

CHAPTER 2015-20

No. 356 AN ORDINANCE ESTABLISHING A TAX EXEMPTION AND STABILIZATION PLAN FOR 32 CUSTOM HOUSE STREET

Approved July 6, 2015

Be it ordained by the City of Providence:

WHEREAS, HM Ventures Group 7, LLC ("Owner") is the owner of certain real estate located in the City of Providence at 32 Custom House Street, AP 20, Lot 88, a property which has remained vacant, in disrepair and blighted, and dormant for many years despite the attempts of multiple owners to redevelop the property (the "Project"); and

WHEREAS, the Owner intends on rehabilitating the Project and returning it to a productive use including ground floor retail space, which may include a live/work unit, and approximately 10 residential apartments; and

WHEREAS, the City of Providence envisions the Project will generate jobs within the City of Providence as well as protecting, preserving and showcasing a historic building critical to the revitalization and redevelopment of Downtown Providence; and

WHEREAS, Rhode Island General Laws § 44-9-3 ("Act") authorizes, subject to certain enumerated conditions, the city council of a city for a period not to exceed twenty (20) years, to exempt and determine an amount of taxes to be paid on account of real property used for commercial purposes, notwithstanding the valuation of the real estate or the rate of tax; and

WHEREAS, the tax payments contemplated to be made pursuant to this Ordinance have been determined by the City Council of the City of Providence to be fair, equitable and acceptable to the City; and

WHEREAS, it is in the best interest of the residents of the City of Providence to grant a tax exemption and stabilization plan in order to induce the successful rehabilitation of the Project;

Be It Ordained by the City of Providence:

Section 1. That the findings set forth in the preceding recitals are hereby made and confirmed.

Section 2. Definitions. The following terms shall have the meanings set forth herein:

(a) "Assessment" shall mean the value placed upon the improvements made by the Owner by the City of Providence Tax Assessor.

(b) "Commencement Date" shall be the effective date of this Ordinance.

(c) "Personal Property" means any and all tangible personal property including, but not limited to all fixtures, furniture, equipment, furnishings, vehicles, computer hardware and software, informational systems and other personal property

(d) "Project Site" means all of the real estate and buildings and improvements thereto located at City of Providence Assessor's Plat 20, Lot 88.

(e) "Project Site Owner" means an entity with the right and interest in and to the Project Site (or portions thereof), including successors to units and/or sub-units of the Project Site.

(f) "Project Taxable Property" means collectively, the Project Site and all Real Property Improvements thereon.

(g) "Real Property Improvements" means any structures or improvements including but not limited to buildings, parking lots/structures and related improvements to be constructed and developed on the Project Site.

(h) "Stabilized Tax Payments" shall mean the Assessment multiplied by the tax rate and further multiplied by the appropriate percentage contained in Section 5.

(i) "Termination Date" means the 10th anniversary of the December 31 in which the Project Site is first assessed pursuant to the schedule set forth in Section 5 below.

Section 3. Grant of Tax Stabilization Plan. The City of Providence, in accordance with the General Laws of the State of Rhode Island and the Code of Ordinances for the City of Providence, is hereby authorized to grant and does grant the schedule of Stabilized Tax Payments pursuant to Section 5.

Section 4. Term. The term of this Ordinance shall be a period commencing upon the Commencement Date and terminating on the Termination Date.

Section 5. Tax Exemption and Stabilization Plan. Tax Payments due for the first two (2) tax years of the Term shall remain at the 2014 assessed value and tax rate. During the first three years of the Term, the Owner must substantially complete construction on the Project Site, subject to a Force Majeure Event (as defined below). In the third tax year after the Commencement Date, full taxes shall begin phasing in. Beginning in the third tax year after the Commencement Date, the assessor shall issue a bill for a percentage of the then current full value assessment as follows: 12% of the then current full value assessment in Year 3; 24% of the then current full value assessment in Year 4; 36% of the then current full value assessment in Year 5, 48% of the then current full value assessment in Year 6, 60% of the then current full value assessment in Year 7, 72% of the then current full value assessment in Year 8, 84% of the then current full value assessment in Year 9, 95.00% of the then current full value assessment in Year 10. Following the conclusion of ten full years after completion, the Project Site will be paying the full current assessment.

