

REQUEST FOR COUNCIL ACTION

Date: June 9, 2104
Item No.: 13.b

Department Approval

City Manager Approval



Item Description: Consider Entering into a Payment in Lieu of Taxes (PILOT) Agreement and Charitable Pledge Agreement with the University of Northwestern-St. Paul.

BACKGROUND

City staff and representatives of University of Northwestern-St. Paul (Northwestern) have been meeting over the past year to discuss the possibility of entering into agreement about payment to the City for services rendered to tax-exempt property owned by Northwestern. The idea of a PILOT was initially included as part of the Northwestern PUD Agreement approved in 2007. The Section 10.10 of the PUD Agreement stated

The COLLEGE and CITY shall examine the conditions of this PUD agreement and jointly determine whether a separate agreement should be entered into regarding Payments in Lieu of Taxes for user services the COLLEGE receives due to its growth. Any resulting agreement shall be entered into prior to the issuance of a building permit for future buildings or structures associated with this PUD.

There was conversation between the City and Northwestern in the subsequent years, but no consensus about a PILOT agreement was reached. With the pending acquisition of the Country Inn and Suites by Northwestern, staff and Northwestern officials have been meeting to work on a PILOT agreement for not just the hotel property, but other property owned by Northwestern.

In addition, since the hotel property is located in TIF #13 removing the property from the tax rolls has an impact to the amount of TIF funds generated. In recognition of that fact, staff and Northwestern sat down and drafted a Charitable Pledge Agreement where Northwestern would agree to make an annual contribution to the City for economic development purposes.

It should be noted that both the PILOT agreement and the Chartable Pledge Agreement are voluntary on the part of Northwestern. As a City we cannot force or condition Northwestern to enter into the agreements. The documents presented to the City Council are based on the willingness of Northwestern to enter into the agreements. The details of the agreement have been discussed and negotiated between City staff and Northwestern as a reasonable approach to address the issue of Northwestern's tax exempt property within the City of Roseville.

The two draft agreements are summarized below:

Payment in Lieu of Taxes Agreement (PILOT)

This agreement recognizes that the City provides certain services to Northwestern on property that is tax exempt. In an effort to partially reimburse the City for those costs Northwestern will pay an amount that will cover the costs of providing police, fire, and street maintenance services to their property that is not located on the main campus north of Lydia Ave. The "off-campus"

properties are identified as part of the agreement and includes instructional facilities, administrative offices, and student housing.

The term of the PILOT agreement is for 10 years. Under this agreement, Northwestern will pay \$18,000 for the City services to these properties starting in 2015. The amount paid will be adjusted each year and will end with a final payment of \$19,686 in 2024. If Northwestern sells any property during the period covered by this agreement, the PILOT will be reduced in an amount that is equal to the City's increase in real property tax receipts from the property returning to the tax rolls. However, in no case shall the amount of the PILOT payment be reduced below \$9,000 annually. Conversely, if Northwestern purchases property and makes it tax exempt, the annual PILOT will be adjusted upward by mutual agreement by both parties.

Charitable Pledge Agreement

This agreement recognizes that the purchase of the Country Inn and Suites building by Northwestern for student housing will remove that property from the tax rolls in an existing TIF district and therefore the district will generate less TIF revenue for which the City can use for economic development purposes. Based on this understanding, Northwestern agrees to make an annual contribution of \$18,500 for a period of ten years expiring in 2024 to the City to be used for economic development purposes.

Under this agreement, economic development activities would include, but not be limited to business retention and recruitment, marketing of the City to prospective businesses, special studies for development and redevelopment activities, and for costs related to economic development interns. As part of this agreement, the City would also agree to consider using Northwestern students as economic development interns or provide assistance in class projects.

POLICY OBJECTIVE

Entering into a PILOT Agreement is consistent with the 2007 PUD Agreement between Northwestern and the City. Entering into the Charitable Pledge Agreement will allow for more resources to be put into economic development and redevelopment, a strategic priority for the City and the Roseville Housing and Redevelopment Authority.

BUDGET IMPLICATIONS

Under the two agreements, the City will receive approximately \$37,000 annually, or \$370,000 through the life of both agreements. The PILOT will return \$18,000 to \$19,686 annually to the City over the next 10 years. The Charitable Pledge Agreement will provide \$18,500 annually for 10 years to the Community Development Fund annually for economic development purposes.

