

Meeting Minutes
Wilder Foundation
451 Lexington Parkway North, Saint Paul, 55104
Wednesday August 16, 2017
7:30 am – 9:30 am

Committee Members Present: Tanya Bell, Ellen T. Brown, Zach Crain, Jon Gutzmann, Kit Hadley, Doug Hennes, Heather Johnston, Jay Kiedrowski, Susan Kimberly, Barb McCormick, Greg Mellas, Joan McCusker, James Moeller, Kaye Rakow, Rinal Ray, Joe Reid, Bror Herrick, Matt Hill, Pa Der Vang, Mike Day

Committee Members Absent: John Regal, Niles Deneen, Jake Hamlin,

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 August 16 meeting:

- Approve minutes from 08/03 meeting
- Discuss comments/questions/concerns on final report
- Vote on final report
- Discuss next steps

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 08/03 meeting (attached)
2. Discussion topics based on feedback from attendees (Joe, 7:35 – 7:50)
 - a. Introductory recommendation statement
 - b. Ear-marking
 - c. Private college stance
 - d. Role of State
 - e. Other
3. Final vote/approval (Kaye 7:50 – 9:10)
 - a. Final report draft
 - b. Committee comments
 - c. Minority report(s)?
4. Next steps and Evaluation (Joe, 9:10 – 9:30)

Introductions (Joe Reid, 7:30 – 7:50)

approved unanimously. Next, he moved for the approval of the minutes of the August 3rd meeting and asked if any of the committee members had any feedback on them. The committee approved the minutes. 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. He also took the time to thank the staff for their work.

Recommendations, voting, and final thoughts (Kaye Rakow, 7:35 – 9:20)

Co-chair Rakow began the discussion section of the meeting with a reiteration of her gratitude towards the committee members and their continued dedication and work on this project. She expressed her appreciation for the edits to the final report committee members sent back to the staff since the last meeting. She emphasized that the concept of editing and ultimate consistency within the document is crucial and she assured the committee that there would still be earnest time given to the details of the report. She explained that the committee will not discuss every addition of wording and every edit made by the committee members but focus on the four main topics: introductory statement, the private college stance, earmarking, and the role of the state. She stated that the goal is for clarity and consensus among the committee members. She also mentioned that details about the minority report, the introduction and executive summary, and committee comment section would be discussed.

Introductory statement (Kaye Rakow, 7:40 – 7:50)

Co-Chair Rakow asked a member to discuss the introductory statement she offered to the report after feeling that the report without it may feel too tepid, tentative, or 'wishy-washy'. A member presented the idea saying she wanted a clear statement about where the city should go next. She explained that she had two ideas in the italicized section at the top of the recommendations. The first one deals with creating and implementing a program and the second section expresses that the program could take many forms, but the committee is not suggesting what form the program should take. She explained that it is possible for someone to be for the first section but against the second section, if that person felt that the committee should clearly delineate a structured program to the City of Saint Paul. Her suggestion was that there be a vote on the first two lines of the recommendation section saying, "*The Task Force recommends that the City of Saint Paul initiate discussions with owners of tax exempt properties in order to design and implement a PILOT/SILOT program for Saint Paul.*"

A member offered that the words 'fair, equitable, transparent, and predictable' should be in this first section. The original member calling for the vote responded saying that a simple declarative sentence would be better and that wording is used to describe these values in the later sections of the recommendations. Another member moved for a vote on the wording without the amendment; this motion was seconded. A member expressed that she though the committee had moved away from calling the PILOT program a formal program. She expressed that last time the committee met they talked about voluntary contributions. She thought this new first sentence moved the committee backwards. A staff member clarified the intent of the statement saying that formal was deliberately dropped. The intent was to not recommend a formal program or a totally voluntary contribution idea because there are many possibilities for the form of a PILOT. The member that offered the original statement again reiterated that this sentence does not capture everything in the report or recommendations and that it is a statement about if the City should move forward or not. She offered that it is possible that the committee would not want the City to move forward.

A member asked to remove the word SILOT from the first sentence. This motion was seconded. Co-Chair Reid offered that the Lincoln Institute of Land policy and other entities that study PILOT/SILOT offer this term as a very broad term. He said it would probably make more sense to leave in the word SILOT. Co-Chair Rakow called for a vote to remove SILOT (4 in favor and 13 opposed).

