

Citizens League
545 Mobil Oil Building
Minneapolis, Minnesota 55402

Minutes of Meeting

METROPOLITAN FISCAL DISPARITIES COMMITTEE

Thursday, March 14, 1968 - 6:30 p.m.

St. Paul Public Library

PRESENT: Earl F. Colborn, Jr., Thomas Connelly, John Costello, James J. Dalglish, Mr. and Mrs. Nicholas Duff, Robert Ehlers, Loren Gross, Sen. William G. Kirchner, Mrs. Vernon Olsen, M. H. Thayer, Ted Kolderie (staff), Paul Gilje (staff) and Neill Carter (staff).

Speakers: State Rep. Howard Albertson; John Pidgeon, Bloomington City Manager; and R. W. Turnlund, Roseville Village Manager. Guests: Joy Griffin, Metropolitan Council; and John E. Taylor.

1. The meeting was called to order at 6:45 p.m. by Chairman Colborn. He announced that minutes of the meeting of March 7 will be up for approval at our next meeting. We will follow this policy from now on in order that minutes can be mailed out to everyone before we act on them.
2. An excerpt from a report of the Advisory Commission on Intergovernmental Relations dealing with fiscal disparities in metropolitan areas was distributed to the committee.
3. The chairman announced that we have copies available of the report which was used for discussion at a conference on fiscal disparities in the Twin Cities area last December. This was mailed to many members of the committee, but we did not have enough copies at that time to distribute to everyone, and we have extras now. He also announced that our meeting next week will be back in Minneapolis.
4. The chairman introduced the first speaker for the evening, State Representative Howard Albertson of Stillwater, who is chairman of the House Committee on Metropolitan and Urban Affairs. In his comments Representative Albertson made the following points:
 - . Study by Metropolitan Council--He said he had expected that the Metropolitan Council would address itself very quickly to the whole problem of the differences in fiscal ability among our various jurisdictions in the Twin Cities area. He is disappointed that the subject has not been taken up in detail to date, and if the Council does not get into this matter he may activate his own committee in the House of Representatives in the interim to work on it. Without a doubt, the heart of the problem of metropolitan development is the fiscal disparities question.
 - . Washington County--He discussed at great length the fact that Washington County, which had a population of 35,000 in 1950 and 76,000 in 1960 and is estimated to be at 500,000 by the year 2000, is in an enviable position in the metropolitan area because of its available open space. Others in the metro-

politan area are looking covetously at the St. Croix River Valley particularly. The residents of Washington County have mixed feelings about this. They would like to have open space as much as anyone else, but at the same time they don't want to use valuable land which could be used for industrial purposes. We are faced with a request to make the St. Croix River Valley a scenic waterway, Mr. Albertson said. This may be fine for everyone else, but if it has the effect of throwing out valuable potential tax base then the residents of Washington County can't be too enthused about it. Washington County residents, of course, cannot rely on any other locality for its tax base.

- . Sewage Plans--As an aside to his discussion of the problem of fiscal disparities, Mr. Albertson dealt briefly with the problem of sewage disposal along the St. Croix. He said that many of the communities cannot get together on a solution and we must now move to the development of a sanitary district for the St. Croix area. Bayport, Oak Park Heights and Stillwater, which are communities located side by side, each are building their own sewer plants, which we really can call monuments to provincialism.
 - . Northern States Power Company Power Plant--He referred back to the controversy in 1965 over the location of the NSP plant on the St. Croix River. At this time the taxes in Washington County were going up rapidly. The St. Paul Mayor sent a letter to him, as well as to the county board, pointing out that the St. Croix River Valley is a recreational valley for the metropolitan area and that the NSP plant should be on the Mississippi River in Ramsey County instead. Mr. Albertson sent a letter back agreeing that the St. Croix River Valley should be shared for recreational purposes by everyone in the metropolitan area, but if Washington County was going to share its recreational area then the industrial development which is located in the other parts of the metropolitan area has to be shared with Washington County.
 - . Conclusions--He outlined a number of conclusions that he can reach. First, this county is ideal for open space and the preservation of the river valley. Second, zoning alone won't do the job; we need eminent domain. Third, Washington County won't be a sacrificial lamb for the metropolitan area. Fourth, if Washington County loses industrial sites it will need reimbursement. He is not sure whether this reimbursement can be accomplished by improvement in the school aids formula for school districts, but it is worth exploring.
 - . Guarantee of Bonds--He believes that the full faith and credit of the metropolitan area should be placed behind bond issues, so that interest rates do not have to be so high in certain parts of the area.
 - . Feeling of Washington County Residents--He said that he is very close to the residents of Washington County, who basically are very suspicious of any kind of metropolitan approach to solving their problems. They would much rather see the State take action.
5. During the question and answer session with Representative Albertson the following points were raised:
- . There was extensive questioning as to whether the State actually will be able to provide the needed open space in Washington County. It was felt by some persons that we'll have to have metropolitan action.

