

DEPARTMENT OF CITY CLERK

CITY HALL

AUGUST 2, 1990

The Committee on Finance meets this day at 6:00 o'clock P.M. in Committee Room "A", City Clerk's Department, City Hall.

PRESENT: Chairman Dillon, Councilwoman Fagnoli and Councilman Farmer.

ABSENT: Councilman Glavin and Councilman Rollins.

(Subsequently Councilman Rollins joins the Committee.

Also present are Edward Clifton, City Solicitor, John Simmons, Director of Administration, Steven Woerner, City Internal Auditor, Walter Stone, Attorney Representing Jubilee Inner City, Richard O. Rafanovic, Chief Engineer, Water Supply Board and Jean Brazil, Manager of Accounting of the Water Supply Board, (Rose M. Mendonca, City Clerk and Claire Brooke-Stewart, Assistant Clerk).

AN ORDINANCE MAKING AN APPROPRIATION OF SIXTEEN MILLION THREE HUNDRED TWENTY-SIX THOUSAND, FIVE HUNDRED AND EIGHTY-FIVE DOLLARS (\$16,326,585.00) FOR THE SUPPORT OF THE PROVIDENCE WATER SUPPLY BOARD FOR THE FISCAL YEAR ENDING JUNE 30, 1991.

AN ORDINANCE ESTABLISHING THE CLASSES OF POSITIONS, THE MAXIMUM NUMBER OF EMPLOYEES AND THE NUMBER OF EMPLOYEES IN CERTAIN CLASSES IN THE WATER SUPPLY BOARD AND REPEALING ORDINANCE CHAPTER 1989-29, APPROVED DECEMBER 29, 1989.

AN ORDINANCE ESTABLISHING A COMPENSATION PLAN FOR THE WATER SUPPLY BOARD AND REPEALING CHAPTER 1989-30, APPROVED DECEMBER 29, 1989, AS AMENDED.

CHAIRMAN DILLON: The first matter before us involves the budget for the Water Supply Board for the fiscal year ending 1991. Mr. Rafanovic was the newly appointed Chief Engineer. I believe all the members met Mr. Rafanovic and he's here to make a presentation of where the budget that we have in front of us is and came from etc. and where we're going from here.

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MR. RAFANOVIC: Mr. Chairman and members of the Committee I would like to introduce Ms. Jean Brazil she is the Manager of Accounting of the Water Supply Board. The budget that we have presented to you is essentially a status quo budget from our last years expenditures. It includes additional money to cover the contractual obligations of the bargaining unit and it includes anticipated salary adjustment for non-union personnel. It provides for some of the day to day expenditures that are required. It is our expectations and with your indulgence we are asking to come back to you in September with a budget that will reflect our proposed operations for fiscal year 1990-1991. As you are aware I have been literally hired in March. I have been working very diligently with staff to bring the situation together in anticipation of my coming and based on the knowledge that we had a rapid study and some orders from the PUC to do certain things prior to my coming on board staff, I really was not in a position to develop the budget with all the other departments, this is why we are lagging, if we are lagging one more time as we have last year, I apologize for that but there's not much we can do about it. I have been working very hard with staff to come in with a proposal that will accomplish the things that are needed for fiscal year 1990-1991. I'm not totally finished but I can tell you that we are not anticipating any rate increases at this time. We may be considering to relook at the situation in January and brief you at that time where we stand. This budget I am asking your recommendation and support for approval contains what I'm saying is a status quo situation and it contains the authorization of additional salaries and wages in accordance with the union contract and anticipated salary adjustment for non-union personnel.

CHAIRMAN DILLON: Just for the edification of the members, in the last couple of years we've had a lag, we get the City budget in May and all those wage increases generally

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become effective on July 1 and the Water Supply Board has been coming in generally after that a couple of months but that presents a problem because really the Ordinance should reflect the wages that people are being paid as of July 1 so I suggested that we had to get something moving quickly and at my request Mr. Rafanovic submitted this budget. You're saying in September, there will be changes, if you can get here before September it would be best or we could probably hold this a little bit longer but if you can come within the month of August, it can be passed.

MR. RAFANOVIC: We will do our best, Mr. Chairman, I am anticipating that we will need some administrative review from the Director of Finance and Administration, then I have scheduled a work shop with the Water Supply Board, the regular meeting, August 8. I anticipate that we will get some guidance from the Board which will revolve in some adjustments of our budget and I have asked the Board to consider to have another meeting some time in the 3rd week of August so that whatever input we get from the Water Supply Board we can crank into our budget and adjust the numbers and bring them back to them for approval. Pursuant to that we would be then submitting it in forms of Ordinance and documentations acceptable to the City which would then appear back before you. We will try to push it as quickly as we can, I cannot guarantee when the Water Supply Board, as a body, would be able and willing to refer this, if the 3rd week of August.