Section 6. Transfer of exempt or stabilized property.

Tax benefits for eligible properties shall be transferable to new owners or tenants, but the duration of the tax consideration period shall not be extended (unless otherwise approved by the city council). In the event that the tax stabilized property becomes exempt from real estate taxes during the term of tax stabilization through conveyance, or otherwise, to a real estate tax exempt entity, the tax stabilization agreement shall be void ab initio, with owners of tax stabilized properties being liable for full taxes retroactively to the execution date of the tax stabilization agreement. Following notice to the owner and a 90-day period to cure.

In the event that a project owner transfers a project site to a tax exempt entity within the five-year period immediately following the expiration of the agreement, the project owner agrees to pay a percentage of the sale price to the city as follows: five percent (5%) of the sale price if the project site is sold to a tax exempt entity in the first year following expiration; four percent (4%) of the sale price if sold to a tax exempt entity in the second year; three percent (3%) of the sale price if sold to a tax exempt entity in the third year; two percent of the sale price if sold to a tax exempt entity in the fourth year; one percent (1%) of the sale price if sold to a tax exempt entity in the fifth year.

Section 7. Payment of Taxes.

(a) Stabilized Tax Payments due to the City, pursuant to the schedule listed in Section 5, may be made in either a lump sum during the first quarter of the applicable tax year or in equal quarterly installments. If the quarterly payments are to be made, they shall be due on the same dates that quarterly taxes are due for all other taxpayers in the City.

(b) The liability for the Stabilized Tax Payments due and owing under this Ordinance shall constitute an obligation of the Project Site Owner, and the City shall be granted by the

Owner of the Project Site, a first lien on the Project Taxable Properties, which lien shall be of the same priority and entitle the City to the same foreclosure remedies as the lien and foreclosure remedies provided under the applicable laws and ordinances with respect to real property and personal property taxes. The City agrees to provide Notice to the Owner of the Project Site prior to exercising any foreclosure or other remedies available and the Owner of the Project Site shall have ninety (90) days to cure any alleged default under this Ordinance from the date upon which Notice of any alleged default is received from the City. Said Notice shall include, with specificity, the nature of any alleged default, and the actions which the City believes to be reasonably necessary to cure any alleged default under this Ordinance.

(c) It is understood that the Stabilized Tax Payments made hereunder are deemed by the City to be tax payments, and the Owner of the Project Site making the Stabilized Tax Payments shall be entitled to all of the rights and privileges of a taxpayer in the City, including, without limitation, the right to challenge and appeal any assessment and/or reassessment. It is further understood and agreed that the City's sole and exclusive recourse to the Owner of the Project Site is limited to the City's first lien on the Project Taxable Properties, however, nothing herein shall be construed to limit the right of the City to foreclose or take any other judicial proceeding available at law for the collection of taxes.

(d) Stabilized Tax Payments not made by the Owner of the Project Site as they become due shall be subject to any and all penalties allowed under Rhode Island General Laws. Failure to receive a stabilized tax bill shall not relieve the Owner of the Project Site of its obligation to make Stabilized Tax Payments herein. If for any reason the Owner of the Project Site does not receive an appropriate stabilized tax bill, the Owner of the Project Site shall have the responsibility and obligation to make reasonable inquiries to the City in order to have such a stabilized tax bill issued and thereafter to make payment of the same no later than the due dates provided herein. Stabilized Tax Payments shall be made by the Owner of the Project Site directly to the City of Providence Tax Collector's Office.

