

DEPARTMENT OF CITY CLERK

CITY HALL

AUGUST 25, 1986

The Committee on Finance meets this day in Committee Room "A" at 1:30 o'clock p.m.

Present: Chairwoman Brassil, Councilman Dillon, Councilwoman Fagnoli, Councilmen Glavin and Farmer.

Also present are City Treasurer Napolitano, Finance Director Baron, Director of Administration Simmons, James Jackson of Hinckley, Allen, Tobin and Silverstein, Maureen E. Massiwer of Fleet National Bank, William Powers and Peter Scolliard of Rhode Island Hospital Trust Bank. (Rose M. Mendonca, Clerk)

RELATIVE TO PROVIDENCE OLD HARBOR TAX INCREMENT BONDS.

Mr. Jackson describes the area over the Point Street Bridge which has been established by the Council as the tax increment finance district under the Tax Increment Plan, and states that the Plan calls for the making of certain improvements in the area. The improvements consist of sidewalk improvements, street improvements, lighting improvements, landscaping along the waterfront, landing in a dock on the waterfront, and support for the waterfront area.

The total cost, Mr. Jackson states, is \$2,100,000, and this would be the total of the bond issue. The improvements would be financed through the bond issue. The bond issue was authorized by Ordinance, adopted by the City Council in June 1986.

Mr. Jackson states that the terms and conditions of the bonds are set forth in a trust agreement, which will be entered into between the City and Rhode Island Hospital Trust National Bank (as trustee).

The bond Ordinance provides that the Treasurer shall issue the bonds with the approval of the Committee on Finance, as to the terms, conditions, denominations, etc. The trust agreement sets out all of these terms and conditions. The bonds would be issued at private sale. The trust agreement provides for all of the funds that are to be created. The trust agreement sets up a so-called "Redevelopment Fund", sets up a "Debt Reserve Fund," a "Debt Service Fund", a

"Redemption Fund" and a "Surplus Fund". Quite simply put, he states, the proceeds will be taken in the 2.1 million dollars.

He continues that a Debt Reserve Fund will be funded to the extent of \$315,000, which will take care of principal and interest, in the event there are not sufficient funds, incremental tax revenues, available to pay the principal and interest when due.

Mr. Jackson states that the projected income stream would indicate that there would not be sufficient tax increment revenues generated in the early years.

Years I through (approximately) IV. So, the Debt Service Reserve Fund is expected to be used to make payments during those years.

Mr. Jackson wishes to explain the tax increment, what is used to pay the bonds. The bonds are not general obligations of the City. The bonds are payable only from the Tax Increment Revenue coming from this district, the Corliss Landing area. The Tax Increment is determined by the taxes attributable to an excess of the tax revenue coming in from an increase in the valuation, aggregate taxable valuation of all the property in the Tax Increment district, over what the aggregate valuation of all the taxable personal and real property was on December 31, 1984, so that if the valuations have not increased, there is no tax increment revenue. The Tax Increment Revenue is calculated each year, and it is that tax revenue attributable to the increase in the aggregate tax valuation as of December 31, 1984. Already, there is an increase in the taxable valuation due to the condominiums in the area, thereby ensuring the increased valuation.

The projections have been done on the basis that you assume no other developments that would add to the tax base, and the assumption is only the Corliss condominiums, and no increase in tax rates. Mr. Jackson states they do know that there are other projects being contemplated, and actually under construction, that will add to the tax base and increase the tax increment.

Chairwoman Brassil wishes to know who would have the responsibility of paying off the 2.1 million dollars if this project were to fall through.

Mr. Jackson responds that if it were to fall through before

construction got underway, there are provisions in the Trust Agreement for redemption of the bonds by the Trustees, who would have the proceeds of the bonds. If something unforeseen occurred and it were not possible to go forward, the Trustee would redeem the bonds.

Chairwoman Brassil does not foresee anything happening, but her concern is that this whole concept is so new to Providence. Mr. Jackson states that this is the first such program in the North-east Region, and the first one in New England. Mr. Jackson states that legislation was adopted in Rhode Island authorizing this type of financing in 1984. No other Community has undertaken Tax Increment Financing.

Chairwoman Brassil states that she thinks it is a terrific way to encourage developers to start businesses and to get it moving with such a plan.

