



**Providence City Council
City of Providence**

SPECIAL COMMISSION FOR TAXATION AND REVENUE REPORT

December 27, 2023

I. Introduction

By way of background, the Providence City Council passed [Resolution 42285](#) establishing a Special Commission for Taxation and Revenue on September 7, 2023 and charged with developing a more equitable and fair tax structure for the people of Providence. Specifically, the Commission was empowered and directed to conduct a comprehensive review of state taxing enabling law, the City of Providence's revenue streams from all sources, the City's taxing and levying structure, engage in a robust review of national best practices and to make recommendations regarding appropriate changes to the City's tax policy and state law, including but not limited to, study and analysis of the overall revaluation process, commercial tax rate, residential tax rates, and exemptions all with the goal of furthering a more equitable and just levying of taxes upon the people of Providence. The Commission was also asked to review all revenue streams and to consider alternative options that diversify City income so as to reduce the burden on property owners. Understanding the timing of the City's fiscal year and the critical nature of this task, Commission members were asked to produce their findings within 120 days from the date of their appointments namely December 31, 2023. This Report contains the findings and recommendations of the Commission.

II. Membership

The Special Commission consists of nine members appointed by the Providence City Council President. The appointees are:

- Chair, Jo-Ann Ryan, Councilwoman (Ward 5)
- Vice Chair, Michael DiBiase
- Sue R. AnderBois Councilor (Ward 3)
- Pedro J. Espinal, Councilman (Ward 10)
- Lawrence J. Mancini, Chief Financial Officer
- Tom Sgouros
- Sharon Conard-Wells
- Jane Driver
- Robert I. Stolzman, Esquire

Clerks:
Angela Harris
Yuly Polanco

IN CITY COUNCIL
JAN 04 2024

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WHEREUPON IT IS ORDERED THAT
THE SAME BE RECEIVED AND APPROVED
Jina L. Mastromanni CLERK

III. Recommendations

The Special Commission met regularly over the course of four months and invited experts and industry professionals to present on a variety of topics and made the following recommendations. The meeting dates, topics and minutes are detailed in the appendix.

Return to an owner occupied and non-owner occupied residential tax rate. The current practice of lowering the residential tax rate using a homestead exemption makes it difficult for potential new residents contemplating buying property in the City to understand how their taxes would compare to other municipalities. Providence is currently ranked 14th highest as compared to other cities and towns but once you consider the effective rate, which takes into account the homestead, Providence is actually 32nd in the state. A bifurcated rate, that is one rate for owner-occupied and one rate for non-owner occupied which the City has utilized in the past, would create “owner-occupied” and “non-owner occupied” rates for residential properties. This clarity would assist in bringing transparency to the taxing rules of the City. An amendment to GL 44-5-11.8(b)(1)(ii) is required to enable Providence to return to this structure which would use the non-owner occupied rate as the comparison point to the commercial tax rate going forward (a similar amendment was enacted in 2021 as it relates to the implementation of the homestead exemption).

Advocate for enabling state legislation that would allow the City to create additional categories of real property with corresponding taxing mechanisms consistent with other municipalities; for example, West Warwick. By way of illustration, amending the City’s state taxing laws could allow the City to develop new real property tax proposals within the City budget to tax small apartment buildings differently from larger ones, or tax short-term rentals at a more appropriate rate. Specific proposals for new tax rates could be considered as part of the City budget process, these possible legislative changes would permit the administration and the council to work together to weigh different options and possibilities. The city should pursue the creation of the following new categories through this mechanism:

- All apartment buildings depending on fiscal constraints or for smaller 6-10 unit commercial buildings - applied to residential properties up to 10 units
- Short-term vacation properties - applied to properties that are used for commercial short-term rental uses

Add a “consumption-based tax” to reduce the City’s reliance on property tax and properly acknowledge the City services utilized by individuals who visit and work in Providence but are not residents. The Commission is recommending an “admissions tax” that would add an incremental cost to tickets sold for events in the City. Additionally, a “parking tax” should be considered as an opportunity to bring additional revenues to the City. An analysis previously completed can be used as the starting point for further analysis related to this proposal.

Expand exemptions for vulnerable populations. Recognizing that increased property values have significantly affected certain populations, as a matter of public policy it is in the best interests of the City to support our vulnerable residents and to assist them with staying in their homes. The City should expand the use of key exemptions, especially during years when revaluation occurs to smooth the impact

of increased values on those who need it the most. Exemptions are an appropriate tool to accomplish this goal as they don't artificially suppress property assessments and they provide genuine financial relief to targeted homeowners. Means testing should be relied upon here to be sure that exemptions are being utilized effectively and fairly.