Section 8. Effect of Failure to Make Payments. The real property taxes payable to the City for the Project Site during the term of this Ordinance shall be based upon the stabilized real property taxes set forth in Section 5. This Ordinance is further conditioned upon the Owner of the Project Site, whether now or in the future, remaining current on tax payments pursuant to Section 5. Failure to make said timely Stabilized Tax Payments may, at the discretion of the City of Providence following the Notice and the 90-day cure period set forth in Section 6, render this Ordinance null and void.

Section 9. Retroactive Revocation For Failure to Satisfy Performance Milestones. In the event that the Project Owner fails to satisfy the following performance milestones, then this Ordinance shall be automatically repealed following the Notice and the 90-day cure period set forth in Section 6 and the Owner of the Project Site shall be reassessed any unpaid real estate taxes, penalties and interest which remain unpaid as if this Ordinance had never been passed:

(a) Obtaining all necessary permits and approvals being secured from the municipal agencies of the City of Providence or the State of Rhode Island for the redevelopment of the Project Site substantially in accordance with the second recital hereof within twenty-four (24) months of the Commencement Date.

(b) Achieving substantial completion of and the redevelopment of the Project Site within thirty-six (36) months of the Commencement Date.

(c) Notwithstanding anything to the contrary in this Section 9, the Project Site Owner may be entitled to an extension of the time for performance of the preceding milestones, if for any cause beyond the Project Site Owner's reasonable control, including, but not limited to, strikes and/or labor disputes, accidents, invasion, riot, rebellion, civil commotion, insurrection, acts of terrorism against the United States interests, any act or judgment of any court granted in any legal proceeding, acts of god such as fire, wind or lightning, explosion, ("Force Majeure Event"), the performance milestones are delayed. In such event, the Project Site Owner shall be entitled to an extension of such dates upon making a request for extension from the City Council, provided that in no event shall the Project Site Owner delay substantial completion of construction of the Project Site beyond forty-eight (48) months after the Commencement Date.

Section 10. Transfers. As long as the Project Site Owner or any successor or assignee owns or operates the Project Site, it will continue to pay Stabilized Tax Payments for the Project Site pursuant to this Ordinance.

(a) The Project Site Owner or any successor or assignee, acknowledge and agree that the Project Site will be subject to taxation pursuant to the terms of this Ordinance and thereafter subject to taxation pursuant to Rhode Island General Laws and the ordinances of the City of Providence. The Project Site Owner, or any successor or assignee, agrees that the exemption and conditions under this Tax Stabilization Plan shall run with the land.

(b) If the Project Site is sold to a real property tax-exempt entity, the Tax Stabilization Plan may terminate at the discretion of the City of Providence following the Notice and the 90-day cure period set forth in Section 6, and unless otherwise agreed to by the City, the Project Site Owner/Seller shall pay to the City an amount equal to the difference between the Stabilized Tax Payments made under the Tax Stabilization Plan and the amount of real estate taxes that would have been paid during the effective term of said plan, but for the Tax Stabilization Plan.

Section 11. Employment and Contracts.

(a) Construction.

