

Meeting Minutes
Wilder Foundation
451 Lexington Parkway North, Saint Paul, 55104
Thursday June 15, 2017
7:30 am – 9:30 am

Committee Members Present: Tanya Bell, Ellen T. Brown, Zach Crain, Mike Day, 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, Pa Der Vang

Members not present: Matt Hill, Bror Herrick

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

Guests: Melanie Soucheray, James McClean, Mary Krinkie, Jordan Ash, Kristen McHenry, John Mannillo, Amy Filice, Emi Bennett, Sam Walseth, David Dominick, Elizabeth Dickinson, Mary D. Gilbert, Amy McDonough, Paul Cerkvenik

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 and 6/1
- 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.

AGENDA

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.
 - i. May 11th (p.3)
 - ii. May 18th (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)

+++

Co-Chair Reid called the meeting to order at 7:30am.

Introductions (Joe Reid, 7:30 – 7:50)

Co-Chair Reid welcomed the committee members. He took a minute to make a couple of adjustments to the agenda by providing more time to the panel discussion and shortening the discussion for the June 22 meeting. He also spoke briefly about the logistics and outlined the scope and the importance that the Citizens League places on giving each group impacted by a problem their chance to help define and solve the problem. Furthermore, he outlined the plans for the June 22 meeting and June 29 meeting.

After asking for the opinion of the committee about the minutes of May 11 and June 1st and not having any suggestions, he and the rest of the committee approved the minutes for both meetings. Lastly, Co-Chair Reid took the time to acknowledge the tireless work that Lincoln Bacal, former intern at the Citizens League, has put into this project and introduced the two newest interns that will carry over the project work.

Co-Chair Reid pointed out the fact that questions can always be addressed to the chairs and/or staff, and if they are not able to answer them immediately, they will follow up later with email. He also pointed out that questions from previous meetings were answered and attached to the agenda. Co-Chair Reid mentioned that he has asked the City for additional information about raised questions and will follow up as soon as he receives information.

Panel Conversation (Kaye Rakow, 7:50 – 8:15)

Co-Chair Rakow took the lead in introducing the panelists, who are members of different groups of property tax exempt organizations in the City of Saint Paul. Namely, one was a representative of a healthcare organization; another was the representative of a public higher education institution; another represented a private nonprofit higher education institution; and the last one was a representative of a non-profit trade association.

Co-Chair Rakow encouraged the panelists to be as candid as possible as their candor would help the committee to have a more educated idea about the sustainability of a PILOT program. She was curious about the factors that the nonprofits would consider on whether they would be part of a PILOT program. Two factors that particularly drove her questions were the importance of public recognition for PILOT payments, and the impact that the program might have on donations coming into these organizations.

The representative of the public higher education institution pointed out that as an institution they have a commitment to the City and they care about the financial well-being of the City. For them, the study is in alignment with the mission of the institution. When it comes to the PILOT program, the institution is concerned for the financial burdens such a program would bring along, particularly because the public institution has satellite campuses all over the state and is worried that other cities in Minnesota will follow Saint Paul's example. In addition, the representative pointed out that the relationship with the City is a complicated one, particularly because there is so much collaboration in multiple levels so there needs to be a decision where one draws the line.

The representative of the private nonprofit higher education institution spoke about the importance that their institution places on having an active student and alumni populations that feel part of the fabric of the City, and that the City be a healthy and vibrant place where students/staff and their families want to live. One concern that the

representative highlighted was the idea of leveling the playing field between public and private nonprofit institutions. Some institutions feel that in the past the City has treated similar institutions differently when it comes down to paying their 'fair share' in any project.

The representative of the health care organization echoed the sentiment that there are concerns for repercussive effects if other cities would follow Saint Paul's lead. In addition, the representative suggested the task force recommendation and the City should take into account the other numerous services that the organizations provide to the City ranging from jobs to uncompensated care and services for very low income people in Saint Paul.

