Citizens League PILOT/SILOT Project

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Good morning co-chairs, Citizens League staff, and other interested members of the committee and the public. I want to thank you for providing the opportunity for community input on this very intriguing topic. You have been given a very large task in exploring the complicated question of whether “a payment in lieu of taxes and/or services in lieu of taxes model would be advisable for the City of St. Paul.”

I appear before you, first and foremost, as a St. Paul resident. I have lived and worked and raised my children in St. Paul for almost twenty years and I couldn’t be prouder of our Capital City. I am here also as an academic who currently administers graduate programs in nonprofit management and public administration, having had a career that spans both the governmental and nonprofit sectors. I do not represent Hamline University in a government relations role so I am not here to lobby you. I am here to share how my own research and writing on this topic has informed my opinion on this matter.

I have also attended some of the committee meetings as a member of the public, including the presentations on the Boston model and the Lincoln Land Institute. I appreciate the summary included in the Citizens League blog of July 5th capturing some of the pros and cons, so I will not repeat them here.

I would like to use my short time to explain why I do not believe going down the road of a PILOT or SILOT would be beneficial to the City, and to the residents to whom the City is accountable. For background, my talking points are derived mainly from an article I wrote for Nonprofit Quarterly in April of 2013 which takes a look at this topic from a national perspective and I have made that article available to Sean Kershaw as well. I will also include arguments from a StarTribune editorial commentary that I co-wrote with my Hamline colleague, and former mayor of St. Paul, Jim Scheibel, related to the First Baptist legal challenge, and published on September 21, 2016.

I propose that the committee recommend NOT pursuing PILOT or SILOT arrangements for the City and that the City use other tools and avenues that they have available to them that will prove more fruitful, for the following reasons:

1. Where they exist, these arrangements can be onerous to administer, and moreover, they typically raise a very small percentage, even a fraction of a percentage, of the city budget – and yet, the true “cost” to the city comes in the form of reduced good will, reduced partnerships, and ultimately, reduced programs and services to its citizens. Further, they are an unreliable and unpredictable source of revenue because they cannot be legally mandated.
2. PILOTs lack transparency in that they are “private” arrangements made with individual nonprofits and they lack equity and uniformity among the different players. Where payments are made public, the city is seen as a shaming parent, and not a valued community partner. Keeping city services in the property tax payment is the least regressive way and I, as a homeowner, receive a mortgage deduction for it, a tax benefit I appreciate.
3. The city does not want to invite additional legal challenges and they are already on shaky ground. Implementation of these arrangements are fraught with legal questions around being “voluntary”, false use of contracts, and of course, the suspicion of creating quid pro quo systems around zoning and other use permits that nonprofits may need to seek. Minnesota has one of the most organized nonprofit sectors in the nation and they will not be a passive observer.
4. The public does not support eroding the constitutional protection for continued exemptions. Institutions of purely public charity are exempt and the exemption for churches, colleges and universities is even more explicitly stated in our state’s Constitution. MCN polling data, conducted with the University of Minnesota since 1989, shows public support for exemptions above the 85th percentile.
5. Your own city workers likely do not support this, particularly in the form of a SILOT, which could threaten public sector jobs with displacement by its nonprofit sector colleagues. (You think the nonprofits are organized, just think for a minute about AFSCME boots on the ground)
6. There is no quick legislative fix. A change in statute would not change the state constitution. Constitutional ballot measures are statewide efforts which are complicated, expensive, and hard to pass. Instead, cities and nonprofits would do well to join forces at the Capitol and press for state budget offsets, which many states direct toward their heavily exempt state capital cities, to provide greater equalization in the uneven burden on cities, most likely here in the form of local government aid, or LGA. Let nonprofits be a partner to you in that effort.

And again, I thank you for your time. I am happy to be an additional resource to you and I strongly urge you to not go down the path of expending valuable city resources to implement such a low-return, negative and coercive strategy.