Intermodal Site	Lease property to City of Ames for Intermodal Facility	-
ISU	City of Ames	ISU provides smart card to be used for city and campus meters	ISU receives 10% of account balance less \$500 retainage fee starting 8/15/2016
ISU	Cyride (City Of Ames)	Cy-Ride Bus Maintenance & Storage Facility for 99 years beginning July 21, 1982	No costs
UNI	City of Cedar Falls	Joint Use of Recreational Fields and Wetland Demonstration Park	City uses UNI fields for 20 years; City provides written documentation of actual costs for project improvements.
UNI	UNI & Cedar Falls Comm. School District, City of Cedar Falls	Joint Use of Robinson-Dresser Sports Complex	Reimbursed on depreciated value if joint use is terminated prior to 20 years
UNI	Waterloo-Cedar Falls Symphony Orchestra	Symphony Orchestra - Office & shared space (5 years w/ 1 optional 5-year extension	6,300

**Leases and other payments between a University and Other Public Entity (other than mentioned above)**

<u>Institution</u>	<u>Entity</u>	<u>Purpose of Agreement/</u>	<u>FY 2014 Payment or Other Consideration</u>
SUI	Iowa City School District	School children living in UI owned housing	129,654
SUI	Iowa City Public Library	Maintain Children's Library for UI Students in Teaching Curriculum	35,000
SUI	City of Coralville	Payment in Lieu of Taxes-Iowa River Landing	1,013,011
SUI	City of Coralville	Parking Agreement & Easement	2,157,012
SUI	City of North Liberty	Taxes paid directly by University as tenant	46,596
SUI	City of Coralville	Taxes paid directly by University as tenant	825,492
SUI	City of Iowa City	Taxes paid directly by University as tenant	1,260,221
ISU	City Of Ames	Continuous Agreement for ISU Uniform Directional Signage on City of Ames right-of-way	-
ISU	City of Ames	Lease Moore Park space for Veenker Maintenance Building (until 3/31/2062)	-
ISU	City of Ames	Rental of Stuart Smith Park by City of Ames (until 3/1/2015)	\$1 per year
ISU	City of Ames	Lease property of Railroad Park to City of Ames (until 3/1/2015)	\$1 per year
ISU	City of Ames	Lease property of McDonald Woods to City of Ames (until 3/1/2015)	\$1 per year
ISU	City of Ames	Lease property of Brookside Park to City of Ames (until 3/1/2015)	\$1 per year
ISU	Ames Community School District	Tuition payments for students in university housing	210,522

<u>Institution</u>	<u>Entity</u>	<u>Purpose of Agreement/</u>	<u>FY 2014 Payment or Other Consideration</u>
ISU	Ames Community School District	Transportation payment for students in university housing	133,488
UNI	City of Waterloo	Rental of business property located at 800 Sycamore Street, Waterloo, Iowa for UNI-CUE (10 years w/2 optional 5 year extensions (currently in first 5-year extension)	\$72,421 per annum since lease signed in 2001
UNI	City of Cedar Falls	Golf Course Use	3,500

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