

Meeting Minutes
Wilder Foundation
451 Lexington Parkway North, Saint Paul, 55104
Thursday July 20, 2017
7:30 am – 9:30 am

Committee Members Present: Tanya Bell, Ellen T. Brown, 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, Mike Day

Committee Members Not Present: Zach Crain, Pa Der Vang,

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

Guests: Amy Filice, Fangzhou Chen, David Dominik, Frankie Johnson, Mary Karcz, kirsten kokowski, Mary Krinkie, Cindi Cooke, , Melenie Soucheray, James McClan, John Mannillo, Jack Hoeschler, Rebecca Lucero

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 July 20 meeting:

- Approve minutes from 7/13 meeting
- Continue process on determining findings
- Discuss, edit and prioritize conclusions
- Identify next steps/questions, and prepare for final meetings and recommendations

A G E N D A

1. Review/approve agenda, outcomes, and minutes (Joe, 7:30 – 7:35)
 - a. Approve agenda
 - b. Approve minutes from 7/13 meeting (attached)
2. Follow up from last meeting (Joe, 7:35 – 8:00)
 - a. Feedback on 7/13 meeting
 - b. Subsequent meetings, e.g. City staff
 - c. Discussion of data document (attached)
3. Findings (Kaye 8:00 – 8:25)
 - a. Address findings we 'parked' from last week
 - b. New findings
4. Conclusions (Kaye, 8:25 – 9:10)
5. Next steps and Evaluation (Joe, 9:10 – 9:30)
 - a. Recommendations process
 - b. Next steps
 - c. Evaluation

Introductions (Joe Reid, 7:30 – 7:50)

Co-Chair Reid called the meeting into opening at 7.30 am. He moved for the approval of the agenda, which was approved unanimously. Next, he moved for the approval of the minutes of June 29 and asked if any of the committee members had any feedback on them. The committee approved the minutes with an adjustment due to a grammatical error.

Then, Co-Chair Reid stated that he along with Sean Kershaw and Co-Chair Rakow met with Saint Paul City Council President Russ Stark and Kristin Beckmann, deputy mayor, to brief them on the progress of the committee. In addition, Co-Chair Reid notified the committee that Sean Kershaw will also meet with the rest of the councilmembers to also update them on the progress of the committee.

Co-Chair Reid turned the attention of the committee to the data document, which is attached at the Citizens League website. He spoke about the legality of the tax-exempt organizations and the potential legal implications of a PILOT program. A member of the committee suggested that it would be useful if the data document could show the data for all the cities in Minnesota. A Citizens League staff member stated that they would look into it but it can be rather difficult to find all the information. Then, Co-Chair Reid started going over the additional data on the other pages. The discussion was centered between members over some of the data. In closing, Co-Chair Reid acknowledged that today's meeting had a busy and demanding agenda and he thanked the committee in advance for their feedback and collaboration.

Discussion, comments, and voting on findings (Kaye Rakow, 7.50 – 9.10)

Co-Chair Rakow took the lead in the finding section of the meeting stating the plan to review each new finding one-by-one, hear clarifying questions, and then use an anonymous clicker survey to vote “yes”, “maybe”, or “no” as a committee. She stated there will be a time to make substantive changes to the findings, aimed at consensus. She highlighted the ability for the committee to park any finding for future research just like they did at the previous meeting.

A staff member clarified that this voting is different than that of recommendation voting as ideally there would be near 100 percent consensus on a set of findings. In addition, the percentages are rounded to the highest number, which would mean sometimes that there can be a total over 100%. Co-Chair Rakow said at the end there will be time for committee members to add findings if they choose.

The first new finding “Tax-exempt organizations use many of the services provided by the City of Saint Paul” was voted 84% Yes, 11 % Maybe and 5% No.

The second revised finding “Horizontal inequities may exist among certain tax-exempt organizations in providing support for local services” was parked again as there was no consensus in the committee. A few members echoed that the finding needed to be stated better in order for them to cast a voting.

