

DEPARTMENT OF CITY CLERK

CITY HALL

OCTOBER 21, 2003

The Committee on Finance meets this day at 7:00 o'clock P.M., in the City Council Chambers, Third Floor, City Hall.

PRESENT: Chairman Kevin Jackson, Vice-Chairwoman Carol Romano, Councilman Peter S. Mancini, Councilman Luis A. Aponte-4.

ABSENT: Councilman Miguel Luna -1.

ALSO PRESENT: John Simmons, Acting Director of Administration, John Gelati, Acting Tax Assessor, Alex Prignano, Finance Director, Fred Stolle, Assistant City Solicitor, Chris Bizzacco, Deputy Chief of Staff, Carol Grant, Chief of Operations, Councilman Terrence Hassett, Councilwoman Josephine DiRuzzo, Claire E. Bestwick, First Deputy City Clerk and Jennifer L. Emidy, Assistant Clerk.

**AN ORDINANCE ESTABLISHING A TAX STABILIZATION PLAN FOR 166 VALLEY STREET LLC ON BEHALF OF THE RISING SUN MILLS PROJECT.**

CHAIRMAN JACKSON: It brings us to tonight's meeting, I know from the City Solicitor's Office Attorney Stolle is here and I believe he is going to go over changes in the Ordinance.

MR. STOLLE: Chairman and other Members of the Council I have for substitution an Ordinance with attached schedules for the record. For the Clerk's Office I also have copies of the substitute version for each of the Council people.

CHAIRMAN JACKSON: While Attorney Stolle is doing that I would entertain a motion to substitute.

On motion of Councilman Aponte, seconded by Councilman Mancini it is voted to substitute the foregoing Ordinances.

CHAIRMAN: All in favor.

Motion carries.

MR. STOLLE: Do you want me to highlight the changes?

CHAIRMAN JACKSON: Yes please, I am sorry.

MR. STOLLE: I think significant minor changes throughout the document just to tighten it up. The significant changes are found in Section 7 where in the amount that the project owner will attempt to reach is 25 percent instead of 20 percent for MBE/WBE, the other section that has significant change is Section 8 where in there will be a first source hiring agreement with a target of a minimum thirty community hires, and there will be a training and apprenticeship program with respect to those hires. That program is to be submitted in writing to the Director of Planning & Development for his or her written approval as a condition preceding to any tax stabilization. I would also bring the Council Committee's attention to Section 9 where there will be an annual contribution for each of the tax stabilization years in the amount of \$16,608.00 dollars to be deposited in a trust fund to be administrated by the Providence Redevelopment Authority to be used for housing specifically in the Olneyville section in the City of Providence. I believe also that I should be bringing Section 14 to your attention which makes it clear that in the event that there is non compliance with any of the provisions of the Ordinance that the project owner will be responsible for the difference between the taxes that would have been paid as opposed to the taxes that were paid under the stabilization. I believe that those highlight substantive changes that I would want to bring to your attention.

CHAIRMAN JACKSON: Thank you. Any questions for the Solicitor's Office in regards to these changes at this point?

COUNCILMAN APONTE: Through the Chair to the Solicitor. Can you explain to me the last paragraph Section 7 beginning with trades.

MR. STOLLE: Well when you are calculating the entire amount of the contract. If everything had two MBE's or two WBE's it would be added to the

total amount of the contract where there is no competition within a trade you would deduct that from the total amount in order to determine compliance.

COUNCILMAN APONTE: Do we have an idea of how much the total dollar value may fall within those conditions.

MR. STOLLE: I wouldn't have any such knowledge. Your questions supposes the knowledge of bill and trades and I just simply don't have. I don't know if there are at least two MBE, for instance Electricians lets just use that for an example. I suspect that there are but I don't know. There may be a break down trade that precludes MBE. The language here is written that the project owner will in fact work with the prime contractor to mix and match bid sizes and work so that the greatest amount of attainability is there.

COUNCILMAN APONTE: My concern is that if there are specific trade areas where there is no competition and we deduct that from the calculation of the total contract there is an opportunity where we can dwindle down the total amount to where it is contract dollars that are available to be awarded to MBE/WBE may be minimized, a large portion of the work requires a specific trade in brick work being that this is an old building.