CHAIRMAN DILLON: How about if we say then we'll target the 2nd meeting in September. The City Council meets on the first and third Thursday, we don't meet again now in August until the first Thursday in September and I think I hear you saying that you probably couldn't because then you would have to go to this Water Supply Board the 3rd week in August and get here. We have to have this our meeting before the Friday before the first Thursday in September and that probably can't be done, why don't we shoot for the 2nd meeting.

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MR. RAFANOVIC: I would hope that the total final approval by the City Council could be obtained by the last meeting in September.

MR. SIMMONS: It takes two passages for the Ordinance and the normal process is it's given to the Council and the Council doesn't act upon it and refers it to the Committee on Finance and then the Finance Committee does a hearing or a meeting such as this and then it has two separate passages of it, if you refer in September, the second meeting, you're probably talking about at the earliest that it would come out is October.

MR. RAFANOVIC: If we can at all bring it to City Council for consideration at their first meeting in September I will try.

CHAIRMAN DILLON: As a practical matter for future years, again my concern in having something in place by July 1st is that the wages reflect properly in the Ordinances, I would be a little more flexible, I think, in terms of getting the budget in because the time that the members have between May and June 30 is all taken obviously because of the budget.

MR. RAFANOVIC: Mr. Chairman let me pledge on the assumption that I'm still working here, next year we will be in standing with the normal City Budgets calendar, we will work the same schedule.

CHAIRMAN DILLON: It may make more sense to have your budget come in in February or March as well, if I understand what you're saying, you're kind of on a calendar year for the PUC?

MR. RAFANOVIC: No. I am saying that we have fallen behind schedule. I cannot account for last years, we have fallen behind schedule on account of my being hired in March and by March the rest of the City has all its budget already reviewed.

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MR. SIMMONS: Last year it was the PUC filing, the report didn't come out until October or November of last year which was submitted subsequent to that after that time period of December.

MR. RAFANOVIC: I would plan to start our budget process at the same time concurrently with the City Budget calendar so that we have an approved budget, that's the intent.

CHAIRMAN DILLON: I'm saying, for example, this year we were pretty well stretched out in terms of the number of meetings we had, if you could have it in before or even after for some, there's only so many days, it seems like a lot of time 60 days.

MR. RAFANOVIC: We will make the effort to fit your calendar to aim for a budget approval before the end of June.

CHAIRMAN DILLON: Is it more to your satisfaction to do it before then?

MR. RAFANOVIC: Before when?

CHAIRMAN DILLON: Does it make more sense to do the other parts, aside from the salaries, etc. in March or April. I just took that because I thought you were saying something about some of the work that you do has to be done on a calendar basis.

MR. SIMMONS: A similar problem is that one of the major items in their budget is the taxes. You pay taxes, as I understand ----- in June so you may be adopting the budget with less than the tax which is a 2 million dollar number in your budget. The ideal situation is if you could run parallel with the Water Supply Board and the City Budget, you have a couple of problems with that and one is the contractual obligations of the City associated with the bargaining unit contract for the City is up next July. We'll be into negotiations with that contract we may or may not have an agreement ----- budget submitted and they run the same process, adopt the budget with the old wage increases and negotiated contract and then pass it. There are other items

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that e needs to solidify the fact that there's a variety of other items in his budget, he wants, if that, I think, to run close to your July simply because he is also pretty well driven by taxes by some other commodity items which he needs to be close to his fiscal year than we will, again, remember it will be 14 months before the end of the fiscal year that he has to have your approval so that time period projections ---- -, even when I say parallel would be the ideal.

MR. RAFANOVIC: Even under the best circumstances, I anticipate that whatever we do we would be having to have adjustments in September or October regardless.

CHAIRMAN DILLON: That could be done.

MR. SIMMONS: To give you any comfort, the labor contract which contains I'd say other than a financial dividend, 75%, 80% is the positions that contract is ratified by the Council, so you would get a chance before you can adjust the positions to approve that contract. It's a matter of somewhat formality if you look at it in that perspective.

At this time Councilman Rollins joins the Committee.

COUNCILMAN FARMER: Why are there asterisks all down the side?

CHAIRMAN DILLON: The asterisks indicate, as I understand it, those individuals who don't receive their increase until October 1st.

MR. SIMMONS: There is a three month postponement, same as the City.

COUNCILMAN FARMER: Where are the pay rates are they as suggested, to be suggested or prior to adjustment?

