

Mpls Board of Estimate and Taxation Questionnaire

Introduction:

Our population is aging, both in Minneapolis and nationwide. People over 60 now comprise more than 25% of the Minneapolis population, and people over 65 comprise nearly 11%. As part of this significant demographic, the Minneapolis DFL Senior Caucus is concerned about issues that affect the general community as well as issues that pertain specifically to them.

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1. As a member of the Minneapolis Board of Estimate and Taxation, what issue would be your top priority? Please describe how you would address this priority.

My top priority will be to diversify the city's revenues by seeking legislative approval in two areas.

First, I support efforts to expand the downtown liquor-restaurant taxing district to the entire North Loop rather than the one-third that currently falls within the district. I would also support doing so at the current 3 percent tax rate rather than the lower rate proposed in current legislation. This would generate several million dollars. It also creates equity between bar and restaurant owners within the district and those in the North Loop currently outside the district.

Second, and more difficult, is to implement some form of income- or asset-based form of city taxation. This should follow studying the feasibility of several options, including income, payroll or wealth taxation. So far, imposing a low-rate income tax on higher-income households seems most feasible because it is administratively simplest. We would need to successfully lobby the City Council and win authorization from the Legislature to impose such a tax. I don't believe that's politically possible until DFLers regain handy control of the Legislature, something that won't happen until 2027 at the earliest. We should be ready for then with a well-thought-out plan that shows how such a tax can be piggybacked onto the state tax return, notes the more than 5,000 local jurisdictions that levy an income tax in both red states and blue, and uses the experiences of those cities to answer such questions as whether such a tax will lead to an exodus of high earners and whether others will replace them.

I've been pressing the mayor and City Council toward on this by conditioning my vote for the mayor's recommended property tax for 2025 on their promises to move forward with such a study. I stand ready to lobby and testify on behalf of any viable proposal.

2. Why are you running to serve on the BET? What skills and background do you bring to fulfill that purpose?

I ran for the Board of Estimate and Taxation in 2021 because I have a sound background in city finances gained as a City Hall reporter. I've read the city budget from cover to cover, relentlessly quizzed finance officials about it and interpreted it in writing for residents. I also gained a thorough understanding of the city's capital budget by serving for five years on CLIC, the city's capital budgeting task force. Both retiring incumbents urged me to run in 2021. Moreover, I have a deep knowledge of Minneapolis from my reporting days. I know its neighborhoods. I know its residents.

3. Seniors face an increased tax burden due to increased reliance on residential property taxes:

A. What alternative revenue would you support in order to lower the tax burden for everyone, including seniors?

B. What methods would you consider that are targeted to assist seniors?

C. Do you support the concept of an income tax on very high-income Minneapolis residents? If yes — what would be your cut-off income for such a tax?

A. See answer 1 above.

B. I support and have publicized to seniors three of the state's property tax refund or credit programs. One allows property owners to gain a refund if their increase is above a certain threshold. Another provides a refund if their tax exceeds a certain percentage of their income. Both have income ceilings to focus them on seniors in the greatest need. The third is the senior property tax deferral program that allows seniors to defer part of their tax as a lien against the eventual sale of their house.

C. Yes. I originated this approach. See answer 1 above. My preference would be for such a tax at a 1 percent rate to kick in for any household with an annual income of more than \$200,000. That's roughly two and a half times the city's median household income. There are roughly 24,000 such households in the city. My rough calculation is that this would yield at least \$40 million. This amount should be shared with the Park Board in the same proportion as Local Government Aid.

4. Have you considered the concept of progressive property tax brackets based on value of the property and/or income level of the property owners? What is your view of this idea? If you favor it, since it is not currently within municipal power to alter the property tax classification rates, what approach would you explore?

I favor the concept of people in high value homes paying more. One historical precedent that I favor using essentially converts more of a home's market value to its tax capacity as the value rises. For example, the first \$200,000 of a home's value could be converted at 1 percent, the second \$200,000 at 2 percent, and anything above \$400,000 at 3 percent. (The 2025 median value in Minneapolis is \$333,400.) This worked well decades ago and should be reinstituted. It could be instituted to keep the aggregate amount collected revenue neutral while shifting the burden away from those least able to pay.

The approach to the Legislature would be based on the history of this graduated valuation being tried and true. Moreover, I'd emphasize to Greater Minnesota legislators that such a change would be relatively painless given that fewer homes owned by their constituents would reach the top tier of value. There are many more voters in the lower tiers than in the top tier, and it is people in the lowest tier who are in greatest need of relief.

5. There is often a tension between city (Mayor/Council-controlled) taxation & the needs of the park board, which the city side can influence. How would you balance taxation between the two entities?

Park Board tax increases often have outpaced those for general city government in recent years. The reason for this is that the Park Board derives a much higher percentage of its general fund revenues from the property tax than City Hall does. The current six-member composition of the BET can result in deadlocking on this issue between the three City Hall commissioners and the three non-City Hall members of the Board. That's why I've proposed a charter change to add a seventh member to the Board, coming from a third member elected by the public. This would increase the ability of the three elected members to mediate City Hall-MPRB differences over the appropriate shares of property taxation for each. I've proposed that if a city income tax is enacted that it be split in the same percentage as Local Government Aid is split (88-12).

