



# The Times

## PRINCETON'S ECONOMIC IMPACT IN DISPUTE

Report touts the school's value, but town officials call tax-exemption unfair

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BY RYAN TRACY

PRINCETON BOROUGH -- Princeton University sees it this way: Its gothic halls are an economic engine, supporting jobs, boosting business and raising property values for miles in every direction.

Local officials acknowledge the benefits of having a historic research and cultural hub in their backyard, but some can't shake one pressing thought:

The university owns property, property everywhere. And there's hardly a taxable plot.

The perennial debate over Princeton's financial contribution to its community has been spurred once again by a university-commissioned report released last week that touts the school's economic impact.

Drafted at an undisclosed cost by Appleseed, a New York City-based consulting firm, the report comes at a time when other universities are reporting heavy endowment losses and a recession is pressuring both the university and local governments to tighten budgets.

The study heralds the value of the university as a community resource, listing contributions from the use of its educational, cultural, and athletic facilities by local residents to the volunteer work of its students.

The report also attributes \$833 million worth of economic activity in Mercer County to the university and its students, visitors and employees during the fiscal year that ended June 30, 2007, including a "multiplier effect" as the spending rippled through the local economy.

"As we continue to explore ways in which the university can contribute even more to the economic vitality of the community, county, and state, we felt it was important to have a thorough understanding of the role the university already plays," Robert Durkee, the university's vice president and secretary, explained in a statement.

Durkee said the university commissioned the report this spring to bring together information, not in response to a particular cause.

### PLUS OR MINUS

The report details the vast impact of the university on the local economy during the 2007 fiscal year, including \$182 million the university spent on goods, services, and construction, \$218 million spent on research and \$71 million in off-campus spending by students and visitors.

Leaders in Princeton Borough, where the tax-exempt university owns about 40 percent of the assessed property value in the municipality, were not impressed.

"Everybody in the region benefits from the presence of Princeton University ... but they don't pay taxes on most of their property," said Councilman David Goldfarb.

"It's a situation that is unfair, particularly to" borough residents and to a lesser extent residents elsewhere in the county, he said.

Property used for educational purposes is exempt from taxes under the New Jersey Constitution.

"(There) would be a 25 percent reduction in the borough taxpayer's bills" if the university was not

tax-exempt, said Roger Martindell, another borough councilman, referencing figures put together by a local citizens group called the Princeton Community Democratic Organization.

The owner of a home assessed at the \$349,952 average residential value in the borough will pay about \$14,558 in property taxes during the 2008 calendar year.

A larger university contribution would mitigate that hefty tax bill, but the recently released report claims Princeton is "adding more than it subtracts" when it comes to community finances.

The report argues that without Princeton's presence, local municipalities might have a less valuable base of taxable properties than they do now, even with the university occupying large tax-exempt tracts.

It notes the university paid more than \$10 million in taxes and fees to local governments during the fiscal year it studied.

That figure does not include the Princeton Forrestal Center, the university's mixed-use real estate venture on Route One in Plainsboro and South Brunswick, which generated \$29 million in local taxes that year, according to the report.

The report also outlines Princeton's voluntary contributions to the borough, which include services such as a local shuttle as well as direct payments.

Durkee, the university vice president, noted that the voluntary payment had grown from \$80,000 in 1997 to nearly \$1.2 million this year, and that number will continue to increase.

In addition, the university "voluntarily" pays local taxes for all its non-dormitory housing properties even though "this housing might qualify as tax-exempt," the report said.

More voluntary contributions came in one-time shots, such as two \$50,000 checks to the Plainsboro Public Library and \$20,000 for the University Medical Center at Princeton.

Still, local officials offer a different perspective.

A one-time contribution can't be counted on and sometimes "pales in significance if you put it in perspective," said Alan Hegedus, president of the Princeton Regional School District's board of education.

"They love to talk about this firetruck or that park donation," Hegedus said. "Indeed, they gave us \$500,000 for our recent \$87 million upgrade of our public school system. That's 0.6 percent of the money spent, and they think that's a heroic involvement."

Goldfarb and Martindell, the borough councilmen, acknowledged that voluntary contributions have increased, yet pointed to the larger picture.

"While they're not chintzy, they're certainly not even close to paying what they would be paying were they taxable," Martindell said.

The university's tax-exempt property would have generated \$35 million in tax dollars for county, school and municipal purposes in 2008, according to the borough tax assessor's office.

Taxes levied for non-dormitory housing are welcome, Goldfarb said, but Princeton is "not necessarily doing us a big favor. They're just treating us less shabbily."

As for municipal services, Princeton's report notes its contributions for some services -- \$50,000 for fire and \$35,000 for EMS in the 2007 fiscal year -- and also the volunteer base that its students provide.

In some cases, the university pays more than its fair share for services, according to the report.

It cost Princeton Regional schools \$1.42 million during the 2006-07 school year to educate students who lived in university housing and attended Princeton Regional schools, but the university paid \$3.42 million in taxes to the district, according to the university report.

Local officials dismissed those numbers, claiming it's an issue of sharing the burden.

"We're all obligated to pay" based on property values, not how many students attend schools, said Hegedus, the school board president.

"The key is that if they paid taxes on their property in Princeton, they would be paying more than they are currently paying, and that would benefit everybody," Goldfarb said.

## HUGE ENDOWMENT

When broaching the topic of Princeton's contribution, borough officials can't help but point to the school's endowment fund, which was worth \$16.4 billion in June.

Tax exemption for educational institutions "makes sense, particularly when an institution is small and underfunded relative to the community in which it's located," Martindell said. "Princeton is not small; it is not underfunded. ... The university is fabulously wealthy."

His colleague, Goldfarb, said the borough had not pushed Rider University to pay taxes on its Westminster Choir College property.

Princeton's local tax bill is "literally inconsequential" compared with the university's general financial situation, Goldfarb said.

Yet Durkee urged the community to understand the source of Princeton's revenues.

He said "with very few exceptions," the university's income comes from tuition fees, grants and alumni gifts.

There is an expectation -- and sometimes a requirement -- that nearly all those funds will be used for educational or research purposes, he said.

"Every time we announce an additional contribution to the community we hear from at least some donors who remind that this is not why they gave to the university," Durkee said. "So we have to find the right balance."

University officials also say the endowment is there to ensure the school's long-term stability. That contention has hit home especially during the recent recession.

"In general what we've heard from both our members and institutions anecdotally (during) the last four months or so, endowments are down roughly 25 percent," said Ken Redd, director of research and policy analysis for the National Association of College and University Budget Officers in Washington, D.C.

Harvard University's \$36.9 billion endowment fund has lost 22 percent of its value in the last four months, according to a recent report in the New York Times.

Princeton has not released figures on its endowment since reporting a 5.6 percent return in the year that ended June 30, but recently announced it was trimming \$300 million from a \$4 billion, 10-year capital fund.

Yet the school is in strong financial condition, officials said.

Kristin Appelget, the university's director of community and regional affairs, pointed to a planned arts and transit neighborhood near University Place and Alexander Road as an example of how the university will continue to be an "extraordinary economic engine."

"Even in difficult financial times the university is a steady fixture in the regional economy," Appelget said.

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