

MEMO

TO: Members of the Citizens League Task Force on PILOTs

FROM: Presidents of five nonprofit private colleges in St. Paul

- Thomas Ries, Concordia University, St. Paul
- Fayneese Miller, Hamline University
- Brian Rosenberg, Macalester College
- ReBecca Koenig Roloff, St. Catherine University
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DATE: August 1, 2017

SUBJECT: PILOTs in St. Paul

As presidents of five, private nonprofit institutions in St. Paul, we write to express our joint concerns about establishing a Payment in Lieu of Taxes (PILOT) system in the City of St. Paul. For more than 100 years, we have recognized the need to be involved in the critical issues facing St. Paul and we value our long-standing partnerships with the city. St. Paul is an outstanding city and we have a strong stake in its continued vitality.

At the core of our mission is a dedication to advancing the greater good and educating students from all backgrounds who value service to others.

We enroll more than 30,000 students. Of our 18,000 undergraduate students, 1,500 grew up in St. Paul. The vast majority of our undergraduates receive grants and scholarships from our colleges.

We have 15,000 alumni and 1,400 faculty and staff who choose to live in St. Paul. Collectively, we are one of its 10 largest employers and we make significant contributions to the community. These include ongoing city and county assessments, taxes and fees as well as financial contributions and in-kind services to community and neighborhood groups. In addition, our institutions continuously improve the quality of life in the city through partnerships with schools, student-led community service projects and the open invitation we share with residents to enjoy the benefits of our campuses and attend events.

Higher education is going through seismic shifts because of technological, demographic and economic changes. These shifts create financial pressures that require us to strategically evaluate any new spending proposals so we can sustain our mission of providing access to a high-quality education for an increasingly diverse population. We will continue to be good citizens of St. Paul and we will continue to work collaboratively to make St. Paul, as the city likes to say, “the most livable city in America.”

Concerns about a Payment in Lieu of Taxes (PILOT) System

We oppose a formal Payment in Lieu of Taxes (PILOT) system in St. Paul for the following reasons:

1. A PILOT system is inconsistent with the fact that Minnesota has a constitutionally-protected tax exemption for non-profits that allows us to maximize our contributions to our city. An additional

explicit prohibition stated in the state constitution protects “churches, places of worship and educational institutions and seminaries of learning” from any limits to this exemption.

2. A PILOT system does not adequately recognize the significant financial and in-kind contributions that our private nonprofit institutions already make to the city.
3. A PILOT system is not a predictable or sustainable source of revenue for the city and is not a solution to budget problems created by the removal of the right of way assessment program.
4. A PILOT system, such as one that uses Boston as the model, disproportionately impacts private higher education institutions. Without a clear way to also include governmental units, public colleges and all nonprofits, this system by design would be inequitable.
5. Colleges regularly bring many matters before the city, including various permits and other necessary approvals. The nature of PILOTs introduces the very real risk of creating a “pay to play” environment. The potential favoritism or punishment that could result is a poor model for a well-run municipality. In addition, “voluntary payments” managed through a program of public shaming, as in the case of Boston’s PILOT, is concerning.
6. We invest substantial resources in campus public safety and security to minimize required involvement from the city on our campuses. This investment means that our campus interactions with police, fire and emergency services are significantly reduced and are usually for routine matters. It is also important to note that when there are police or emergency services for any student housing that is off-campus, those services are provided to residents or owners of tax-paying properties.

An Alternative Approach

Instead of a formalized PILOT system, our colleges are open to making voluntary financial contributions to the city.

Such voluntary payments would reflect our interest in contributing to the costs of providing city services over and above the substantial cash amounts that we already make annually and periodically to local governmental units and non-profits. Any such payment amount could mimic the historic right of way assessments reduced by the amount of the new 2017 street maintenance program fees that were implemented in response to the 2016 court decision and any additional related fees.

The amount of any voluntary payments would be determined solely by each individual tax-exempt entity. (Once a specific amount is suggested by a formula or by a governmental unit, it loses its voluntary character.)

We would note that our ability to make voluntary contributions may change over time and take various forms, given economic and financial conditions at our institutions.

We expect this approach would offer the widest possible voluntary participation from all tax-exempt properties (including governmental and nonprofit) affected by the state Supreme Court decision regarding right of way assessments.