The committee transitioned back to the discussion for the original language in the recommendation. A member reminded the committee of the importance of a headline. He mentioned that the committee should be careful about how that one sentence carries. He explained that much of the report is ambiguous because the thinking of the committee has been ambiguous. He cautioned the other committee members that this first statement is declarative and would get the attention of the media but might not be reflective of the entire document.

A staff member, as a way to gain consensus, offered the idea of deleting the term program and replacing it with the term initiative, which encompasses the number of different forms a PILOT program or voluntary contribution structure many potentially take. He offered that this approach would both be declarative to the City of St. Paul, but also reflect the ambiguity of the details of such an initiative.

A vote was cast on the following statement, “*The Task Force recommends that the City of Saint Paul initiate discussions with owners of tax exempt properties in order to design and implement a PILOT/SILOT initiative for Saint Paul*” (16 in favor and 2 opposed).

A member stated that the next sentence was about whether or not this body was going to make a specific recommendation to a model of a PILOT program, or if Saint Paul stakeholders will design their own model based on the following recommendations. There was a motion and a second to accept the following sentence “*As detailed in this report, this initiative can take many forms, but the important point is for the City and owners of tax exempt properties to agree on a voluntary initiative that meets the needs of the City and the ability of tax exempt property owners to participate*” (16 in favor and 3 opposed).

Stance of the Private Colleges (Kaye Rakow, 7:50 – 8:05)

Co-Chair Rakow moved the committee on to the second place where there may be disagreement, which was the placement of wording made by the private colleges. A member representing a private higher education institution explained that he liked the wording of the first recommendation mentioning that there is some willingness “to continue to offer at least some level of support for the delivery of city services.” However, the language he was offering was to explain more about the ‘level of support’ some tax-exempt entities were willing to provide. The member mentioned that in other cities the private colleges have borne the bulk of PILOT payments. He thought that a statement from the private colleges should be included and fully referenced in the appendix.

A member expressed that the word solely in the quote regarding negotiations with tax-exempt entities did not reflect the idea of a partnership between the City of Saint Paul and the tax-exempt community. The private higher education institution representative highlighted that their (colleges) concern was a formal framework or a ‘Boston-like’ program where entities were expected to pay a specific percentage of their estimated market value or along some similar formula. His point was that this expectation traps tax-exempt entities. Again, he mentioned that the colleges and universities are open to making voluntary contributions but that they would like more flexibility in how they give these contributions.

A staff member asked what would happen if the private colleges eventually wanted a formula among their own entities. His point was to not remove this option from other groups of tax-exempt entities. The member responded saying that there was long discussion on the private colleges recommendation and that not all entities were of the exact same mind. He explained that this is why the colleges came to the conclusion that flexibility was important because from year-to-year circumstances might change.

A member cautioned that different tax-exempt entities from hospitals, to education institutions, to charitable organizations, to places of worship are radically different and that if each contribution becomes completely voluntary, then it takes away any fair, equitable, and predicable aspect of the program. The member from the education institution expressed that he understood her need for predictability, but he stated that it is other types of entities prerogative to engage in the same conversations that he has had with the private higher education institutions. He stated that he wants to avoid the idea that each entity (church, hospital, school) should give X amount of money because of the expectation it creates.

Co-Chair Reid expressed that this text example was used to show the willingness of some tax-exempt organizations to contribute to the City of Saint Paul. He offered that the example be cut short to highlight the willingness to contribute, but not all of the details. A member thought that because the committee was rehashing this substantive idea that the private colleges addition did not belong in this first recommendation. The private higher education institution representative stated that if this is taken out it will be lost because not one will read the appendix when there is no earlier mention.

A member stated that the idea that the private higher education institutions are willing to provide some contribution was the single most important ‘fact’ that he heard during these deliberations. He also offered the friendly amendment that the system (which the colleges were against) be stated as program to differentiate it from the voluntary contributions, which they are in favor of discussing. A few members offered their support of the language.