STAFF RECOMMENDATION

Staff recommends approval of the PILOT Agreement and the Charitable Pledge Agreement with the University of Northwestern – St. Paul.

REQUESTED COUNCIL ACTION

Motion to authorize the Mayor and City Manager to enter into a Payment in Lieu of Taxes (PILOT) Agreement and Charitable Pledge Agreement with the University of Northwestern-St. Paul.

-or-

73 Motion to not authorize the Mayor and City Manager to enter into a Payment in Lieu of Taxes
74 (PILOT) Agreement and Charitable Pledge Agreement with the University of Northwestern-St.
75 Paul.

76 -or-

77 Motion to table consideration of the Payment in Lieu of Taxes (PILOT) Agreement and
78 Charitable Pledge Agreement with the University of Northwestern-St. Paul.

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Prepared by: Patrick Trudgeon, City Manager (651) 792-7021

Attachments: A: Draft PILOT Agreement
B: Draft Charitable Pledge Agreement

PAYMENT IN LIEU OF TAXES AGREEMENT

This Agreement is entered into this ____ day of June, 2014, by and between University of Northwestern–St. Paul., a Minnesota non-profit corporation (“Northwestern”), and the City of Roseville, Minnesota, a Minnesota statutory city (the “City”).

WHEREAS, Northwestern is a university with various properties located within the City as generally depicted in Exhibit A hereto (the “Facilities”);

WHEREAS, Northwestern is organized and is operated solely for educational, religious and charitable purposes;

WHEREAS, the Facilities are, or will be, exempt from real property taxes under Article 10, Section 1, of the Minnesota Constitution and Minnesota Statutes Section 272.02;

WHEREAS, the City will provide police, fire and other services to the Facilities and construct and maintain streets, sidewalks and other improvements benefitting the Facilities; and

WHEREAS, Northwestern, in recognition of the services provided by the City to Northwestern, agrees to make certain payments in lieu of taxes.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

1. Northwestern agrees that it shall pay to the City annual payments in lieu of taxes (“PILOT”) in the amounts described in this Section.

2015	\$18,000
2016	\$18,180
2017	\$18,362
2018	\$18,545
2019	\$18,731
2020	\$18,918
2021	\$19,107
2022	\$19,298
2023	\$19,491
2024	\$19,686

2. Northwestern agrees to make annual payments to the City of the amounts shown in Section 1 in two equal installments on or before May 15 and October 15 each year of 2015 through 2024.

3. This Agreement shall terminate on October 15, 2024 or upon receipt by the City of all payments specified in Section 1, whichever is earlier. Prior to termination, the City and Northwestern agree to negotiate in good faith whether this agreement shall be amended to provide for additional PILOT payments. In addition, the City and Northwestern agree that if

Northwestern sells or otherwise transfers any of the Facilities prior to termination, the City will reduce the PILOT in an amount equal to the City's actual increase in real property tax receipts from that portion of the Facilities which becomes subject to real property taxation, but in no event during the term of this Agreement will the PILOT be reduced below Nine Thousand Dollars (\$9,000.00) annually. If additional tax-exempt Facilities (beyond those depicted in Exhibit A) are added by Northwestern during the term of this Agreement, the annual PILOT shown in Section 1 will be adjusted by mutual agreement of the parties to this Agreement.

5. This Agreement shall be governed and construed in accordance with the laws of the State of Minnesota.

6. All notices, reports or other communications relating to this Agreement shall be sent to the parties at the following addresses, unless otherwise provided by one party to the other party in writing:

To Northwestern: Douglas R. Schroeder, Chief Financial Officer
University of Northwestern – St. Paul
3003 Snelling Avenue North
St. Paul, MN 55113-1598

Copy: Jay R. Lindgren
Dorsey & Whitney LLP
50 South Sixth Street, Suite 1500
Minneapolis, MN 55402-1498

To the City: City of Roseville
Attn: City Manager
2660 Civic Center Drive
Roseville, MN 55113

7. This Agreement may be amended in writing at any time, and from time to time, by the mutual consent of the parties hereto.

8. Notwithstanding any provision of this Agreement to the contrary, any payment by Northwestern not made within the time specified herein shall not bear interest, penalty or any similar charge.