MR. STOLLE: I think theoretically what you just said is possible. I think that is why we have the language. In essence you are looking for good faith from any project owner. I suppose any contract can be manipulated to come up with a bad result. In terms of this language however you don't want a situation it seems to me the point that you just raised, where it is unattainable and becomes not a goal but a hindrance you want it to work for everyone. Your point is well taken.

COUNCILMAN APONTE: I don't disagree I agree totally. I would offer up some additional language if a substantial amount of those dollars were unattainable that the prime and the sub-contractors would work to achieve a greater level of participation in the areas where there is sufficient competition.

MR. STOLLE: It sounds like a reasonable suggestion.

October 21, 2003

-4-

CHAIRMAN JACKSON: Other questions Councilman?

COUNCILMAN APONTE: Those are my questions for now.

CHAIRMAN JACKSON: Questions from Committee Members or other Council Members?

COUNCILMAN HASSETT: The schedule of taxes...

CHAIRMAN JACKSON: I was going to ask if everyone was done. John Gelati was going to present that. If everyone is done with questions from the Solicitor's Office then I would bring John up. Are we all set at this point? John do you want to come up and make a presentation.

MR. GELATI: I would like to submit to the Committee a revised schedule which is Exhibit B.

CHAIRMAN JACKSON: If we can just pass these out.

MR. GELATI: The only change in this schedule is the term of it. It ends 12/31/2011 and the reason for the change is based on the statute. Any of the methodologies or base number calculations that were originally used have not changed and are the same. It is only the term that the stabilization will cover which has changed.

CHAIRMAN JACKSON: The actual dollar amounts have not changed.

MR. GELATI: Except in overall total, basically yes in the MBE.

CHAIRMAN JACKSON: Questions for Mr. Gelati?

COUNCILMAN APONTE: How many years, what is the term of the stabilization?

MR. GELATI: Nine years.

CHAIRMAN JACKSON: That is based on the Ordinance?

MR. GELATI: Yes.

COUNCILMAN APONTE: How did you second the tangible? How did you arrive at a number for the tangibles?

MR. GELATI: The tangible is based on an estimate which was submitted by the applicants. What equipment they would be buying. I think in this type of a stabilization program it would be subject to the actual as the day comes clear and they would actually file we would use that. What is frozen in the stabilization is the rate rather than the amount. We will continue the assessment.

COUNCILMAN APONTE: This stabilization is it extended to the developers and the owners, or is it extended as well to the tenants?

MR. GELATI: I believe it extends to tenants as well.

MR. STOLLE: I think that issue is being visited now by the Law Department.

COUNCILMAN APONTE: We don't have an infinitive answer from the Law Department.

CHAIRMAN JACKSON: Other questions from Committee Members, Council Members?

COUNCILMAN HASSETT: On the schedule I think I missed the point where said you changed the number of years because of the state statute, what is the state statute?

MR. GELATI: It's just that it sunsets at that date.

COUNCILMAN HASSETT: What was it before?

MR. GELATI: Well it just had the tenth year in there. It is the typical way that stabilizations are considered. It is based on the date not on the number of years.

COUNCILMAN HASSETT: The other thing Mr. Chairman in terms of transferring the benefit of the tax treaty to the tenants. I think it is fairly well known what should be reflected and what they are considering on their revenue side when the produce the numbers for the income numbers what this development will produce in income. That is a factor on how they stabilize the payments am I correct?

MR. GELATI: The tangible which is the only aspect which might be transferable to tenants, there is not a definitive answer on that. Those again would be based on actual assessment listing for the tangible which they would submit. In this particular stabilization the only thing that is frozen is the rate.

COUNCILMAN HASSETT: I guess what my question is if you are aware of the number relative to what the lease payment would be? I know when we do hotels if the cost is assessed at \$56,000.00 dollars for that particular unit because it will produce XYZ in revenue. Do you have any idea on what revenue will be produced by these units therefore will be reflected somehow in the tax treaty.