The third revised finding “ Vertical inequities exist among certain tax-exempt organizations in providing support for the local services” was parked on similar grounds.

The fourth revised finding “Geographic inequities exist among certain tax-exempt organizations in providing support for local services and in having city taxpayers subsidize broadly dispersed benefits. (Ex. An organization that uses services in the city but its benefits are spread broadly vs. an organization that uses services in the city but its benefits remain in the city.)” was voted 80% Yes, 10% Maybe, and 10% No.

The fifth finding “PILOTs can have “service in lieu of taxes” (SILOTs) offsets in recognition of the contributions tax-exempt organizations make to the community” was voted 84% Yes, 11% Maybe and 5% No.

The sixth finding “The voluntary nature of a PILOT/SILOT program means that it cannot create a constant and predictable revenue source” was voted 95% Yes and 5% No.

In order to finish the voting on findings, Co-Chair Rakow stated that she would like to “test the waters” again regarding the stance of the committee on a PILOT program.

In taking a straw vote that stated “As of now, my position on PILOT program for the city of Saint Paul is:” the result was 25% “Definitely in favor. They ought to be done,” 40% “In favor if specific criteria are established”, 20% “Likely

to oppose unless many criteria are established”, and 15 % “Completely opposed under any circumstances.”

In taking an additional straw vote that stated “As of now, my position on SILOT program for the city of Saint Paul is:” the result was “15% “Definitely in favor. They ought to be done,” 50% “In favor if specific criteria are established”, 20% “Likely to oppose unless many criteria are established”, and 15 % “Completely opposed under any circumstances.”

After the voting on findings ended, Co-Chair Rakow turned the discussion and voting on conclusions that members of the committee had previously submitted. The conclusions were divided on four categories: conclusions relating to the merits, conclusions relating to the conditions necessary to establish a successful PILOT program, conclusions relating to PILOT/SILOT design, and conclusions relating to potential state actions.

The committee began with voting conclusions relating to the merits of a PILOT program.

The first conclusion “A PILOT must be voluntary to avoid undermining the benefit of the charitable tax exemption provided in statute and the state constitution” was voted 95% Yes and 5% No.

The second conclusion eventually became “Compared to other first class cities, Saint Paul doesn’t have a disproportionate amount of tax exempt property by value” and was parked due to insufficiency of data. Members disagreed about the validity of the statement and wanted to have more data in order to make an informed vote

The third conclusion “Although PILOTs rarely account for more than very small percent of a locality’s total revenue, the absolute dollar values can play an important role in funding local public services” was voted 79% Yes, 5 % Maybe and 15% No.

The fourth conclusion eventually “There is a difference in tax treatment of non-profits based on whether the organizations leases or owns real property” was voted 89% Yes and 11% Maybe. Prior to the changes the word “equity” was used instead of the word “difference” because some members felt that the word “equity” encompassed a strong language for the statement.

Co-Chair Rakow also stated that because there are findings, data, conclusions and they intertwine closely with each other, then odds are that some of the material that was voted today as conclusion might end up under the rubric of findings at the final presentation and vice versa.

Then, the committee started voting on conclusions relating to the conditions necessary to establish a successful PILOT program.

The first conclusion eventually became “A Saint Paul PILOT is not advisable until leadership of Saint Paul and tax exempt organizations can develop a framework” and was voted 89% Yes, 5% Maybe and 5% No. The changes happened in order to reach consensus between the committee members and to make the statement as direct as possible.

The second conclusion “PILOTs require significant civic commitment and political leadership. City leadership must provide the momentum and energy to make this possible. Careful development and a strong public relations effort is needed prior to implementation” was voted 84% Yes and 15 % Maybe.

