

Meeting Minutes
Wilder Foundation
451 Lexington Parkway North, Saint Paul, 55104
Thursday July 27, 2017
7:30 am – 9:30 am

Committee Members Present: Ellen T. Brown, Niles Deneen, Jon Gutzmann, Kit Hadley, Jake Hamlin, Doug Hennes, Jay Kiedrowski, Susan Kimberly, Barb McCormick, Greg Mellas, Joan McCusker, James Moeller, Kaye Rakow, Rinal Ray, John Regal, Joe Reid, Bror Herrick, Matt Hill, Zach Crain, Pa Der Vang

Committee Members Not Present: Heather Johnston, Mike Day, Tanya Bell

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 July 27 meeting:

- Approve minutes from 7/20 meeting
- Discuss and vote on key factors related to final recommendations
- Review revised data/findings/conclusions
- Identify next steps/questions, and prepare for final meeting

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 7/20 meeting (attached)
2. Follow up from last meeting (Joe, 7:35 – 7:50)
 - a. New data and revised findings
 - b. Revised conclusions
3. Recommendations (Kaye 7:50 – 9:25)
 - a. Key decisions related to support for PILOT/SILOT
 - a. Jurisdiction
 - b. Threshold(s) for participation
 - c. Formula
 - d. Earmarks
 - e. State role
 - f. Related City development issues
 - g. Other
 - b. Key concerns about PILOT/SILOT
 - a. Coercion
 - b. Community benefit
 - c. Administrative burden
 - d. Other
4. Next steps and Evaluation (Joe, 9:25 – 9. 35)

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.

Co-Chair Reid notified the committee members about the meetings that the Citizens League along with the co-chair has had with councilmembers and the deputy mayor in order to keep all parties interested informed on what the committee is doing and where it is at different points in time. In addition, Co-Chair Reid stated that the meeting next Thursday will be the last one and that the committee members should expect to stay an additional hour. Next, he moved for the approval of the minutes of July 13 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 and one suggestion from a committee member.

Next, he turned the attention of committee members to the package of data and findings and explained some of the data, new findings, and conclusions and highlighted the points in the data that members of the committee had asked to be addressed. He asked the committee members to submit any additional information that they deemed important to be included. After a member asked, Co-Chair Reid also clarified that this package is not final but rather is an ongoing process of new research and confirmation of old data. (The package of data and findings can be found on the Citizens League website.) Then, a discussion of the data on whether or not the city of Saint Paul is an outlier followed. Members shared different opinions on which method would be the best to calculate the particular characteristics of the city of the Saint Paul. As indicated in the package, there are different graphs that compare the city of Saint Paul with other cities in Minnesota.

The conversation then stirred towards the voluntary nature of a potential PILOT program. A member of the committee stated that there was concern within the nonprofit community that the PILOT program would be coercive. The member mentioned that in the past certain organizations were asked to make what could be deemed "PILOT payments" in exchange for some city services. Members of the committee wanted to know more about the scenarios and they decided to follow up. A Citizens League staff noted that these instances are not part of a formal PILOT program and if the committee decides to recommend a PILOT program, then the committee would also stress out how pivotal it is for the program to be entirely voluntary and with no other strings attached.

Co-Chair Reid stated that he would be interested to know more about these scenarios and promised to follow up with additional information. He also thanked the committee members for their dedication and encouraged them to share any other thoughts with the committee.

Recommendations (Kaye Rakow, 7.50 – 9.10)

Co-Chair Rakow took the lead in discussing the recommendations that members of the committee had already submitted. She began by allowing the Saint Paul Teacher's Federation to speak for five minutes to the rest of the committee, as the organization had attended all the meetings and had expressed some concerns about the conclusions. Co-Chair Rakow also stated that, in order to ensure equity, the chairs had decided to allocate up to half an hour of time (to be divided between all the interested parties) at the final meeting for other parties to come raise their concerns before the committee takes a final vote.

A representative of the Saint Paul Teacher's Federation spoke about the importance of public education and that money matters a lot in education and that the committee should allow some of the potential PILOT funds to go towards public schools. The representative stated that PILOT funds can be a viable option for public schools and it would create a more inclusive Saint Paul because all members of the community would be paying their fair share. Co-Chair Rakow thanked the representative for their insights.

