



AGENDA PILOT Committee Meeting

Wilder Foundation
451 Lexington Parkway North, St. Paul, 55104
Thursday June 15, 2017
7:30 am – 9:30am

Project scope: Is a 'payment in lieu of taxes' and/or 'services in lieu of taxes' (PILOT/SILOT) model advisable for Saint. Paul, and how would the program be structured and sustained if so?

Proposed Committee outcomes:

- Findings: Shared understanding of the facts, data and local/national trends on this issue that are accessible and relevant to broader public.
- Conclusions: Shared set of statements and questions related to the implications of these findings. Why do they matter to the citizens of Saint Paul and the region?
- Recommendations: Proposed set of actionable recommendations IF changes are needed to address current situation. Recommendations might come in phases.
- Base of support for implementation: Buy-in from key stakeholders needed to advance and sustain any potential recommendations.

Proposed outcomes for June 15 meeting:

- Discuss June 1 meeting and approve minutes from 5/11 (attached) and 6/1 (forthcoming).
- Provide an opportunity for representatives from property tax exempt organizations to share their perspectives on PILOT/SILOT Programs in Saint Paul and what the committee should consider when addressing the project scope and potential outcomes;
- Prepare for June 22 meeting by discussing materials from Lincoln Land Institute and Boston; and
- Discuss agenda for June 22 meeting and additional speakers/data/questions.

A G E N D A

1. Review/approve agenda, outcomes, and minutes (Joe Reid, 7:30 – 7:40)
 - a. Approve minutes from 5/11 (attached) and 6/1 (forthcoming) meetings.
2. Feedback and discussion on June 1st meeting (Joe Reid, 7:40 – 7:50)
 - a. See attached questions/answers from previous meetings.
 - a. May 11th (p. 3)
 - b. May 18 (pp. 4, 5)
3. Panel conversation with representatives from property tax exempt organizations (Kaye Rakow, 7:50 – 8:35)
 - a. Proposed representatives from post-secondary (St. Thomas and Metro State), health care (Allina), and nonprofits (Council of Nonprofits)
4. Discussion and preparation for June 22 meeting with Lincoln Land Institute (Kaye Rakow, 8:35 – 9:15)
 - a. Reports from LLI attached
 - b. Summary presentation about Boston attached
5. Discussion and next steps for 6/22 meeting with Lincoln Land Institute (Joe Reid, 9:15 – 9:25)
6. Evaluation (Joe Reid, 9:25 – 9:30)

Citizens League's Governing Document

An internal document for Citizens League Board, staff, members and key partners that describes who we are, how we do our work, and how we measure success.

Mission. The Citizens League is a member-supported nonpartisan nonprofit organization that champions the role of all Minnesotans to govern for the common good and promote democracy.

Vision Statement. Through our work:

- Minnesotans of all backgrounds, parties and ideologies are engaged, inspired and empowered to see the role they play in public policy and act on it, reigniting Minnesota's ability to implement innovative and effective policy solutions for the 21st Century; and
- The Citizens League is a relevant and respected policy resource, leveraging the strength of our 60-year legacy with a focus on solving tomorrow's problems, and earning the ongoing support of our members, board, leadership and staff.

Operating Guidelines. We are unique in our ability to address *how* policy happens. We do this by:

- **Bringing diverse perspectives and people together.** We serve as a rare neutral convener – true “common ground for the common good” – in a fractured political and policy landscape.
 - **Standard:** People impacted by a problem should help to define it in light of their own self-interest and the common interest of all Minnesotans. Bringing people together across boundaries of ideology, backgrounds, race/ethnicity, geography, sectors and parties produces a better definition of the problem. Ideally, this process should help clarify the role that individuals and organizations can and should play in policy questions.
- **Advancing policy solutions in collaboration with a broad base of support.** Engaging diverse stakeholders creates the breadth of resources necessary to impact policy.
 - **Standard:** Transparency and good governance are critical to building trust between all parties involved in the process, and evaluation is critical at every stage. If people trust the process, they are more likely to trust the outcome.
- **Reframing the conversation.** People look to the Citizens League for objectivity: weighing short-term self-interests of all parties involved and long-term needs of Minnesota. We work with all types of Minnesotans to understand important public policy issues and the role citizens can play in contributing to solutions.
 - **Standard:** *Data and evidence-based research should be the foundation for decision-making, and policy statements of all types must be accessible and connect the larger systemic policy issues to the real stories of Minnesotans impacted by these policies.*
- **Considering political pragmatism along with policy idealism.** The goal is not just to promote a set of ideas or proposals, but to have a real and sustained impact on the policies and systems that impact the quality of life and economic health of Minnesotans.
 - **Standard:** *Our proposals should be politically achievable and plausible inside a variety of organizations and sectors, including but not limited to government, without sacrificing the long-term interests of Minnesotans.*

JUNE 7, 2017 CO-CHAIR ANSWERS
TO FOLLOW UP QUESTIONS/ISSUES RAISED AT PILOT COMMITTEE MEETING

May 11, 2017

1. A member wondered if state government property had ever paid PILOTs, and if the state should be responsible for some of the PILOTs. A few committee members agreed that this was worth talking about.

