

Meeting Minutes
Wilder Foundation
451 Lexington Parkway North, Saint Paul, 55104
Thursday August 03, 2017
7:30 am – 10:30 am

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

Committee Members Not Present: James Moeller, Greg Mellas,

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 03 meeting:

- Approve minutes from 7/27 meeting
- Gather additional community feedback
- Discuss issues related to SILOT Program
- Review, discuss and vote on final recommendations
- 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 7/27 meeting (attached)
2. Community feedback (Joe, 7:35 – 8:05, unless completed earlier)
3. Recommendations (Kaye 8:05 – 10:10)
 - a. SILOT issues/questions
 - b. Final recommendations
 - a. Discussion
 - b. Edit/revisions
 - c. Final vote/approval
4. Next steps and Evaluation (Joe, 10:10 – 10:30)

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 July 27 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. In addition, Co-Chair Reid explained the agenda and the logistics of the meeting.

Lastly Co-Chair Reid opened the floor for community feedback. Elizabeth Dickinson, a mayoral candidate for the city of Saint Paul, took the stand to express her thoughts about the work of the committee. Ms. Dickinson thanked the committee for the opportunity to speak to the committee. She spoke about the fact that she has attended all the meetings and how enlightening the meetings have been for her. Ms. Dickinson stated that the different opinions of members of the committee and the level of engagement between members of the committee should be a guiding principle for the city of Saint Paul. She thanked the committee for their commitment and stated that she can be reached for questions.

Co-Chair Reid asked if anyone in the room would like to state anything else. There was a general consensus that a lot of the observers present had spoken at the July 12th meeting so their points would be duplicative. Given that no one volunteered to present to the committee, Co-Chair Reid yielded the floor to Co-Chair Rakow to move on with the rest of the agenda.

Recommendations (Kaye Rakow, 7.50 – 10.10)

Co-Chair Rakow took the lead in discussing the recommendations that members of the committee had already submitted. She also mentioned the fact that the staff had worked hard to write the recommendations and working with the data and meeting up with different members of the community to make sure that everyone is heard.

Co-Chair Rakow opened the discussion with the question about SILOTs and its feasibility in the city of Saint Paul. Co-Chair Rakow presented the committee with some of the questions that were raised in previous meetings and in the existing literature. Such questions were: What services should count? How should the services be valued? What are the administrative costs associated with a SILOT?

Co-Chair Reid stated that the topic is interesting and had some positive results in Boston, although he was somewhat reluctant to compare Saint Paul with Boston given the differences in government structure. He recalled the presentation from the representative from Boston who stated that a SILOT program was a good way for tax-exempt organizations to get involved in larger numbers than with a PILOT program.

A member of the committee opposed SILOT programs because the burden on tax-exempt organizations would be too much and it would obligate certain nonprofits to shift the focus of their services in order to meet the standards of the city, which should not be the case. Another issue with SILOTs is the difficulty of placing a value on specific services. Another member had concerns for a full-fledged SILOT program because it would not be fair to different organizations that do not offer the services that the city needs. Another member echoed the sentiment that it would be difficult to put a "price tag" to services. Another member stated that a voluntary program such as a SILOT would be a gateway to improve the overall relationships between the city and the tax-exempt community. Many members echoed the same sentiment. Another member stated that one of the negative aspects of a SILOT program would be its intrusion on non-profit autonomy.

A Citizens League staff member stated that there have been some informal meetings with representatives of higher education, hospitals and city officials and there needs to be an emphasis on the report that the issue being faced here is not like other public policy issues because this is something totally voluntary. Many members echoed the sentiment. One member also added that the work of the committee is larger in a sense compared to public policy because it is trying to reboot the relationships between the city and the tax-exempt community.

Another member stated that there would be more unanimity within the committee if the issue of PILOT and SILOT were treated as a package rather than separate. A Citizens League staff member reminded the committee that what was going on with the task force was a process recommendation and not an ultimate solution. The committee was not tasked with finding a formula or the details of a potential program but rather more guidance to the city in a way that tells them the opportunities, strengths, concerns, and weaknesses of a potential program and how the larger Saint Paul community feels about it. At the end, the city should take ownership of the recommendations that it chooses to pursue.