- i. MBE/WBE. The Project Site Owner shall make a good faith effort to award to Minority Business Enterprises as defined in Rhode Island General Laws, Section 31-14.1 ("MBE Act") no less than 10% of the dollar value of the construction costs for the Project (as determined in accordance with the rules and regulations promulgated pursuant to MBE Act). The Project Site Owner shall make a good faith effort to award to Women Business Enterprises (WBE's) no less than 10% of the dollar value of the construction costs for the Project (as determined in accordance with Section 21-52 of the Code of Ordinances of the City of Providence). The Project Site Owner will request the City MBE/WBE office and its Supplier Diversity Director to establish a list of qualified MBE/WBE companies in order to satisfy its MBE/WBE construction goals. In this manner, the City will assist the Project Site Owner in meeting said goals. The process of participating with the MBE/WBE office and its Supplier Diversity Director shall begin upon passage in order to develop a designated MBE/WBE subcontractor list which will encourage MBE/WBE participation and joint ventures with other members with the construction industry.
- ii. Internal Revenue Service reporting. Except as provided under Rhode Island General Laws § 28-42-8, any person performing services at the Project Site shall annually receive either a W-2 statement or an IRS Form 1099.
- iii. First Source List. Pursuant to the City of Providence First Source Ordinance, the Project Site Owner shall enter into a First Source Agreement covering the hiring of employees necessary to complete the proposed Project and throughout the term of this tax stabilization agreement. The Project Site Owner shall work in conjunction with the Director of First Source Providence to develop the First Source Agreement.
- iv. "Buy Providence" Initiative. The Project Site Owner will use good faith efforts to ensure that construction materials are purchased from economically competitive and qualified vendors located in the City of Providence. In furtherance of this effort, the Project Site Owner will work with the City to develop a list of Providence vendors and subcontractors in order to create a preferred vendor list of qualified and economically competitive vendors for the construction of the Project. Furthermore, once the Project Site Owner constructs the development, the Project Site Owner will use good faith efforts to conduct ongoing business with and provide preference to economically competitive and qualified Providence businesses. In order to further that effort, the Project Site Owner will hold seminars upon passage of this Ordinance, with the Providence MBE/WBE office, the Supplier Diversity Director, the Director of First Source Providence and the Providence Chamber of Commerce to inform the local economy of the Project Site Owner's development plans in order to maximize the opportunities for

Providence businesses to work with the Project Site Owner in providing on-going services, equipment and materials. To be clear, nothing in the foregoing shall be construed so as to obligate the Project Site Owner to purchase construction materials from any vendor that has not provided the lowest qualified bid in connection with the provision of such materials, as reasonably determined by the Project Site Owner.

- v. In the event that there shall be a failure to comply with this Section 10(a), the Department of Planning and Development shall have standing to seek enforcement of this provision of the ordinance in the Rhode Island Superior Court. The Department shall also have the ability to impose a fine of \$500.00 per day for each day of non-compliance with this section.

(b) Permanent Employment. In conjunction with its efforts pursuant to this Section and its ongoing efforts to provide equal employment opportunity without regard to race, color, religion, natural origin, sex, age or handicap, the Project Site Owner shall liaise with the City and with the Director of First Source Providence to assist in the recruitment of qualified minority, women, and handicap applicants as well as those on the First Source List for all of its employment positions.

(c) Reporting. The Project Site Owner shall annually report to the City Council on its progress in complying with the provisions of this Ordinance, including but not limited to, Section 10. To be clear, the terms of this Section 10 shall apply to the Project Site Owner and its Real Property Improvements at the Project Site, but shall not be deemed to apply to the tenants of the Project Site and/or the businesses conducted thereon.

Section 12. Resolution of Calculation Disputes. The Project Site Owner and the City of Providence agree that the Project Site Owner retains the right to appeal the valuation or calculation of the taxes assessed from time to time.

Section 13. Severability. If any one section of this Ordinance is found to be unenforceable, then the other provisions herein shall continue to have the same force and effect as if the unenforceable provision were not passed as part of this Ordinance.

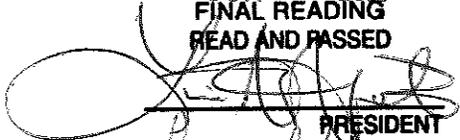
Section 14. Applicable Law. This agreement shall be construed under the laws of the State of Rhode Island.

Section 15. Effective Date. This Ordinance shall become effective immediately upon its passage by the City Council and approval by the Mayor.

IN CITY COUNCIL
JUN 18 2015
FIRST READING
READ AND PASSED


CLERK

IN CITY
COUNCIL
JUL 02 2015
FINAL READING
READ AND PASSED


PRESIDENT

CLERK

I HEREBY APPROVE.