MR. SIMMONS: As adjustment. The person makes \$30,000 for the entire year instead of reducing is by one quarter, instead of reducing by one and a quarter the asterisk is saying on a note it's 3 months without the increment to show, so when someone looks at the Ordinance next year they will not be short some dollars, you won't have to come up with the explanation, this isn't it.

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COUNCILMAN FARMER: There's no note on this one.

COUNCILWOMAN FARGNOLI: The ones that were advertised in the newspaper, they're not part of this?

MR. RAFANOVIC: They're not part of this yet, they will come in the adjustment when I bring to you.

MR. SIMMONS: The positions are funded.

MR. RAFANOVIC: In this there is no change in positions.

MR. SIMMONS: Right, but I think you are advertising four positions which are already contained in the budget but they have not been funded.

MR. CLIFTON: Directing your attention to the Compensation Ordinance of the Water Supply Board, I believe it might be prudent to make an amendment in Committee that will contain the same language that is contained in the Compensation Ordinance for other municipal employees, I believe there was a section in there that explained the asterisk positions.

CHAIRMAN DILLON: That's my feeling at this point because we looked through the compensation, we looked at the salary lines and so forth and they will come back with the whole package which I think is a wise thing to do at this point.

On motion of Councilman Farmer, seconded by Councilwoman Fargnoli, it is voted to continue the foregoing Ordinances.

CHAIRMAN DILLON: Thank you and we'll see you within a month or so.

AN ORDINANCE IN AMENDMENT OF CHAPTER 1989-13, AS APPROVED JUNE 22, 1989, ENTITLED: "AN ORDINANCE ESTABLISHING A COMPENSATION PLAN FOR THE CITY OF PROVIDENCE AND REPEALING ORDINANCE CHAPTER 1988-23, APPROVED JULY 1, 1988".

CHAIRMAN DILLON: Item number 4 is reflecting the Compensation Plan for the Firefighters Contract for fiscal year 1989, approved July 1, 1988.

CLERK: These are the amendments for the 1989 Ordinance.

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COUNCILMAN FARMER: This says that we're amending approved June 22, 1989, and then it says it shall take effect July 1, 1990 and then up above that, after July 1, 1990, why are we amending an Ordinance covering the period ending June 30, 1989.

MR. DUFFY: Just for the allocation, the arbitration, because the fact that it has precedent on the state law, the arbitration holds ----- the contract necessarily doesn't have to be ratified in a case where it can be adjusted.

CLERK: It's for one day.

COUNCILMAN FARMER: Let's still say it's effective July 1, 1990, salaries of the parathetical is active July 1, 1990 but the heading represents an amendment of an Ordinance that should only cover a period ending June 30, 1990, so how can we amend an Ordinance that covered a year that ended and then say it takes effect after that.

CLERK: There was something Alex said about one day.

MR. WOERNER: It proposed a 2% raise that they were given, it was to take place June 30 and expired July 1st.

MR. SIMMONS: Mr. Chairman, why don't you continue it until the next meeting and I will have the necessary information. You have an arbitration award that covers the 89-90 fiscal year for which you must then change your Ordinance to reflect those pays. You have then a two year contract which you ratified recently which again changes, so Alex's point might be the June 30, 1990 you're changing the salaries to that level, I don't know if this contains that amount of the contract year beginning July 1, 1990 so I will provide you at your next meeting.

On motion of Councilman Farmer, seconded by Councilwoman Fargnoli, it is voted to continue the foregoing Ordinance.

CHAIRMAN DILLON: What we have in the budget now doesn't have that contract because the budget came in with the old raise.



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REQUEST FOR LEAVE OF ABSENCE OF JOHN IGLIOZZI, AN EMPLOYEE OF THE LAW DEPARTMENT FOR ONE MONTH AND TWO WEEKS, BEGINNING JULY 2, 1990 AND ENDING AUGUST 12, 1990, TO STUDY FOR THE BAR EXAMINATION.

CHAIRMAN DILLON: Leave of Absence for John Igliazzi.

MR. CLIFTON: This was submitted prior to the end of June.

COUNCILWOMAN FARGNOLI: Why are we doing this now?

CLERK: We received this June 28th.

CHAIRMAN DILLON: We did do a lot of these.

CLERK: We haven't met since then.

On motion of Councilman Farmer, seconded by Councilwoman Fargnoli, it is voted to approve the Leave of Absence for John Igliazzi.

REQUEST OF LEAVE OF ABSENCE OF ARMAND PASTINE, AN EMPLOYEE OF THE MAYOR'S OFFICE FOR FIVE MONTHS AND ONE DAY, BEGINNING JULY 30, 1990 AND ENDING JANUARY 1, 1991, TO PURSUE EDUCATIONAL AND PROFESSIONAL OPPORTUNITIES.

