

DEPARTMENT OF CITY CLERK

CITY HALL

MAY 12, 1986

**CITY OF PROVIDENCE
RHODE ISLAND
PUBLIC HEARING
BEFORE THE COMMITTEE ON FINANCE**

NOTICE is hereby given that a PUBLIC HEARING is scheduled to be held MONDAY, MAY 12, 1986 at 7:00 P.M. (E.D.T.) in the Chamber of the City Council, City Hall, Providence, Rhode Island. The meeting will be concerned with the following Resolution presented to the City Council which is on file in the Department of City Clerk, City Hall and is available for inspection.

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.

All persons interested in the above are respectfully requested to be present at that time and place to be heard thereon.

**BY ORDER OF THE COMMITTEE ON FINANCE
Councilwoman Carolyn F. Brassil, Chairwoman
Councilman David G. Dillon, Vice-Chairman
Councilwoman Evelyn V. Fagnoli
Councilman Thomas M. Glavin
Councilman Malcolm Farmer, III**

**Rose M. Mendonca,
City Clerk.**

The Committee on Finance meets this evening at 7:00 o'clock P.M. in the City Council Chamber, City Hall, at which time a Public Hearing is being held in accordance with the accompanying advertisement.

PRESENT: Councilwoman Carolyn F. Brassil, Chairwoman, Councilman David G. Dillon, and Councilwoman Evelyn V. Fagnoli.

Also present are Director of Administration John Simmons, Mayor's Chief of Staff Vincent Pallozzi, Deputy City Solicitor Anthony Giannini, City Internal Auditor Stephen Woerner, Councilman Andrew J. Annaldo, Councilwoman Josephine Joan DiRuzzo, and Councilman Lloyd T. Griffin. (Rose M. Mendonca, Clerk).

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Mayor Joseph R. Paolino, Jr., being in the Chambers, speaks on the Resolution for which this Public Hearing was called.

He states that the City of Providence presently owns an asset. That asset is 5.8 million dollars, which Fleet National owes the City of Providence, and that mortgage will be paid to the City of Providence over a 30-year period. The City is proposing to sell that asset to the Rhode Island Housing and Mortgage Finance Corporation so that organization or that governmental body will give 5.8 million dollars to the City of Providence and that repayment of that mortgage or that asset that Fleet owes the

City will be owed to Rhode Island Housing Mortgage.

Those repayments that Fleet will be making will be paid into a reduction of interest rates for the neighborhoods of the City of Providence.

There are three programs they feel will be important to the City of Providence. Low-cost mortgages in the neighborhoods of the City of Providence Incentive will be, assuming the interest rate is going to be 10%, they wanted an added incentive to have the people move into the City.

There are three steps. The first year the interest rate will be 7%; the second year 8%; the third year 9%, and the fourth year, it levels out at 10% and stays that way.

Mayor Paolino proceeds to explain the manner in which this will make money affordable for people who need to rehabilitate their homes. Federal funds have dropped from \$12 million in 1978 to \$4.9 million.

He states this proposed agreement came out of long discussions with Chairpersons, or directions from the Governor's Office on how to handle some of the problems in the City.

The administration feels there should be a linkage of neighborhoods in downtown. Many times, when he was a Council member, he heard complaints that downtown gets everything, and not the neighborhoods. At the same time, the people downtown say the neighborhoods get everything.

He reviews, in detail, what the City is getting for security.

They are submitting legislation to the City Council to create linkage in the City of Providence. Then \$47,000 received by the one point will go into the neighborhoods. \$200,000 will be spent by the developers all around the Outlet building and downtown. It shows a direct linkage between downtown and the neighborhoods. It is a key to neighborhood revitalization. It provides the money for neighborhood redevelopment.

Mayor Paolino reviews the money that will be received in taxes and states that over a period of ten years, there will be \$1.6 million dollars in property taxes.

