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To: Sean Kershaw; Kay Rakow; Joe Reid
From: Jack Hoeschler
Date: July 26, 2017
Re: ROW Assessments as Major Tax Burden Shift

While I realize that your committee is not specifically studying the ROW Assessment Program, I think it is important for the committee to realize what a major shift of tax burden the ROW Program has caused over the years. This is relevant because the amount that the program raised from the exempts was much less than the amounts of taxes foregone by the use of LF measures of highrise buildings. Thus, I have always felt that the committee should know and report on the disparate treatment that has aggrieved the churches.

The basis for a successful PILOT pitch is that we are all in this together and all are contributing on the same basis – value of the property, rather than lineal front footage.

One of the key arguments in support of participation in a PILOT program is that “We are all in this together.” That is, everyone, for-profit as well as non-profit and exempt entities should pay their fair share of the cost of mutually essential local government services.

St. Paul’s ROW Assessment program was, and it’s replacement Street Maintenance Services program remains, far removed from that necessary sense of equity and shared burden.

This is because its burdens are based on front foot measurements of property, not square footage or value. St. Paul’s ROW Assessment program amounted to a major shift of burden from high-rise, high-value properties to small commercial corner properties. Along the way, the ROW Assessment program also picked up some extra money from non-profit and exempt properties, but that extra money – which was misleadingly touted as a major reason for the ROW Program – was a small fraction of the revenue foregone from high-rise properties. To the extent that the current Street Maintenance Services Program continues to collect more than \$11 million based on LF measurements, at least 1/3 of the old problem remains.

St. Paul has always resisted quantifying the amount of the exemption it gives to politically influential high rise property owners and developers. The scale of the exemption can be seen, however, in calculations done by the city in 2009 and 2010 when it struggled unsuccessfully with some of those inequities in the program.

Attached are two pages of calculations by city staff of what would happen if the ROW Assessment program were scrapped entirely and all of the net Public Works budget were raised from regular real estate taxes, as is done by all other cities.

Both attachments (marked McCarthy 0111 and 0116) show the changes in property taxes for selected properties if the ROW costs were simply taxed. The first (0111) shows:

- 1.) Minor changes in tax for smaller houses (-\$110 to +\$148).
- 2.) Meaningful increase (\$894) for higher value homes.
- 3.) Substantial reductions for small commercial corner properties (-\$1033 and -\$1041).
- 4.) Substantial increases for high rise buildings like US Bank Place (\$14,262)
- 5.) Substantial decreases for a theoretical college (\$10,894).

The second (0116) shows the same results for others buildings:

- 1.) A very big increase in taxes for the 37 story Wells Fargo Tower (\$126,699).
- 2.) Meaningful reductions in taxes for smaller commercial properties (-\$1979; -\$659; -\$820; -\$1000).
- 3.) A big increase for Menards (\$16,805).

The conclusion is that the cost of the exemptions given by the ROW Assessment program to high-value, high-rise properties is made up by small, mainly commercial corner properties, and, to a lesser extent, by the nonprofits and exempts.

Just as the committee has found that St. Paul's claim of extraordinary burden from above average nonprofits and exempts is not true, so too its use of LF method of measure should be shown to be not equitable. Indeed, it gives a very substantial, hidden, benefit to high-value, high-rise properties. If the committee can expose the extent of that hidden benefit (or even 1/3 of that benefit) it will be performing a major service toward transparency and better public understanding of the issues.

Thus, I urge you to smoke out the full extent of the hidden shift of burden caused by the ROW Assessment and Street Maintenance Services Fee programs. This will make clear that such secret exemptions need to be eliminated before a popular PILOT program can be proposed.

JGH



DRAFT - Change in Property Tax + ROW Fees

Select Saint Paul Properties

ROW	Current Method		"No ROW" Scenario	Change in Property Tax	Total Change (Property Tax+ROW)
	Total Property Taxes (All Jurisdictions)	Total Property Taxes (All Jurisdictions) + ROW			
\$196.50	\$650.26	\$846.76	\$736.67	\$86.41	(\$110.09)
\$157.20	\$1,140.51	\$1,297.71	\$1,299.89	\$159.38	\$2.18
\$202.86	\$3,412.97	\$3,615.83	\$3,764.47	\$351.50	\$148.64
\$331.20	\$12,699.01	\$13,030.21	\$13,924.15	\$1,225.14	\$893.94
\$1,286.90	\$2,912.63	\$4,199.53	\$3,166.59	\$253.96	(\$1,032.94)
\$762.40	\$6,423.53	\$7,185.93	\$6,989.47	\$565.94	(\$196.46)
\$3,665.62	\$29,596.18	\$33,261.80	\$32,221.23	\$2,625.05	(\$1,040.57)
\$19,113.00	\$375,650.69	\$394,763.69	\$409,025.99	\$33,375.30	\$14,262.30
\$1,355.85	\$14,180.98	\$15,536.83	\$15,436.24	\$1,255.26	(\$100.59)
\$10,894.00	\$0.00	\$10,894.00	\$0.00	\$0.00	(\$10,894.00)

Property	Property Value (Pay 2011)
204 Granite	\$66,800
1971 Hawthorne	\$123,200
1361 Highland	\$271,700
768 Summit-Arterial	\$857,600
Mama's Pizza, Rice Street	\$189,400
St. Patrick's Guild, Randolph Ave.	\$376,000
Hoa Bien Restaurant, University Ave.	\$1,607,600
US Bank Place, 5th Street	\$20,000,000
Traditions Classic Home Furnishings, 1037 Grand Ave	\$788,300
College/University (500' Class 2, 800' Class 2)	N/A



DRAFT - Change in Property Tax + ROW Fees

Select Saint Paul Properties

Property	Property Value (Pay 2011)	Current Method				"No ROW" Scenario			Change	
		City Share of Property Taxes (after MAPHC)	ROW	City Property Tax + ROW	Total Local Property Taxes (All Jurisdictions)	Total Local Property Taxes (All Jurisdictions)	City Share of Property Taxes (after MAPHC)	Total Property Taxes (All Jurisdictions)		Change in Property Tax (Property Tax + ROW)
<u>Wells Fargo Place, 30 E. 7th Street</u> \$85,547,300	419,399.43	\$16,969.02	\$16,969.02	436,368.45	3,225,431.30	3,242,400.32	563,067.26	3,369,099.13	143,667.83	126,698.81
<u>Eisenberg's Market, 170 10th St E.</u> \$205,200	822.52	\$2,260.32	\$2,260.32	3,082.84	6,380.22	8,640.54	1,104.28	6,661.98	281.76	(1,978.56)
<u>El Burrito Mercado, 175 Cesar Chavez St.</u> \$721,600	3,355.30	\$1,808.26	\$1,808.26	5,163.56	25,858.51	27,666.77	4,504.68	27,007.89	1,149.38	(658.88)
<u>Linder's Garden Center, 270 Larpenteur</u> \$1,718,800	8,246.26	\$3,645.30	\$3,645.30	11,891.56	63,472.27	67,117.57	11,071.07	66,297.08	2,824.81	(820.49)
<u>Meunard's, 2005 University Ave. W.</u> \$16,758,000	82,008.94	\$11,287.86	\$11,287.86	93,296.80	630,741.57	642,029.43	110,101.60	658,834.23	28,092.66	16,804.80
<u>Lakes and Plains Building, 842 Raymond Ave.</u> \$539,600	2,462.65	\$1,843.60	\$1,843.60	4,306.25	18,993.58	20,837.18	3,306.24	19,837.17	843.59	(1,000.01)