CHAIRMAN DILLON: The next one is Armand Pastine an employee of the Mayor's Office.

On motion of Councilman Farmer, seconded by Councilwoman Fargnoli it is voted to approve the Leave of Absence for Armand Pastine.

RESOLUTION AUTHORIZING THE HIRING OF OUTSIDE LEGAL COUNSEL IN THE CASE OF HILLSIDE ASSOCIATES, L.P. VS. LOUIS R. STRAVATO.

CHAIRMAN DILLON: This has, I believe, it came up quite some time ago and we never acted on it before. I received a copy of a judgment which says the case was dismissed. Then Councilman Stravato, I believe the act that they sued him for was appealing the decision of the Building Inspector to allow this to go forward.

Councilman Stravato says that this was in the line of his council work and I think the fact that the judgement indicates that the courts saw no merit in the case for one thing and it leaves open the possibility that a council person acting on behalf of his constituents can be put to a situation where a frivolous law suit is initiated against him or her and

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causes that person to incur legal expenses even though the case has merit are of question and so what it really does is, it allows, as developed in this case, to intimidate a city council person and again, I have written to Councilman Stravato and this is not an open and shut situation but I indicated what happens if the case was won and all that but since the case has been lost, it's my feeling that as long as the legal bills are in reasonable order the city should pay them but we don't have any bills.

COUNCILWOMAN FARGNOLI: Do we know what we're talking about? How much?

CHAIRMAN DILLON: If it's a reasonable amount we'll pay it.

COUNCILWOMAN FARGNOLI: Then we have to continue this?

CHAIRMAN DILLON: I think we have to continue the Resolution.

COUNCILMAN ROLLINS: I would think that if we authorized him to get them we would be responsible to pay.

CHAIRMAN DILLON: We never passed this though. I thought this was going to be going on for years, I thought this would be a lengthy process.

COUNCILWOMAN FARGNOLI: Say you told them, if it was determined that he was acting in his capacity as a Council person for his constituents, why couldn't our Solicitor's Office defend the action?

CHAIRMAN DILLON: We're going to continue it anyway. It got very lengthy and involved.

On motion of Councilwoman Fargnoli, seconded by Councilman Rollins, it is voted to continue the foregoing Resolution.

Councilman Farmer is recorded as "not voting".

RESOLUTION EXEMPTING THE REAL AND PERSONAL PROPERTY OF THE JUBILEE INNER CITY DEVELOPMENT INCORPORATION.

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RESOLUTION AUTHORIZING THE CITY COLLECTOR TO CAUSE TAXES TO BE ABATED ON LOT 559, PLAT 52, IN THE TOTAL AMOUNT OF EIGHTY-TWO THOUSAND, ONE HUNDRED SEVENTY-SEVEN DOLLARS, FORTY-THREE CENTS (\$82,177.43) AS REQUESTED BY THE JUBILEE INNER CITY DEVELOPMENT INCORPORATION.

CHAIRMAN DILLON: We have Walter Stone here to represent Jubilee.

MR. CLIFTON: It's a four year Resolution requesting the exemption of real and personal property of Jubilee Inner City Development Incorporation. The Jubilee Inner City Development Incorporation is a non-profit Rhode Island Incorporation which is a charitable incorporation which has a bill that has been submitted and approved by the General Assembly authorizing its tax exempt status of all the real and personal property that it possess. When the matter was last before the Committee, some months ago, there was question as to the actual percentage ownership of Jubilee and the ownership of a for profit partner in the real property. After that point in time the Committee asked myself to investigate the percentage of ownership and I've had a number of meetings in regard to that. There was a package that somehow got misplaced which was prepared by Planning and Development Department which was prepared at the request of Council President Easton which was delivered, in my last recollection, however we cannot put our hands on it right now, but I recall reviewing that and the determination at the present time the only partners in Jubilee Inner City Development was the non-profit and the for profit, Elegant Foods Attorney Walter Stone is here, he represents the non-profit.

MR. STONE: By way of just reflecting, what seems to be the concern of the Council, this started back in 1986, it is a concerned community based organization that didn't have enough money in terms of financing and building the public. They wanted some businessmen involved and for some reason, businessmen that showed to be involved later became known as the Dean Street, what was so interesting, the non-profit had 60%, Dean Street had 20% and Elegant Foods at 20%, at the

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inception the Dean Street Apartments agreed that at any time they were so requested they would transfer that interest for non-profit for \$20.00. It seemed awfully generous to me, never look a gift horse in the mouth. Dean Street seemed to be having a number of problems, not only problems in the City of Providence but some other places, lo and behold, as a consequence to their problems certain liens were placed on the property primarily because ----- at that time they agreed to transfer, they were no longer involved, it's 80% non-profit and 20% profit by Elegant Foods. All the documents reflecting this we had to file with the appropriate division Secretary of State's Office and the Recorder of Deeds Office and that was all part of this package that reflects.

