



APRIL 8, 2026

# Municipal Revenue Research

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Joint Study Session

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# Introductions



**Margaret Schaus**

Director, State and Local  
Government

Strategy and Finance

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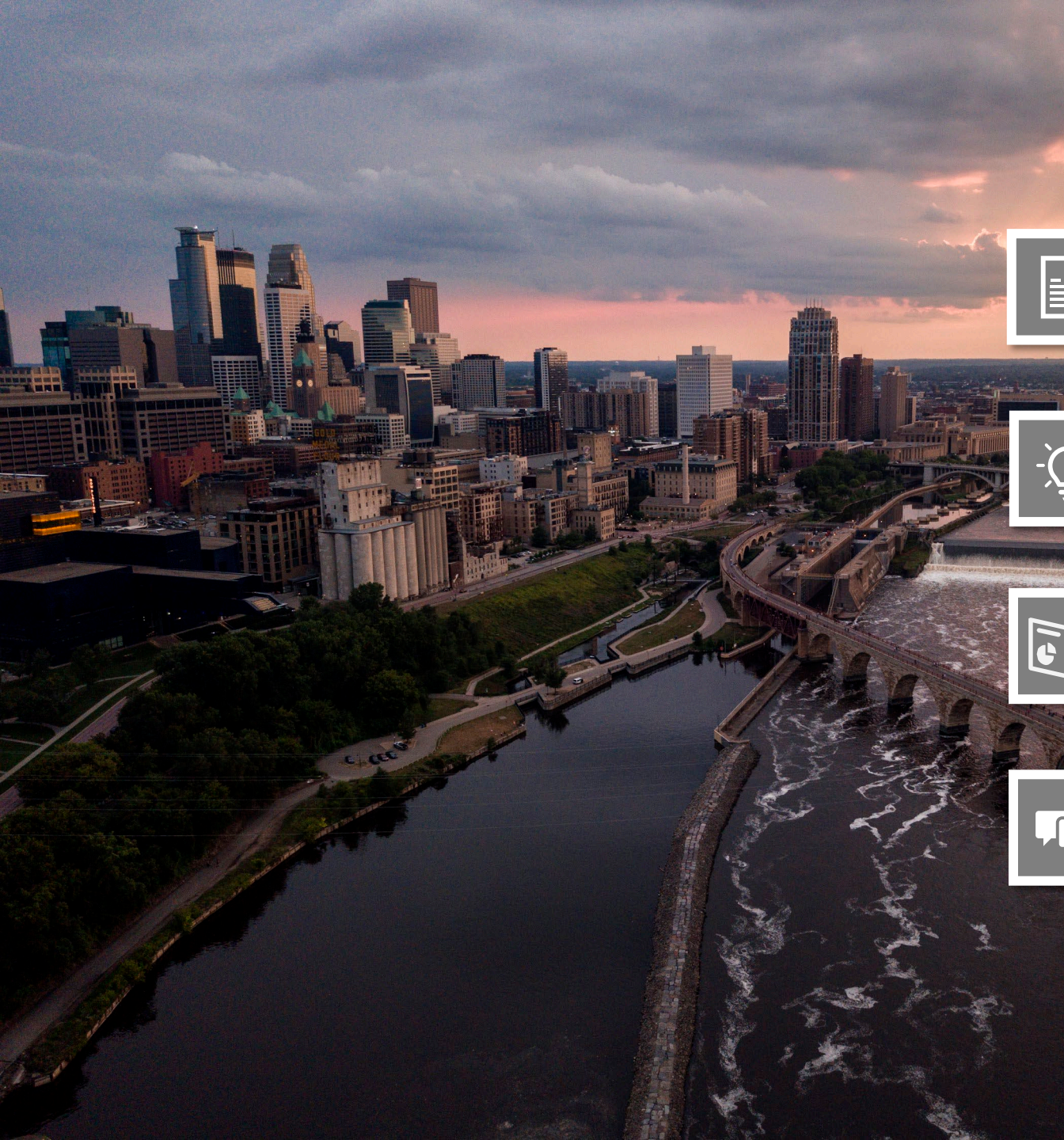


**Lucy O'Keeffe**

Managing Consultant, State  
and Local Government

Strategy and Economics

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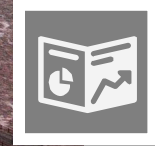
# Agenda



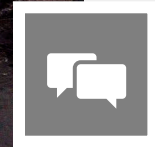
Purpose and Context



Summary of Key Findings



Municipal Revenue Research Overview



Q&A

# This report provides insight into revenue generating opportunities for the City of Minneapolis

## Research Areas



### Revenue Analysis

*What are Minneapolis' current revenue sources and how do they compare to peer cities?*



### Leading Practices Research

*What other revenue generating strategies have peer cities employed?*



### Fiscal Policy Review

*What is the potential impact and feasibility of example alternative revenue generating strategies?*

## Research Sources and Inputs

- ✓ Revenue data sourced from **City of Minneapolis' Open Data Portal**
- ✓ City comparative financial data sourced from the **Lincoln Institute of Land Policy's Fiscally Standardized Cities (FiSC) Database**
- ✓ Revenue strategy research sourced from supplemental desktop research on city budgets