Another member said that a potential statement to be included in the report could be "SILOTs is a tool by which a PILOT program can be successful". Another member stated that it is important to include the pros and cons of both a PILOT and SILOT program. Another member was against the usage of a formula for a SILOT program as it would be too complicated. According to the member, a negotiation between the city and the stakeholders would be much more beneficial than establishing a formula because the formula would overcomplicate things and would take a long time to be developed and fully implemented.

Co-Chair Rakow thanked the committee for the feedback and suggested that the committee should move to go over the recommendations that the staff members at Citizens League have worked on based on the voting record of the committee. Co-Chair Rakow began with the memo issued by the Private College Council, a group of the higher educations in the Saint Paul area (statement can be found on the Citizens League website). A member of the committee who is also a representative of a private higher education institution explained the memo and how the private higher educations had met numerous times to come up with the language in the memo.

A member of the committee wanted to talk more about the concerns that nonprofit institutions have about a PILOT program. One of the main concerns was about the growth of PILOTs. The member reminded the committee that the ROW payments started low and then exponentially grew to a degree that became unaffordable by some nonprofits that eventually took the issue to court.

Another member stated that it should be made clear to the city that "A PILOT program can not and should not be seen as a solution to the city's budget problem."

Another member stated that a full-fledged program seems to be more prescriptive rather than voluntary. The member, who also represents a private higher education, stated that the private colleges are not against voluntary payments on their part but do not like the idea of a formal PILOT program. The member explained to the committee that such accords between cities and private institutions exist in other places. For example, St. Olaf and Carleton College have paid to the city of Northfield what they call as "gifts" for as long as anybody in their administration can remember (roughly since 1920s). It is a truly voluntary system and it is a pure collegial collaboration without the need of a formal program. A Citizens League staff member stated that the staff talked to the person representing Carleton College and the person assured the staff that the program had been operational for decades and there had never been issues of coercion associated with it.

Co-Chair Rakow thanked the committee for the feedback and moved to show the committee the updated data document. Co-Chair Reid pointed out the changes that had been made from the last meeting and where the new data came from. Co-Chair Reid thanked the members of the committee who had provided the useful data and for their availability to help.

Co-Chair Rakow pointed the committee towards the recommendation portion of the report and explained the process for the continual editing and revising of the stated recommendations.

A committee member quickly added a conclusion statement to explicitly state that there is no legal basis for a PILOT program and therefore any program must be voluntary. The committee agreed that this should be added to the conclusions document to reiterate the voluntary nature of any potential program.

Co-Chair Rakow explained that the recommendations were created from the written and verbal submissions over the last few weeks. She went on to say the recommendations are aimed at the conditions to create a PILOT program- in other words a process the city should undertake if they decide to engage the idea of a PILOT project. She stated that if a PILOT program is going to work in Saint Paul it is essential that the city build relationships with tax-exempt organizations and sit down and negotiate the program details. Co-Chair Rakow expressed that the goal of this section of the meeting was to come to a consensus or some agreement on the individual recommendations. She assured the committee that any further additions or changes would be to the framework of recommendations not the intent of the committee. She stated that there is the possibility to vote electronically after the meeting, but that the goal was to get the work done today. A staff member echoed this sentiment saying that minority reports are always welcomed and that they will be included in the full report- always a package.

A member offered to start the dialogue saying that he thought the recommendations come across as the committee recommending a voluntary PILOT program to the City of Saint Paul, but that he was not there yet. He expressed his desire to wordsmith the first recommendation that then read, "Explore the development of a voluntary PILOT program for Saint Paul". Multiple committee members echoed the need to be clear in the language of the

recommendation and identified the 'slippery slope' of not wanting a PILOT to become the same as the old Right of Way (ROW) program. A committee member conversely stated that the city will probably want some sort of a substantive recommendation on a PILOT. A staff member clarified the idea that unlike other policy issues the work of this committee is not clear as in drafting a bill and that the real honest hard work has to be between the city and the tax exempt community. He went on to explain that if the recommendation is for a PILOT program and the city follows only the headline then the program will likely crash. His idea was to say to the city 'if you want one, you will have to build one and here are the guidelines to make it successful or not successful'. The staff member stated that it would be really helpful to have clarity from the committee in how to get the point across.