COUNCILMAN FARMER: Jubilee Inner City Development Incorporation owned some ---- and the owners of Jubilee Inner City Development Incorporation are 80% non-profit and 20%.

MR. STONE: That's in the 645 partnership.

COUNCILMAN FARMER: What's happening in the real estate?

MR. STONE: They haven't finished it yet.

COUNCILMAN FARMER: What will it be used for when it is developed?

MR. STONE: They talked about this other type of restaurant sort of like ---- magazine, incubator business, a lot of community based organizations through the year and Elegant Foods has a catering service, there are a number of small slots available. It's my understanding that it's an advantage to the City once it's all completed, the for profit and it would be 90% and 10% for profit and non-profit having the smallest interest and so it will generate revenue.

COUNCILMAN FARMER: Why should we exempt the real property on an organization that the only function they tend, operate only partially non-profit, they tend to operate partially non-profit and partially for profit, it's sort of a narrow kind of thing where the property would be exempt from taxation.

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MR. STONE: Two reasons. Number one is to allow, you're taking money out of one pocket and putting it into the other. They were giving them city grants and loans to have the process started, they gave them \$300,000.00 and you want to take \$82,000.00 back in taxes, it seemed kind of stupid, so that was the reason they went to the legislature to have it changed to begin with.

MR. CLIFTON: I believe the only person that we would exempt from taxes would be the non-profit person under the present situation, 80% non-exempt.

COUNCILWOMAN FARGNOLI: What percentage of the building is completed at this point?

MR. STONE: About 7%.

COUNCILWOMAN FARGNOLI: When do they expect the first occupancy in?

MR. STONE: Hopefully some time this fall. The real advantage to this is once it's completed, I think it will be a turn around where the majority would be for profit and taxed that way it would just be the 80, 20 for profit and 20 non profit or 90, 10 so we're not talking about years.

COUNCILMAN FARMER: So the Resolution has to be some kind of another wording, in a way that automatically adjusts their taxes to the extent of the non-profit percentage.

MR. STONE: That's why they have the presumed information here, the court is on us and the tax office to show all those documents have been presented.

COUNCILMAN FARMER: Then the fact liability has to change, it's a weird exemption because what we're being asked to give is some sort of a floating exemption that just goes up and down depending on what percentage of the ownership shifts.

CHAIRMAN DILLON: Did you not say that this piece of property is held under the title of 645.

MR. STONE: Which is a partnership, 80% Jubilee Inner City Development and 20% Elegant Foods. The reason they had to change the name because we have Jubilee Inner City

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Development Incorporation and then Jubilee Inner City Partnership and it caused some confusion so we switched it to 645 Partnership.

COUNCILMAN FARMER: Should we be, assuming that this makes sense, should we be giving a property exemption to Jubilee Inner City Development Incorporation or to 645.

MR. STONE: It should be to Jubilee Inner City Development Incorporation that owns interest in 645 Partnership which would be 80%.

COUNCILMAN FARMER: Does Jubilee have federal tax exempt status?

MR. STONE: Yes.

COUNCILMAN FARMER: We better keep track of that.

COUNCILWOMAN FARGNOLI: Would this have to be reviewed, rather the taxes have to be reviewed every time a new tenant takes over part of it?

COUNCILMAN FARMER: I don't know how the statute reads, somewhere in there ---- automatically but we can't every time some one stakes an interest in Jubilee.

COUNCILWOMAN FARGNOLI: Well that's the way it's going to be.

COUNCILMAN FARMER: The sense is to go ahead and try to do something, we've given them grants and every thing.

MR. CLIFTON: You may consider a solution to the problem and that is I would assume every time Jubilee were to convey something away it would be by Ordinance.

COUNCILMAN FARMER: We would have to amend the certificate at the Secretary of State's Office.

MR. CLIFTON: Is it going to be a limited partnership or general partnership?

COUNCILWOMAN FARGNOLI: There's too may "ifs".

MR. STONE: I happen to think that we can grant it today, the whole matter is going to be resolved in less than a year. I would think that once it's completed, Jubilee will have a grip as to whether it's going to be 80% or 90% for

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profit and 10% or 20% non-profit.