## Summary of Findings

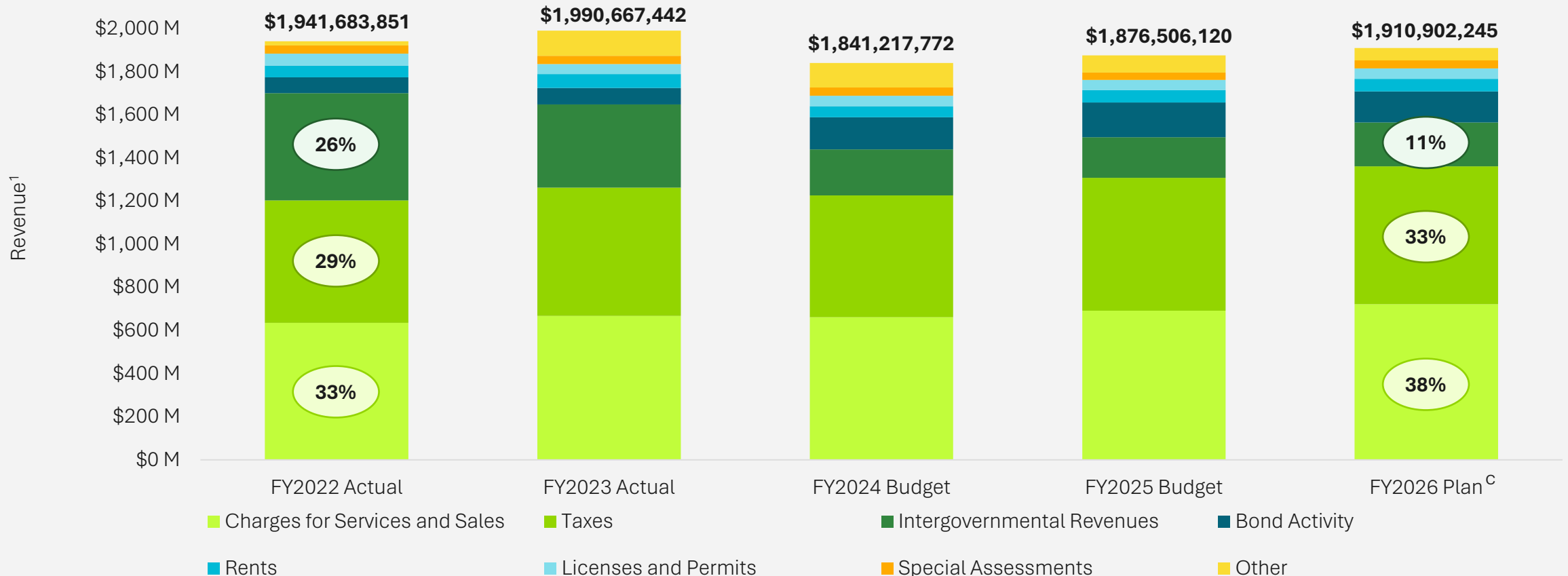
1. Based on a comparative analysis of peer cities, Minneapolis is relatively **more dependent on intergovernmental revenue** as a share of total revenue and **generates less revenue per capita** than most of its selected peers, indicating an opportunity to expand and diversify ‘own source’ revenue.
2. Minneapolis can **increase revenue generation by implementing new strategies and/or adjusting existing sources**. Leading examples of revenue generation strategies identified in peer cities include variations of a real estate transfer tax, individual income tax, excise tax, payment in lieu of taxes, and empty homes tax.
3. Individual income tax, real estate transfer tax, and payments in lieu of taxes demonstrate the **strongest alignment with the City’s stated goals for the new revenue source**, including sustainability, equity, and magnitude of revenue generation.
4. Most new revenue generation strategies will require a **multi-year approval and adoption process, including state authorization**. The City can consider a dual-pronged approach to expanding revenue by simultaneously pursuing longer-term new strategies while assessing opportunities to 1) increase rates or fees of existing revenue sources and/or 2) improve collections of existing revenue sources.



# New sources of revenue can help the City fill federal funding gaps and sustain funding for critical programs

With the recent expiration of federal COVID relief funds, City revenues have become more dependent on service charges and taxes; future federal funding cuts may increase the need to grow ‘own source’ revenues to sustain City programs

**Breakdown of Minneapolis City Revenue by Source, FY2022-26<sup>B</sup>**



**Note:** B. Revenue totals are not adjusted for inflation and exclude independent boards and transfers. C. FY2026 Budget was not finalized at the time of report development and is expected to be completed in mid-December 2025.

**Source:** 1. [2025-26 Mayor's Recommended Financials](#) (standardized revenue data for 2022-2026)



# Nine peer cities with a diversity of revenue generation strategies were selected for inclusion in the revenue analysis

Cities were chosen in consultation with Minneapolis City staff using quantitative and qualitative selection criteria













The resulting peer cohort includes a diverse set of cities with varying population sizes, city budgets, median incomes, and revenue generation strategies

### Peer City Selection Criteria

- 1 Cited in prior City of Minneapolis research;
- 2 Have explored or adopted innovative revenue sources;
- 3 Comparable to Minneapolis in budget or population;
- 4 Cited in other studies on municipal revenue generation; and/or
- 5 Demonstrated alignment with City priorities/goals

### Peer Cities Selected for Revenue Benchmarking Analysis

City	Population (2024) <sup>3</sup>	City Budget (FY2025) <sup>4</sup>	Median Household Income (2024) <sup>5</sup>
 San Francisco, CA	827,526	\$15.9 B	\$136,692
 New York, NY	8,478,072	\$112.4 B	\$74,694
 Denver, CO	729,019	\$4.4 B	\$88,213
 Seattle, WA	780,992	\$8.3 B	\$115,409
 Philadelphia, PA	1,573,916	\$6.4 B	\$56,517
 Portland, OR	636,958	\$8.3 B	\$81,119
 Boston, MA	673,822	\$4.6 B	\$86,331
 Atlanta, GA	520,066	\$2.9 B	\$83,251
 <b>Minneapolis, MN</b>	<b>428,572</b>	<b>\$1.9 B</b>	<b>\$74,473</b>
 Kansas City, MO	516,045	\$2.3 B	\$62,175

Sources: 3. U.S. Census, 2024: ACS 1-Year Summary Estimates, "Demographic and Housing Estimate". 4. City FY2025 budgets (see appendix for links to budget sources) 5. U.S. Census, 2024: ACS 1-Year Summary Estimates, "Median Income in the Past 12 Months"



# Minneapolis' per capita revenue is relatively low compared to peer cities, indicating an opportunity to raise additional revenue

The amount of revenue Minneapolis raises per capita from taxes, charges, and other miscellaneous revenue sources is relatively low compared to peer cities

**Ranking of Peer Cities by Per Capita City Revenues, 2022** (2022 dollars)<sup>D</sup>

City	Per Capita Revenue	Per Capita Tax Revenue	Per Capita Charges Revenue	Misc. Revenue Per Capita
1 San Francisco, CA	\$20,308	\$7,980	\$5,120	\$1,124
2 New York, NY	\$14,190	\$8,197	\$1,590	\$913
3 Denver, CO	\$11,855	\$4,765	\$3,787	\$909
4 Seattle, WA	\$11,020	\$5,167	\$2,498	\$462
5 Philadelphia, PA	\$9,463	\$3,708	\$1,096	\$310
6 Portland, OR	\$8,668	\$4,266	\$1,353	\$260
7 Boston, MA	\$8,470	\$4,763	\$616	\$330
8 Atlanta, GA	\$8,135	\$4,180	\$1,696	\$201
<b>9 Minneapolis, MN</b>	<b>\$7,503</b>	<b>\$2,421</b>	<b>\$2,005</b>	<b>\$247</b>
10 Kansas City, MO	\$6,578	\$3,239	\$1,227	\$714

Revenue per capita is relatively low compared to peer cities

Tax revenue per capita is the lowest among peer cities, most of this revenue is from property taxes

Increasing charges could be further explored

Highest per capita revenue      Lowest per capita revenue

**Note:** D. 'Per Capita Revenue' includes revenues from taxes, charges, miscellaneous revenue sources, and intergovernmental revenue. Intergovernmental revenues are not included in the table as a separate column, as the analysis is focused on revenue sources that are within the City's control.