Then, Co-Chair Rakow moved on the key questions regarding conclusions and some of the details that were parked in the past. Co-Chair Rakow encouraged members of the committee to express their thoughts. In addition, she noted that members would be voting by raising their hand. The goal of each vote would be to get consensus in the committee. However, if the committee is split on an issue, there can be more discussion on it and there can always be a minority report that is submitted with the majority report. Co-Chair Rakow also reminded the committee members that their vote would not be binding and that they would have a final say in the last meeting.

The issues to be discussed were jurisdiction, threshold, formula, earmarks, state role and related city issues. The first issue to be discussed was jurisdiction. Co-Chair Rakow opened the discussion by asking whether the potential

PILOT payments should go to the city, county or schools. A member stated that the case with Saint Paul is a bit different from Boston because of the governmental structure. The member suggested that including the schools in the jurisdiction would be beneficial to the city. Another member pointed that it would be easier to vote simply by arranging the question in a statement and based on the vote, then there can be a discussion. Another member pointed out that when the member pays taxes, portions of the taxes go to the city, some to the county and others to the school districts. Another member pointed out that the task force came into existence to address city services. A Citizens League staff stated that the details of a PILOT program would have to be discussed and worked out eventually by all the stakeholders but given that there is a need for consensus and some members are hanged up on the idea on where the potential contributions would be spend, there is a need to address the question. Another member stated that the member was against the idea of including schools as recipients of the potential PILOT payments because the school aids that are provided by the state are equalized by property tax differences. Another member stated that if schools can be earmarked then there would be no point of having a PILOT program for the city. The committee voted in favor of a city-only program with an outcome of 14 yes, and 3 no, and 1 abstain.

The next point in the discussion was about threshold. Co-Chair Rakow stated that there are two differing views about whether there should be a financial number below which no organization is included or that it is fair game to include all tax-exempt organizations. One member suggested that tax-exempt organizations with less than 15 million dollars in revenue should be exempted from a PILOT program. Another member stated that if the task force is recommending something totally voluntary, then there should be no need to differentiate tax-exempt organizations as each one can decide itself whether or not to participate. Many members echoed that sentiment. Members also agreed to include all the tax-exempt organizations given the voluntary nature of the program. The vote was 15 yes and 2 no. A Citizens League staff member also reminded the committee members that the voting is not binding so the committee might change its stance again prior to the final report.

The next point in the discussion was about a PILOT formula that determines how much each tax-exempt organization can contribute in PILOT payments. One member said that the formula should match the ROW assessment. Another member said that there should be a specific formula for the issue of PILOT. A member of the committee, a representative of a private higher education institution, stated that private colleges do not prefer a formula if they choose to participate in the PILOT program. Another member stated that there should be some flexibility given that it's a voluntary program. Hence, some entities might like to use a formula, some might use the ROW assessments as estimate and some can choose to earmark the money they choose to contribute. Another member was somewhat skeptical of individual bargaining. The committee decided to vote on whether there should be a formula if a PILOT program is implemented and the result was 13 yes, 3 no, and 2 abstain.

The next point was about earmarking. A member of the committee stated that earmarking does not work in practice because it begs more work for it to be implemented. A member of the committee stated that the point of earmarking should not be discussed by this task force but rather be a state program that equalizes the distribution of payments around the state. The vote was whether the city should allow for earmarking. The vote was 12 yes and 6 no.

The next point in the discussion was about state-wide implications for a PILOT program. Co-Chair Rakow stated that there are differences about the role of the state in a program like this. A member stated that the state has a role to play because it can ensure the sustainability of the PILOT program by not allowing local government to have large financial burdens. A Citizens League staff member stated that the committee can vote on a statement that acknowledges the connection between the city and the state in this issue. Co-Chair Rakow stated that the committee can vote on whether to approve the suggestion of the Citizens League staff member. The vote was 15 yes and 3 no.

The next point was about developments on the city of Saint Paul on whether there are other things that the committee should highlight to the city council members when the committee presents the final recommendations. A Citizens League staff member stated that the bottom line here is about tax capacity, which raises a lot of questions about the city's ability to collect taxes. A member stated that this is a delicate issue because on one hand the city has a budget problem and yet it keeps making deals that give away tax opportunities such as giving the new soccer stadium tax-exempt status. Another member stated that there should be some mentioning of the issues that are related with the tax capacity of the city because it would be a good opportunity for the city to mend its strained relationships and to improve some of its services. Co-Chair Rakow called the vote on whether there should be a statement/preamble by acknowledging the issues that were raised. The vote was 14 yes and 4 no.