The arrangement is that if this building is ever turned into condominiums, the tax agreement ends and taxes are collected fully. This is the first time a building in downtown is truly benefiting the neighborhoods in Providence through linkage.

The Mayor states he truly feels this is a good arrangement for the City and truly hopes that a good deal for the City doesn't get bogged down through rhetoric.

He was highly in favor of the Public Hearing, as he feels this is a good deal.

Tom Moses has been working on the arrangement since Mayor Paolino became Acting Mayor and can explain fully.

Mr. Moses addresses himself to the financing of the project. He states they hope to develop 200 apartment units. The City will be playing a central role as far as granting loans of 4.7 million dollars. The developer is Claremont Development Association of Boston, Massachusetts.

Discussion ensues relative to the terms for the rate of interest. In no case will the optional term issue rate be less than whatever the conventional financial rate is on this project.

Mr. Moses states that the security would be a first mortgage on the garage, or a Letter of Credit. A Letter of Credit would be provided by the financial institution and the City would be secured by 4.7 million dollars of credit.

The City will benefit if the project does very well, he states, explaining the City's shares of all profit. He discusses tax benefit to the City and the assessment process advantage.

Councilman Annaldo wishes to know what will be put into the Sales Agreement, and what is the determining factor as to whether or not there is a Letter of Credit, or whether they are going to put up a garage, to which Mr. Moses responds that it would be an either/or situation, that if they were unable to secure the garage, the only other choice would be for them to give us a Letter of Credit.

Councilman Annaldo is of the opinion that any change that benefits upward mobility for the City is good, but as far as the Outlet itself, his question is whether or not the project will work. He is curious as to whether or not there is actually a market out there for so many upper-income units in the downtown area. Mr. Moses responds that his personal opinion is that there is a demand for housing downtown, and he does not think there is any question about that.

Discussion ensues, and Chairwoman Brassil inquires as to whether Mr. Moses proposes to have the developer lay out his plans for the building, or whether the developer prefers to answer any questions himself. Mr. Moses responds that Mr. Carney will address any questions after he has completed his presentation.

(Explanation of RIHMFC role in the financing process - INAUDIBLE).

Mr. H.Jay Carney, Senior Vice President of the Claremont Development Associates, Inc. explains a project on Chestnut and Pine Streets, which dates back to September of 1984. Construction was completed within fifteen months. He continues to describe various portions of his organization's portfolio, which demonstrate their record of success.

He offers the plan for public view and explains in detail.

Mr. Carney describes Mayor Paolino's role in the process and commends him for his steadfast support. He states that he views the City as having great potential for real estate ventures, and looks forward to participation in its progress.

He invites questions from the Committee, and Councilman Dillon mentions the City's Ordinance known as the Providence Jobs' Policy, which provides that when developers need some economic benefit from the City, in turn they agree to provide jobs for low-income people, minority people, etc. He inquires as to whether they will be abiding by that Ordinance, keeping in mind that this is also law in Boston. Mr. Carney states they are fully prepared to abide by the City's policies for jobs for minorities. He estimates the project will provide 200 construction jobs and 300 permanent jobs in the retail stores and parking lot.

He states he expects to have the financing commitments within 30 days. Chairwoman Brassil states the Committee is now ready to call upon the audience.

Clark Schoettle of the Providence Preservation Society Revolving Fund is present and explains the purpose of his agency. He speaks in favor of the Ordinance and elaborates on his reasons.

Mr. Paul Egan of the Elmwood Foundation is present and states he is in favor of this project.

Wendy Nicholas, Director of the Providence Preservation Society, is present and states the City has to do this, and that in view of the history of the Outlet Company and the fact that the building is part of the Downtown National Register Historic District, it should long be a part of the lives of Rhode Islanders.

Ms. Nicholas commends the Mayor and his staff for the time they have spent attempting to preserve this landmark.

Robina Maixner of the Elmwood Foundation (CHOICE) is present and would like the Committee to know that her organization supports the plan to develop the Outlet building.