All levels of government are immune from taxes, but the state has voluntarily paid the ROW assessments. As any exempt public or private organization the state could voluntarily make payments.

2. A member asked about federal government properties, and Mr. McCarthy clarified that they don't pay.

Same answer as no. 1.

3. A member mentioned discussing the school district, as it's a considerable percent of the tax exempt property.

It is constitutionally tax exempt.

4. A member asked for clarification about the definitions of tax, fee, special assessments, and PILOTs.

In addition to property taxes the city receives hotel motel tax revenue. It collects several fees, for example, franchise fees, paramedic fees, and permit fees. Permit fees are special revenue fees and are not deposited in the general fund.

5. A member was curious about SILOTs.

On June 22 the Lincoln Land Institute should be able to provide some examples.

6. A member wanted more information about PILOT programs in other large cities, especially capital cities.

The Lincoln Land Institute should be able to provide some examples of large cities outside Minnesota.

There are only a few examples in Minnesota.

- a. *The City of Saint Paul Pilots are attached.*
- b. *The Minnesota State Auditor collects financial information on local units of government, but the detail is not specific enough to identify Pilot payments.*

JUNE 7, 2017 CO-CHAIR ANSWERS
TO FOLLOW UP QUESTIONS/ISSUES RAISED AT PILOT COMMITTEE MEETING
May 18, 2017

1. A member wanted to know what other mechanisms has the city or county considered in the past.

In 2003 the city, as the seat of state government did briefly consider seeking a Pilot payment from the State of Minnesota, but did not advance it beyond that.

2. A member asked for clarification on page 13 of Chris Samuel's presentation about public and private hospitals.

The list of 3 public and 44 private hospitals includes all tax exempt hospital and clinic parcels in Saint Paul. The 3 public are three Regions Hospital parcels. By Attorney Stepan's definition all 47 are public hospital parcels.

3. A member also asked about the State Fairgrounds paying PILOTs based on the information on page 15, and pointed out it may be something the group would want to learn about.

Slide 15 presentation listed two Pilots associated with exempt property. The amounts for the St. Paul and the State Fairgrounds were not Pilot payments, but the Estimated Market Value (EMV) of several parcels. The St. Paul parcels were actually DOT parcels and there were no Pilot payments associated with them. We don't know, but assume the State Fairgrounds were some parcels not included in the Falcon Heights numbers and that there were no Pilot payments to either Falcon Heights or Saint Paul. If we learn anything different we will report it to the committee.

4. A committee member asked for more information the case law around "lessening the burden of government." Several committee members agreed.

*At our May 18 meeting the "lessening the burden of government" concept was introduced by Attorney Jean Stepan when talking about public charities. It is one of the factors that is considered along with other considerations when a property is seeking to qualify for property tax exemption as an institution of purely public charity. Court decisions have identified six guidelines that have been extensively used in determining tax exempt eligibility of institutions of purely public charity. Lessening the burden of government is one of the six. "Requirement 3: A material number of the recipients of the charity must receive benefits or services at reduced or no cost, **or** the organization must provide services to the public that alleviate burdens or responsibilities that would otherwise be borne by the government." (Minnesota Department of Revenue Bulletin March 1, 2010; *Property Tax Exemptions for Institutions of Purely Public Charity*).*

5. A member wanted information about other existing PILOTs in the city of St. Paul.

That information is presented in response to the May 8 questions.

6. A member expressed his interest in PILOT payments in other cities.

That information is presented in response to the May 8 questions.

7. A member wanted to know about what ends up in a levy and what ends up as a special service, and how that decision is influenced politically.

For the most part, special services fund spending is supported by user fees, assessments and grants, which are typically restricted in some way. The restrictions require accounting in separate funds, which include operating funds, project funds, debt service funds and trust funds. The spending from general fund spending is not restricted and revenue from the property tax levy is deposited in the general fund. Politically there is a much larger constituency for the levy than for the charges that produce revenue for the special funds. Because the levy is a generic expense, not directly related to any specific service, it is more price sensitive than fees and other special revenue sources.

8. A member pointed out that it was important to find out why PILOT-paying organization pay PILOTs, how they were approached, how they reached a decision, etc.

This will be covered in the presentation on June 22.

9. A member brought up that on the flipside, it would be interesting to talk to organizations who are challenging PILOTs and why they do that.

This will be covered in the presentation on June 22.

10. A member also wanted to know how PILOTs are suggested to organizations.

This will be covered in the presentation on June 22.