

Meeting Minutes
Wilder Foundation
451 Lexington Parkway North, Saint Paul, 55104
Thursday June 29, 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 June 29 meeting:

- Discuss June 22nd meeting and approve minutes from 6/15 and 6/22
- Straw poll to gauge committee feelings on a potential PILOT or SILOT program
- Offer a time for open group discussion following weeks of presentations from key stakeholders. Start the transition from information to synthesis, findings, and conclusions.
- Discuss plan for future committee meetings with next meeting on July 13th.

AGENDA

1. Review/approve agenda, outcomes, and minutes (Joe Reid, 7:30 – 7:35)
 - a. Approve agenda
 - b. Approve minutes from 6/15 and 6/22 meeting.
2. Discuss 6/22 presentations from Boston and Lincoln Land Institute representatives (Joe, 7:35 – 7.50)
3. Open discussion on PILOT/SILOT (Kaye 7:50 – 9.00)
 - a. Straw poll
 - b. Discussion
 - c. Potential impact on scope
4. Findings (Joe, Sean, 9:00 – 9.20)
 - a. Discussion
 - b. Note
 - i. Summary of potential findings forthcoming
 - ii. Capture "conclusions" for further discussion
5. Next steps and Evaluations (Jo, 9:20 – 9.30)

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

Introductions (Joe Reid, 7:30 – 7:45)

Co-Chair Reid welcomed the committee members. He acknowledged that there were some materials distributed to the members present (materials were offered at the door for all participants and can be found at the Citizens League website). He moved for the approval of the agenda, which was unanimously approved. He thanked the committee members for their stellar participation and attendance. He also encouraged the committee members to share their ideas, as the committee is reaching a point where the work will soon become more concrete and ready to be presented. In addition, Co-Chair Reid urged the committee members to be open minded about different ideas and to consider not only their particular needs as organizational representatives but also the city's needs, which are aimed at serving the citizenry.

Then, Co-Chair Reid moved for the approval of the meetings from the June 15 and June 22 meeting and the minutes were approved by the committee. Co-Chair Reid thanked also Mark Haveman for arranging the panelists from the last meeting and opened the floor for comments from the committee members about the experience.

A member of the committee pointed out that Boston was unique in that it has a centralized government, meaning that the city, state and county government were under one umbrella. A member was curious about other cities who have chosen not to pursue a PILOT program, and what led them to this decision. The member also pointed out the differences between Boston and St. Paul and cautioned the committee not to rush into any decision. Another member spoke about the importance that Boston placed on the relationship between the city and the organizations and wondered whether the city of St. Paul was ready to deal with the administration of such a program. Many members echoed the same sentiment, emphasizing the fact that the new mayor should make the potential program a priority.

Another member stated that the city would prefer a PILOT program (cash) rather than a SILOT, but the reality is that SILOT may be more attainable.

Individual member perspectives conversation (Kaye Rakow, 7.45 – 8.30)

Co-Chair Rakow expressed that the committee finds themselves in a transition from presentations, data, and information collection to one of findings, recommendations, conclusions. She explained the goal of understanding peoples' perspectives on the topic of PILOT and SILOT through a straw ballot and subsequently an open conversation.

A staff member explained the logistics for the TurningPoint technology clickers and articulated the goal of the nonbinding and anonymous survey, which was to gauge feelings from the committee. Committee members voted on the question of assuming the details mattered would they vote for a PILOT program today. There were 57% in favor of a PILOT program and 43% against – 23 votes with the staff member abstaining. The same wording was used for a SILOT program. 55% were in favor of a SILOT program and 45% were against a SILOT program with 22 votes collected.

Co-Chair Rakow asked members to go around the room and express their thoughts about PILOT and SILOT without a topic limitation.