Joseph P. Buchanan, 672 Prairie Avenue, Providence, is present to state he is critical of the plan. He is of the opinion the funds should be used to rehabilitate public housing and provide mortgages directly to the poor. He considers the loan to the developer a subsidy for housing for the rich.

Reverend Daniel Warren of Grace Church is present with a petition signed by residents of Grace Church, Beneficent Church, Grace Church Apartments, Beneficent House, and Dexter Manor. He states that this petition reads, "We, the undersigned, reside or worship in downtown Providence, and downtown is a neighborhood of which we are well acquainted. We desire the development of the Outlet Building for residences in strengthening the entire neighborhood." Of the signatures, 97 are residents of the area, and 100 are worshippers who come into the City during the week and on Sundays.

Reverend Warren's testimony is in favor of the development plan.

Mr. Edward Shore of Food Basket, Inc. is present and is in favor of the development of the Outlet Building, believing that it would improve business in the Downtown area. He states that since the closing of the Outlet Company, his business has suffered considerably.

Imam Sheikh Abdullah is not in favor of this development. He is not against a building being converted into a house, but is against the City taking money from the people and putting it into a building.

Mrs. Kathryn A. McGaffey, Chairperson of the Multi-Service Center Executive Directors Association is present and requests more time for study in order for her group to offer unconditional support. They wish to know first which neighborhoods the City will establish to get the RIHMFC housing funds and what their eligibility rules will be.

Ray Neirinckx is present and states those organizations he represents are opposed to the development of the Outlet Building. He does not wish to see the last source of direct federal money to the City spent on a single development. They would like to see the funds spent on the rehabilitation of the ailing neighborhoods.

Ruthie Corria of the Junior Traveling Co-eds is present and would like to see the funds used instead for the neighborhoods.

John Conte, Jr. is present to state he is opposed to the plan.

Chester E. Smolski, an Urban Studies Instructor at Rhode Island College, is present and states the tax incentives are necessary for the cities to draw developers to the projects. He cites the Biltmore Plaza restoration, for which developers received a tax break, and states that if the cities are to survive, there has to be a tax break incentive, which he does not see "as any big deal."

He wants the building kept up and does not feel a building like that can be replaced. He states it is ninety-five years old and should not be knocked down.

Mr. Smolski is in favor of the development of the project, that downtown is moving and they have to help.

Antoinette F. Downing of the Rhode Island Historical Preservation Commission is present and very much in favor of the preservation of the Outlet Building. Her office worked with Claremont to ensure the development plans meet required federal standards. In addition, she is particularly pleased with the RIHMFC arrangement to provide mortgage funding for neighborhood low-income housing.

Mrs. Downing submits letters of support.

Liz Gaffney of 138 Larch Street identifies herself as a lifelong resident of Providence who is opposed to the plan. She does not wish to see a developer get a tax break.

Larry Novick of 105 Sheldon Street (Director of the Fox Point Housing Program), is present and is supportive of the Outlet development plan.

Mike Van Leesten of 11 Belair Avenue is present to express his favor of the proposal for two reasons: (1) it will turn the neighborhoods around, and (2) the decline of downtown will hurt the neighborhoods. He is of the opinion the proposal will create new jobs. The Outlet Company is so old, it is downtown's history.

Joseph Vilenos, Jr. of 422 Pine Street presents petitions to the Committee containing 85 signatures of Providence residents opposed to the development plan. He states that if it was not for the petition, there would be no public hearing, and the citizens of our City would not see the plans, and that is why he is here this evening.

He states this is the first time he has found himself on the opposite side of the Preservation Society. He is in favor of saving the Outlet Building, but he is not in favor of the tax deal. It is most lucrative.

He is in sympathy with those present tonight who are representing the neighborhoods.

They are giving 5 million dollars to a company with assets of over 100 million dollars.

Other things can be done with the Outlet Company, but it will take time.