A member appreciated the work of the private colleges and she appreciated the breadth of information about relationships and partnerships, which are crucial. The member also asked about the first recommendation overall and asked about consistency of the document and stated that we should be careful about how we talk about a potential PILOT program. She asked if the document was reflecting a letter sent to all tax-exempt organizations asking for a donation or a formula or a framework. She mentioned it is important to be consistent throughout the

document when speaking about PILOT programs versus voluntary contributions versus other types of initiatives. A staff member clarified that in the final document the staff will search for the term 'program' and make sure the language is reflective of the context on this part of the discussion. The statement from the private colleges was voted upon as, "Example: St. Paul's five private colleges (Concordia, Hamline, Macalester, St. Catherine and St. Thomas) submitted an August 1 statement (see Appendix XXX, Page XXX) to the task force saying that they oppose a formal PILOT program but "are open to making voluntary financial contributions to the city." Such contributions, the colleges stated, "would reflect our interest in contributing to the costs of providing city services" (16 in favor and 3 opposed).

Earmarking (Kaye Rakow, 8:05 – 8:20)

Co-Chair Rakow moved the committee to the discussion surrounding a member's addition of language opposing earmarking in recommendation three. The member explained her stance that earmarking offered tax-exempt budget authority for city budgeting where legally this is the responsibility of elected officials. She stated that her statement covers some of the aspects against earmarking, and this is important because a reference is made that two thirds of the committee voted in favor of earmarking but that the other third should be able to voice their stance.

A member who was in favor of earmarking, in a position to pay a PILOT, stated that he had thought of earmarking as covering existed expenditures by the City of Saint Paul. He assumed that any earmarking would be used for City expenses in the existing budget. The first member explained that if it was money given for example to a library replacing a payment made by the city this was one thing but if the earmarking was simply an extra boost to the library then this should not be counted as a PILOT payment.

Co-Chair Reid mentioned that during his time at the City, The Friends of the Library made contributions to the library that were contingent on the City matching some amount of money being donated. He expressed that there was some precedent on this topic. Another member offered the point that earmarking offers something outside the normal budget and puts money toward something you would otherwise not normally get. Also, she went on to say that when services are offered as an earmarked contribution it makes it much more challenging to cut those services. In essence, earmarking can make it harder to cut certain services the City might otherwise look to cut to reduce the levy or otherwise cut costs.

A member did not like the word legal in the recommendation because in the spirit of a voluntary PILOT initiative there is no legal basis for how funds should be allocated because they are voluntary contributions. The member was also curious about dissenting views and how some are either in the body of the text compared to some in a minority report. A staff member offered clarity saying that on some points there will need to be clarity about a specific position, but on many topics it may be better to provide the City with guidance on a number of complicated issues. This would be done so that in some cases the City understands the discussion that has taken place.

Another member stated that throughout this report there are, at times, dissenting views and he argued against incorporating all dissenting opinions. He explained that this was meant to please people, but with a two thirds vote it should be left alone without the dissenting opinion.

The original member who offered the language about earmarking expressed that she thought because this vote was only two thirds she would like to have the dissenting opinions and if not she would want a minority report with the other one third of members against earmarking. A staff member offered to try to include and incorporate this dissenting opinion into the overall body of the earmarking discussion instead of a stand-alone paragraph. A member offered that the word legal should be removed. The original member against earmarking stated she would like to see the staff member's language as it was incorporated into the larger conversations, but she would rather strike 'legal'.

A member expressed that earmarking does not work based on a previous member's insight that money is simply shuffled at the municipal level. In essence, her point was that earmarking is psychologically pleasing to the tax-exempt community, but that it does not actually work. She expressed interest in having the committee be very transparent about earmarking and how it does not actually work and how it is only psychologically appealing.

A member stated that this section of dissenting opinion about earmarking seems like it is talking about all voices of the committee, but his recommendation was that it expressly state that this opposing opinion is the opinion of only some of the members of the committee. The original member regarding earmarking also wanted to move the paragraph to offer the dissenting opinion before the majority opinion. Another member stated that this dissenting opinion is not the reason she dissents to the idea of earmarking. Another member expressed that there are many

other rationales for why individuals object to earmarking and they are currently not all within the dissenting opinion section. A member stated that some individuals obviously object to earmarking, but he stated that this is what a minority report is for.