COUNCILMAN FARMER: Will then Jubilee make money on that transaction, get paid for their partnership interest?

MR. STONE: They may get a management fund.

COUNCILMAN FARMER: I don't know that it's the right way to do it. I don't know that if we have effectively gone and given Jubilee an exemption for the extent if it's going to be another entity. That we've done anything with the real property taxes and city taxes, 645 is going to get taxed and if it's not exempt or whatever, it's going to show up on the tax role and the fact that we said a partner or a share holder or something like interest that is exempt isn't going to effect Ted Littler at all, that's why I asked the question. He just has an owner that says 645 non-tax exempt, if we don't tax the income from the partnership that Jubilee would receive or the value of their equity in the partnership to them, their partner is liable for probably general taxes like any other partnership. So that's why I said I think you have to function, maybe when the interest goes down to 10%. The question is up till now what's been happening?

MR. STONE: Up till now you have three years of construction where nothing's been going on and you have a tax bill, \$80,000.00 that hasn't reduced a dime, that's the problem.

COUNCILWOMAN FARGNOLI: Why has it been such a delay?

MR. STONE: Plans, money, everything.

CHAIRMAN DILLON: You have reasons to need to have this done.

COUNCILMAN FARMER: They have to get the property sold.

MR. STONE: Yes. What they're trying to do is to have a closing with the Elegant Foods by a large vicinity and the bank won't do it until this tax bill is straightened out, once they borrow large vicinity as a for profit it generates money for the city.

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COUNCILMAN FARMER: I think we ought to ask the Assessor, Ann or Ted to look at this and then come to a meeting and talk to us about it. We're not going to accomplish anything, the problem I think you have is you have a for profit partnership, 645, that owns a real estate and that's the only exemption that's going to make any sense in terms of other taxes. Now if Jubilee owned the real estate before maybe whatever the records that Mr. Littler shows, if it's a question of going back to the prior years and granting Jubilee some sort of exemption, and then you want to release the tax on Jubilee, you want to cancel the assessment, you want to do something historically, taxes of Jubilee depending on up to the time they owned it, then that's going to leave a sub period between the time it got convey 645. When did that happen, 1990 or 1989?

MR. STONE: 1989.

COUNCILMAN FARMER: 12/31/89 tax bill entry with the property is liable to all 1990 taxes. I don't know how we can grant an exemption to the tax bill entity.

CHAIRMAN DILLON: 645 owns it as of 12/31/89?

COUNCILMAN FARMER: Yes. We can take care of Jubilee's back taxes which were a lien against the property because they were included in the time that Jubilee owned the property, so 645 are the ones subject to the tax bill, maybe that's created most of the problem. We have to get the tax bills on the property and have somebody come up from Assessors.

CHAIRMAN DILLON: I have tax bills. I have a Resolution here abating taxes for 1987, 1988 and 1989 for Jubilee Inner City and then I have another Resolution exempting from taxation the real and personal property of Jubilee. Are you comfortable with abating the old taxes of Jubilee? We asked the General Assembly to make them exempt from taxation.

CLERK: In May of 1989.

CHAIRMAN DILLON: Do you feel comfortable abating the old taxes and then let's deal with the 1990?



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COUNCILMAN FARMER: I don't know, I guess we've really made that decision. I have a problem with it, I'm not so sure there's any real purpose. Frankly the building's been constructed for profit purposes in the end. We funded the construction essentially to non-profit entities, who's going to flip it, we're exempting it from taxes while it was being constructed, it's a non-profit entity get's paid for its interest and subsidize the profit they made on the construction. I don't know if we should be doing that. On the other hand, the state we're in now, you're not going to get the back taxes. Jubilee get's paid when it's flipped.

MR. STONE: All they're going to do is pay the city back and Fleet Bank, they're not going to make any money.

COUNCILMAN FARMER: They borrowed.

MR. STONE: Believe me, they won't be making any money, right now the problem is that this thing is at such a sensitive point, this \$82,000.00 makes all the difference, at the stamp end, nobodies making money.

COUNCILMAN ROLLINS: You said we funded this?

COUNCILMAN FARMER: City loans and grants.

MR. STONE: City loans, economic development, Fleet Bank about a million dollars.

COUNCILWOMAN FARGNOLI: And you had that three years and nothing's happened?

MR. STONE: Well they never got all the money at once, you have \$200,000.00 now, some thing happened, and wait 6 months write up a proposal to the City, it takes a while.

MR. CLIFTON: Business is substantial the redevelopment of the building.

CHAIRMAN DILLON: It's a tough building, it's the former Elks hall. We never did collect any taxes from this particular piece of property but it's a big building and it's kind of a white elephant in the sense that there's not going to be a lot of people lining up and down Elmwood Avenue to purchase this piece of property, I don't believe without the

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kind of help that Jubilee got.