The representative of the nonprofits trade association pointed out that getting the status of property tax exempt is not an easy process, as the organization has to fulfill numerous standards related to providing a public benefit before receiving approval. The representative spoke about the reasons why donors give to non-profit organizations, namely, to further the mission of the nonprofit and not to pay for other services for the City.

In addition, all members of the panel acknowledged the burdens that the individual organizations can impose for the City ranging from traffic to heightened police and fire calls.

Questions from the committee (Kaye Rakow, 8:15 - 8:45)

A committee member asked about the features of the property tax that most benefit the non-profit organizations and the differences of the property tax compared to a payroll or sales tax. The panelists offered their insights for their respective institutions.

A committee member asked how, with all of services tax-exempt organizations provide, one should grapple with the the question of what service has more value than another.

The panelist from a nonprofit health care organization expressed that in the healthcare field there are fairly sophisticated tracking mechanisms currently in place to value their services, which is not always the same for small non-profits. The panelist also urged the committee to consider the time and administration infrastructure it takes to track these services provided to the community and the potential burden you would place on smaller non-profits without these systems in place.

The public higher education institution panelist identified the important role of the legislature in this discussion and how the legislature contributed to the current budget conditions in Saint Paul via cutting Local Government Aid (LGA). The panelist went on to say that there is a good working relationship with the City, but that the City has a lot of vested authority. Overall, the point was to see if there is an adequate level of reciprocity and mutuality between the City and the tax-exempt organizations.

The representative from a private nonprofit higher education institution added information about this important dynamic. He explained that the City required a 'special conditions use permit' for all higher education institutions in the mid-1980's, including regulations on how big (enrollment) the institution could be, parking spaces, and parameters for future development. The point raised could relate to coercion. The City has the say over many construction and regulation issues based on these conditional use permits. There was a question among panelists that if educational institutions did not 'play ball' in terms of PILOT payments, would this hurt them in the future when it came to issues related to the special condition use permits?

Co-Chair Rakow asked if there were some hard feelings between the City and the tax-exempt community over the recent Supreme Court ruling on Right of Way. The panelist from a nonprofit association referred to the Supreme Court decision saying the City got away with growing these assessments over the years and without the funding stream the city is in a difficult situation. However, the panelist expressed that the PILOT Program is a 2% solution to a much bigger problem and that nonprofits and the city can be strong partners in service to community and disagree on this issue.

A member wanted to know how different cities around the state of Minnesota impose legitimate fees for right of way and other direct services. The member also wanted to know how a potential PILOT Program would create a precedent in other cities and if there were any cities that already had a similar program.

A panelist expressed that he had not heard of any other program of this nature, but as a representative of a private nonprofit higher education institution he was concerned about the precedent that a program such as this would set across the state.

A member identified that issues raised thus far by panelists are serious qualms. She then asked what the purpose of the committee really should be. A staff member then readdressed the idea of political reality and emphasized the ability for this committee to redefine the terms and scope of the project. The public higher education panelist explains that this issue is about reciprocity and that this has to be about improving the relationships between the City and its constituent organizations including commercial. It is not just financial.

Co-Chair Reid expressed that the overarching idea of PILOT Programs based on the literature is due to cities having financial difficulties. It is not a good idea necessarily for tax-exempt organizations to pay PILOTS, but it may be a need of the City of Saint Paul. The PILOT Program is a response to the financial condition of the City. A panelist said he had concerns about flaws in the Boston PILOT program and identified a Boston Globe article saying that out of 19 organizations in Boston 14 paid less than what was requested to pay in 2016.

The representative of a public higher education institution also wanted to know the unintended outcomes of a PILOT Program. The panelist pushed the committee to think more deeply about the expenses these organizations are already covering for the City.

