

DEPARTMENT OF CITY CLERK

CITY HALL

MAY 20, 1986

The Committee on Finance meets this day at 4:00 o'clock P.M. in Committee Room "A", City Hall.

PRESENT: Chairwoman Brassil, Councilwoman Fagnoli, and Councilman Farmer. Subsequently, Councilmen Dillon and Glavin join the Committee.

Also present are Mayor's Chief of Staff Pallozzi, Director of Administration Simmons, City Internal Auditor Woerner and Finance Director Baron. (Rose M. Mendonca, Clerk).

William Goddard, Chairman of the Port Commission, is present in accordance with his request to meet with the Committee.

Mr. Goddard, who submits a monthly report of the Port, states that if you look at the year-to-date, you see (roughly) a \$575,000 improvement in revenue this year so far over last year. That will continue into the fiscal year. This involves a significant item under a number of different columns, "Petroleum Products" is \$125,000 right there. Steel has been a major item. There has been some increase in automobiles, and a significant increase in Rents. Scrap is showing \$50,000.

One of the increases in Rents is Ace Warehouse. The new numbers for Ace represent a 70% increase on an annual basis.

He states that the message is they have asked for resources in the past against promises of delivery of additional revenues to the City. They are delivering the revenues and will continue to deliver them. He can see places where they are going to get additional revenues in the next fiscal year that more than adequately cover the very modest budget operating request they have made.

They have continued not to be able to make hay with the cranes, but the new Executive Director, Noel Painchaud, specifically asked they not finalize any disposition of the cranes if they were contemplating it, until he has had a chance to get in and try selling them. He thinks they can be an advantageous part of their total sales package, and they may yet be able to make them work.

What is being presented now is the result of activities virtually totally without crane revenues, so that other operations have covered the crane rental. What they are expecting for the year is for the first time in memory that they will show revenues net over expenditures and debt service. That is the first time he can ever remember that happening.

Chairwoman Brassil inquires as to the reason for the increase in some of the Scrap and Auto, etc. Mr. Goddard wishes to point out that these are basic commodities in basic industries, and they do reflect the economy to a certain degree. What is hard to judge is the certain fact that this has been a very unsettled year in

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marine trades, and there are many in the business who will tell one that this has been a tough year in marine trades. He thinks the significant amount of the increase has to be attributed to Henry Fazzano's leadership in a number of different areas.

For example, in closing the leases, the former Director was never comfortable with this and was never able to do it. It took that kind of management on the spot to get the job done.

They also benefitted from Mr. Fazzano's sparing use of funds. He did not find the need to spend it just because it was there. He significantly underspent. In addition to that, he has looked into every corner for revenues and in some he has found revenues. He has used good business practices and driven as hard as he can in a very cost-effective way in producing the numbers.

Mr. Goddard states that with professional management and the City/State marketing apparatus in place which they are recruiting for right now, they can expect to continue to have expectations of a good fiscal operation at the Port. He assures the Committee he will let them know if he sees storm clouds, and does not think there is anyone who can adequately judge the effect of the change in the value of the dollar versus our European trading partners' currencies and the Japanese currency. There are a lot of unknowns as they go forward, but it looks like their forecast is a year of good strong business ahead.

Discussion ensues relative to the new Executive Director's plans for the cranes during which Mr. Goddard states it will be up to the new Director to initialize a plan which will be approved around the table. Chairwoman Brassil is in favor of trying to work with them, as long as they are in place. She has spoken to some of the people who work down there who do not wish to see them sold, that they might have a use.

Mr. Goddard states that he is meeting with Mr. Fazzano and Larry Correira this week to discuss this very subject. He agrees that as long as the City has them, they should consider working with them.

Mr. Goddard states there is a logical plan that would generate significant use. Basically, what they have is a resource and now with a growing cooperative effort with the State, they have additional land resources, which together they can market much more effectively than the single Port of Providence. It is his hope they can eventually get access to state capital for what is obviously a capital intensive business. He thinks they have an opportunity to have a fiscally sound operation for whomever the taxpayers are that are footing the bill and provide good sound job base.