**Source:** 2. [Lincoln Institute of Land Policy Fiscally Standardized Cities \(FISC\) database](#)



# Minneapolis can adopt generation strategies used by peer cities to grow revenue

A scan of revenue generation strategies adopted by peer cities revealed a selection of methods Minneapolis can consider to increase and diversify its revenue

Revenue Generation Strategy	Description	Peer City Revenue Per Capita <sup>E</sup>	Population or Entities Contributing to Revenue
<b>Real Estate Transfer Tax</b>	Tax imposed on the transfer of property ownership when the legal title or deed to real property moves from one individual or entity to another	\$76 - \$277	Individuals or entities that purchase, sell, or transfer property within the city
<b>Payment in Lieu of Taxes</b>	Voluntary payment made by a nonprofit entity – e.g., universities, hospitals – to compensate for some or all of the property tax revenue lost due to their tax-exempt status	\$94	Tax-exempt institutions
<b>Individual Income Tax</b>	Tax levied on the wages, salaries, investments, or other forms of income earned by an individual or household	\$38 - \$1,634	City residents, non-residents
<b>Empty Homes Tax</b>	Tax imposed on residential or commercial properties that remain unoccupied for a specified period of time – e.g., six months or more	\$52	Property owners
<b>Asset Monetization</b>	Process of leveraging public assets – e.g., land, buildings, infrastructure – to generate revenue through mechanisms such as leases, public-private partnerships, or user fees	\$2	Residents, businesses, City government
<b>Business Tax</b>	Tax levied on a business’s income, payroll, profits, or specific activities – e.g., manufacturing or sale of specified products	\$66 - \$461	Businesses
<b>Special Service District</b>	Charge for providing enhanced services or improvements within a defined geographic area beyond what the city normally provides	\$192	Residents and businesses in the district
<b>Betterment Levy</b>	Charge on property owners who benefit from an increase in property value due to public infrastructure projects or improvements	\$82	Property owners within a specified area
<b>Congestion Pricing</b>	Charge for using specified roads and/or entering defined areas during peak traffic periods	\$57	Drivers
<b>Excise Tax</b>	Tax imposed on specific goods or services – e.g., tobacco, alcohol, fuel – at the time of their purchase. Excise taxes may be paid by businesses or consumers	\$15 - \$64	Consumers or providers of the good or service
<b>Arts Access Tax</b>	Tax imposed on adult residents within a given jurisdiction to support arts education and cultural programs	\$16	Residents
<b>Service Fee</b>	Charge for providing a specific service to individuals or businesses – e.g., vehicle registration, building permitting, park entrance	\$11	Consumers of the service

Five strategies were selected for more in-depth research and analysis (included in Section 4) based on alignment with the City’s revenue generation goals (e.g., sustainability, magnitude of revenue generation)

Other identified strategies are explored at a high level in Section 3, but were not selected for additional analysis

**Note:** E. Revenue per capita represents the range of per capita (in 2024 dollars) generated by peer cities that have instituted the relevant strategy. It provides a high-level estimate of potential revenues by dividing the total generated revenue by the population of the city. Full descriptions of the generation strategies can be found in Section 3: Leading Practices Research.



# Selected strategies were compared to determine relative alignment to the City’s revenue generation goals

Category	Rating Definition		
	Low	Medium	High
<b>Total Revenue Generating Potential</b>	\$0-100 million	\$100-200 million	\$200 million or greater
<b>Equity</b>	Revenue source is applied equally to all residents, businesses, or entities	Revenue source can be moderately tiered based on means	Revenue source can be explicitly structured to focus on high-wealth individuals, businesses, or entities
<b>Sustainability</b>	Revenue source provides inconsistent revenue year over year, subject to many fluctuations	Revenue source provides relatively consistent revenue, with some fluctuations	Revenue source provides predictable revenue year over year
<b>Ease of Administration</b>	City would need to set up entirely new structures to collect revenue	City would need to establish some new methods to collect revenue	Revenue could be collected using existing administrative structures
<b>Public Acceptability</b>	Has faced strong opposition from public and/or special interest groups when implemented or considered in peer cities	Has faced moderate opposition from public and special interest groups when implemented or considered in peer cities	Has not generated significant opposition from public or special interest groups when implemented or considered in peer cities
<b>Ease of Implementation</b>	Significant stakeholder engagement required; definitive state and local legislative action required; likely longer term implementation timeline	Moderate stakeholder engagement required; likely state or local legislative action required; likely medium to long term implementation timeline	Moderate to low stakeholder engagement required; potentially no state or local legislative action required; likely short to medium term implementation timeline

**Increasing alignment with City revenue generation goals**



# Real estate transfer tax, payments in lieu of taxes, and income tax are most aligned with the City’s stated goals for a new revenue generation strategy

Strategies with larger revenue generating potential may face higher barriers to implementation

**Strategy Alignment with City Revenue Generation Goals<sup>F</sup>**

		<b>Total Revenue Generating Potential</b> <i>Estimated revenue</i>	<b>Equity</b> <i>Equity of tax burden distribution</i>	<b>Sustainability</b> <i>Dependability of revenue</i>	<b>Ease of Administration</b> <i>Efficiency, cost-effectiveness</i>	<b>Public Acceptability</b> <i>Public support within peer cities</i>	<b>Ease of Implementation</b> <i>Feasibility, legal authority</i>	
<b>Alignment with City Revenue Generation Goals</b>	<b>Real Estate Transfer Tax</b>	Medium	High	Low	High	Medium	Medium	
	<b>Payment in Lieu of Taxes</b>	Low	Low	Medium	Medium	High	High	
	<b>Individual Income Tax</b>	High	Medium	High	Medium	Low	Low	
	<b>Empty Homes Tax</b>	Low	Medium	Medium	Medium	Low	Medium	
	<b>Asset Monetization</b>	<b>Outdoor Advertising Tax</b>	Not Rated	Low	Low	Medium	Medium	Medium
		<b>Sale or Lease of Public Assets</b>	Not Rated	Low	Low	Low	High	Medium

**Note:** F. See appendix for definitions of categories and rating rationale. ‘Not Rated’ indicates that there was insufficient information available to estimate revenue generating potential.

# Real Estate Transfer Tax

**Description:** Tax imposed on the transfer of property ownership when the legal title or deed to real property moves from one individual or entity to another


**Key Insights:**

- Transfer taxes adopted by peer cities **differ** in terms of tax rates, tax threshold levels, rate structures, tax base, and revenue uses, as each city has unique real estate market dynamics and community priorities.
- **Higher** alignment with City revenue goals as the tax can be progressively structured to focus on higher value properties and administration is straightforward.

<b>Total Revenue Generating Potential</b> <i>Estimated revenue</i>	<b>Equity</b> <i>Equity of tax burden distribution</i>	<b>Sustainability</b> <i>Dependability of revenue</i>	<b>Ease of Administration</b> <i>Efficiency, cost-effectiveness</i>	<b>Public Acceptability</b> <i>Public support within peer cities</i>	<b>Ease of Implementation</b> <i>Feasibility, legal authority</i>
<p style="text-align: center;"><b>Medium</b></p>	<p style="text-align: center;"><b>High</b></p>	<p style="text-align: center;"><b>Low</b></p>	<p style="text-align: center;"><b>High</b></p>	<p style="text-align: center;"><b>Medium</b></p>	<p style="text-align: center;"><b>Medium</b></p>
<p>\$101 million to \$159 million (2023 \$)</p>	<p>Can be designed to focus on properties exceeding a certain threshold with a higher rate.</p>	<p>Fluctuates based on real estate market conditions.</p>	<p>Administering (e.g., collections) relatively straightforward, as the tax would be collected at the point of sale for real estate transactions by the title or settlement agent.</p>	<p>Has faced some public opposition peer cities. The City would need to communicate the value of a real estate transfer tax before it goes to vote.</p>	<p>Minnesota has a state transfer tax, but Minneapolis does not. Would require legislative action at the state level, as well as local voter approval.</p>