Mayor
Date: 7/6/15

Fiscal Note
Proposed Tax Stabilization Agreement - (10 Year)
32 Custom House Street

Year #	Assessed Valuation (estimated)	Base Tax + % of Incr.	Proposed Payment Schedule	Payments at Full Taxation *
1	\$815,900	n/a	\$29,984	\$29,984
2	\$864,854	n/a	\$29,984	\$31,783
3	\$2,500,000	12.0%	\$37,411	\$91,875
4	\$2,500,000	24.0%	\$44,838	\$91,875
5	\$2,650,000	36.0%	\$54,249	\$97,388
6	\$2,650,000	48.0%	\$62,338	\$97,388
7	\$2,650,000	60.0%	\$70,426	\$97,388
8	\$2,809,000	72.0%	\$82,722	\$103,231
9	\$2,809,000	84.0%	\$91,511	\$103,231
10	\$2,809,000	95.0%	\$99,568	\$103,231
			\$603,033	\$847,372
			71.2% *	

* Annual property value increases of 2.0% assumed

* Tax rate = \$36.75/thousand

** Percentage of total estimated tax paid.

10-year TSA: Taxes frozen for two years, annual tax for years #3 thru #9 based upon the base tax plus an additional 12.0% per year. Taxes in year #10 based upon base tax plus 95% of tax on additional valuation. 100% of taxes due in Year #11. Property taxes for year #3 are based upon the assessed valuation at that time. Property value is assessed on the regular schedule for the city (Yrs. #2, #5 & #8).



Department of Planning and Development
Jorge O. Elorza, Mayor | Bonnie Nickerson AICP, Director

April 28, 2015

Councilman John Iglizzi, Chair
Committee of Finance
Providence City Hall
25 Dorrance Street
Providence RI 02903

Re: Proposed Tax Stabilization Agreement for 32 Custom House Street

Dear Chairman Iglizzi:

The renovation of 32 Custom House Street into a mix of residential units and potential life/work and retail spaces is an exciting historic preservation and revitalization project that returns a formerly vacant building into productive use.

At your request, I have reviewed the proposed tax stabilization agreement for 32 Custom House Street and have noted the requirement for the Planning Department to monitor and enforce certain provisions of the agreement related to employment and contracts. Planning Department staff routinely administers similar provisions of other TSA agreements and are equipped and prepared to monitor the same provisions with the proposed TSA agreement for this project.

Please advise if I can be of further assistance.

Sincerely,



Bonnie Nickerson, AICP
Director

NICHOLAS J. HEMOND
NHEMOND@DARROWEVERETT.COM

VIA HAND DELIVERY

David Quinn
Tax Assessor
City Hall
Providence, RI 02903

Re: Tax Stabilization Application for 32 Custom House Street

Dear Mr. Quinn:

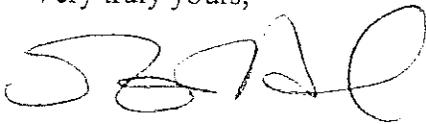
As you know, this office represents Ari S. Heckman who has made application to the City of Providence for a Tax Stabilization Agreement for the property located at 32 Custom House Street, Providence, RI. The application was submitted to the Assessor's Office on October 2, 2014 and an ordinance has since been introduced to the City Council.

At the time the application was submitted, the anticipated entity that was going to purchase the property was HM Ventures Group 6, LLC. However, that application contained a clerical error. The application should have been filed on behalf of HM Ventures Group 7, LLC.

Pursuant to our conversation, please accept this correspondence as a request to amend the name of the applicant entity on the application which was filed on October 2, 2014. Please also be advised that the ordinance being considered by the Council properly identifies the applicant as HM Ventures Group 7, LLC.

Should you wish to discuss this matter in further detail please contact me at the above email address or at 401-453-1200.

Very truly yours,



Nicholas J. Hemond, Esq.