A member started by saying that the committee has focused primarily on the city of St. Paul, but perhaps the committee should broaden the conversation to cities in the state of Minnesota. The member thought it would be wise to think about all cities in MN more broadly as many cities have tax-exempt properties and would potentially be interested in a PILOT program. The member's second point was that the conversation should be on cities and not on school districts or counties or other property tax jurisdictions because of the main topic of fire and police services.

A member wondered if a PILOT or SILOT program would be truly voluntary. The member mentioned that a PILOT

program deals with pressure on an organizational or individual basis that is often not uniform across all entities. If a program becomes involuntary, then there are problems with coercion.

A member thought that if you asked many major nonprofits if they should pay something for the services they are receiving they would say yes. However, the ROW case expressed that these organizations do not have to pay – only if they want to. The member said the entire discussion is with the school district and the county and the tax exempt organizations. The member thought it may be more manageable with only large entities. In addition, the member said it is important not to give the city the impression that a PILOT program is simple; it is a complicated negotiation that will take some time among a significant number of stakeholders. The member concluded saying that this committee could introduce a lot of information about a possible program but that this committee should not say yes or no on a program.

A member highlighted that PILOT is only one way to bring in revenue for the city and it is not the committee's job to solve a revenue stream problem.

A member explained that the member was stuck trying to understand the inception of the tax exemption for non profits in terms of land ownership. The member thought the system offered perverse incentives for tax exempt organizations to own real estate. The member expressed that the idea is to lower costs for organizations that add to the common good, but many of the organizations which need the assistance end up leasing land from for profit organizations and therefore end up paying property taxes in this manner. Conversely, large non profits are able to raise capital campaign funds and outbid for profit entities when a new piece of land becomes available especially without a real estate tax down the line. When tax exempt organizations own land it is "easy" because there is no incentive for the land to be put to productive use by the organization. Also, if a tax exempt entity buys a piece of property it may build a brand new building, which will raise the property tax for businesses and property in the vicinity. Ultimately, when there is not a cost for the accumulation of land by a non profit this can pose a problem as it causes a reduction of taxable land in the city.

A member highlighted that we are here in the best interest of the City of St. Paul. The member quoted a few individuals from previous meetings regarding this committee looking to plug a hole. The member quoted there is real pressure on municipalities to provide services and yet not raise taxes. The member accented another member and agreed that the committee is convened to try to help a budget problem. He also mentioned there are many capital projects in this city and a massive financial gap to address issues. He does not want the public discourse about a PILOT program to supersede the challenges of such a program. The member expressed that this committee would certainly not get to an end game but perhaps point towards what needs to be done next. He thought it would be interesting to engage in scenario planning by looking at what a PILOT program looks like and what a SILOT program looks like. The key to moving forward is to get the next group of stakeholders at the table.

A member talked about the success of a PILOT program being built on relationships. In order for a PILOT program to be successful, it would take a reorganization of many of the city departments that interact with tax exempt organizations towards a framework of customer service and mutuality. She emphasized there is potential for a PILOT program, but that the 5 year "ramp up" that the City of Boston did is not enough because St. Paul has a different starting point than Boston. Even if successful, a PILOT program is not going to solve St. Paul's budget problem.

Another member spoke about the importance of balance. Balancing equity with fairness and social responsibility, along with similar and adequate engagement from all the stakeholders in a PILOT program is essential to a sustainable program. The member also pointed out that the city of St. Paul has a "relationship" problem, meaning that the city has not maintained good working relationships with the business community or the non profit sector.

Another member stated that this is an opportunity to try to find a solution to address some very tangible realities that affect all that are sitting at the table and it would be important for the city to come to the table with the idea of looking forward and being willing to negotiate. Another member mentioned that it is important to look at this issue as a statewide issue because the actors pretty much remain the same in different locations of the state. The member also expressed concern about the time left to come up with a solid recommendation that encompasses all the findings and conclusions.