9. This Agreement may be executed in one of any number of counterparts, each of which will be deemed an original and all of which, taken together, will constitute one and the same instrument, binding on all of the parties hereto, notwithstanding that all of the parties may not be signatory to the original of the same counterpart.

[This space left intentionally blank. Signature pages follow.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the
day and year first written above.

UNIVERSITY OF NORTHWESTERN
-ST. PAUL

By _____

Its _____

[This space left intentionally blank. Signature pages follow.]

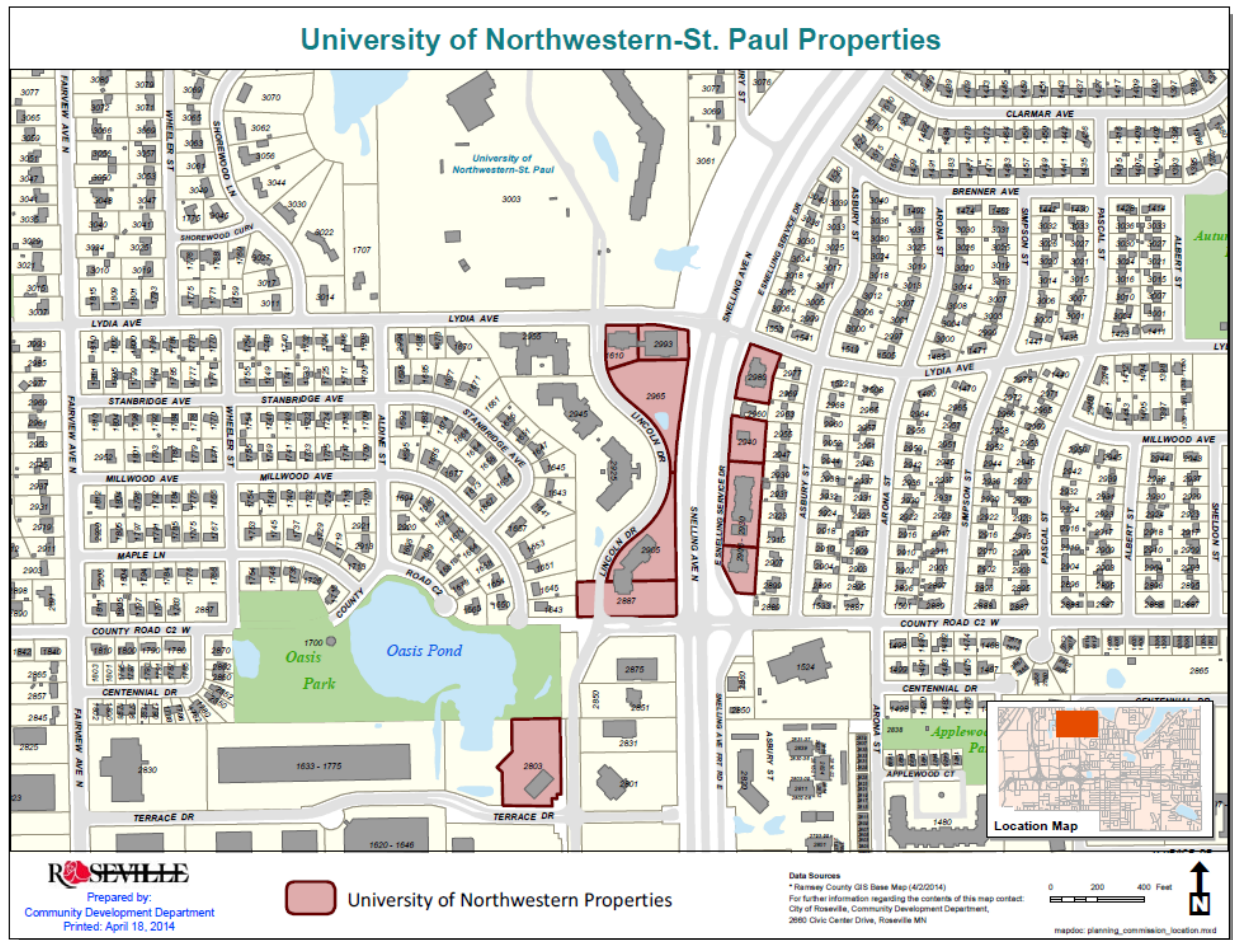
IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the day and year first written above.

