

MINNEAPOLIS

Minneapolis, St. Paul mayors seek property tax hikes

For all their rivalry, residents in Minneapolis and St. Paul can commiserate on one shared burden: annual property tax hikes.

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For all their rivalry, residents in Minneapolis and St. Paul can commiserate on one shared burden: annual property tax hikes.

In Minneapolis, Mayor Jacob Frey proposed a nearly 7% increase in the property tax levy in 2020 — the largest in a decade. In St. Paul, Mayor Melvin Carter wants a levy increase of just under 5% after two years of double-digit hikes.

While the mayors are proposing new spending — from cultural corridors in Minneapolis to longer rec center hours in St. Paul — officials at both city halls say the principal reason for raising the tax levy is providing basic services such as police and fire protection and road maintenance.

As the cost of running a city rises, so too must property taxes, city leaders say — despite billions of dollars in new development in the core of the Twin Cities.

Some residents question how their money is being spent and say local leaders don't understand the pressures taxpayers are already facing.

“I think it's way out of line,” Ann Berget, a former Minneapolis school board member who lives in the Kingfield neighborhood, said of the Minneapolis proposal. “I don't think that the City Council has any respect for the economic realities of the people that they are there to represent.”



AARON LAVINSKY — STAR TRIBUNE

Twin Cities mayors Jacob Frey, of Minneapolis, and Melvin Carter, of St. Paul, watched the Twins play whiffle ball Tuesday on Nicollet Mall

City property taxes are on the rise

A direct comparison of property taxes in Minneapolis and St. Paul is difficult because the cities' budgets pay for different things – while St. Paul has its own library system, for example, Minneapolis is part of the county library system. Still, median-value homes in both cities have experienced property tax increases in recent years (not including county and school taxes, which are levied separately).

	Minneapolis city taxes	St. Paul city taxes
2011	\$1,206	\$521
2012	\$1,218	\$560
2013	\$1,132	\$515
2014	\$1,124	\$484
2015	\$1,125	\$529
2016	\$1,117	\$545
2017	\$1,194	\$591
2018	\$1,300	\$760
2019	\$1,400	\$833
2020	\$1,510	\$886

* The Minneapolis property tax levy covers city services such as street maintenance and police. The Park Board levies its own tax, which is included here.

** The St. Paul property tax levy is split between city departments – such as police, parks and public works – as well as the libraries and Port Authority. In 2018, as a result of a Minnesota Supreme Court ruling, St. Paul eliminated the ROW street maintenance program. Property owners experienced a drop in street maintenance fees but an increase in property taxes.

***2020 taxes are estimates.

Chart: Mark Boswell, Star Tribune • Source: Cities of Minneapolis and St. Paul • [Get the data](#) • Created with [Datawrapper](#)

Others say they don't mind paying higher taxes if it means better city services. In recent years, politicians in the DFL-dominated cities have felt pressure to spend more rather than rein in taxes.

"There was a significant amount of time ... when we had disinvested in our city," said Katie Jones, who together with her husband has owned a duplex and triplex in Minneapolis since 2014. "I'm excited to see the investment in our community, because we all thrive when we have that investment."

Both city councils will set their maximum tax levies in the coming weeks and approve final budgets in December. The levy is the amount of property tax revenue that cities collect, and it pays for different things in the two cities.

In Minneapolis, it covers services such as street maintenance and police. The proposed \$374 million 2020 levy includes the Park Board, which collects its own tax.

In St. Paul, the levy — a proposed \$164 million in 2020 — is split between the city, libraries and the Port Authority.

Residents in 12 of St. Paul's 17 planning districts will pay higher property taxes in 2020, even if the levy stays flat. The biggest hikes are anticipated in some of the city's lowest-income neighborhoods, where property owners are seeing double-digit market value increases.

"Part of what is happening is those are the areas that have a lot of good housing stock with more affordable value, and so consequently they're in high demand," Ramsey County Auditor/Treasurer Chris Samuel told Council Members at an Aug. 7 meeting. "The ability of the local government agencies to impact property taxes is marginal."

Property tax levy increases vary within Minnesota and across the country. Levies rise or fall based on how much local governments spend and whether they have revenue sources beyond property taxes.

In Minnesota, cities can only levy a sales tax with state approval — usually to pay for capital projects — so they often rely on property taxes for general operations. In 2019, property tax levies statewide rose about \$524 million, or 5.3%, over 2018, according to data from the League of Minnesota Cities.