Discussion ensues relative to the potential for development in that area, and Mr. Jackson mentions one project already underway in the rear, south of the Corliss Condominiums, which is a restaurant. He states that there is substantial development on one parcel of land there. It is contemplated that a restaurant will go in where Rhode Island Fish is located.

Councilman Dillon inquires of Mr. Jackson as to whether his projection is that in terms of financing the bonds, if nothing else ever happened there at this point, there would be enough to pay off the debt.

Mr. Jackson responds that is correct, that projections show that there would be enough if 1) you assume no further additional development, 2) you assume that the Corliss Condominiums stay in place as they are, and 3) you assume no increase in the tax rate. The projections show, he states, that sufficient revenues would be produced in the tax increment to pay off the bonds. There would be a deficit in the first four years, which would be funded by the built-in Debt Reserve Fund. After Year IV, the Debt Reserve Fund would then be replenished.

In response to a question of Councilman Dillon relative to the re-valuation and its effect on this Plan, Mr. Jackson states that it would have a positive effect on the Tax Increment cash flow, because it would increase valuation in the area. Of course, there

would be reduction in the tax rate, but calculated on paper, it does result in increased tax increment because the valuation increases to an extent that it would produce more revenue, even with the lower tax rate. The gap between December 31, 1984 assessment and the new re-valued assessments would be that much greater in determining the tax increment and using the lower rate. Tax re-valuation will have a positive effect.

Councilman Dillon inquires of Mr. Jackson relative to actual revenue coming in on that parcel right now, and wishes to know if the City is guaranteed that amount of revenue and then the increment over that.

Mr. Jackson responds affirmatively, stating that the City receives revenue based upon the December 31, 1984 valuation, plus there is an added factor whereby the City receives from the taxes within the area the portion of the tax levy that is used to pay the general obligation indebtedness of the City. He further explains this, stating the City pays (of the taxes it levies) approximately 10.7%, so of the taxes levied in this area, 10.7% of the taxes go toward paying the general obligation indebtedness of the City. The City retains that 10.7%.

Mr. Jackson further explains that is used for paying general obligation indebtedness, and when that takes place, all the property of the City is being pledged for the payment of that. Of the taxes levied in the area, a formula will determine the amount of the increment, and there will be a certain percentage. That formula, in effect, will provide that the taxes received (which are attributable to an excess of the current valuation) as each year goes along, over December 31, 1984, will be the increment with the deduction for that portion going toward payment of the general obligation indebtedness. The percentage will vary every year.

Mr. Jackson explains that it provides for principal payments of \$140,000 per year, over 15 years.

Mr. Jackson continues his explanation, stating that the Trust Agreement provides any surplus of the tax increment after the first four years, any surplus tax increment that comes in be paid over to the trustee who will deposit those surplus funds he does not need for debt service to be utilized to redeem bonds, commencing in the sixth year. This will probably not take place (any surplus) during the

first four years. Presumably, after that, it will start to build up, and there will be some redemption in Year VI. Hopefully the bonds will be paid in 9 to 12 years. What Mr. Jackson wishes to ask this Committee to do today is to approve of the private sale of the bonds by the City Treasurer under the terms and conditions in the Trust Agreement.

On motion of Councilman Dillon, seconded by Councilwoman Fagnoli, it is:

VOTED: To approve of the sale at private sale by the City Treasurer of \$2,100,000 City of Providence Old Harbor Tax Increment Bonds - 1986 Series (the "Bonds") in denominations of \$5,000 or any integral multiple thereof, and to issue the Bonds in the manner and under the terms and conditions set forth in a certain Trust Agreement to be entered into between the City of Providence and Rhode Island Hospital Trust National Bank, as Trustee in substantially the form as presented to this Committee and hereby made a part of the records of this Committee payable in principal installments in the amount of \$140,000 on August 15 of each year from 1987 to 2001 inclusive, at par, plus accrued interest, and bearing interest at the respective rates as follows:

<u>Year</u>		<u>Interest Rate Per Annum</u>
1987		5.50
1988		6.00
1989		6.50
1990		6.75
1991		7.00
1992		7.25
1993		7.50
1994	Not in Excess of	8.50
1995	Not in Excess of	8.50
1996	Not in Excess of	8.50
1997	Not in Excess of	8.50
1998		8.20
1999	Not in Excess of	8.50
2000		8.40
2001		8.50

Mr. Simmons states that the City has a unique opportunity now to re-finance three separate issues that have been out since 1980, 1982 and 1985, some 44 million dollars worth of bond issues. There is an opportunity to re-finance them at a much lower interest rate. The estimate of Fleet is that the savings to the City would

be in excess of one million dollars over the cost.