Multiple committee members offered minor edits with wording ranging from 'pursue', to 'explore', to 'develop', to 'should', and 'could'. A committee member mentioned that it was the committee's obligation to start to head down the 'slippery slope'. She said that the city may very well not listen to the nuances of a program and it may fail- this is entirely possible. Her point was aimed towards a stronger committee position towards recommending a PILOT program. Another member mentioned that the first recommendation feels like more than a process recommendation and that it may be ok to not be certain on a position because this is a complex matter. Another member said that Saint Paul had a responsibility to all its tax payers to recommend pursuing a PILOT program. A member mentioned she would want a minority report if the wording was not strong enough towards a PILOT program. Members of the committee went back and forth saying 'explore' sounds too weak and 'pursue' too aggressive. A member identified that there was a split on the committee between these two terms and asked for a vote. Other members echoed the call for a vote, but continued to wordsmith as well.

The committee continued to discuss the wording of the first line of the recommendations knowing well that this may be presented as a tag-line for the media. A staff member having heard a few recommendations stated the following recommendation, "Saint Paul should continue the exploration of a voluntary PILOT program with respect to the following considerations". A vote was taken on the above statement and the committee had 17 in favor and 3 opposed to the change. A member who was against the wording explained that she thought the committee should recommend that the City of Saint Paul pursue a PILOT program meaning getting the next key stakeholders around a table. Another member stated that she thought a program such as this could never be truly voluntary and thus voted against the change.

A few members mentioned the need for a vote towards the word pursue rather than explore. Another member urged the committee to express to the city that they should go on to meet with the constituents that would be affected by this program. Co-Chair Reid mentioned that in the second recommendation as it stood "The City of Saint Paul should begin discussions with the tax-exempt community now to establish the necessary foundation for some future PILOT program" the word program seemed to be giving committee members trouble. Another member explained that a PILOT program is a formal solicitation for a payment from tax-exempt organizations. Another member thought that the second recommendation is actually where the committee finds itself presently.

A member stated as an alternative headline, "if the City of Saint Paul wanted to pursue a PILOT program it should do the following". Another member offered an amended the second recommendation based on the committee's dialogue to say, "The City of Saint Paul should pursue discussions with the tax exempt community now to establish the necessary foundation for some future PILOT contributions".

A member suggested not using the word PILOT at all and just simply saying voluntary. Another member rejected this saying that the topic was Payment in Lieu of taxes. The member representing a private higher education institution mentioned that he thought the private colleges would not like the descriptive and tax like wording 'PILOT'.

A staff member explained the intent of the recommendations is to have the city begin discussions with the tax exempt organizations- not that these entities have worked anything out but that more work needs to be done and these recommendations can offer items to think about when there are meetings. A member explained that he was in favor of giving the City direction on things it should consider, but that he was not in favor of the idea of a PILOT program in Saint Paul.

A member expressed his desire to remove the word PILOT from the recommendations because the discussion should really use the language such as a voluntary contribution from tax-exempt organizations for the benefit of the city. He said a dollar is a dollar and the city would like some help. He tried to capture the essence of the committee saying these would be voluntary gifts. Conversely, a member mentioned that the charge of the committee deals with PILOT and thus it is hard to disassociate with this term. For clarity, a staff member stated that the charge can always be changed at the committee's discretion.

A member articulated that the goal of a program was not to ask all non-profits for money but rather specifically those that own their own property. A staff member tried to formulate an acceptable recommendation explaining the need for a recommendation aimed at action but with certain checks in place for the city to contemplate. A member again identified that there was an impasse in the committee because individuals did not know where other members stood on the issue of a PILOT program and the recommendation to pursue a program or to simply explore a potential program. Another member agreed and stated that the committee needs to take a vote on if the committee should recommend the city pursue a program or not.