# Real Estate Transfer Tax

A real estate transfer tax could help the City diversify its tax revenues; however, revenues would fluctuate with real estate market shifts

<p><b>Justification</b></p>	<p><b>Ease of Implementation</b></p>
<p>A real estate transfer tax would diversify the City’s property tax revenues and could be designed to promote equity via progressive fees and community reinvestments.</p>	<p><b>Medium</b> - Minnesota has a state transfer tax, but Minneapolis does not. This would require legislative action at the state level, as well as local voter approval.</p>
<p><b>Estimated Annual Revenue</b></p>	<p><b>Estimated Implementation Timeframe</b></p>
<p><b>Est. Total Revenue:</b> \$101 million to \$159 million  <b>Est. Per Capita Revenue:</b> \$237 to \$370  <b>Peer City Per Capita Revenue Range:</b> \$80 to \$300</p>	
<p><b>Taxable Population or Entities</b></p>	

- The tax impacts individuals or entities who purchase, sell, or transfer property within the city. The tax may not impact properties under a specified price, depending on the tax rate design.
- Exemptions exist, for example, for spousal/domestic partner transfers, transfers to or from a revocable trust.
- Peer cities do not typically specify which party – the buyer or the seller – is responsible for paying the tax. In these cases, tax payment responsibility is negotiated by the buyer and seller.
- The tax can apply to both residential and commercial properties.

# Real Estate Transfer Tax

A real estate transfer tax could help the City diversify its tax revenues; however, revenues would fluctuate with real estate market shifts

Tax Structure	Tax Administration
<ul style="list-style-type: none"> <li>• <b>Progressive rate:</b> The real estate transfer tax is a tiered rate based on property value.</li> <li>• <b>Flat rate:</b> The real estate transfer tax is a flat rate applied as a percentage of the property value.</li> </ul>	<ul style="list-style-type: none"> <li>• The tax is often collected at the point of sale or transfer on property, typically at real estate closing. It is included in the total closing costs, along with other fees.</li> <li>• The title or settlement agent collects the funds and sends them to the appropriate agency.</li> <li>• The property’s new deed cannot be officially recorded unless the real estate transfer tax is paid.</li> </ul>

## Estimated Revenue Generating Potential

### Est. Revenue

\$101 million to \$159 million (2023 dollars)

### Analysis

Apply tax rates from peer cities – Berkeley and Philadelphia – to Minneapolis' 2023 property sales to estimate revenue generation

### Calculations

	Estimate	Tax Rate	Sales	Tax Rate	Sales
Berkeley Rates:	\$101M	= ( 1.5%	x \$933M )	+ ( 2.5%	x \$3.51B )
Philadelphia Rates:	\$159M	= 3.6%	x \$4.44B		

### Notes

Berkeley applies a 1.5% tax rate on sales and transfers of properties below the city’s one-third most expensive property and a 2.5% tax on the one-third most expensive property and above, whereas Philadelphia has a flat rate. Estimates include high-value commercial real estate sales that occurred in Minneapolis in 2023, which may not be representative of the potential average revenue generation.



# Real Estate Transfer Tax

A real estate transfer tax could help the City diversify its tax revenues; however, revenues would fluctuate with real estate market shifts

## Implementation Consideration

### Community Engagement:

- The City may need to conduct community engagement to demonstrate the value of a real estate transfer tax before it goes to vote.



### Administrative:

- The City administrative burden of implementing a real estate transfer tax may be relatively light, as the tax would be collected at the point of sale for real estate transactions by the title or settlement agent.



### Equity:

- The City can incorporate equity into the design of a transfer tax by applying a progressive tax rate and earmarking revenue for community investment (e.g., affordable housing).

### Pros:

- Real estate transfer taxes are typically easy for voters to understand and often voter-supported. When put to vote, “mansion tax” measures have succeeded 86% of the time.
- The administrative burden for real estate transfer taxes is relatively low, as the infrastructure around property fees is preexisting.

### Cons:

- The language in the legislation must be precise to prevent unintended – and potentially negative – outcomes. Additionally, research indicates that transfer taxes can create market “notches” at tax threshold points, leading to bunching below the threshold and reduced transactions above it.
- Transfer tax revenues are dependent on real estate market performance, making the level of revenue generated volatile. The lack of consistency in revenue generation may create challenges for the City when planning for funding use.

**Transfer taxes can provide revenue for housing initiatives:** Real estate transfer tax revenue has provided a practical and effective revenue source for affordable housing and homelessness alleviation in a selection of peer cities. For example, in Baltimore, Los Angeles, and Santa Fe, transfer tax revenues are used for housing initiatives.



# Payment in Lieu of Taxes (PILOT)

**Description:** Voluntary payment made by a nonprofit entity – e.g., universities, hospitals – to compensate for some or all of the property tax revenue lost due to their tax-exempt status

**Key Insights:**

- The PILOT program adopted by Boston has maintained steady revenue and participation levels across the years it’s been implemented.
- This strategy may be less desirable from an equity standpoint as it focuses revenue generation on non-profit institutions that may already be resource constrained
- **Higher** alignment with City revenue goals in that participation is optional and does not require a change in the law.


<b>Total Revenue Generating Potential</b> <i>Estimated revenue</i>	<b>Equity</b> <i>Equity of tax burden distribution</i>	<b>Sustainability</b> <i>Dependability of revenue</i>	<b>Ease of Administration</b> <i>Efficiency, cost-effectiveness</i>	<b>Public Acceptability</b> <i>Public support within peer cities</i>	<b>Ease of Implementation</b> <i>Feasibility, legal authority</i>
<p style="text-align: center;"><b>Low</b></p>	<p style="text-align: center;"><b>Low</b></p>	<p style="text-align: center;"><b>Medium</b></p>	<p style="text-align: center;"><b>Medium</b></p>	<p style="text-align: center;"><b>High*</b></p>	<p style="text-align: center;"><b>High</b></p>
<p>\$10 – \$19 million (2025 \$)</p>	<p>PILOT requests a fixed percentage of a property tax value that is the same across all participating organizations.</p>	<p>PILOT has had relatively stable participation and revenue across years when implemented in peer cities.</p>	<p>The City may need to set up a new system to operate this program and collect revenue.</p>	<p>PILOT did not generate significant public opposition in peer cities, given that it does not increase the tax burden on city residents and participation is optional.</p>	<p>Some stakeholder engagement required to secure buy-in from impacted tax-exempt entities; however, implementing this strategy would not require a legal or policy change.</p>

\*Public acceptability of the PILOT program is based case studies of where it has been implemented; however, it may not accurately reflect public perception of this program in Minneapolis



# PILOT

A PILOT program would encourage tax-exempt organizations to contribute to City revenues, but would depend on voluntary participation

<p><b>Justification</b></p>	<p><b>Ease of Implementation</b></p>
<p>This strategy would allow Minneapolis to grow revenues by creating a voluntary pathway for tax-exempt organizations to contribute financially to the public services they use.</p>	<p>Program participation is voluntary and would likely not require legal or policy changes to implement.</p>
<p><b>Estimated Annual Revenue</b></p>	<p><b>Estimated Implementation Timeframe</b></p>
<p><b>Est. Total Revenue:</b> \$10 to \$19 million  <b>Est. Per Capita Revenue:</b> \$23 to \$45  <b>Peer City Per Capita Revenue Reference:</b> \$52</p>	
<p><b>Taxable Population or Entities</b></p>	

- Tax-exempt institutions including hospitals, universities, and cultural organizations.