CITY OF ROSEVILLE

By _____
Mayor

And _____
City Manager

EXHIBIT A
FACILITIES DEPICTION



CHARITABLE PLEDGE AGREEMENT

This Agreement (“Agreement”) is made on this ____ day of _____, 2014, by and between the University of Northwestern—St. Paul, a Minnesota non-profit corporation (“Donor”) and the City of Roseville, Minnesota, a Minnesota statutory city (the “City”).

WHEREAS, Donor is a university with various properties located within the City (the “Facilities”);

WHEREAS, the Facilities are, or will be, exempt from real property taxes under Article 10, Section 1, of the Minnesota Constitution and Minnesota Statutes Section 272.02; and

WHEREAS, Donor wishes to assure support for economic development activities within the City which lead to an enhanced tax base for the City.

NOW, THEREFORE, the parties hereto agree as follows:

1. The Donor herewith pledges to give One Hundred Eighty-Five Thousand Dollars (\$185,000.00) (“Pledge”) to the City to be delivered over ten years in installments as follows:

2015	\$18,500
2016	\$18,500
2017	\$18,500
2018	\$18,500
2019	\$18,500
2020	\$18,500
2021	\$18,500
2022	\$18,500
2023	\$18,500
2024	\$18,500

2. Donor agrees to make the Pledge payments to the City of the Amounts shown in Section 1 in two equal installments of Nine Thousand Two Hundred Fifty Dollars (\$9,250.00) on or before May 15 and October 15 each year of 2015 through 2024.

3. Donor’s Pledge shall be used to fund economic development activities by the City of Roseville. Economic development activities shall be broadly defined as tasks such as business retention and recruitment, marketing of the city to prospective businesses, special studies and reports for redevelopment and economic development activities, and the paying of salaries of interns to assist in economic development activities. In consideration of Donor’s Pledge, the City agrees to make good faith efforts to involve the Donor’s students in economic development for the City through the use of interns and class projects.

4. Regarding any Pledge provided under this Agreement, the Donor and City shall have the right to approve any publicity relating thereto.

27 5. City shall be responsible for the retention, investment and disbursement of any
28 and all funds received by it from Donor pursuant to Donor's Pledge.

29 6. City agrees to provide Donor with all appropriate information reasonably
30 necessary for Donor to substantiate the donation relating to Donor's Pledge for accounting,
31 auditing or other purposes reasonably requested by Donor.

32 7. This Agreement shall be binding and conclusive upon the Donor and its
33 successors and assigns and upon City and its successors and assigns.

34 8. All notices, reports or other communications relating to this Agreement shall be
35 sent to the parties at the following addresses, unless otherwise provided by one party to the other
36 party in writing:

37 To Northwestern: Douglas R. Schroeder, Chief Financial Officer
38 University of Northwestern – St. Paul
39 3003 Snelling Avenue North
40 St. Paul, MN 55113-1598

41 Copy: Jay R. Lindgren
42 Dorsey & Whitney LLP
43 50 South Sixth Street, Suite 1500
44 Minneapolis, MN 55402-1498

45 To the City: City of Roseville
46 Attn: City Manager
47 2660 Civic Center Drive
48 Roseville, MN 55113

49 9. The language in all parts of the Agreement shall be in all cases construed simply
50 according to its fair meaning and not strictly for or against any of the parties.

51 10. The terms and provisions of this Agreement shall be construed in accordance with
52 Minnesota law.

53 11. This Agreement may be amended in writing at any time, and from time to time,
54 by the mutual consent of the parties hereto.

55 12. Notwithstanding any provision of this Agreement to the contrary, any payment by
56 Donor not made within the time specified herein shall not bear interest, penalty or any similar
57 charge.

58 13. This Agreement may be executed in one of any number of counterparts, each of
59 which will be deemed an original and all of which, taken together, will constitute one and the
60 same instrument, binding on all of the parties hereto, notwithstanding that all of the parties may
61 not be signatory to the original of the same counterpart.

62
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[This space left intentionally blank. Signature pages follow.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the day and year first written above.

UNIVERSITY OF NORTHWESTERN
-ST. PAUL

By _____

Its _____

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the day and year first written above.

CITY OF ROSEVILLE

By _____
Mayor

And _____
City Manager