Councilman Farmer inquires as to whether there is a plan now for the City/State merging the ports, to which Mr. Goddard states that right now, they have agreed to do a joint marketing effort. This is not a study. They did a study, and that came out in January, a year ago. In response to that study, they stated they thought the study was right and decided to fund a joint study, market the facilities together and look like they were working together instead of separately or against each other. Using professional management and marketing and dedicated to this operation, they sought to see what the response was. They had a logical test period of 12-18 months (only funded for 12), and as they approached the end of that time, the Mayor's Office and the Finance Committee, as well as State representatives, looked at it, and do any mid-course correcting or determining what future there is.

Mr. Goddard states he will not pre-judge himself how they should proceed if they should have a very successful operation, but he looks at other ports throughout the country and feels that it is absolutely clear that those ports under state management and have access to state capital are the most successful ports. That means most successful in terms of dollars produced and support of the tax-based dollars over the dock and good moves and support of the business to the community, and the job base to the community. Most recognized internationally and utilized as ports of call. There is just no comparison to those ports that can call on state capital dollars and those who cannot.

From Mr. Goddard's point of view, that is the key, but he does not know how to get there.

In response to an inquiry by Chairwoman Brassil relative to funding by the State for one year, Mr. Goddard states that the City has put in \$100,000 and the State has put in \$100,000. They actually had it last year, but because of the pace of recruiting and not going the way they wanted it to, and because of the fact they wanted to have the Director have a significant input into the hiring of the marketing person, they could not do them in parallel. He did not feel it was good to do them in parallel. Seventy thousand dollars has been carried forward to the upcoming year. They also took down some of the money in the current budget, so that the impact appears to be a reduction, but they managed to reserve enough funds to do the job.

Chairwoman Brassil thanks Mr. Goddard for coming in on such short notice, and he is excused.

RELATIVE TO THE BUDGET FOR FISCAL YEAR 1986-1987.

John Simmons, Director of Administration, reviews the budget with the members.

He states it is 4.2% higher than previous years without a tax increase.

He explains the orientation of the budget when they went through department by

department. There are no salary increases, other than the percentage agreed upon under the union negotiations, grievances and personnel in the Department of Inspection and Standards to bring the inspectors up to par with the Office of Planning and Development.

They reviewed each and every position and reduced staff by 20 vacant positions. Twenty were taken out last year. They reviewed the positions and defunded them, when vacant, if they were not necessary.

Every police and fire position has been funded. The schools in the police and fire departments are funded.

Funds have been provided for equipment for the Fire Department and 25 new vehicles and five vans. Ninety new vehicles will have been provided in a two-year period.

The fleet for the Police Department is diminishing from the past. Many were cannibalized. They are now growing a rolling fleet and they are staying within the division and given to the people who put on the most mileage.

In response to a newspaper article, which stated an old police car was chasing a new Porche, none of the cars are old. They will subsequently move 6 to 7 of the cruisers from the patrol unit to the detective area. The one that puts the most working mileage.

Discussion ensues relative to vehicles being taken home by some officers to which Mr. Simmons informs he does not at this time know how many are being driven home, but they are looking into it and reviewing them one by one.

In some instances he states it is necessary for the cars to be taken home, and in other instances, it is not. They are asking for justification if a vehicle is taken home.

It is brought out that those who take a vehicle home must file an IRS report and that is the strongest reason why they don't want to take them home. It is a fringe benefit for which they pay a tax.

Questioned by Councilwoman Fagnoli as to how many department heads have City cars, Mr. Simmons responds he does not know.

Chairwoman Brassil suggests that he look into it later on in the year. They should have an account from the Fleet Manager.

Mr. Simmons states in most instances they have not increased the numbers, but decreased the numbers. A director, a division person, or a deputy, who have had it as part of their compensation, if it has historically been given to them as a condition of their employment, they have to continue until that person leaves.