He states that rates of 8.8%, 9.86% and 8.83% are involved.

Chairwoman Brassil inquires as to possible stipulations should they be unable to pay off, to which Mr. Jackson responds that the proceeds of the bonds go into an escrow fund, and then the currently outstanding bonds are redeemed at the time they can be redeemed.

Mr. Jackson states that the savings are determined by the interest rates at the time of issuance and as interest rates fall, the savings are that much greater. If interest rates do not fall any further up until the time of interest, they know just about what the savings will be, because it is based upon interest rates today.

Maureen Massiwer is present and states that with present rates around 7%, there is enough of a spread to make this an economical move. These would be called sometime around September of 1987. The rest will be set up to call each bond issue at the most optimal time and to save the maximum amount for the City. As the call date moves out, the cost of redeeming the premium goes down. She states that the proceeds of the new issue, the re-funding issue, will be invested with the Federal Government, because it has to be. These investments will mature on the payment dates of the old bond issue until each old bond issue is called, and then the issue will be paid off.

Chairwoman Brassil wishes to know if it makes sense to re-finance that particular issue coming due, even though it could be called now, to which Mr. Simmons responds that the money still has to be borrowed.

Considerable discussion ensues relative to the projections and the manner in which they have been examined.

Mr. Simmons wishes to have this Committee consider this today so that First Passage of Ordinances to be presented could take place at the next council meeting. He is interested in alerting the Committee as to what would be forthcoming. The 1982 has already been authorized by Ordinance, based upon market value, and the other two become cost effective to be financed.

Chairwoman Brassil states that this Committee is unanimous in its agreement for First Passage at the Council meeting scheduled for September 4, 1986.

COMMUNICATION FROM STEPHEN WOERNER CITY INTERNAL AUDITOR
SUBMITTING HIS RESIGNATION EFFECTIVE AUGUST 29, 1986.

Chairwoman Brassil reads the communication from City Internal Auditor Woerner expressing his appreciation to the members for the position he has held and stating he is going into private business and resigning effective August 29, 1986.

On motion of Councilman Dillon, seconded by Councilman Farmer, it is voted to transmit the communication to the City Council with the recommendation the same be Received.

RESOLUTION AUTHORIZING THE CITY COLLECTOR TO CAUSE THE TAXES TO BE ABATED ON PROPERTY UNDER THE SWAP PROGRAM, LOCATED ALONG 125 ADELAIDE AVENUE, FOR THE SUM OF \$6,620.31, IN ACCORDANCE WITH APPLICATION FILED BY MR. WILLIAM KEVIN MURPHY.

Chairwoman^{Brassil}/informs the members the necessary papers are in order for the adoption of the Resolution under the SWAP Program.

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

PETITION OF/^{WILLIAM} KEVIN MURPHY AND OLIVIA B. MCCULLOUGH REQUESTING TAXES TO BE ABATED ON PROPERTY LOCATED AT 125 ADELAIDE AVENUE, IN THE AMOUNT OF SEVEN THOUSAND THREE HUNDRED FIFTY-SEVEN DOLLARS AND SEVENTEEN CENTS (\$7,357.17).

Chairwoman Brassil states the petition was submitted to the City Council and referred to Committee on Finance.

Upon referral to the City Collector he recommended Mr. Murphy contact SWAP to have the taxes abated, which was done, in accordance with the previous Resolution.

On motion of Councilman Farmer, seconded by Councilwoman Fargnoli, it is voted to postpone the petition Indefinitely in Committee.

RESOLUTION REQUESTING THE DIRECTOR OF INSPECTION AND STANDARDS TO CAUSE THOSE DEMOLITION LIENS OF THE PROPERTIES LOCATED ALONG MAWNEY AND AND DABOLL STREETS IN THE TOTAL AMOUNT OF \$2,900.00 to be waived.