Participation in the PILOT program may be limited in the short-term due to the fiscal pressures currently faced by non-profit organizations.



# PILOT

A PILOT program would encourage tax-exempt organizations to contribute to City revenues, but would depend on voluntary participation

Payment Structure	Tax Administration
<ul style="list-style-type: none"> <li>Percentage (e.g., 25%) of the value the institution would pay in property taxes.</li> </ul>	<ul style="list-style-type: none"> <li>The city sets an annual PILOT contribution amount for each participating tax-exempt institution by determining what the institution would pay in property taxes and applying the appropriate rate. Participating institutions may receive credits based on value of services provided to the city.</li> <li>Payments are submitted to the city and reported on an annual basis.</li> </ul>

## Estimated Revenue Generating Potential

### Est. Revenue

\$10 million to \$19 million *(2025 dollars)*

### Analysis

Multiply total City revenue by the percentage of revenue in other cities that is attributable to PILOT programs

### Calculations

Estimate	FY26 Budget	% of Budget from PILOT in Other Cities
\$10M	= \$1.91 billion	x 0.5%
\$19M	= \$1.91 billion	x 1.0%

### Notes

This estimate assumes that the PILOT Program would generate 0.5 to 1.0% of future City revenue, based on comparable revenue generation from other cities with PILOT programs. Minneapolis' FY2026 Revenue is projected to be \$1.91 billion.



# PILOT

PILOT program would encourage tax-exempt organizations to contribute to City revenues, but would depend on voluntary participation

## Implementation Consideration

### **Community Engagement:**

- A PILOT program would require significant community and relationship building with the tax-exempt institutions in Minneapolis, as any participation would be voluntary.

### **Administration:**

- Minneapolis would need to establish criteria for evaluating service in lieu of payment offsets and determine how the city would evaluate service in lieu of payment from each tax-exempt institutions.
- A task force would need to determine the cost of providing core public services to the tax-exempt institutions to set the percentage contribution suggestion. In Boston, 25% of the city's budget goes to core public services that directly benefit nonprofits (e.g., fire and police, waste), so the PILOT contribution is set to 25%.

### **Equity:**

- This program credits nonprofits for the programs and services they provide.

### **Pros:**

- PILOT creates an avenue for nonprofits to pay for the public services they consume (e.g., police and fire protection, street maintenance, snow removal, etc.).
- PILOT provides an opportunity for the benefits and costs of the property tax exemptions to be distributed more evenly. For example, a university's education and research often benefit an entire state, but the cost of providing public services for the university is borne entirely by city taxpayers.

### **Cons:**

- PILOT could further burden non-profits currently facing funding instability.
- PILOT negotiations may erode relationships between governments and nonprofits if they are not conducted with care.
- PILOTs could lead nonprofits to raise fees or cut services. Nonprofits may need to increase revenues and/or cut spending to cover this cost (e.g., a college may increase tuition, or hospital may increase charges to cover the PILOT contribution).
- Revenue may be limited due to a preference from nonprofits to provide services rather than make cash PILOTs.

### **Local Example: Saint Paul PILOT Proposal**

Saint Paul considered a PILOT program in 2017, with a special committee recommending that Saint Paul initiate discussions with owners of tax-exempt properties to design a PILOT initiative.



# Individual Income Tax

**Description:** Tax levied on the wages, salaries, investments, or other forms of income earned by an individual or household

**Key Insights:**

- An income tax could generate significant revenue for the City but comes with substantial legislative hurdles and likely resident pushback.
- **Moderate** alignment with City revenue goals as the tax can be progressively structured to focus on highest income residents and generates a relatively stable revenue source; however, implementation requires state legislative action.

<b>Total Revenue Generating Potential</b> <i>Estimated revenue</i>	<b>Equity</b> <i>Equity of tax burden distribution</i>	<b>Sustainability</b> <i>Dependability of revenue</i>	<b>Ease of Administration</b> <i>Efficiency, cost-effectiveness</i>	<b>Public Acceptability</b> <i>Public support within peer cities</i>	<b>Ease of Implementation</b> <i>Feasibility, legal authority</i>
<p style="text-align: center;"><b>High</b></p>	<p style="text-align: center;"><b>Medium</b></p>	<p style="text-align: center;"><b>High</b></p>	<p style="text-align: center;"><b>Medium</b></p>	<p style="text-align: center;"><b>Low</b></p>	<p style="text-align: center;"><b>Low</b></p>
<p>\$291 million - \$410 million (2024 \$)</p>	<p>An income tax can be designed to have a tiered or graduated rate structure so that more of the tax burden falls on residents in the highest income bracket.</p>	<p>An income tax can produce a relatively stable revenue source over time and may be less vulnerable to market fluctuations.</p>	<p>The City could leverage Minnesota’s existing income tax collection system to administer a local income tax.</p>	<p>Income taxes often face strong opposition as they increase the overall tax burden on residents.</p>	<p>Significant stakeholder engagement required to communicate the rationale for the tax. Introducing the tax would require local and state legislative actions, which may prolong implementation timeline.</p>

**Note:** E. Revenue per capita represents the range of per capita (in 2024 dollars) generated by peer cities that have instituted the relevant strategy. It provides a high-level estimate of potential revenues by dividing the total generated revenue by the population of the city. Full descriptions of the generation strategies can be found in Section 3: Leading Practices Research.



# Individual Income Tax

An empty homes tax could supplement and expand upon Minneapolis' existing vacant building registration fee

<p><b>Justification</b></p>	<p><b>Ease of Implementation</b></p>
<p>An income tax would help diversify Minneapolis' tax portfolio, increase fiscal autonomy, and offset property tax burden on low- and middle-income households.</p>	<p><b>Low</b> – Introducing an income tax in Minneapolis would require approval from the state legislature.</p>
<p><b>Estimated Annual Revenue</b></p> <p><b>Est. Total Revenue:</b> \$291 million to \$410 million  <b>Est. Per Capita Revenue:</b> \$679 to \$956  <b>Peer City Per Capita Revenue Range:</b> \$1,595 to \$1,65</p>	<p><b>Estimated Implementation Timeframe</b></p>
<p><b>Taxable Population or Entities</b></p> <ul style="list-style-type: none"> <li>Residents, non-residents</li> </ul>	



# Individual Income Tax

A local income tax would help Minneapolis increase and diversify its tax revenue, but would require significant time and effort to implement