- . Areawide Tax Base--Referring to the possibility of any kind of an areawide tax base in the seven-county metropolitan area Mr. Albertson said that this would have to be sold on the basis of saving money. He said he is not at all advocating any such thing but that the possibility ought to be explored.

6. The next speaker was Mr. John Pidgeon, City Manager of Bloomington. In his remarks Mr. Pidgeon made the following points:

- . Bloomington Zoning Code--Mr. Pidgeon noted that one of the purposes of the Bloomington zoning code as specifically stated in the code is "the creation and protection of a tax base". No one will quarrel that in this day and age a local unit of government would be derelict if it did not take actions which are calculated to increase the tax base for its residents. To carry this into effect, of course, is a different question. Bloomington has developed very strict zoning, building and fire codes. By their very nature these standards require that developers invest more money than they otherwise would, which improves the taxes. By the same token, such codes may in some cases adversely affect the tax base, because industries would be inclined to locate elsewhere. This has occurred to some extent in Bloomington. Currently Bloomington is in a dispute with a housing developer which wants to build some town houses and is resisting a requirement that there be masonry firewalls between each town house. The developer believes they are not needed, and Bloomington wants them included. The developer is thinking about pulling out. He cannot see that Bloomington should relax its standards, even though this would be a seven to eight million dollar development.

He was previously the city attorney for Bloomington and over the years has had an opportunity to observe a number of decisions made by the city council. Many times he has heard developers ask for things to be waived in standards on the assumption that the development would add to the tax base, but he has never seen a decision granted by the city council on that basis alone. He remembers that a large company wanted a 600-square foot sign, but Bloomington allowed only a 400-square foot sign. There was a time for a while that it was feared the company would refuse to locate in Bloomington because of the dispute. They eventually did locate there.

- . Minimum Lot Sizes--There are four residential districts in Bloomington. The minimum size house now is a 1,040-square foot house on a lot of 11,000 square feet with an 80-foot frontage. In 1953 Bloomington had very few subdivision requirements. It experienced a phenomenal growth in the late fifties. Since 1960 the city has spent some 32 million dollars on water and sewer in a crash program. Now a subdivider must provide all of these utilities as part of the development. In 1963 the Bloomington city council determined that a house would have to be valued at at least \$22,000 in order for it to pay its way. If it were valued less than that it would be a drag on the rest of the community. Therefore, since that time Bloomington has not allowed houses to be built at a value of less than \$22,000.

- . Mr. Pidgeon presented the following table indicating the average value of the building permits for single-family dwellings granted by the City of Bloomington over the years. The table is as follows:

<u>Year</u>	<u>Number of Homes Built</u>	<u>Average Value of Building Permit (exclusive of the value of the land or of improvements provided by the builder, such as water and sewer)</u>
1952	592	\$11,500
1953	781	11,800
1954	2,000	12,500
1955	2,000	12,900
1956	874	14,400
1957	956	15,200
1958	805	15,400
1959	641	15,800
1960	483	16,400
1961	597	16,800
1962	541	18,700
1963	525	19,600
1964	552	21,000
1965	531	22,000
1966	403	23,500
1967	625	26,400