- a. Report received from Director of Inspection and Standards.

Chairwoman Brassil reads a lengthy report from Director of Inspection and Standards DeConti, in which he outlines the problems that have existed on the three parcels involved.

The owners of the property requesting the liens to be waived have owned the parcels when violations were placed on the buildings and also consented to the demolitions of the buildings.

They never secured the property as ordered. The owners are Celia and Suzanne Realty, Inc. of Boston, Mass.

On motion of Councilman Farmer, seconded by Councilwoman Fagnoli, it is voted to postpone the Resolution Indefinitely in Committee.

RESOLUTION AUTHORIZING THE DIRECTOR OF INSPECTION AND STANDARDS TO CAUSE THE BOARD-UP LIENS ON THAT PROPERTY LOCATED ALONG 491 POTTERS AVENUE, IN THE AMOUNT OF \$106.00, TO BE WAIVED, AS REQUESTED BY SWAP.

- a. Report received from Director of Inspection and Standards.

Chairwoman Brassil reads a report from Director of the Department of Inspection and Standards DeConti, which states since 1972 the property has been owned by four owners with Mr. Harrington being the last purchaser.

The Department has cooperated with him in not demolishing the property so that he may rehabilitate it.

Mr. DeConti states it is his understanding the property will be taken over by SWAP and they have plans and financing available to renovate the house and get it back on the tax rolls. He supports the plans and is in favor of waiving the liens.

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

RESOLUTION AUTHORIZING THE DIRECTOR OF INSPECTION AND STANDARDS TO CAUSE THE DEMOLITION LIENS ON THAT PROPERTY LOCATED AT 40 HARVARD AVENUE, IN THE AMOUNT OF \$2,000.00 TO BE WAIVED.

- a. Report received from Director of Inspection and Standards.

Chairwoman Brassil reads a report from Director of Inspection and Standards DeConti which states the building was found vacant after a fire on March 17, 1970. A letter was sent to the owner of property regarding the building and no work was done. A hearing was held on June 26, 1970 and Harold Homonoff appeared and requested an additional ten days so that his insurance company can adjust the claim.

Subsequently the owner signed a release to have the City demolish the building and place a lien on the property.

Following another fire on October 20, 1970 the building was demolished.

Mr. DeConti is not in favor of waiving the lien as the owner never complied with requests and there was evidence the building was insured.

On motion of Councilwoman Fagnoli, seconded by Councilman Farmer, the foregoing Resolution is Postponed Indefinitely in Committee.

AN ORDINANCE AMENDING THE APPROPRIATION ORDINANCE CHAPTER 1984-53, APPROVED JULY 20, 1984 BY TRANSFERRING THE SUM OF ONE THOUSAND DOLLARS (\$1,000.00) FROM COUNCIL CONTINGENCIES TO AMERICAN BAND COMMISSIONING PROJECT.

Chairwoman Brassil states this Ordinance is requesting an amendment to the 1984-85 budget.

On motion of Councilman Glavin, seconded by Councilman Farmer, it is voted to Postpone the Ordinance Indefinitely in Committee.

RESOLUTION ENDORSING SENATE BILL 86-S 2305 RELATING TO COST OF LIVING ADJUSTMENTS IN PROVIDENCE.

RESOLUTION ENDORSING SENATE BILL 86-S 3072 ENTITLED "AN ACT RELATING TO THE CITY OF PROVIDENCE."

Chairwoman Brassil states the General Assembly is no longer in session.

On motion of Councilman Glavin, seconded by Councilman Farmer, it is voted to Postpone the Resolutions Indefinitely in Committee.

VACANCY IN THE PROVIDENCE REVIEW COMMISSION.

Chairwoman Brassil states correspondence has been received from Charles T. Francis, Chairman of the Providence Review Commission stating a vacancy exists due to the resignation of Richard A. Derrig.

She suggests Michael A. Gammino, Jr., of 138 Prospect Street.

On motion of Councilwoman Fagnoli, seconded by Councilman Farmer, the Committee approves the appointment and the same is transmitted to the City Council with recommendation of Approval.

Adjournment. On motion of Councilman Glavin seconded by Councilman Dillon, the Committee adjourns at 5:45 o'clock P.M.

Rose M. Mendonca
CLERK

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Compared *spg*