

**Meeting Minutes**  
**Wilder Foundation**  
**451 Lexington Parkway North, Saint Paul, 55104**  
**Thursday July 13, 2017**  
**7:30 am – 9:30 am**

**Committee Members Present:** Tanya Bell, Ellen T. Brown, Zach Crain, Niles Deneen, Jon Gutzmann, Kit Hadley, Jake Hamlin, Doug Hennes, Heather Johnston, Jay Kiedrowski, Susan Kimberly, Barb McCormick, Greg Mellas, Joan McCusker, James Moeller, Kaye Rakow, Rinal Ray, John Regal, Joe Reid, Bror Herrick, Matt Hill, Pa Der Vang, Mike Day

**Staff & staff support present:** Sean Kershaw, Mark Haveman, Matthew Burgstahler, Fatjon Kaja

**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 July 13 meeting:**

- Approve minutes from 6/29 meeting
- Review feedback from July 12<sup>th</sup> meeting
- Discuss, edit and prioritize Findings as they relate to the project scope and outcomes.
- Identify next steps/questions, and prepare for July 20<sup>th</sup> meeting.

**A G E N D A**

1. Review/approve agenda, outcomes, and minutes (Joe, 7:30 – 7:35)
  - a. Approve agenda
  - b. Approve minutes from 6/29 meeting (attached)
2. Discuss 7/12 meeting and feedback from attendees (Joe, 7:35 – 7:50)
3. Findings (Kaye 7:50 – 9:10)
  - a. Discussion, editing and polling on attached Findings
  - b. Prioritization of Findings
4. Next steps and Evaluation (Joe, 9:10 – 9:30)
  - a. Conclusions and recommendations process
  - b. Next steps
  - c. Evaluation

## **Introductions (Joe Reid, 7:30 – 7:50)**

Co-Chair Reid called the meeting into opening at 7.30 am. He moved for the approval of the agenda, which was approved unanimously. Next, he moved for the approval of the minutes of June 29 and asked if any of the committee members had any feedback on them. One member asked for a clarification on a sentence, which was clarified by Co-Chair Reid. Then, the committee approved the minutes. Co-Chair Reid acknowledged that today's meeting had a busy and demanding agenda and he thanked the committee in advance for their feedback and collaboration.

Next, Co-Chair Reid spoke about the July 12<sup>th</sup> meeting. He mentioned that he was happy with the logistics and stated that around 20 people spoke at the meeting and he thanked the Citizen League's staff for organizing and facilitating the discussion. He also thanked the six members of the committee who were present at the July 12<sup>th</sup> meeting, Co-Chair Reid stated that the group of attendees that was present represented health care organizations, religious organizations, educational organizations, the business community, city hall, and citizens. He mentioned that the representatives of tax-exempt non-profit organizations emphasized the services and contributions that they bring to the city of Saint Paul. He also mentioned that many of the representatives raised concerns about the implications that the new policies being passed in DC would affect their services and ability to contribute in a PILOT program. Many stated that they would have to reduce their services if they would have to contribute to a PILOT program. Others mentioned the discrepancies with the TIF districts and the strained relationships that the city has built over the years. A committee member, who was present at the meeting, stated that the meeting was useful as it provided some insights on how the organizations felt. Another committee member echoed that sentiment particularly when it came to the voluntary aspect of the PILOT program and how many organizations did not sense that the program would be entirely voluntary.

A Citizens League staff pointed out that Council member Jane Prince was present at the meeting and listened throughout. She spoke at the end of the meeting about a potential cut in fire medic units due to the financial burdens of the city. She expressed that the ROW assessments gap could decrease some city services, which could have widespread effects. She thought the work of this committee was important with this context.

Co-Chair Reid also mentioned the views that individual members raised at the meeting. A Citizens League staff member stated that all the members at the meeting who will send something to Citizens League will have their statements/documents posted on the Citizens League website.

## **Discussion, comments, and voting on findings (Kaye Rakow, 7.50 – 9.10)**

Co-Chair Rakow took the lead in the finding section of the meeting stating the plan to review each finding one-by-one, hear clarifying questions, and then use an anonymous clicker survey to vote "yes", "maybe", or "no" as a committee. She stated there will be a time to make substantive changes to the findings, aimed at consensus. She highlighted the ability for the committee to park any finding for future research.

A staff member clarified that this voting is different than that of recommendation voting as ideally there would be near 100 percent consensus on a set of findings. In addition, the percentages are rounded to the highest number, which would mean sometimes that there can be a total over 100%.

Co-Chair Rakow said at the end there will be time for committee members to add findings if they choose.

A member asked if the manner in which the findings are worded with bolded text followed by parenthetical information was going to be reflected in the final report. A staff member assured the member that for any finding there will be cited data and that all information will be included in the final report. The staff member went on to say that more finesse is needed with many of these findings and that the technical support will keep track of the percentages and the discussion surrounding the findings. The Citizens League staff member assured the committee member that the committee would not be asked to finalize anything at this meeting.

A committee member asked a process question about how the findings were created. A staff member expressed that technical support staff, the co-chairs, and the staff created these findings as a starting point for further discussion.