MR. GELATI: Well as far as the only tangible at this point that has been recorded the listing of office equipment I think it was a photo copier, the majority of that value is based on the appliances for the apartments stoves, refrigerators. That is what basically constitutes that.

COUNCILMAN HASSETT: Basically the revenue produced by the units are not taken into consideration when we come up with the number for the stabilized payment. Is that fair to say?

MR. GELATI: Not on the tangible no.

COUNCILMAN HASSETT: Now they usually have two schedules right?

MR. GELATI: Right.

COUNCILMAN HASSETT: You have one year on the tangible is there another one?

MR. GELATI: That is all I have as an estimate as it has not happened and it is subject to change. The actual tangible assessment is subject to change over the term of the stabilization.

COUNCILMAN HASSETT: I would like to get some of the answers now. This is the tangible schedule for one year.

MR. GELATI: For the first year.

CHAIRMAN JACKSON: For the first year while they are in the construction phase. I think what John is saying is with this type of stabilization it is the rate that is frozen and that this number the assessment will fluctuate based on what is there.

COUNCILMAN HASSETT: I am just saying that normally with the other treaties that we had we have had tangibles that have already been laid out.

COUNCILMAN APONTE: There are mixed residential and commercial units in this development. It is not like a straight hotel deal where you know what it is. There are some litigating factors that should be addressed and whether or not those extend to the commercial use or the residential use.

COUNCILMAN HASSETT: Before we pass this we will have a better understanding of the tangible.

COUNCILMAN APONTE: You should have some clarity on how far it extends.

COUNCILMAN HASSETT: I am just trying to capture numbers to what we are giving up, or what we are trading to the developer. If we know we are getting the 30 percent for the mill tax credit plus what the city is bringing to the table. By this tangible schedule I really don't know a total number of what we are giving in terms of a tax incentive for the development. I feel uneasy not knowing the number that is all.

COUNCILMAN APONTE: That was my point of the question is to have a little more clarity on what the actual benefit is and what the value of the stabilization mean to the developers as far as the City's contribution and willingness to invest in these types of development.

COUNCILMAN HASSETT: Thank you Mr. Chairman.

CHAIRMAN JACKSON: Other questions from Committee Members, Council Members?

COUNCILMAN APONTE: Mr. Chairman given that there are still some outstanding questions in the formula and some suggestions of language changes I would offer that we continue this matter for one week and allow the City Solicitor to bring us back a more definitive as possible within that time and answer how far the tangibles extend and perhaps have some ability to speak to the developer about tweaking the language around MBE/WBE participation. I would move that we continue this matter for one week.

COUNCILMAN MANCINI: Can I say something first. In the spirit of cooperation I don't have a problem with continuing this for one week, however I just hope because this area has been neglected for such a long time and to be perfectly honest I never thought in my life time we would see a project like this come into this area. I just don't want to jeopardize this project in anyway. A week is not too much to ask and I will defer to Councilwoman DiRuzzo.

VICE-CHAIRWOMAN ROMANO: Thank you Mr. Chair. I was going to ask if Councilwoman DiRuzzo will speak.

COUNCILWOMAN DIRUZZO: I have had this conversation with Councilman Aponte and the developers as well. There are just a few questions I think that need to be clarified and I am not so sure that we are going to do any better. One matter that Councilman Aponte talked about is the minority business and women business enterprises. We have had problems getting in contact with those two groups in the past and as much as we want to incorporate them and accommodate we do not want to stall this project anymore. This is the best things that has ever happened to this neighborhood. It is evidence by the people who are here that are truly the neighbors and abutting property owners that are in favor of this project. If not longer than a week than we don't mind but hopefully next week we will be able to take a vote on this for the Committee and move forward with this project. I am looking forward to that.



October 21, 2003

-9-

On motion of Councilman Aponte, seconded by Councilman Mancini it is voted to continue the foregoing Ordinance.

CHAIRMAN: All in favor.

Motion carries.

On motion of Councilman Mancini, seconded by Councilman Aponte it is voted to adjourn the meeting at 7:45 o'clock p.m.



**First Deputy City Clerk**



**Assistant Clerk**