The following was voted on as amended: *“Some members object to earmarking. These members note that designating the use of contributions essentially transfers budget authority from the elected officials who have legal budgeting responsibility to tax exempt organizations. Unless restricted to use for expenditures within the City’s approved budget, earmarks might not be consistent with the overall priorities of the City, which are appropriately set by the Mayor and City Council, not by tax-exempt organizations”* (8 in favor, 9 opposed). A member stated that the motion failed and that if members wish to do a minority report on this issue they are welcome to do so.

Role of the State (Kaye Rakow, 8:05 – 8:20)

Co-Chair Rakow expressed that there has been some disagreement over the role of the state and if there should be a recommendation on this topic. A member began by saying he thought it did not make sense for the state to get involved in creating some type of model program. He stated that the committee was not talking about a program but rather an initiative that is voluntary, which is different than a program. He stated that the only capacity he thought the state should be involved in is considering tax-exempt property in distributing local government aids. Another member agreed that it does not make sense for the state to start developing recommendations about a PILOT program. She wanted to focus on Local Government Aid (LGA).

A member stated that he would like five to be about tax-exempt value in terms of LGA. A member offered to strike the second bullet point in the document. A member moved this language. A member offered that the fifth recommendation be read as, “We recommend that the State include consideration of tax-exempt properties in the distribution of Local Government Aids (LGA).” The member also thought that the below paragraph should be totally changed to reflect this new bold heading.

Another member thought that with the current legislative activity she thought that the state would express that local municipalities cannot do programs such as this. Her point was ‘why ask the state’.

Another member stated that other aid programs do incorporate formulas for the tax-exempt entities within municipalities, but the member was assured that this recommendation was focused on LGA.

A member stated that his understanding of the state issue was that the conversation was being brought up because there was worry about organization that were in multiple jurisdictions around the state. Yet, he stated that once this topic has become all about municipalities and their relationships with their citizenry tax-exempt organizations then the focus on the conversation has not been on LGA. He thought this recommendation was a one-off and that the conversation had not been focused on these topics. He explained that if there was mention of LGA that there should also be mention of income tax and efforts to cut spending, etc. He thought this recommendation deflects from the focus of the group and that it is unnecessary.

A member stated that she was interested in the role of the state because it might provide some consistency for organizations in multiple municipalities. She also thought that it might help ward off attacks on the legal basis of such a program. A member mentioned that LGA has been in the background the entire time and that the committee has seen the chart referencing the significant decrease of the City’s share of LGA. A member mentioned that perhaps LGA would be a topic for another Citizen’s League task force in the future. The member stated that this is a simple one-sentence motion has impact and that it will get the City’s lobbying team geared up.

A member stated that there is an institutional tension in Saint Paul between the tax-exempt entities and the City of Saint Paul because Saint Paul is in that group of cities that has the most tax exempt market value. It makes the relationships more fraught. The relationships are different than other locations such as Bloomington, which is under 10% tax-exempt by estimated market value. She explained that it affects all tax payers in the City of Saint Paul because there is more tax exempt property in the tax base. She stated that it is important to recognize that Saint Paul has a problem that some but not many other cities have in the State.

Co-Chair Reid mentioned that the problem is not that there are not enough variables in the equation to take care of Saint Paul but that LGA is simply not being funded. He stated that if they had funded LGA the committee would not be having this discussion. A member stated that even if LGA was reduced like it has been if tax-exempt value was a factor it would have given more revenue to Saint Paul. A member mentioned that the lack of political success has not been taken into account previously and that the committee should not use this in the future.

A member mentioned that the way he read this section is that yes Saint Paul should pursue a PILOT program and that we should be a trailblazer for the rest of the state. However, he mentioned that how the committee has talked about it is that Saint Paul is in this small group of cities that are unique. Overall, he said we should tread lightly because a PILOT program is potentially appropriate for Saint Paul but not other cities in the region. On this note, he supported the amendment.

A staff member stated that the current fifth recommendation would be deleted and that in its place the following statement would be presented with a reworked paragraph explaining it: "We recommend that the State include consideration of tax-exempt properties in the distribution of Local Government Aids (LGA)." The vote on the motion was called (16 in favor and 1 opposed).