The findings are in three categories: general, Saint Paul specific, and far-reaching implications regarding a potential PILOT/SILOT program.

A member stated there should be a category of findings before these three categories such as stating the constitution is clear on tax exemption laws. A staff member agreed but said that there are data points that are more factual that will precede this set of findings in the final report. There was some concern from the member about the delineation between fact and finding.

A member expressed that the first section of findings should be at the state level. A member asked if a vote "maybe" meant that she might want the finding or that she only agreed with part of the statement.

The committee voted on the first finding, which ultimately ended with "PILOTs have been used around the country as a supplementary source of income to support the delivery of local services." 90% voted Yes, 10% voted Maybe. One member mentioned that PILOTs are not just to raise income but also to offset costs of city and governmental services.

The second finding eventually became parked to return to later and was not voted upon, "PILOTs help mitigate inequities that exist among certain tax exempt non-profit organizations in providing support for local services and inequities in having city residents subsidize broadly dispersed benefits provided by non-profits." Co-Chair Rakow expressed that she was concerned about the clarity of this finding and which inequities the finding was referencing. She was curious if this could be broken into two sections. She expressed that benefits of tax-exempt organizations also extend beyond the bounds of the City of Saint Paul. A staff member explained that there are horizontal, vertical, and geographic inequities. A member mentioned the potential downfall of trying to add everything to one finding.

The third finding was also parked after a vote, "PILOTs can help mitigate the economic distortions created by property tax exemptions to own rather than lease real property which can exacerbate inequities among non-profits while also distorting real estate markets and reducing the local tax base." 55% voted Yes, 23% voted Maybe, and 23% voted No. A member expressed that the committee should acknowledge that there is an inequity among ownership and leasing as she referenced finding number two.

The member said that organizations that are paying property taxes when they are leasing land should be thanked by the city. Another member echoed the same point and said that this finding is a point of conversation but that it is not a major reason the committee was formed. The member offered that perhaps this is a fact rather than a finding. A member stated that the member has not seen any data supporting the inequity created by tax-exempt organizations. Another member expressed that the finding was meant to capture that there is a motivation by tax-exempt organizations to own property rather than lease or rent. A member explained personal experience of tax-exempt organizations buying property and owning after having seen the tax break. Thus, some organizations ignore the value created by the property tax. Co-Chair Rakow asked if this perhaps could be a conclusion. Co-Chair Reid offered that this could be part of generic finding independent of the PILOT. A member worried about the strong language used in this finding and mentioned that some tax-exempt organizations are given these parcels of land as a gift.

The fourth finding was also parked, "PILOTs can have "service in lieu of taxes" (SILOTs) offsets in recognition of the contributions tax exempt organizations make to the community which reduce city governmental obligations and financial burdens." 71% voted Yes, 24% voted Maybe, and 5% voted No. A member was wondering if a finding would speak to governmental obligations. A member expressed that when a SILOT is made he assumed that a corresponding reduction is made by the city in spending on that particular service.

A member worried that if some of a tax-exempt's services were SILOT worthy, which the city's spending would decrease in these areas even though this is a service that had been provided before the implementation of a PILOT/SILOT program. The member went on to say that a SILOT reduces the amount of money a government entity pays but that this reduction could come from the city, the county, or the schools. A member offered the word 'city' to the finding to differentiate these jurisdictions. Another member expressed that the committee has not stated that this was only a city issue and did not apply to the county or schools.

A member mentioned that parenthetical information could help clarify these findings in the final report. Another member mentioned that the committee has not really teased out the details of SILOT or how to implement such a program and thus it is challenging to vote on the topic.

The fifth finding eventually became, "PILOTs can take on many forms but successful ones are voluntary and employ a collaborative approach that serve mutual interests, offer a systemic framework so that they are fair, are relatively predictable and offer consistent treatment." 85% voted Yes, 15% voted Maybe, and 5% voted No. The

wording was changed to include voluntary. The finding was voted on again and 91% voted yes and 9% voted maybe.

The sixth finding remained, "A PILOT program requires a strong partnership between a community and its tax exempt organizations and that relationship takes considerable time, effort and commitment to build." 95% voted Yes and 5% voted Maybe.

A member commented that the word voluntary should be included anytime the term PILOT is used. A staff member responded saying that this is given with the term. Co-Chair Reid mentioned he asked the Lincoln Institute of Land Policy about the PILOT payments that are currently occurring in the Minnesota area because these are negotiated contractual payments. A PILOT has to be voluntary otherwise it is not a PILOT within the scope of this committee. A member asked how the committee would define voluntary and asked if it was a negotiated contract or a gift. Another member expressed that the committee should define voluntary.

A member reminded the committee that tax-exempt organizations have a Minnesota Supreme Court decision on their side and that if any point this becomes coercive it is no longer a PILOT payment. A staff member explained that the committee should assume that a PILOT program is voluntary and that this will be defined in the final report.

The seventh finding was discussed and voted upon, "The considerable amount of uncertainty surrounding federal and state tax and fiscal policies adds some complications for establishing new PILOT programs." 77% voted Yes, 14% voted Maybe, 9% voted No. A member mentioned that this statement is always a finding under any administration. A member mentioned that many organizations may appreciate this findings, but that it could easily be discussed in the body of the report. A member mentioned -voting No, and that if this was a finding it should include city.