Tax Structure	Tax Administration
<ul style="list-style-type: none"> <li>• <b>Flat rate:</b> City applies a uniform, broad based income tax rate.</li> <li>• <b>Graduated (progressive) rate:</b> City applies a graduated rate structure that starts at lower rate and increases by household income bracket.</li> <li>• <b>Marginal tax rate:</b> The City applies a marginal tax rate that increases as income increases. The marginal rate is the rate applied to the last dollar of income earned, not the average tax paid on all income.</li> </ul>	<p>To reduce administrative burden and taxpayer confusion, a local personal income tax could align with existing state tax structures (“piggyback collection” method). To do this, Minneapolis would use Minnesota’s definition of income, exemptions, and deductions (state-adjusted gross income). The City would still set its own rate, but the tax base is set by the state, and the administration (e.g., collection and enforcement) would be housed at the state level as well. The local income tax is calculated as a percentage of the state income tax owed, making the tax code simple/predictable.</p>

## Estimated Revenue Generating Potential

**Est. Revenue**

\$291 million to \$410 million (2024 dollars)

**Analysis**

Multiply tax rate (flat rate of 1% and graduated rate of 1-2%) by household income of relevant households

**Calculations**

	Estimate		Tax Rate		Total Household Income (Tax Base)
Flat Rate (1%):	\$291M	=	1%	x	\$29B
Graduated Rate (1-2%):	\$410M	=	1-2%	x	Less than \$200K: \$13B \$200K or more: \$16B

**Notes**

The estimate for the graduated rate assumes the highest income tax bracket (\$200,000 or greater) pays a 2% income tax rate and all other households pay a 1% income tax rate. To accurately estimate the impact of a graduated tax rate structure, more granular data on individual and household incomes is required.



# Individual Income Tax

A local income tax would help Minneapolis increase and diversify its tax revenue, but would require significant time and effort to implement

## Implementation Consideration

### Community Engagement:

- The process of introducing an income tax would require significant investment in public engagement and transparency. The City would need to articulate why the tax is needed, how the revenue would be used, and who would be affected.
- It may also require building a coalition through partnering with other cities and counties in Minneapolis seeking similar authority, public sector unions, advocacy groups, civic organizations, and state legislators.



### Administrative:

- Minneapolis may consider utilizing the state's income tax system. The state would collect the income tax and remit it to Minneapolis, lowering the administrative burden on the City and compliance costs on taxpayers.
- Administering an income tax also requires ongoing program evaluation and data monitoring to track revenue performance, compliance rates, and economic impact. This information could be utilized by the City to adjust rates or exemptions as needed.



### Equity:

- Minneapolis could increase the progressivity of its tax structure by reducing regressive taxes (e.g., sales tax) once the income tax is implemented.



### Pros:

- An income tax can diversify revenue streams and give Minneapolis more fiscal autonomy.
- Local income taxes can be more progressive than other taxes available to Minneapolis – like sales, tobacco, marijuana, and alcohol taxes, or service and license fees. These other taxes apply to everyone regardless of ability to pay.
- Income taxes are more progressive than property taxes – low- and middle-income households, on average, spend a larger portion of their income on housing costs including property taxes than higher income households.
- The tax base can be expanded to include unearned income, helping lower-income households by shifting the tax based to wealthier residents and taking pressure off the earned income tax.



### Cons:

- Income taxes applied where income is earned may impact remote work dynamics, potentially reducing the number of workers commuting into the city and eroding the tax base.
- There may be some relocation of workers; however, the extent of tax flight is debated.
- Income tax revenue is more sensitive to economic downturns, so it would be important for the City to maintain diverse revenue sources.
- Any income tax levied would add to the tax burden residents already face from federal and state income taxes.

# Empty Homes Tax

**Description:** Tax imposed on residential or commercial properties that remain unoccupied for a specified period of time – e.g., six months or more

**Key Insights:**

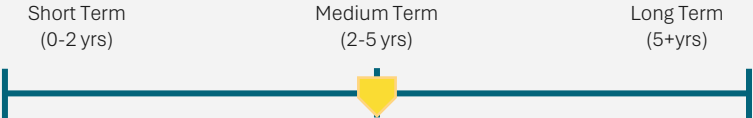
- An empty homes tax is a progressive revenue strategy that the City could use to target higher-income residents; however, defining vacancy, establishing enforcement mechanisms, and managing expectations may prove challenging.
- **Moderate** alignment with City revenue goals, as the tax’s revenue generation is dependent upon the number of established vacancies.

<b>Total Revenue Generating Potential</b> <i>Estimated revenue</i>	<b>Equity</b> <i>Equity of tax burden distribution</i>	<b>Sustainability</b> <i>Dependability of revenue</i>	<b>Ease of Administration</b> <i>Efficiency, cost-effectiveness</i>	<b>Public Acceptability</b> <i>Public support within peer cities</i>	<b>Ease of Implementation</b> <i>Feasibility, legal authority</i>
<p style="text-align: center;"><b>Low</b></p>	<p style="text-align: center;"><b>Medium</b></p>	<p style="text-align: center;"><b>Medium</b></p>	<p style="text-align: center;"><b>Medium</b></p>	<p style="text-align: center;"><b>Low</b></p>	<p style="text-align: center;"><b>Medium</b></p>
<p>\$6-12 million (2024 \$)</p>	<p>An empty home tax or fee is applied equally to vacant properties regardless of property value; however, it may target higher income owners that own a property in the city they do not live in year-round.</p>	<p>An empty homes tax provides a relatively consistent source revenue with fluctuations based on real estate market conditions.</p>	<p>Depending on the level of vacancy data that the City collects on an annual basis, the administration of an empty homes tax may be challenging. If the City could use its existing Vacant Building Registration Program data as a starting point, the administrative burden would likely be lessened.</p>	<p>Empty homes taxes often face less public opposition than real estate transfer taxes as they targets property owners holding unoccupied property. However, this strategy is likely to face strong opposition from real estate special interest groups.</p>	<p>Depending on the level of vacancy data that the City collects, the ease of implementation may be medium to low.</p>

**Note:** E. Revenue per capita represents the range of per capita (in 2024 dollars) generated by peer cities that have instituted the relevant strategy. It provides a high-level estimate of potential revenues by dividing the total generated revenue by the population of the city. Full descriptions of the generation strategies can be found in Section 3: Leading Practices Research.