A member expressed that the PILOT program is not about fixing the City's budget problem, but rather a question of what every person, organization, and entity in Saint Paul contribute to Saint Paul for the betterment of the City. She framed the discussion as one of fairness for service received. The private nonprofit higher education institution mentioned that this is a valid argument, but that he did not have an answer.

On another question, a member expressed that he does not buy into all the aspects of the City budget presentation. He explains that this is a budget crisis and that when a city is in crisis it reaches out in multiple ways. He then explained that in the Boston model the total revenue has been increasing every year.

The representative from the public higher education institution identified problems with parking, permits, and conditional use permits. Co-Chair Rakow mentioned that all property owners complain about the process of interacting with the City over permits. Additionally, Co-Chair Reid agreed that the City should consider their budget and not assume that they will receive more revenue.

Advice and additional information from the panel (Kaye Rakow, 8:45 – 9:05)

Co-Chair Rakow asked panelists to share advice, recommendations, or additional information reflecting on the discussion.

The representative from the nonprofit healthcare organization outlined the current and future implications in the healthcare field, the pressures currently felt, and the future pressures if specific healthcare coverage plans such as Medicaid change in the near future, which would cause billions in deficits across Minnesota (See Allina PowerPoint). She urged the committee to be mindful in future discussions about the situations non-profits find themselves in today. She also expressed that in order to sell a voluntary program to leadership the contribution has to be relatively close to what the organization gives currently and cannot be expected to go up dramatically year after year because everyone's financial pressures remain.

The representative from a public higher education institution added that permitting and the process of dealing with the City in a streamlined manner could go a long way in setting the stage for a voluntary contribution.

The representative from a private nonprofit higher education institution mentioned that if a voluntary program were

implemented this cost would most likely be passed along to the students as a tuition increase because most private colleges and universities are heavily tuition dependent and already have relatively lean expense budgets. Also, non-profits must be treated fairly whether it is healthcare and other nonprofits. The panelist made a key point about how to make the PILOT program more palatable and he asked if voluntary funds be could earmarked for specific purposes, such as contributions to community councils, which already receive some city funds. A member clarified that earmarking sounds great, but the City will simply use general funds in other ways with this contribution.

The panelist from the non-profit organization reinforced the idea that nonprofits contribute greatly to the vitality of the City, sometimes to a degree that cannot be labeled with a dollar amount. In addition, the panelist spoke about the voluntary aspect of the PILOT program, highlighting that there is this idea of coercion or “public shaming” of the organizations if they do not participate. A member of the committee spoke about the fact that the City should have made the difficult decision to manage their finances.

Another member asked about the degree to which the payment policy could spread to other cities. The majority of the panelists were in agreement when they said that they expect the other cities to follow Saint Paul’s example. Another member spoke about the administrative burden that could potentially be created if different cities had different PILOT payments.

Co-Chair Rakow thanked the panelists for their candid answers and passed the discussion to Co-Chair Reid.

June 22 Meeting (Joe Reid, 9:15 – 9:25)

Co-Chair Reid introduced Mark Haveman who spoke about the presentation that the Lincoln Land Institute will give in front of the committee next week. Mark briefly described the role of the institution and its scope of operation. One of the people that will be present with be Daphne Kenyon, whose research article can be found on The Citizens League website. A Citizens League staff member provided the logistics for the meeting on June 22; the information can be found on the Citizens League website.

Co-Chair Reid asked that if there are particular topics that the committee members are curious about from the Lincoln Land Institute’s perspective, they should reach out to the chairs so they send the questions to the speakers in advance. Members of the committee mentioned different topics ranging from the sustainability of PILOT programs to engaging with different non-profits equitably.

Evaluation (Joe Reid, 9:25 – 9:30)

The members evaluated the meeting as follows: 5, 5, 5, 4, 5, 5, 5, 5, 5, 4, 5, 4, 4, 5, 5, 4, for an average of 4.68 (2 members did not get a chance to vote, as they left early due to other commitments).

Chair Reid adjourned the meeting at 9:30 a.m.