6. What can the BET propose that would help seniors age in place — whether that is in homes they own, or homes they rent?

The BET has two powers—setting the annual limit on property tax increases and authorizing the sale of bonds. I have been highly cognizant of the impact of property taxes on seniors who are of limited income. For 2025, I successfully urged the mayor to incorporate budgeting strategies that reduce the annual property tax increase beyond what it otherwise would be.

I've also created a tip sheet for property taxpayers that helps seniors (and others) to find the property tax credits for which they will be eligible. One important credit helps seniors when their tax exceeds a certain proportion of their annual income, up to certain income limits. Another allows people over 65 to defer a portion of their annual property tax bill as a lien until their property is sold.

For renters, the property tax is baked into their rent, against which they may apply for a state refund within certain parameters. I support lowering the classification rate (conversion of estimated market value to tax capacity) for rental property from the current 1.25 percent to the 1 percent rate that applies to homeowners. Generally, renters are people without the means to purchase a home or younger people often burdened by student loans. I see no need to penalize them with a tax classification rate that's higher than that for homeowners.

Of course, changes in property tax policy generally are the purview of the Legislature. I would like to develop a better channel for the Board of Estimate to have input into the city's legislative agenda.

7. In your view, what are the pros and cons of an independently-elected Board of Estimate and Taxation?

One pro of an independent BET is that it offers a mediating influence between the city and the Park Board when the mayor and Park Board are unable to agree on a levy that both consider fair. For example, in 2025 the BET added slightly to the Park Board levy beyond a level that the mayor and I considered prudent. The BET also provides a counterweight to a strong mayor and his Finance Department, from the standpoint of representing taxpayer interests. For example, there have been times (2023 levy) when I've supported an increase to what the mayor recommended for MPRB and times (2025) when I've felt that would push the property tax too high. Although the Board has no power over the adoption of the city budget, I visited the Mayor last July after studying city finance reports to urge that he use more of the budget reserve and more special and sales tax revenue to avoid an even higher property tax than he wound up proposing. He took suggestions, which benefited property owners.

The BET was established in the early 1920s, an era when part-time City Council members took a haphazard approach to the budget and adoption of a levy. In its early days, the Board served as a clearinghouse for city departments to submit budget requests. It continues to serve in its review of quarterly financial reports, the annual assessment report and other data as a mechanism for flagging emerging factors affecting future levies.

8. Do you favor the city continuing to maintain the BET?

Yes. To me, the cost of having a lean efficient BET is a small price to pay to shore up the role of the City Council and public in ensuring there are checks on the mayoral budget and property tax.

9. As a BET member, what role do you see for yourself in working with the Mayor and City Council members regarding removing properties from the tax base?

If this question is prompted by concern over tax-increment financing, my answer is nuanced. First, the base value for a property isn't removed from the tax base. Only the incremental growth is removed. In the past, there was abuse of TIF both by creating districts that were too large, thus capturing too much value, and by extending of the life of districts beyond that necessary to repay the original public investment or the developer's pay-as-you-go financing. I support tight limits on both. The City Council's adopted TIF policy has helped to limit some of the more questionable uses of TIF.

If this question is aimed at removal of properties from the tax base through demolition of substantially deteriorated homes, this should be done only selectively, in order to maintain as much as possible of a well-built historical housing stock that often exceeds modern housing in quality.

If the question is prompted by the property tax status of certain religious or nonprofit property, I haven't seen a need for changes but I'm open to listening to those who do.

10. Would you support adding a tie-breaking member to the BET, and how would you make this happen?

Yes. I have sponsored two resolutions to this effect that were approved by the Board. We are the only local elected body in the city without a tiebreaking member. My resolutions would add a seventh member, elected by the public, and also change the Board's name to more accurately reflect its modern duties involving debt and taxes. I have argued the case for a charter referendum on these before the relevant Charter Commission committee. The commission long has wanted to abolish BET so it rejected this proposal.

My opinion is that since voters rejected abolishing the Board by a 2:1 margin in 2009, we need a board that operates effectively and not by deadlock. So BET now has asked the Council by resolution to ask the Charter Commission to recommend that the same changes. If the commission rejects that again, as expected, the Council has the power to still put both items up for a charter referendum. I would then lead a campaign to adopt them.

11. Is the Board of Estimate adequately staffed to carry out its functions?

No. The Board had a staffer for almost a century until its 38-year executive secretary retired. Those serving on the Board in 2019 then tried to cheap it out by hiring executive secretaries who were paid half-time with no benefits. Not surprisingly, both people who filled the position left for full time jobs with benefits. Then at the mayor's suggestion, we tried hiring an outside firm to perform certain functions. This burned up too much money for little in the way of results.

I've been pushing for restoration of a BET executive secretary since I was sworn in. The Board deadlocked on this issue in the first half of my term. With more different Council Members joining the Board last year, I won approval to hire a staffer, and we are now conducting final interviews.

The biggest benefit to the Board is that we could direct staff research into topics and gain analysis independently of the mayor's Finance department and the mayoral-appointed CFO. That allows the Board to work more independently of other elected officials on behalf on taxpayers, which was one on the intentions behind the 1919 state law that required the reconstitution of the 19th century Board of Tax Levy.

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