# Empty Homes Tax

An empty homes tax could supplement and expand upon Minneapolis' existing vacant building registration fee

<p><b>Justification</b></p>	<p><b>Ease of Implementation</b></p>
<p>An empty home tax may require state and voter approval, and revenues would depend on the number of property owners in Minneapolis who leave their properties vacant for more than 182 days.</p>	<p><b>Medium</b> – Depending on the level of vacancy data that the city collects, the ease of implementation may be medium to low.</p>
<p><b>Estimated Annual Revenue</b></p>	<p><b>Estimated Implementation Timeframe</b></p>
<p><b>Est. Total Annual Revenue:</b> \$6 to \$12 million  <b>Est. Per Capita Annual Revenue:</b> \$15 to \$30  <b>Case Study Per Capita Annual Revenue Range:</b> \$12 to \$47 (estimated)</p>	
<p><b>Taxable Population or Entities</b></p>	

- Property owners whose units are vacant for more than 182 days in a calendar year. For example:
  - Second homes not in regular use
  - Inherited properties left empty during probate
  - Accessory dwelling units that sit unoccupied

Minneapolis has a Vacant Building Registration (VBR) Program, which requires owners of vacant properties to register and pay an annual fee (\$7,228.70). VBR is intended to encourage owners to fix up buildings, and fees can be waived with restoration or rehabilitation agreements. *This is distinct from an empty homes tax, which is not focused on blight.*



# Empty Homes Tax

An empty homes tax could supplement and expand upon Minneapolis' existing vacant building registration fee

Tax Structure	Tax Administration
<ul style="list-style-type: none"> <li><b>Flat rate:</b> Annual flat fee per unit, depending on property type.</li> </ul>	<ul style="list-style-type: none"> <li>Using vacancy data to identify vacant residential units, property owners would receive a written notice from the City of the amount they owe under the Empty Homes Tax.</li> <li>Taxpayers would have a certain number of days from the date on their tax billing statement to pay their Empty Homes Tax or submit a claim of exemption / exclusion.</li> </ul>

## Estimated Revenue Generating Potential

### Est. Revenue

\$6 million to \$12 million (2024 dollars)

### Analysis

Apply single-family and other residential tax rates from Berkeley to 5-10% of Minneapolis' 2024 vacant units (21,675 units)

### Calculations

Taxability Assumption	Estimate	Tax Rate	# of Units	Tax Rate	# of Units
5% of vacant units	\$6M	= (\$3,000	x 98 )	+ (\$6,000	x 986 )
10% of vacant units	\$12M	= (\$3,000	x 195 )	+ (\$6,000	x 1,972 )

### Notes

The tax levied on property owners depends on the unit type and the length of time a unit qualifies as vacant. According to US Census Bureau data, Minneapolis had a 4.9% vacancy rate in 2024. The vacancy rate included units not eligible for the empty homes tax. Of that vacancy rate, 77% are apartments, 9% are single family homes, and 15% are other (condo, duplex, townhouse). This estimate assumes all properties are in their first year of vacancy.



# Empty Homes Tax

An empty homes tax could supplement and expand upon Minneapolis' existing vacant building registration fee

## Implementation Consideration

### Community Engagement:

- The City would need to conduct community engagement to demonstrate the value of an empty homes tax and dispel misconceptions to encourage local support.

### Administrative:

- Depending on the level of vacancy data that the City collects on an annual basis, the administration of an empty homes tax may be challenging. If the City can use its existing Vacant Building Registration Program data as a starting point, the administrative burden would likely be lessened.

### Equity:

- The tax burden would be borne by owners of multifamily properties with multiple vacant units and single-family homeowners with multiple properties.

### Pros:

- Cities can generate revenue in a more progressive manner by focusing the tax on property owners who own multiple vacant units or homeowners who spend much of their time in a second home.
- An empty homes tax may incentivize property owners to sell units that have been vacant rather than pay tax, returning housing stock to the market.

### Cons:

- Empty homes taxes may face strong opposition from property rights advocates and real estate interests, making them potentially challenging to implement if local voter authority is required and opposition groups are activated.
- Defining vacancy, establishing enforcement mechanisms, and managing expectations may prove challenging for municipalities.

### **In addition to Berkeley, two other California cities have passed empty homes taxes into law**

**San Francisco** voters passed an empty homes tax, which is expected to generate between \$12.2 to \$61.2 million annually, but the tax has been paused as it goes through the courts system. A trial court ruled the tax unconstitutional and halted enforcement, with the city appealing the decision.

**Oakland** also has a vacant property tax (Measure W), which levies a \$6,000 fee annually on vacant single-family units and lots, with condos, duplexes, and ground-floor commercial spaces taxed at \$3,000. The tax applies to units that are in use fewer than 50 days in a calendar year.



# Asset Monetization (Outdoor Advertising Tax)

**Description:** Process of leveraging public assets – e.g., land, buildings, infrastructure – to generate revenue through mechanisms such as leases, public-private partnerships, or user fees

**Key Insights:**

- Although an outdoor advertising tax requires a relatively straightforward implementation, it would likely have limited annual revenue potential and would require legislative action at the state level, in addition to local voter approval.
- **Low** alignment with City revenue goals as the tax does not generate significant revenue, and targets one population in Minneapolis (business owners).

<b>Total Revenue Generating Potential</b> <i>Estimated revenue</i>	<b>Equity</b> <i>Equity of tax burden distribution</i>	<b>Sustainability</b> <i>Dependability of revenue</i>	<b>Ease of Administration</b> <i>Efficiency, cost-effectiveness</i>	<b>Public Acceptability</b> <i>Public support within peer cities</i>	<b>Ease of Implementation</b> <i>Feasibility, legal authority</i>
<p>Not Rated</p>	<p>Low</p>	<p>Low</p>	<p>Medium</p>	<p>Medium</p>	<p>Medium</p>
<p>Value not estimated</p>	<p>An outdoor advertising tax requires all outdoor advertisers to pay a fixed percentage tax.</p>	<p>An outdoor advertising tax provides a relatively consistent but small source of revenue.</p>	<p>Administering an outdoor advertising tax would be relatively straightforward, as the tax would be collected at the points of sale/lease of advertising space.</p>	<p>While an outdoor advertising tax may not face much opposition from residents, it may face opposition from small businesses.</p>	<p>An outdoor advertising tax would require legislative action at the state level, as well as local approval.</p>

**Note:** E. Revenue per capita represents the range of per capita (in 2024 dollars) generated by peer cities that have instituted the relevant strategy. It provides a high-level estimate of potential revenues by dividing the total generated revenue by the population of the city. Full descriptions of the generation strategies can be found in Section 3: Leading Practices Research.



# Asset Monetization (Outdoor Advertising Tax)

An outdoor advertising tax could generate additional revenue without imposing a tax on residents; however, specific exemptions should be included to reduce adverse impacts on small businesses and non-profit organizations

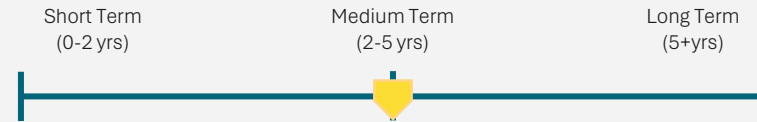
Justification	Ease of Implementation
---------------	------------------------

The City could generate revenue from companies for use of outdoor advertising space, which would have limited impacts on residents.

**Medium** - Establishing an outdoor advertising tax would require state authority and voter approval to implement.

Estimated Annual Revenue	Estimated Implementation Timeframe
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Additional data and information required to estimate impact.



Taxable Population or Entities
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Renters and purchasers of outdoor advertising space.

Tax Structure	Tax Administration
---------------	--------------------

- **Flat rate:** Tax is a fixed percentage of the purchase or rental price of advertising space.

- The tax would be administered by the City and calculated as a percentage of the rental or purchase price of outdoor advertising space.
- The tax would be collected by the vendor selling the advertising space and remitted to the City.