A member offered the following recommendation, "The City of Saint Paul should pursue discussions with the tax exempt community now, to establish the necessary foundation for future voluntary contributions". A member opposed this comment saying that the city should decide if it wants to pursue a PILOT program and that the committee should not recommend the city pursue a program. He stated that after looking through the memo (the memo can be found on Citizens League website) from the private higher education institutions in the City of Saint Paul they directly oppose a formal PILOT program. He emphasized that this is the group that would most likely be paying. Another member mentioned that you can not reach any agreement until the city is in dialogue with these tax-exempt organizations. The private higher education representative reiterated the letter his cohort created saying they do not agree with a formalized program but are interested in voluntary contributions to the City of Saint Paul. Co-Chair Rakow called a vote on the statement, "the City of Saint Paul should pursue discussions with the tax exempt community now, to establish the necessary foundation for future voluntary contributions". 18 committee members voted yes and 2 voted no. The staff member expressed that this is the headline representing the committee. Multiple members were concerned where the headline would be placed in the text of the recommendations.

The city should explore a voluntary PILOT program, which is quite different than saying pursue having conversations with the tax exempt organizations for voluntary contributions. The member explained this shift in the committee as a late amendment in thinking, but the correct place to begin. A member also added the change from 'pursue' to 'have discussions' as this is more action oriented.

A member requested that the first line of the report state, "the committee supports the basic principle that all consumers of essential city services, including tax exempt property owners, should pay some share of the cost of delivering those services from which they benefit directly- public safety and streets". A few members disagreed stating that the committee does not support this line. There was a call for a vote on this statement. A staff member said that narrowing a PILOT to only including these aspect would potentially loose committee support as he offered that the committee had re-thought what a PILOT program could mean. A member expressed that he understood that higher education and healthcare organizations may be willing to help offset the costs of services provided by the city, but he did not think the city should say that all tax exempt property owners owe them something for existing in the city. The above statement was voted on with 3 saying yes and 17 saying no.

A member also stated again that the wording PILOT seemed irrelevant in the circumstances where the city was trying to find dollars without a tax-like structure. A member rebuked the thought saying that everything the committee had done up and to this point dealt with PILOT programs and she did not understand the sudden aversion to the term. The member against the term PILOT stated that the City of Saint Paul was unique and that there did not necessarily need to be a term (PILOT) in place. One member mentioned that the committee might be presumptuous saying that the dialogue between the city and the tax exempt organizations might not focus on PILOTs, but that it could extend to SILOTs, or gifts, or other collaborative topics. The member went on to say that there is a dialogue that needs to occur between the city and tax exempt organizations saying what, if anything, would should occur for the betterment of the city.

Another member offered, to prevent the slippery slope, that the committee include a paragraph within the final report documenting that PILOT is the word that is commonly used but that the committee chooses different wording for the intention of not being prescriptive and not being a program. In concept, a PILOT is more commonly understood by the general public because it has precedent, but the member wanted to express the feeling of the committee and the desire to highlight the very voluntary nature of the program. Another member said that the committee was asked to explore PILOTs but that the committee has found that it did not like the term. She thought that the committee should come up with a term and an explanation and use this concept throughout the report. She mentioned to the laughs of the committee members that the committee needs to explain why they are not using the term they were meant to explore. Co-Chair Rakow asked the committee about the term PILOT and if anyone had any further thoughts on the wording. A member mentioned that the final report should explain the conversation of the committee and depict the marginal morphing of the term and idea of a PILOT program. She thought that there could be a different umbrella of language used that is more meaningful. A member mentioned she thought that

cutting the word program was a step in the right direction. Co-Chair Reid offered the edit to not talk about the ROW program in the first section of the recommendations and there was general agreement among the committee members.

Co-Chair Rakow helped move along the conversation to the third recommendation with a member presenting where he saw the committee's standing currently. He thought the committee had said all tax exempt organizations should be a part of the conversation, that there should not be a formula, and that there should be no earmarking. A staff member mentioned that the intent of the first subpoint on the third recommendation was to include everyone in the conversation. The intent on the second and third subpoint was to lay out the pros and cons of both a formula and earmarking. A member explained that if the committee heads towards a lack of structure then this would endanger previous issues with fairness, equity, and pay-to-play. The staff member expressed that the third recommendation becomes important for the city so when they are sitting down with these organizations they should keep these ideas in mind.