The discussion turned to the nature of the PILOT program particularly its ability to have a coercive nature. Co-Chair Rakow acknowledged that this topic had been discussed a lot in all the meetings and that this would be included in the final report if the committee ends up recommending against the PILOT. A committee member stated that there

should be a strong statement against coercion regardless what the committee ends up recommending. Some members echoed the same sentiment. Co-Chair Rakow stated that the rest of the points on the agenda will be discussed in detail at the next meeting as well as discussing some of the points that were parked or need revisions.

Other (Kaye Rakow, 7:30 – 7:45)

A member of the committee representing private higher education spoke about where he and a number of other private institutions are in the PILOT discussions. He expressed that he had met 4 times in recent weeks with the private college council. He expressed for transparency that these organizations met twice yesterday- one of the times with a staff member and the co-chairs. The member explained the collective benefit of these large higher education institutions for Saint Paul and the region. He also told the committee about the changes occurring in higher education and the difficulties for institutions now and in the future. Yet, he mentioned that this collective group recognizes their position and their desire 'to be good citizens'.

He carefully expressed that a formalized PILOT program, such as Boston, is problematic for private higher education. However, a purely voluntary program, which mimics the ROW would be possible. He went on to say that any language should include all non-profits and tax exempt property owners to insure a level playing field. The member concluded by saying that the institutions were planning on meeting to come to consensus on language and propose a formal platform by early next week.

A member asked a clarifying question saying would a PILOT be more attractive if it were tied directly to police, fire, and streets compared to an arbitrary number such as ROW as long as the value was not higher than ROW. The higher education member expressed that he was not sure at the moment. However, he also expressed his support for earmarking. Another member recognized the higher education member's effort and urged the hospitals and large churches to have similar conversations. She mentioned that in Boston the model was created in part by the organizations that would be paying instead of the jurisdiction. The organizations agreed to the formula and did not begrudgingly accept something.

Conclusion (Joe Reid 9:20-9:25)

Co-Chair Reid mentioned a memo given to the committee by Jack Hoeschler (see website) and gave him a moment to express its significance. Jack explained that the memo has two parts with the first being about how 'we are all in this together'. He expressed again that the ROW was very unfair and that the downtown properties were paying nothing compared to their value. His point was that any PILOT program created should be established on value rather than linear foot or otherwise. He explained that the ROW was a shift, which benefited the larger high rises. Co-Chair Reid asked if he meant the city should remove the street maintenance program. Jack ultimately said yes, but that his real point was that if a program was based upon value rather than linear front footage then this would offer a much more equitable program for all organizations. His last point was that the new system was still unfair even if it is a third of the revenue created by the old system.

Co-Chair Reid again expressed that if anyone else in the audience or otherwise wished to speak that the committee would reserve time at the next meeting to hear testimony or feedback such as occurred in this meeting. He explained that the committee has pretty much wrapped up findings and data and that there will be follow-up on the comments made today about these documents. He explained that the staff will quickly get out the findings, data, and conclusions, so people are able to weigh in on these items before they are finalized. A staff member said that they will look into drafting a recommendations document from the written feedback given by committee members and with respect to the conversation held in the meeting.

A member brought up the idea that the committee could potential vote on a process point recommendation regarding how the private higher education institutions have met and come to some agreement. This could be a recommendation to the city on how a formula or program should be done with buy-in from the groups that may be paying. Co-Chair Reid explained that recommendations could still be added and will be discussed at the last meeting. A staff member highlighted the idea that on some of these topics the City may be hoping that the committee does some of the 'heavy lifting', but he also expressed that in some areas the committee cannot do the long term hard work.

Evaluations

Co-Chair Rakow and Co-Chair Reid thanked the committee members for their participation and concluded with evaluation. The evaluations were as follows: 4, 5, 5, 5, 5, 5, 5, 5, 5, 5, 5, 4, 5, 5, 5 for an average of 4.87.

Co-Chair Reid called the meeting to a close at 9.35 am.