# Asset Monetization (Outdoor Advertising Tax)

An outdoor advertising tax could generate additional revenue without imposing a tax on residents; however, specific exemptions should be included to reduce adverse impacts on small businesses and non-profit organizations

## Implementation Consideration

### **Community Engagement:**

- The City may need to engage the public and impacted stakeholders (e.g., billboard and outdoor media companies) to secure buy-in for a referendum.



### **Administrative:**

- The City would likely administer the tax directly, which may require increasing tax collection and enforcement capacity.

### **Equity:**

- This tax is not specifically equity focused and would impact any outdoor advertiser.
- Small, local businesses using outdoor ads may face higher marketing expenses, potentially limiting their visibility.

### **Pros:**

- The introduction of a tax on outdoor advertising could help discourage excessive signage and advertising in the city.
- Revenue generated can be earmarked for public services, infrastructure, or beautification projects without raising property or income taxes.
- The tax targets commercial activity (advertisers and businesses), not residents.
- The tax percentage can be flexibly adjusted.

### **Cons:**

- Introducing a new local tax requires state legislative and local voter approval.
- Implementing the tax may require new regulations, enforcement mechanisms, and compliance systems.
- There is potential for revenue volatility as revenue depends on advertising demand.
- There is some risk of the city losing advertising business if companies relocate advertisements to jurisdictions without a tax.



# Asset Monetization (Sale or Lease of Public Assets)

**Description:** Process of leveraging public assets – e.g., land, buildings, infrastructure – to generate revenue through mechanisms such as leases, public-private partnerships, or user fees

**Key Insights:**

- The sale or lease of public assets would likely face minimal public opposition, but the strategy is limited by low dependability of revenue and low ease of administration, as it may be time consuming to identify and prepare city assets for lease or sale.
- **Low** alignment with City revenue goals as the tax provides the City with a one-time revenue source with a sale, and revenue from leasing assets is varied.

<b>Total Revenue Generating Potential</b> <i>Estimated revenue</i>	<b>Equity</b> <i>Equity of tax burden distribution</i>	<b>Sustainability</b> <i>Dependability of revenue</i>	<b>Ease of Administration</b> <i>Efficiency, cost-effectiveness</i>	<b>Public Acceptability</b> <i>Public support within peer cities</i>	<b>Ease of Implementation</b> <i>Feasibility, legal authority</i>
Not Rated	Low	Low	Low	High	Medium
Value not estimated	Low – Selling or leasing underutilized public assets for additional revenue does not have any direct equity impacts.	Low – Selling public assets from provides the City with a one-time revenue source. The revenue generated from leasing an asset is dependent on the term of the lease.	Low – Identifying and preparing city assets for sale or lease may require centralizing management of these city assets. This may involve needing to set up a new organization to manage this process.	High – Selling or leasing of public assets often faces relatively low public opposition, as this strategy generates revenue without increasing the tax burden of city residents. However, opposition may vary based on the type of asset being leased or sold.	Medium – There is an already an established policy process for approving a City property for sale or lease; however, it would take time to conduct an asset inventory, identify properties to monetize, and receive approval.

**Note:** E. Revenue per capita represents the range of per capita (in 2024 dollars) generated by peer cities that have instituted the relevant strategy. It provides a high-level estimate of potential revenues by dividing the total generated revenue by the population of the city. Full descriptions of the generation strategies can be found in Section 3: Leading Practices Research.



# Asset Monetization (Sale or Lease of Public Assets)

Minneapolis can consider asset monetization as a strategy to generate revenue from underutilized City assets

<p><b>Justification</b></p>	<p><b>Ease of Implementation</b></p>
<p>The City could monetize and generate revenue from currently underutilized assets while limiting additional tax burden on residents.</p>	<p><b>Medium</b> – Selling or leasing public assets would require approval from City leadership and/or review by the Planning Commission.</p>
<p><b>Estimated Annual Revenue</b></p>	<p><b>Estimated Implementation Timeframe</b></p>
<p>Additional data and information required to estimate impact.</p>	<p>Short Term (0-2 yrs)      Medium Term (2-5 yrs)      Long Term (5+ yrs)</p>
<p><b>Taxable Population or Entities</b></p>	
<p>There is no tax or fee imposed.</p>	
<p><b>Tax Structure</b></p>	<p><b>Tax Administration</b></p>
<ul style="list-style-type: none"> <li>There is no tax or fee imposed.</li> </ul>	<ul style="list-style-type: none"> <li>The City identifies underutilized City assets and generates revenue from their sale or lease to third parties.</li> </ul>



# Asset Monetization (Sale or Lease of Public Assets)

Minneapolis can consider asset monetization as a strategy to generate revenue from underutilized City assets

## Implementation Consideration

### **Community Engagement:**

- The City may need to engage communities surrounding assets that would be sold/leased to a third party.



### **Administrative:**

- The City may need to set up an organization to centralize and manage city assets for purpose of revenue generation.



### **Equity:**

- The City could consider leveraging public land and assets for development of low-income and affordable housing.

### **Pros:**

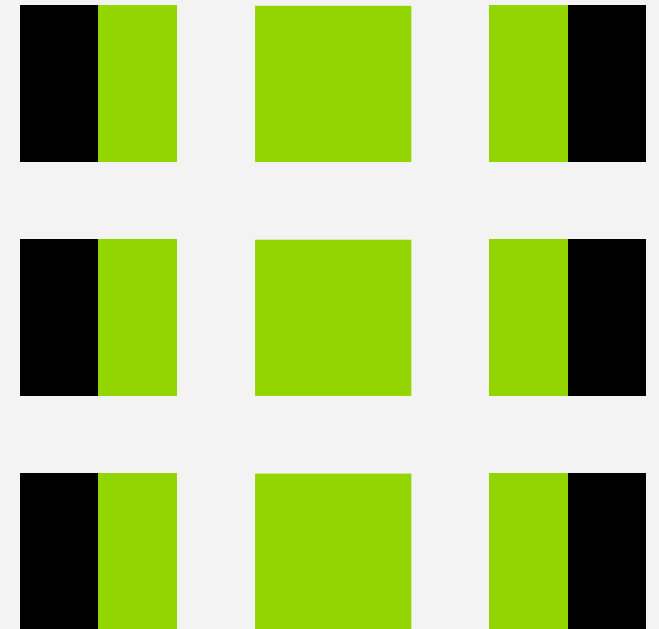
- Selling assets can provide a quick, one-time source of revenue.
- Lending generates sustainable income over time.
- Revenue can be reinvested into priority projects and initiatives.
- In certain circumstances, private operators may manage assets more efficiently, reducing maintenance costs for the City.
- Monetizing underutilized properties can turn dormant properties into productive, revenue-generating spaces.

### **Cons:**

- Selling an asset means loss of public ownership.
- Leasing can limit the City's flexibility for how it can utilize a space.
- Selling public assets to the private sector may face some public opposition due to fears of reduced access to public spaces and prioritization of revenue over public interest.
- Short-term benefits of selling an asset may not outweigh long-term benefits of retaining it.
- Public-private partnerships may require strong governance to avoid unfavorable terms.

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# Thank You





# Q&A