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They have put radios in Park Department vehicles so persons can be contacted. They are re-allocating some of the money to go out to the Parks. There is now scheduled maintenance of the Parks and it is his understanding they have been looking pretty good.

The Council members agree.

Mr. Simmons continues by stating temporary employees have been directed into maintenance in the Park Department.

The Department of Public Works' vacant lot and abandoned cars has been funded with reasonable amounts of money.

There will be a general trash pickup in the future. The recreational summer programs are funded this year, swimming pools will be open within a given time period.

Traffic programs, Atwells Avenue and Benefit Street will be taken care of with respect to the lights.

Mr. Simmons is of the opinion the budget is reasonably sound and provides services on an increase, without a tax increase.

Mr. Woerner submits his summary of departmental expenditure of the budget, which the members review.

Councilmen Dillon and Glavin join the Committee at this time.

The members of the Committee review the budget book at this time with respect to each department.

Certain questions are asked by the members to which Mr. Simmons responds.

Chairwoman Brassil states Mr. Woerner communicated with all department heads to determine whether they wanted to appear before the Committee regarding their budget. No department director has requested to.

Chairwoman Brassil and the members of the Committee have no problem with the budget as submitted and inform Mr. Simmons the Ordinances will be voted upon following the public hearing scheduled to be held Wednesday, May 28, 1986 at 4:30 o'clock P.M.

RELATIVE TO RESOLUTION REQUESTING APPROVAL BY THE CITY COUNCIL OF AN AGREEMENT BETWEEN JOSEPH R. PAOLINO, JR., MAYOR OF THE CITY OF PROVIDENCE AND CLAREMONT DEVELOPMENT ASSOCIATES, INC. REGARDING CLAREMONT'S ACQUISITION OF THE FORMER OUTLET BUILDING AND RELATING TO THE ASSESSMENT AND COLLECTION OF TAXES, AND A LOAN THEREOF, ALL IN ACCORDANCE WITH THE ATTACHED AGREEMENT, DATED MARCH 7, 1986.

Mayor Joseph R. Paolino, Jr. and Thomas Moses are present to speak on the foregoing Resolution.

Mayor Paolino wishes to point out that this is not a downtown project, but a neighborhood project. He states that they are turning that 5.8 million dollars into close to (if not more than) seventeen million dollars. Rhode Island Housing and

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Mortgage Finance Corporation is committed to the City, in that once they buy, they can do whatever they wish with that money. They have committed themselves to putting it into the neighborhoods of Providence to break down interest rates. In addition to their ten million dollars commitment for housing mortgages, there will also be six million dollars for rehabilitation.

While the 5.8 million dollars for the Outlet Building is being paid to the City from Fleet Bank, they will bring down interest rates. Mortgage interest could possibly be as low as 5% to buy property in Providence.

The monies RIHMFC will be putting into the neighborhoods can be thought of as a grant. The \$25,000,000 asset now, instead of being paid over a 30-year period, and instead of getting 6% interest, will be paid over a period of 10 years and the interest rate has increased. Plus, there is a linkage of \$47,000 being paid (1%), and it is the first time "linkage" has ever been used in the City of Providence. Whatever other cities have used "linkage" have never used it for housing, but instead for commercial use.

Mayor Paolino states the City is charting a new course by having apartment living in downtown to replace some of the office space glut of some of the older buildings. Since an alternative use is necessary, he is of the opinion that housing is part of the answer.

Mayor Paolino states that additionally, an old treasure (the Outlet Building) is being saved.

In terms of the ramifications for housing in Providence, Mayor Paolino states that 500 houses in the City could be involved with new mortgaging.

Mayor Paolino's idea relative to "packaging" is that once vacant lots are sold by the Redevelopment Agency, after condemnation, the RIHMFC financing could be offered as well, so that the buyers can build a new home on the land.

Mayor Paolino would like to see the RIHMFC monies targeted for certain areas of neighborhoods, because he is of the opinion that not every area is in need. Certain areas in the West End, Smith Hill, for example, could really use some assistance, and he describes a possible method that could be utilized to increase housing stock dramatically. He sees the six million dollar rehab monies can now replace the Community Development cuts. He states the neighborhood non-profits can now be used to recruit the applicants interested in housing.