- City Mill Rate--The mill rate for municipal expenses alone has decreased this past year for the ninth straight year. The increase in assessed valuation has been of such a magnitude that the increase in cost of government for the city has not increased as fast.
 - Percentage of Single-Family Homes--About 54% of the total assessed valuation in Bloomington is single-family residences. The balance is multiple dwellings and commercial and industrial. Bloomington has a bonded debt per capita of \$800. This includes the school district and the city debt.
7. During the question and answer session with Mr. Pidgeon the following points were made:
- Blackdog Annexation--There was reference to the fact that Bloomington tried to annex the Northern States Power Blackdog plant a few years ago but was rebuffed when Burnsville took Bloomington to court. Mr. Pidgeon pointed out that Bloomington actually tried to annex the entire village of Burnsville, but failed.
 - Housing Values--Discussing further the matter of the minimum-sized house allowed in Bloomington and the rationale behind the decision, Mr. Pidgeon said that in recent weeks he has been having some second thoughts about this whole issue. He said it is probably stimulated by the fact that for the past three weeks some representatives of the National Commission on Urban Problems (the Douglas commission) has been in the Bloomington City Hall going through the books. He suspects that the Douglas Commission may be making Bloomington a

case study of an exclusive community. Quite clearly, disadvantaged individuals will not have an opportunity to buy new housing in Bloomington because of the high price. He is not willing to say at this moment that Bloomington is going to change its policies, but Bloomington is definitely going to take a good, strong look at them.

8. The next speaker was Mr. R. W. Turnlund, the Village Manager of Roseville. In his remarks Mr. Turnlund made the following points:

- . Reason for Incorporation--Roseville incorporated as a village in 1948 essentially for tax purposes. The local landholders heard about Falcon Heights incorporating and the possibility that Falcon Heights would follow some railroad trackage into Roseville Township and incorporate that as well. In defense, then, the Roseville people incorporated themselves and got a far better situation than Falcon Heights did, which got only the St. Paul campus of the University of Minnesota and the Fairgrounds.
- . Roseville has concentrated on developing as strong a tax base as possible. About 30% of the assessed valuation in Roseville is non-homestead. Unlike Bloomington, Roseville has been unable to hold down its mill rate, and the mill rate for municipal services has increased steadily.
- . He said that former mayor Emil Cedarholm was orientated to solidifying the tax base in Roseville and was successful in attracting the Har-Mar Shopping Center plus Univac and Honeywell. Roseville almost got Control Data Corporation, but there was a controversy with the residents nearby. At this point Mr. Pidgeon interjected that Bloomington read about the controversy in the paper and called up and offered to take Control Data instead and Control Data located in Bloomington.

9. During the question and answer session with Mr. Turnlund the following points were made:

- . He does not believe that the industrial properties in a community like Roseville or Bloomington have any sort of a tax exemption, because there is a substantial amount of industrial property in proportion to the total amount of property. He said this is probably more so the case in a community like Burnsville, with its Blackdog plant. The facts don't bear out the case that Bloomington or Roseville are tax havens.
- . A committee member noted that the property taxes paid in Minneapolis and St. Paul are lower than those paid in many suburbs, including Roseville, and that if you equalize property taxes then Minneapolis and St. Paul would be paying more.
- . Mr. Turnlund noted that there are many communities which are set upon having just residential development and fight industry coming in. If this is their attitude then they should be willing to pay the price.
- . Mr. Turnlund acknowledged that there are metropolitan services which must be provided and that you might want to talk in terms of areawide support for them. To keep open spaces in their natural state he suggested that perhaps people could be paid to keep their land open. This could be in effect a payment in

lieu of taxes. If you can hold land open for ten years in a certain part of the metropolitan area you probably can accomplish your goal of directing development in certain directions. This can be accomplished by compensating the owners of the property directly.

10. The meeting was adjourned at 9:00 p.m.

Paul Gilje
Staff