A member stated that the member did not think that the uncertainty created 'complications' for a PILOT program. A PILOT program would put tax exempts in a tough place potentially, but does not complicate the establishing of a program.

The eighth finding was voted upon, "St. Paul faces a challenging budgetary environment now and in the future." 76% voted Yes, 14% voted Maybe, and 10% voted No. A member expressed that the committee should try to divorce itself from the Saint Paul budget problem.

Co-Chair Reid mentioned that another finding he offered may address this, which states that Saint Paul is not much different than other Minnesota cities. A member disagreed saying that -Saint Paul -has more tax exempt market value than other cities referencing Ramsey County's 2010 estimated market value data (see website). A staff member expressed that the current value of tax exempt property in the City of Saint Paul had changed in recent years, but that more data would be helpful in the critical discussion over whether or not Saint Paul is in a unique position in terms of tax exempt property. Another member mentioned -an understanding - that there are only a few cities in Minnesota that have a significant amount of tax exempt property. Co-Chair Reid also mentioned that it matters what you consider a major difference.

A member mentioned that there are multiple findings and that perhaps not all findings need to be included, but that a smaller number of unanimous findings could be included.

A member mentioned that the word 'challenging' was not appropriate because in the past members of the committee made tough choices and created a budget for the City of Saint Paul. The member did not like that there was no mention of the past and that the finding only referred the present and future.

A member mentioned that the budget problem in the beginning of the committee coming from the city was around \$30 million, yet the committee had only talked about the \$1.8 million gap. A staff member clarified the point saying that the \$32 million was a source problem but that the \$1.8 was a gap where the city was not able to get revenue back from other sources such as the street maintenance program.

The ninth finding was voted upon quickly, "A St. Paul PILOT/SILOT cannot -- and should not -- be viewed as a "solution" to St. Paul's significant budget gaps or long term financial challenges." 91% voted Yes and 9% voted Maybe. A member mentioned that- - this was a conclusion not a finding.

The tenth finding "A PILOT offers the potential for a more equitable and rationale sharing of municipal burden among tax exempt organization than the former ROW system design" was -eliminated - as members of the

committee did not find it useful because there was no comparative data to sustain the statement.

The eleventh finding eventually became “ The Saint Paul property tax exempt community offers considerable contribution- (not sure if this is plural or not) to the health and welfare of the city that citizens do not know about, that is not quantified in dollars, and can be rather difficult to quantify. The results from the vote were 91 % Yes, 5% Maybe and 5 % No.

The -twelfth finding “The division of local service delivery across multiple different units of government creates some additional complications for establishing a Saint Paul PILOT/SILOT program” was discussed by the committee but ultimately the committee members decided to keep the same language on it. The final result was 81% Yes, 5% Maybe and 14% No.

The thirteenth finding “The degree of collaboration and partnership essential to a successful PILOT/ SILOT program may be lacking in Saint Paul and needs attention”, yielded a final result that was 95% voting Yes and 5% voting Maybe. Members of the committee agreed that this finding is supported by qualitative data.

The fourteenth finding “Greater transparency on cost of city services, cost trends and reasons for change is important to gain broad acceptance of a PILOT program,” yielded a result that was 85% Yes and 15% Maybe. Some members stated that transparency would not be enough if there was not a better management of the city’s finances.

The fifteenth finding “Administrative costs for managing a program in Saint Paul have to be part of the cost-benefit analysis for establishing a program”, was voted 95% Yes and 5% Maybe. The committee members acknowledged that this is a pretty standard issue that is used for any other program.

Next the committee moved on the Findings Regarding Long Term Implications.

The sixteenth finding “The implementation of a PILOT/SILOT for Saint Paul has implications for local governments and property tax exempt organizations across the state”, was voted 100% Yes.

Co-Chair Rakow asked the committee members if they had any additional findings they liked to present. Co-Chair Reid presented one of his findings.

The seventeenth finding “Some cities around the country have considered or studied PILOTS, but did not establish them”, the final result was 100% Yes.

Co-Chair Rakow opened the floor for discussion-. A few members of the committee stated that they wanted to have a discussion about the difference between city and state, as well as, the voluntary component of the potential PILOT program. A Citizens League staff member told the committee to email any findings or facts to the Citizens League staff as it makes the work easier for the rest of the committee. In addition, the staff member acknowledged that some of the data that is attained thus far is not the most up to date but additional research is being done to fill any -gaps in information.

The last finding “Property tax exemption in Minnesota is spread unevenly in municipalities across the state,” was voted 79% Yes, 16% Maybe, and 5% No.

## **Evaluations**

Co-Chair Rakow and Co-Chair Reid thanked the committee members for their participation and concluded with evaluation. The evaluations were as following: 5, 5, 4, 4, 4, 5, 5, 5, 5, 4, 5, 5, 4, 4, 5, 5, 4, 4, 4 and 5 for an average of 4.55.

Co-Chair Reid called the meeting to an end at 9:30 am.