Another member echoed the idea that a PILOT program cannot make up for all the shortcomings in the city budget and that the city should take better care of its finances. In addition, the member highlighted the major contributions that nonprofits offer to the community and how many of the services provided might be diminished because the organizations would have to rearrange their finances to accommodate for a PILOT program. The member said it would be useful to find out the amount of money that nonprofits already pay towards the respective government. As per the SILOT program, the member stated that nonprofits are better suited to serve the underserved and a SILOT program might lead to an interference by the city into the missions of nonprofits. Another member echoed the same sentiments. The member also urged the committee to approach the problem through a specific lens and to be empathetic to the idea that not all the services that the city offers are welcomed throughout all communities, particularly given the recent developments with the police force in St. Paul. In addition, the member echoed the sentiment expressed earlier that the committee needs to look at cities that considered PILOT programs but ended up not implementing them in order to create a better idea of the benefits and drawbacks of the program.

Another member questioned the idea that the PILOT program should be looked as a city of St. Paul issue. Indeed, the member stated that the committee should look at the issue at the state level rather than a city issue. In addition, the member stated that the committee is not here to solve the city's financial problems and hoped that the city was having a similar process in place regarding its budget expenses.

Another member acknowledged that public policy tends to be very complex, but the fact that the stakeholders are trying to do something here, then the committee can come up with a recommendation by the time desired. However, the member was curious to know where the City is in this process and how much the City would be willing to negotiate and be flexible. The member spoke of the difficulties that members of the for profit community have with the city, when it comes to getting permits or other services. Another member of the committee stated that commercial businesses get the feeling that sometimes the City does not care about their flourishing.

Another member stated that there is a consensus that organizations have a stake and desire to see the city do well because of the services they attain from the city. However, the member was also a bit skeptical about a PILOT program, particularly because non-profits worry about the consequences of not participating in it down the line, considering that such organizations have a constant working relationship with the city. The member also stressed the idea that the City should come with a structure/bluesheet of the potential program in order to help the nonprofits understand what is expected from them. Lastly, the member stated that the fact that St. Paul has a lame duck mayor is also a potential issue as no one can predict how receptive the new administration will be to a specific recommendation.

Another member stated that the city has a tendency to throw random and open ended policies to the business community with the unrealistic expectation that the business community can address any potential issue. Another member mentioned that the business community was there with Randy Kelly back in 2005 and they supported a minor increase in ROW so there was an equitable amount for tax-exempt organizations but they warned the administration that things could quickly get out of control and that is what happened. In that sense, this administration owns this budget problem and it can only address it in the long run by creating a stable and growing commercial and mid-level industrialized paying base.

Another member highlighted the escalation in the burden from the City, which has systematically taxed businesses at increasingly higher rates. Another member stated that there are huge customer service issues in the city but was still surprised to know how negatively some members of the committee feel towards the city. The member also backed the idea of earmarking as a very appealing solution for a PILOT program. The member stated that a SILOT program would be harder to implement even though it could help the city reduce some of its spending.

Another member spoke of the difficulty to come to one single recommendation, particularly due to the scope and the unpredictability of knowing how the city will react. The member also stated that the PILOT program might drag some nonprofits out of the city which currently benefit the city and that there needs to be more information about the stakeholders that will be most damaged by a program. Lastly, the member stated that the issue demands that the state to be engaged and this cannot be a city level discussion.

Another member also echoed the idea that this should be a state issue and hoped that the findings and the conclusions were in that tune. In addition, the member stressed that the idea that municipal services are important is broadly acknowledged but it can also lead to some backlash towards the organizations that do not contribute to a PILOT program.

A Citizens League staff member stated that the organization is trying to schedule a meeting with the City Council President in order to update them about the progress. In addition, the member stated that it could be possible to bring some representatives to come speak with the committee. Lastly, the member urged the committee to come up with a recommendation despite the fact that there is a fast timeline because the most important part would be to set a direction.