Research by the Minnesota Center for Fiscal Excellence and the Lincoln Institute of Land Policy found that in 2018, Minneapolis' tax rates on homes and apartments ranked near the middle of the pack compared to the largest cities in other states. (https://www.lincolninst.edu/sites/default/files/pubfiles/50-state-property-tax-comparison-for-2018-full_1.pdf)

In Wisconsin, where cities also rely on property taxes, (<http://www.lwm-info.org/1543/Creating-Wisconsins-Future>) Milwaukee has kept levy increases under 4% since 2011

(<https://city.milwaukee.gov/ImageLibrary/User/crystali/PublicSite/TXHSTCPI.pdf>). But balancing the budget “always results in some sort of cut,” said Dennis Yaccarino, the city’s budget and management director. And in the next few years, he said, the city will face ballooning pension costs.

“There are definitely a number of state and local governments that are really facing pressures due to legacy costs, if you will — basically, contributions to their pension funds, paying for deferred maintenance on infrastructure ... and also health care costs for employees and retirees,” said Adam Langley, associate director of tax policy and data initiatives at the Lincoln Institute. “If all those costs are rising, you may need to raise taxes quite a bit just to keep current service levels the same.”

Retired University of Minnesota Prof. John Adams said even if the amount of government services remained flat, factors like the escalating cost of health care means that costs won't.

Adams, an authority on urban finance who lives near Lake Harriet, said a 7% increase does not strike him as out of line. He noted that people are attracted to places of opportunity in a growing economy, which puts stress on streets, schools, parks and other systems. Cities are forced to rely too heavily on property taxes, he said, since state law does not allow them to tax income.

“The advantage of growth is that we expand our economy,” Adams said. “The cost of growth includes things like taxes. ... The two go together.”

In Minneapolis, the bulk of the proposed \$24 million levy increase will go toward keeping up with inflation, including increasing salaries, operating facilities and paying municipal contracts, said Budget Director Micah Intermill.

Another percentage is the continued contribution to a 20-year funding agreement (<http://www.startribune.com/six-charts-explaining-minneapolis-800-million-road-and-park-plan/37282971/>) authored by then-Mayor Betsy Hodges in 2016. Under the agreement, about \$11 million a year goes toward improving neighborhood parks and \$22 million goes toward fixing roads.

Minneapolis Council Member Linea Palmisano, chairwoman of the council’s budget committee, said she’s heard from a dozen homeowners concerned that their property taxes will go up for yet another year.

“They think that this is unsustainable,” Palmisano said. “I do agree with them, that we can’t always just be adding more to the budget.”

Going into 2020, St. Paul faces a \$17 million budget gap related mostly to personnel costs and inflation, according to a presentation that interim Budget Manager Susan Earle gave to the council on Aug. 21.

Carter’s budget proposal (<http://www.startribune.com/mayor-carter-proposes-20-million-to-fix-st-paul-s-crumbing-streets/544801632/>) includes more than \$4 million in cuts, including eliminating five sworn police officers.

“This is a very lean budget this year,” said City Council President Amy Brendmoen. “The real struggle we’re going to have this year is what’s got to go in order to accommodate what we want to spend.”

Meanwhile, St. Paul leaders are trying to find money for road maintenance [after a public works report \(http://www.startribune.com/public-works-crumbling-st-paul-streets-need-cash-infusion/521743481/\)](http://www.startribune.com/public-works-crumbling-st-paul-streets-need-cash-infusion/521743481/) said the city will need to double its spending on roads to keep the network from failing.

Highland Park resident Wolfie Browender said he’s concerned about the report’s findings, but not surprised — as a bicyclist, he said, he experiences rough road conditions firsthand and doesn’t mind paying higher taxes to fix them.

“That’s one of the basic purposes of the city government and what it should be doing,” Browender said. “The only way to deal with that, though, is to raise taxes.”

Browender’s total property tax bill, including city, county and school levies, rose \$1,300 from 2018 to 2019. He said taxes aren’t going to force him and his wife to sell or lose their house, but he recognizes that that’s not the case for everyone.

In addition to potential tax increases, St. Paul residents will see higher street maintenance and sewer fees in 2020. For a home valued at \$199,800 — the city median — the net change in city taxes and fees will be \$82.

“It can seem small,” said Council Member Rebecca Noecker. “But it is growing faster than people’s incomes are growing overall.”

The increases also affect renters in both cities. Joe Abraham, whose company, Pergola Management, owns 750 apartment units across the metro, said property tax hikes over the past two years led him to charge an extra \$22 a month per unit; next year, he’s expecting another \$10 a month increase.

When combined with rising utility and labor costs and other fees, the tax hikes may make it harder to keep rents affordable, he said.

“I want good infrastructure here, I want safe streets, I want safe homes,” Abraham said. “But there’s a lot of ways to tax us beyond just property taxes.”

St. Paul reporter **Emma Nelson** joined the Star Tribune in 2014, and has covered local government beats from Scott and Dakota counties to Minneapolis City Hall. She has also been part of reporting teams that covered the aftermath of the Norwood Teague sexual harassment scandal and the death of Prince.

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