MR. STONE: That's why we are trying to hold Elegant's people to try and redispense of this.

CHAIRMAN DILLON: It sounds to me like the taxes aren't really very collectable anyway.

COUNCILMAN FARMER: With their lien. I guess what I would like, I would like to know that after the liens are satisfied, the profit on the sale goes to the City. I have a real problem with people making money off the taxpayers.

MR. STONE: I'm saying if this works it will be a taxable situation, whereas you haven't got any taxes.

COUNCILMAN FARMER: I understand you benefit, but we're also financing part of the reduction, so we've made a contribution.

MR. STONE: As a loan, that will be repaid back.

COUNCILMAN FARMER: The City gets that back that's fine. Is there another city grant?

MR. STONE: Not that I know of.

CHAIRMAN DILLON: There might be some MOCD funds in here. That wouldn't be any different though than Brown University, I'm sure they sell property that's tax abated, or they're usually on the buying side for these transactions.

COUNCILMAN FARMER: This isn't going to be for tax exempt purposes, it's going to end up being a for profit building which will be taxed and the City will get revenue from something we didn't get revenue from, non educational real estate isn't a taxable entity all the education throughout this it's all used, if you flip that into a private operation they pay tax. Let's can the one that has to do with exemption. When is the closing?

MR. STONE: After we get this resolved.

COUNCILMAN FARMER: Maybe we can move approval and then in the meantime let's do some stuff because we can amend it on the floor. My concern is that they not make a profit on this at that point to repay the amount of abated taxes. I would be

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happy to relieve to abate but somehow they have to work out with the bank and subordinate to the other end, but as against Jubilee or something or other.

CHAIRMAN DILLON: We certainly will meet between now and next time. Do you want to move approval now.

CLERK: For both of these?

COUNCILMAN FARMER: No. Just the one that abates the back years. 8 to be continued and 9 is abating 1986 or 1987, 1989. We can approve this. It can be on the agenda again if we meet again. Otherwise do it on the floor and then I want to have Ted Littler and Ann Sheridan before us about how we can add something to this to allow their deal to go through on a subordinated basis, we get proceeds ahead of the owner, something like that. Let's have it on the Agenda for the next meeting and then let's approve it. Can we do that Rose?

CLERK: Number 8 we're postponing indefinitely.

CHAIRMAN DILLON: If you postpone it indefinitely we can't take it back.

COUNCILMAN FARMER: We'll just continue it.

On motion of Councilman Farmer, seconded by Councilwoman Fagnoli, it is voted to Continue the foregoing Resolution exempting the Jubilee Inner City Development Incorporation from Taxation.

CHAIRMAN DILLON: Item 9, Councilman Farmer is suggesting that we move passage of it now.

COUNCILMAN FARMER: It will be on the docket so they know that it's going to be acted on at the next Council meeting so it won't hold up the closing beyond that Council meeting.

COUNCILWOMAN FARGNOLI: I will second it hoping that in the meantime you will get the opinion of the Assessor and that if can be made in such a way that we can carry it through with that stipulation. Will it work?

COUNCILMAN FARMER: We'll have to do it on the floor but yes.

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On motion of Councilman Farmer, seconded by Councilwoman Fagnoli it is voted to approve the forgoing Resolution abating \$82,177.43 from taxation.

COUNCILMAN FARMER: Now what I want to do is I want to get Ann Sheridan involved and Ted Littler and say this is what we're doing but what we want to do is to either amend it or figure out a way before the proceeds of any sale go to the owner.

MR. STONE: What do you mean when you say to the owners?

COUNCILMAN FARMER: If it's going to be sold at the closing that all liens can get paid off ahead of the, bank, to the City. Whoever has a claim on the property as a lender but before there's a profit on the sale it goes to the owners to the partnership, you're selling the partnership, whatever the transaction, it has to go to the City, because they're not going to make any money on it it's going to pay off debts, I'm saying that's fine.

MR. STONE: So you're not abating the taxes are you, you're just deferring them?

COUNCILMAN FARMER: No we're not deferring them, we're abating them subject to the fact that if there's no profit they're abating.

CHAIRMAN DILLON: But the individuals can't do that can they? Assuming Jubilee as a non-profit incorporation.

COUNCILMAN FARMER: No but the real estate makes money.

MR. STONE: Consistent with the activities that it will be doing in the building -----.

COUNCILMAN FARMER: You said it's not going to be a profit.

MR. STONE: But assuming that there were, I don't think there would be, but assuming that there were some profit, you're taking away the opportunity to operate.