A member sustained the idea that there should be a meeting where representatives from government were present. Another member spoke of the importance of doing more clicking exercises to test the waters within the committee. Another member wanted to know what is the standard or end game about reaching consensus. A Citizens League staff stated that the majority recommendation can be from 51 – 100 % of the committee but in the final report the voices of those who are against the recommendation (minority report) are included as well in order to let the city know how all participants feel and to ensure full transparency.

Co-Chair Reid referenced the State constitution expressing that churches, places of worship, and solely academic buildings institutions, universities, and seminaries cannot be regulated in terms of tax exemption.

Co-Chair Rakow mentioned getting the city involved and also identified the numerous people, organizations, and interests that want to influence and express their opinions on the work of the committee. She said many people have ideas and that the committee would like to hear from them. She explained that a special meeting is being held at Wilder on July 12th from 8:00 – 9:30am for the community and other interests. She said there are many individuals who have not been apart of the formal process. Co-Chair Rakow said an email would go out to all groups and urged observers to share and alert all people that may be interested.

Findings

Co-Chair Joe explained a worksheet documenting how non-profit properties are affected by ROW.

He had everyone turn to the fundamentals of city budget and finances and revenue (see website). He explained that these are very rough numbers and statements, but that they wanted to extend findings to everyone. He identified that many others had offered findings submissions as well. He said that if anyone has comments about the findings or additional findings to please share with the committee.

A member identified that much of the finding data is focused on St. Paul and his question was whether the committee should focus primarily on St. Paul. He said you could use St. Paul as an example, but that this committee should factor in all cities in the state of MN.

Co-Chair Rakow mentioned in the findings she would like to acknowledge the commercial and industrial sector by expressing what they pay in taxes to St. Paul. She expressed the notion that some people believe commercial institutions subsidize all property tax in an area, but in citing an article she said in 2016 commercial business had 12% of statewide market value and yet paid 31% of all property taxes made payable.

A member mentioned she wanted more information on the inequity between rented versus owned property for non-profits.

A member identified a subsidy paid by commercial businesses in St. Paul citing an article used by the Port Authority (see webpage). He explained that this was crucial when seeking to grow the commercial and land industrial tax base because it offers a reduction for the residential tax base.

A member mentioned that many of the higher education institutions and hospitals are part of the Central Corridor Anchor Partnership. He explained the group has committed to examine addressable spending that is going outside

the central corridor to try to bring spending back to local vendors. He went on to say that the committee has not talked about the collective economic impact of tax exempt organizations and some of the other ways they can drive revenue to the city through purchasing power. When you look at hospitals and the University of Minnesota you are talking about hundreds of millions of dollars each year on non-personnel spending. Many of these purchases are going outside the State of Minnesota, but many of these are addressable and could be moved back into the state to businesses in the community.

Co-Chair Reid mentioned that when speaking about the costs of fire and police it is often hard to assign costs and one of the only examples is in fire emergency transport services. In general, other fire and police services are challenging to assign. A member responded by saying that paying as an entity, however, is like an insurance policy such that the police and fire will arrive when you need them.

Another member wanted to know the amount of city property that falls under tax exempt and what amount is under state property. The member argued that the percentages can be used to show the impact that the state or the city itself has on the current situation.

Co-Chair Reid stated that this is how the information was provided to him and he will look for additional information to provide to the committee. A member referenced another hand out that was given to the committee at an earlier meeting (the handout can be found on the Citizens League website).

Another member stated that the committee needs to be specific with the language it uses when it provides a recommendation because words matter and it can be detrimental to specific groups in the long run. Another member stated that the discussion keeps pointing to the idea that the committee should limit its scope and focus on specific aspect to the problem rather than try to solve any inequity or issue that faces the city of St. Paul.

Co-Chair Reid thanked the members for a terrific discussion and opened the floor for evaluations

Evaluations

The evaluations were as following: 4, 5, 5, 3, 4, 4, 5, 5, 5, 5, 4, 4, 5, 3, 5, 4, 5, 4, 4, 4, 5 for an average of 4.38.

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