The third conclusion “City relationships with their tax exempt non profit organizations are in need of repair. Saint Paul does not have an adequate level of buy-in from tax-exempt organizations required to make either a PILOT or SILOT voluntary program successful. Regulatory reform, service delivery, city use of alternative financing methods including TIF, and other related issues need to be part of an effort to create the type of collaborative and mutually beneficial relationship needed to support PILOTs” was parked as many members of the committee found it too complex and overwhelming. They recommended breaking the conclusion in multiple parts as many of the statements can be deemed to be separate conclusions. One member stated that the conclusion needs to be curtailed in a way that also shows some respect to the city leadership because after all they will be the audience of the suggestion of the task force. Another member echoed the same sentiment. A Citizens League staff member said that the committee will have some additional conclusions derived out of this because it is a topic of interest that goes hand to hand with the desire and willingness of some organizations to eventually participate in a PILOT program.

Next, the committee started voting on conclusions relating to PILOT/SILOT design.

The first conclusion eventually became “PILOT should be limited to the provision of municipal services” and was voted 79% Yes, 5% Maybe and 16% No.

The second conclusion “A PILOT payment should be related to the city’s overall cost of property-related services (police, fire and public works) and be based on a consistent formula” was voted 84% Yes, 11% Maybe and 5% No.

The third conclusion eventually became “All tax-exempt nonprofit property owners should be asked to participate in a PILOT program” and was voted 53% Yes, 5% Maybe and 42% No. Members clarified that all nonprofits included the churches, hospitals and higher education institutions because there was some discussion on whether some organizations should be exempted. Co-Chair Reid noted that there are over 3000 tax-exempt organizations in Saint Paul.

The fourth conclusion “Transparency regarding requests for payment(s) and actual payment(s) received are essential PILOT program features” was voted 58% Yes, 21 % Maybe and 21% No. A member spoke about the fact that there is some concern about this idea of “public shaming” in case a specific institution does not commit money to the program but there are also obligations to disclose where money goes so it’s a fine line discussion for many organizations.

The fifth conclusion “Saint Paul has a responsibility as a PILOT partner to clearly identify and communicate reasons for cost increases associated with services for which voluntary payments are being received” was voted at 100% Yes. A member spoke about the need to represent this conclusion carefully to the general public and the city officials because it’s deemed an attention grabber and might end up as a headline in newspapers, which would make the city, felt criticized and less likely to cooperate.

The sixth conclusion “A PILOT should address government held property as well as non-profit tax exempt ownership” was voted 78% Yes and 22% No.

The seventh conclusion “Any voluntary PILOT program considered should allow for earmarked funding” was voted 53% Yes, 16% Maybe and 32% No. There was a discussion about whether the idea was a good one or not. One member stated that it would give nonprofits too much control over the city budget. Another member disagreed on the grounding that various city department related foundations allow for individuals to earmark some of their donations so it should be the same here. A Citizens League staff member pointed out that none of the conclusions are final.

The eighth conclusion “If a SILOT component is implemented with a PILOT, the services for which the tax-exempt organization receives credit must be shown to lessen the burden of the city that grants the credit” was voted 42% Yes, 26% Maybe and 32% No.

The ninth conclusion “A SILOT program would need to offset city budget spending to be effective” was voted 37% Yes, 21% Maybe and 42% No.

Co-Chair Rakow decided to close the discussion on conclusions at this point due to time constraints. She stated that the committee would vote on them on the next meeting. Co-Chair Reid reminded the committee that the focus of the meeting next week would be on conclusions and stated that as homework, committee members should send to them some recommendations or conclusions that they would like to discuss. A Citizens League staff member echoed the same sentiment and encouraged all members present in the room to offer their insights, even those they were not committee members.

Evaluations

Co-Chair Rakow and Co-Chair Reid thanked the committee members for their participation and concluded with evaluation. The evaluations were as following: 5, 5, 5, 5, 5, 5, 5, 5, 5, 5, 5, 5, 5, 5, 5, 5, and 5 for an average of 5.

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