Other (Kaye Rakow, 8:20 – 9:00)

Next, the committee moved to the topic of Other. Co-Chair Rakow invited the members of the committee to bring up some points that they would like to discuss. Co-Chair Reid stated that he had a technical amendment to the section in the front of report, where the report describes the Minnesota Supreme Court decision and what the impact has been on the city of Saint Paul. Co-Chair Reid acknowledged that Jack Hoeschler highlighted an important point to how the decision of the court should be interpreted. Taking this feedback into account, Co-Chair Reid had drafted a new version of the finding and presented it to the committee, which all voted in its favor.

A member wanted to change one of the recommendations to include a timeline, namely, that the report should recommend that the city start the implementation of a PILOT initiative by the fiscal year of 2019. Another member disagreed stating that the language used in the report basically gave the city the chance to pick and choose when to start implementing a PILOT initiative and it should be up to the city to decide when it thinks it should focus its resources. The motion of the member was withdrawn after it did not gather enough support.

The member also brought another point that the member felt that it needed to be emphasized. The member preferred that the language of the preamble be stronger by including that the initiative needs to be "fair, equitable, predictable and consistent." A Citizens League staff stated that the language was used throughout the report and pointed out paragraphs where the language was used. The member stated that she would like to see the words earlier on the report as she deemed them to be good governance pillars. Another member seconded the motion. There was discussion about the recommended changes. Another member pointed out that while the aforementioned principals of good government are hard to disagree with, they go against what the body of the recommendations because the nature of PILOT initiatives do not offer a lot of room for prediction. The member ended up withdrawing her recommendation.

Another member stated that the committee should define at the beginning what PILOT and SILOT are and how they will be used throughout the report. Another member stated that the words PILOT and SILOT should not be used at all since in the past meeting the committee voted against a formal PILOT program but rather agreed for voluntary payments. A member disagreed stating that given that the charge of the committee is about PILOTs, then it would not make much sense if the words PILOT or SILOT do not appear in the report. Some members echoed that sentiment suggesting that there are places throughout the report where the feelings of different members are highlighted.

A Citizens League staff member stated that the introduction of the report has not been written yet so the staff will highlight the concerns that the committee members have expressed. Another member wanted to change the language in one of the Findings, because she felt the language was not an accurate statement. Co-Chair Rakow kindly reminded the member that the committee had voted on the Findings and the language cannot be changed once a vote was taken.

Another member expressed concern about the number one statement of the Recommendations because she saw it as a departure from what the committee had argued in the past meetings. She motioned to strike the first two paragraphs that were voted earlier in the meeting. A member pointed out that the statements were voted 16 – 2 in favor so any vote on them would be a motion to reconsider, which would have to come from one of the people who voted in favor initially and requires a 2/3 majority. Co-Chair Rakow stated that the committee did not approve any formal rules of procedure. Another member suggested that the headline of the number one statement to substitute the words "PILOT/SILOT program" with "voluntary contributions." Another member stated that the committee should not get too caught up on procedures but rather keep the floor open for discussion particularly as the ultimate goal remains that of reaching a consensus and that the committee never adopted any rules. The committee decided to

take a vote on the motion that the member recommended. The motion failed.

Final Vote (Kaye Rakow, 9:00 – 9:20)

Co-Chair Rakow stated that now it was time for the final vote on the overall report. A Citizens League staff member explained that there is room for minority reports within the final report in case any members of the committee feel strong about specific topics. The member also stated that the deadline for the Minority Report is next Friday and the wording will not be changed. In addition, the member pointed out that there is also a section in the report about the process and how people felt about it. The member also stated that the committee will receive an introduction to the report by next Wednesday, which would be useful to those that will be drafting Minority Reports. The staff member also stated that the Board of Citizens League will gather on September 11 at 7:30 am and would vote for the approval of the report.

Next, Co-Chair Rakow moved for the voting of the report as amended. The final vote was 15 – 2 in favor of the report.

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, 4, 5, 3, 5, 5, 5, 5, 5, 5, 5, 4, 5 for an average of 4.75.

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