Mr. Vilenos states that this is designed to make the Mayor look good for election day. The Mayor made _____ in private.

He has never seen a City directing this kind of money to a company with no guarantee. He is of the opinion that it is a bad deal for the City of Providence and a bad deal for the citizens of Providence.

Mr. Vilenos alludes to what he perceives as no coincidence that the ribbon-cutting ceremony is being scheduled for two days before the Democratic Primary.

He states this is the most lucrative tax deal offered to a company whose holding assets exceed over a million dollars, and he is opposed.

Joseph Luca of Avery Piano Company, 256 Weybosset Street, is present and states that as a small businessman, he feels it is very vital for downtown to have housing and retail business to develop the Outlet Building. Since the Outlet Company has closed, a great deal of the retail business has gone elsewhere. There is no reason not to support housing downtown.

Mr. Luca feels this Council should address itself to the improvement of the general atmosphere downtown. There has been a continual decline since the 14 years he has been there. He feels the City Council should approve the plan for the Outlet Building.

Buddy George of the Black Congress is present and has a petition signed by 23 Providence residents, many of whom had signed the petition presented by Mr. Vilenos, stating that they reject the property tax schedule and low interest loan agreement

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with the Outlet Development Project.

They are opposed to the plan and would rather see those funds spent on the poor neighborhoods. He states that his organization will be observing how this City is being represented by its Councilpeople, and if they are not representing their constituents fairly, that will be reflected in what happens at the polls.

Kevin Campbell, Director of the Coalition for Consumer Justice, is present and states his organization represents hundreds of members in Providence alone, and it is his concern that projects such as this and Davol Square end up being overpriced and unaffordable.

Mr. Campbell is opposed.

Mrs. Alma Greene, Director of the Women's Development Corporation, is present. Her testimony is very unclear, and the Clerk is unable to determine whether or not Mrs. Greene is in favor of the project.

Mr. Ken Orenstein of the Providence Foundation is present and states the Outlet is a chief piece of Downtown Providence, and Downtown Providence is a vibrant place. He states that the City is to be congratulated, that this investment has this project starting off with 5.9 million dollars and ends up as 10 million dollars, a good project for everyone involved.

He states that he heard the developers did have commitments for realtors, etc. and the City payback of the mortgage, and all those things that apparently Mr. Vileno did not hear.

Councilman Lloyd T. Griffin is present, and it is his opinion the City of Providence needs to be considering the start of development which will cause it to change, to improve the quality of life.

He is of the opinion the basic issue of housing is becoming far out of focus. He speaks of the property in South Providence and how you could sell a burned-out house. A few years ago, they cost \$6,000, and today they are selling for \$20,000 to \$30,000.

The City has to come to grips with the fact that this City will have very few minorities living here. He refers to areas that have changed, and the most recent cause being the rising rents, mostly due to the historical reasons.

He is supporting the Outlet Company because there is no other alternative. If they wish to bring someone into the City, an incentive must be given. It would be a crime to take that building down.

This is no criticism of this Administration. All administrations historically have put money into downtown. This Mayor's attempt should be respected.

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Councilman Griffin refers to the many things Mayor Paolino has tried to do.

He suggests that if one looks at the Capital Center Project, the rivers and the new banks, all these buildings were supposed to change the City, but at a certain time, the City is still closing.

Councilman Griffin invites the City to convene some kind of planning sessions as to what is happening with the Outlet to see if there can be something to propose. Perhaps, a moratorium for one month.

Councilman Griffin states he has specific proposals but he will not offer them right now.

Rosemary Potter of Blackstone Street is here representing herself and her 3 children. Mrs. Potter is of the opinion that everyone is trying to attract business so much that they are forgetting about the people.

Chairwoman Brassil extends her appreciation to all those who have spoken tonight.

Adjournment is taken at 10:55 o'clock P.M.

Rose M. Meulona
CLERK

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