COUNCILMAN FARMER: We basically are being asked to abate taxes during the construction of a for profit, I don't see that we should do that.

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MR. STONE: But it was never a for profit except for a small percentage.

COUNCILMAN FARMER: But it's about to become one.

MR. STONE: Once it becomes one then it will be on the tax roll.

COUNCILMAN FARMER: Right, and during the construction period it --- to becoming a for profit.

MR. STONE: The majority was non-profit.

COUNCILMAN FARMER: Yes but then there's a sale for profit and it's a majority that was non-profit and then makes a profit on the sale, I'm saying that I don't think the City's abatement of the taxes makes sense.

MR. STONE: All of it was to generate business and that's what we're hoping is going to occur once it's constructed and completed.

COUNCILMAN FARMER: If your abatement, because somebody was a tax exempt entity, I don't think that puts it during construction, you put the entity, the real estate, in a non-profit, you borrow money and rehab it and then flip it and you have to pay taxes while you're building it, I don't think that's the way the it works.

MR. STONE: Unfortunately in the middle of the process the bank got involved and wanted these other people, otherwise it would have been 100% non-profit.

COUNCILMAN FARMER: And then you flip for the purposes, a building used for this purpose, you're going to pay taxes as an obligation to the government.

MR. STONE: Yes and they will be paying taxes.

COUNCILMAN FARMER: And you have construction costs cheaper and so forth and so on because --- were throwing \$82,000.00 in your pocket and I guess we're willing to do it because otherwise nothing's going to happen to the property that's not going to be any good so we're willing to do it but I don't think anybody ought to make money off it, and how we do that, maybe we end up with an agreement with Jubilee or we

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don't, --- but that's what I would like to ask and have Ann Sheridan answer and then we won't hold it up, if we don't amend it and we don't know what we can do we'll have that agreement before the meeting.

CHAIRMAN DILLON: Why don't you just send them a copy of these minutes.

COUNCILMAN FARMER: Why don't you ask her to call me.

(Subsequently, the Clerk has Ann Sheridan call Councilman Farmer).

RESOLUTION AUTHORIZING THE CITY COLLECTOR TO CAUSE TAXES TO BE ABATED ON THAT PROPERTY UNDER THE S.W.A.P. PROGRAM, LOCATED ALONG 1398-1400 BROAD STREET, IN THE AMOUNT OF SIX THOUSAND, TWENTY DOLLARS, EIGHTY-THREE CENTS (\$6,020.83) IN ACCORDANCE WITH THE APPLICATION FILED BY SHARON CORNU.

CHAIRMAN DILLON: Are there any pictures?

CLERK: I can get pictures prior to it going out to the Council.

CHAIRMAN DILLON: Other than this every thing is in order. We have a letter from our distinguished City Collector, saying "I'm requesting that the taxes be abated".

Councilman Rollins, this being along Broad Street you would probably want to make that motion.

COUNCILMAN ROLLINS: I know exactly where it is.

On motion of Councilman Rollins, seconded by Councilwoman Fagnoli, it is voted to approve the foregoing Resolution and transmit same to the City Council with recommendation of Adoption.

RESOLUTION AUTHORIZING THE CITY COLLECTOR TO CAUSE TAXES TO BE ABATED ON THAT PROPERTY UNDER THE S.W.A.P. PROGRAM LOCATED ALONG 45-47 BRATTLE STREET, IN THE AMOUNT OF TWO THOUSAND EIGHT HUNDRED SEVENTY-ONE DOLLARS, SIXTY-NINE CENTS (\$2,871.69) IN ACCORDANCE WITH THE APPLICATION FILED BY DAVID PEREZ.

CHAIRMAN DILLON: There's a letter from our City Collector indicating that everything is in order.

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On motion of Councilwoman Fagnoli, seconded by Councilman Rollins it is voted to approve the foregoing Resolution and transmit same to the City Council with recommendation of Adoption.

REQUEST FOR A LEAVE OF ABSENCE OF THOMAS J. ROSSI, EMPLOYED BY THE DEPARTMENT OF PLANNING AND DEVELOPMENT, FOR POLITICAL REASONS.

On motion of Councilwoman Fagnoli, seconded by Councilman Rollins it is voted to approve the foregoing Leave of Absence from October 1, to November 7, 1990.

ADJOURNMENT: On motion of Councilwoman Fagnoli, seconded by Councilman Rollins, it is voted to adjourn at 7:20 o'clock P.M.

*Rose M. Mendonca*

CLERK

*Clare E. Brooker-Stewart*  
Assistant Clerk

Copied. *CBW*.