Mayor Paolino states that the millions of dollars that will be funneled into the neighborhoods in mortgages will be paid for by the Downtown Project.

Councilman Dillon has one comment in terms of RIHMFC. He is of the opinion they should have a continuing commitment to the City of Providence, but they have left Providence out, to a large extent, in their troubled past. He feels they

should be more than willing to come forward with special programs for the City of Providence, even aside from this project. He is of the opinion they should be willing to come into the City of Providence with a substantial commitment both for mortgages and for rehabilitation loans.

Mayor Paolino states he had given up his lobbying efforts and describes a conversation he had with Governor DiPrete, in which the Governor requested Providence work with the State for one year, and if those efforts do not fall into place, the Mayor can come back to discuss it with the Governor. He said the Governor kept his word, and Providence is getting their program. Providence merely needs to do the recruitment of people involved, and get them approved for a mortgage from RIHMFC.

Councilman Glavin is concerned with how much this is going to affect the neighborhoods, having felt initially that this money was once again going to a downtown development, a successful developer, and this was being construed by some as a subsidy for wealthy developers. He wasn't so concerned with that as he was with what was going to happen with the after effects of the distribution of the funds in the neighborhoods.

The Mayor assured him, and he has no reason to doubt him, that there was going to be a very real attempt at outreach to get people to take advantage of this. The implementation of the rehabilitation program in Smith Hill certainly was severely needed, and it was one of the first neighborhoods to have access to it.

He continues that when they did try their outreach, the application rate was not as high as he had hoped it would be, but it was certainly a success.

Councilwoman Brassil inquires of the Mayor as to whether RIHMFC has to approve the City's plans.

Mr. Moses states a special sub-committee will be set up, representatives of the City will serve on this, and these funds will be directed by that sub-committee. RIHMFC will give final approval, and one of the things that will be asked in the process is that there be a separate Providence sub-committee to look at these funds. Mr. Moses continues that this is a Providence program and the input and direction, at least on the planning and the outage, will be done by the City to make sure the neighborhoods will benefit.

Councilman Glavin inquires as to whether this is like a steering committee, to which Mr. Moses responds that is exactly what it is. For example, he states, after 4 or 5 years this program in an area of the City may no longer need this, and should the target be moved to another area where it is more appropriate, it may take place. So, he states, they are looking at this as long-term, but also a dynamic process, depending upon how successful they are in involved areas.

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Mayor Paolino states that the Providence people are going to have mortgages at 5%, when people in every other City are going to be paying 10%.

In response to some questioning by Councilwoman Fagnoli relative to taxes, Mayor Paolino states that over a period of ten years, the City is going to receive (as of today) 1.6 million dollars from the Outlet in taxes. In the agreement with the developers, they will be paying 3.3 million dollars, and to the Mayor, this seems more a tax increase, because the City will be receiving more in taxes.

Discussion ensues relative to a temporary tax deferral, in which it is explained that these taxes will accrue, and there is not any amount abated on this project.

The Mayor explains that there are stipulations in this project in which if they are making money, they pay the City off, or the City owns part of the deal. Plus, what is good about this project is, that if they turn the building into condos, which might be decided in the future, "all bets are off." The City would then get paid back their money, and the tax deal is over, full value.

Councilwoman Fagnoli wishes to know where would a neighborhood like hers, where they do not have "blight" but they do have some individual people who might require some kind of rehab aid, to which Mr. Moses responds that the Mayor made that very clear with RIHMFC that the 6 million dollars for rehab loans is City-wide.

Mayor Paolino states that was done in response to Councilwoman Fagnoli's neighborhood, because Mount Pleasant, as well as the East Side, does not have vacant lots in comparison to other neighborhoods in the City. However, there are many elderly people on fixed incomes who can use the rehab funds.

Councilman Dillon inquires as to whether they are going to continue to give this every year, to which the Mayor responds affirmatively, and Councilman Dillon is very pleased about this.