On the formula issue, a member mentioned she thought the word 'framework' could replace formula. She was concerned about the equity of 'the ask' by the city and what contribution amounts are appropriate for various organizations. Another member did not like the word negotiation but was more comfortable with 'discussion' because negotiation did not feel like there was potential for relationship building. Other members added that negotiation sounds like coercion and that there is a legal basis for the conversation when there is not. Another member said a formula based on anything such as linear foot, area, market value, did not seem to sing to tax exempt organizations. Another member mentioned she thought that a framework developed out of the conversations between the city and tax exempt organizations would allow payments to be fair, predictable, and transparent. A member clarified and agreed with the previous member adding that the formula/framework be about "the ask" but not the payment. In this way an objective stance could be taken to determine what each organization could contribute. Another member offered that a "data based" approach would be the best option. A staff member discussed that the city may not know what to do with a "data based" approach'. The member pushed for an adjective for framework to include either database or objective, which distinguishes it. A staff member expressed he thought it would still be non-objective. His example was that a conversation with Allina might be much different than a conversation with Regions hospital based on their context. The members point was that the suggested number be based on the same framework.

A member highlighted the previous vote by the committee in the recommendations stating that a formula would be the best option to keep a program fair, equitable, transparent, and predictable. A member mentioned that the scope of the committee has shifted in the past hour and he was concerned that the committee would not have a full chance to amend the recommendations with the current time frame. A staff member asked the committee if it would be helpful if in the next iteration of the recommendations that the staff work to be more explicit in the positive and negatives of these recommendations and less prescriptive. He went on to offer that perhaps this section should not be entirely voted upon but rather that the conversation comes through so the city council can glean the most from the process which has ensued. A member stated that if the recommendations were about positives and negatives and aware of the connotations associated with formula, the word formula itself could be used to offer clarity.

The discussion turned towards earmarking and a member was against the idea, but recognized that there was a lot of support at the last meeting. A member offered that the minutes last week were helpful and a staff member assured the member that minutes would be included in the final report. A staff member offered two different options for the committee looking for next steps. The first option would be to vote on the general change of direction from a formal PILOT program to talking about voluntary contributions, and then a subsequent electronic vote when the next iteration of recommendations is presented. A member liked the new plan but thought members would still be caught up on the language of the document. The thought of another meeting was discussed. Many members agreed that the direction was fine but that the wording is crucial. A staff member mentioned that the meeting on the 23rd of August with the Saint Paul City Council could be moved. The option was proposed to have another meeting next Thursday, but a staff member would not be able to attend. The committee agreed that at meeting time in two weeks, with as much of a majority as possible would be ideal. A doodle poll would be sent out to maximize attendance. A member stated that the committee should have the ability to see the document as a final draft report and a check-in meeting before it is presented to the city council.

A member was disappointed that the fifth recommendation was not stronger. She thought the recommendation should really be about state assistance in helping alleviate the burden on local government. She requested to email language to be incorporated. A staff member highlighted the idea any concerns with language should absolutely be emailed or otherwise sent to help inform the next version of recommendations. A member mentioned that the first

subpoint for the fifth recommendation about legislative re-visitation and reexamination of statutory language regarding property tax was not discussed at length by the committee and that it should be removed. Other members agreed that it was not voted upon. A request was made by a member to have the new document in hand by next week. A staff member explained that the committee would see a full document by next week with everything built in. A committee member acknowledged that the work was not quite complete but asked if happy hour was still on much to the laughter of the committee. A staff member stated that if anything in the fourth or fifth recommendation is a 'red flag' to please email him or the co-chairs.

Evaluations (Joe Reid 10:10 - 10:30 am)

Co-Chair Reid stated there will be a happy hour at O'Gara's at 4:30pm. He also thanked Co-Chair Rakow for her work today and in previous meetings. In the evaluations, one member mentioned she thought the committee took a monumental shift in direction on the last meeting without enough discussion. Another member stated that he really appreciated the change. Another member thanked everyone involved. Another thought Citizens League was a rarity in our present day and thanked those he connected with and the friends he made. The evaluations were as follows: 3, 4, 5, 5, 5, 5, 4, 4, 4, 4, 5, 4, 5, 5, 4, 5, 3 with an average of 4.352.

Co-Chair Reid concluded the meeting at 10:30 am.