Return vacant and underutilized properties to productive use. The City has a many valuable vacant properties that need to be returned to productive use. The Commission recommends an immediate comprehensive analysis be performed on all vacant properties in the City and a reliable inventory be created and readily available for widespread distribution to potential buyers, developers, and purchasers. Furthermore, it is sound policy to develop a meaningful tax surcharge on vacant and underutilized property to incentivize development and raise revenues.

Increase tax designation/classification certification efforts. The Commission recognizes that strong internal controls are necessary to evaluate qualifications and continued eligibility for owner reduced rate occupancy tax classifications and prospective new property classifications and recommends the Administration take steps to aggressively monitor such classifications with appropriate up to date policies and procedures. The City should establish a process through which interested parties can provide information about properties that aren't appropriately designated.

Continue efforts to monetize the port. Monetizing the Port has been an important topic of conversation. It is the Commission's understanding that the Administration is currently working on a plan to do so. The Port is a vital and valuable piece of property for the City. We look to the Administration for continued vigilant efforts to expand commercial activities located on parcels adjacent to the Port.

Fee, fine & collection rate oversight and enforcement activity and personnel. The Commission requests that in anticipation of Budget deliberations, the Department Directors prepare a report to the Council, by Q3 of each calendar year, of all City fees and fines including a comparison to other similar-sized cities to include enforcement activity and personnel.

Plan for a reduction in commercial tax rate to improve Providence's competitiveness and attract new commercial business. The Commission recognizes that the City's high commercial tax rate is a significant barrier to entry and detrimental to our economic development. For the City to reduce its dependency on Tax Stabilization Agreements and to encourage developers, the Commission recommends the City initiate a plan to reduce the commercial tax rate to a more competitive and less punishing rate over a 5-year period.

Request Changes to State PILOT tax structure. Advocate for enabling legislation to increase PILOT payments to the Capital City to 30.0%. Under state law, the state is required to reimburse municipalities with qualifying tax-exempt properties in the amount of 27.0% of the foregone revenue. The state met that commitment in FY 2024. The 27.0% target was established decades ago from an estimate of the

costs of services used by tax-exempt institutions in municipalities. The Commission requests that the target be increased to 30.0%.

IV. Appendix

September 20, 2023: Courtney Hawkins, Chief Operating Officer Mayor's Office & Lisa Fries, Senior Assistant City Solicitor Law Department | [A review of City of Providence's State Enabling Legislation and Tax Structure.](#)

September 27, 2023: Gina Costa, Internal Auditor Office of the Internal Auditor & Lisa Fries, Senior Assistant City Solicitor Law Department | [Discussion relative to revenue, property and exemption review, and historical data with legal updates.](#)

October 11, 2023: Lawrence J. Mancini, Chief Financial Officer & Krystle Lindberg, Deputy Finance Director Finance Department | [Discussion on City's Historical Taxes and other Revenue Components.](#)
Gina Costa, Internal Auditor Office of the Internal Auditor & David Peligian, Senior Auditor Office of the Internal Auditor | [Historical Information associated with progressive tax proposals.](#)

October 23, 2023: Seth Williams, PFM Group Consulting; LLC. | [Discussion regarding the City's tax structure with a focus on Revenue Sources](#)

October 30, 2023: Janesse Muscatelli, Tax Assessor Tax Assessor Office & Michael Murphy, Deputy Assessor, Tax Assessor Office & Patrick Donovan, Vision Government Solutions | [Discussion of tax revaluation and the City's revaluation process.](#)

November 8, 2023: Gina Costa, Internal Auditor Office of the Internal Auditor & Jacinta Jones, TSA Compliance Auditor Office of the Internal Auditor | [Discussion of Tax Stabilization Agreements and Maturity Schedules](#) Tom Sgouros | [Reval Jumps](#)

November 27, 2023: Goerge Weiss, Providence Apartment Association & John Dooley, Providence Apartment Association | [Discussion of City's tax structure with a focus on multi-family dwellings.](#)

December 4, 2023: Michael Pereira, Greater Providence Board of REALTORS & Robert Rutley, Greater Providence Board of REALTORS | [Discussion of City's tax structure with a focus on Homestead and Commercial Tax.](#)

December 11, 2023: Cliff Wood, Executive Director The Providence Foundation, Thomas Sweeney, SIOR Real Estate & Appraisal | [Discussion of City's Tax Structure](#)

December 27, 2023: [Discussion of City's Tax & Revenue Structure and Approval of Final Recommendations](#)