Mr. Moses states that RIHMFC has never done bonding for rehab, but many other State housing agencies have done it over the years, and hundreds of millions of dollars of rehab loans for other states have been done through their bonding. One of the advantages is you get a longer term than a bank would normally do.

Right now, they are trying to determine how many dollars they are going to have available for writedowns. The priority is writedowns on home ownership right now for many reasons. Funds should be primarily available for new construction, in order to re-populate an area. Everything has to be owner-occupied.

If funds are available, the writedowns will also have to occur in target areas.

Councilman Dillon inquires as to whether committing the 5.8 million for write-down is dependent upon the Fleet Bank receipts, to which Mr. Moses responds that



is the value of the note. The over-all value of the repayments is in excess of 13 million dollars, so that much money will be used for writedowns in that amount.

This is the way the Providence program gets financed. Essentially, the repayments from this UDAG gives them the reason to call this a Providence program, that this is a Providence UDAG, and they are going to identify that. The repayment schedule discussed earlier involves the first few years of Fleet is a little less than \$500,000 (substantially less), but the average over the life of the note is about \$500,000 the first three years or less. RIHMFC said to them that since they know the payments are going to be coming in on that, they are going to advance based upon the note.

The Mayor repeats that the Outlet project is going to be paying for the rehabilitation of the neighborhoods. He discusses an example (the Biltmore) where the UDAG did not benefit the neighborhood, and there is a difference between that UDAG and this.

Councilwoman Fagnoli inquires as to what would happen if Claremont does not make it, whether that means that the City has either a letter of credit and the garage, or the garage, to which Mayor Paolino responds affirmatively, that that is the City's collateral, plus \$47,000 as a linkage fee.

The Administration is in the middle now of drafting some linkage legislation, and it will be a very conservative step toward the partnership of Downtown helping the neighborhoods, and this represents the first step in doing that.

There is also going to be \$200,000 spent on improvements around the Outlet Building (gas lanterns, brick sidewalks, etc.). Councilwoman Brassil expresses concern relative to the City being responsible for the upkeep of such gas lanterns and brick sidewalks, stating that this would involve expensive maintenance and the Mayor is in agreement and suggests it be put into the agreement that the City will not be responsible for the maintenance.

The Mayor assures the Committee that no money changes hands until the closing date. Nothing will happen ahead of time. Mr. Moses and the Mayor have both spoken to institutional lenders and conventional lenders and they do not see any problems with them getting financed. Mr. Moses states that he has spoken with the developers, who have said they would be very comfortable with a "subject to" statement in the agreement speaking to an escrow account, should the Council wish such a stipulation. (This was brought up at the Public Hearing). The escrow account is for the benefit of the City, and that did not come out clearly in the memorandum.

Councilwoman Brassil wishes to refer to the memorandum. Internal Auditor Woerner states that the Committee wants that same clause back now, Sub (2), to which Mr. Moses is agreeable.

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On motion of Councilman Dillon, seconded by Councilwoman Fagnoli, it is voted to approve the Resolution, and to transmit same to the City Council with recommendation of adoption, subject to obtaining of financing by the developers, Claremont Development Associates, Inc. prior to the City entering into the agreement.

Councilman Farmer wishes to be recorded as "Not Voting."

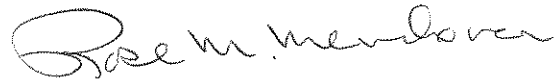
REQUESTS FROM VARIOUS ASSOCIATIONS REQUESTING FUNDING.

The members of the Committee review the several requests from neighborhood associations and corporations requesting funding from the City budget due to the 30% federal budget cuts.

It is the consensus of the members these requests be held until the Community Development budget is received, and they be reviewed at that time.

The Clerk is directed to correspond with the various agencies relative to their requests.

ADJOURNMENT: On motion of Councilman Farmer, seconded by Councilman Glavin and Councilwoman Fagnoli, the Committee adjourns at 6:35 o'clock P.M.

  
CLERK

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