7. ESTIMATED COST OF EXPANSION/ RENOVATION. (ATTACH EVIDENCE SUPPORTING SUCH FIGURE: COP OF BIDS, CONSTRUCTION CONTRACT, ARCHITECT'S CERTIFICATION). GIVE DETAILS AS TO SCOPE OF PROJECT TO BE UNDERTAKEN--# OF STORIES TYPE OF CONSTRUCTION, TOTAL SQ. FT. ETC.) \$1.96 million - \$1.4 million
in hard/ construction costs and an additional \$569,000 in soft costs - See "Addendum A"
regarding scope of work.

8. DESCRIBE EXISTING FACILITY:
 # OF STORIES 5 plus basement
 # OF SQ. FT./ FLOOR 2750
 AGE OF BUILDING(S) Built in 1875
 TYPE OF CONSTRUCTION Historic Rehabilitation and Redevelopment
 INTERIOR CONDITION Gutted
 EXTERIOR CONDITION historic brick

9. APPLICATION IS MADE UNDER THE PROVISION OF THE ORDINANCE FOR THE FOLLOWING REASON(S) (CHECK ONE OR MORE)
 _____ a. locate in City of Providence
 _____ b. replace section of premises
 _____ d. expand building
X e. remodel facility
 _____ f. construct new building (s)
 _____ g. computer/telephone
 _____ h. other

10. WILL PROPOSED CONSTRUCTION/ ALTERATION INCREASE THE EMPLOYMENT AT YOUR COMPANY? YES X NO _____
 IF YES, GIVE ESTIMATE AS TO NEW POSITIONS TO BE CREATED AND JUSTIFICATION FOR SAME
The project will create approximate 30 construction jobs and there will be 5-7 new positions with the company relative to managing the project.

11. WILL THE PROPOSED ALTERATION/ CONSTRUCTION CAUSE ANY OTHER FACILITY TO CLOSE? YES _____ NO X

12. WILL CONSTRUCTION/ALTERATION REQUIRE PURCHASE OF ADDITIONAL FURNITURE/FIXTURES/EQUIPMENT? IF YES, GIVE DETAILS AS TO NUMBER AND TYPE TO BE PURCHASED
 YES X NO _____
The project includes 10 apartments and one retail unit and one live/work unit. All fixtures in the interior will be replaced and kitchens and bathrooms will be installed in each unit.

RECEIVED BY CITY ASSESSOR
PROVIDENCE RHODE ISLAND

Elise M. Lane 10/2/14 DATE

APPLICATION FEE FORWARDED TO
COLLECTOR

\$300 - AMOUNT

REVIEWED BY ASSESSOR WITH THE
FOLLOWING RECOMMENDATIONS

SIGNATURE/DATE/ASSESSOR

RECEIVED BY CITY COLLECTOR

APPLICANT OWES FOLLOWING TAXES _____ YEAR _____ AMOUNT

TAXES ARE PAID IN FULL

ARRANGEMENTS HAVE BEEN MADE _____ YES _____ NO

SIGNATURE/DATE/COLLECTOR

RECEIVED BY BUILDING INSPECTOR
DATE

PLANS AS REVIEWED MEET ALL CUR-
RENT CODES/STATUTES OF CITY _____ YES _____ NO

NO VIOLATIONS EXIST ON THIS OR
OTHER PROPERTIES OWNED BY
APPLICANT _____ YES _____ NO

* VIOLATIONS EXIST AS FOLLOWS

VIOLATIONS HAVE BEEN DIS-
CUSSED WITH APPLICANT(S)
ARRANGEMENTS HAVE BEEN
MADE TO CORRECT SAME _____ YES _____ NO

SIGNATURE/DATE/BUILDING INSPECTOR

Tax Stabilization Application – HM Ventures Group 6, LLC

“Addendum A”

Item 7 – Estimated Costs of Expansion/Renovation.

Response: The applicant seeks to renovate this historic structure which has been vacant for many years into a mixed use facility consisting of 10 residential units, one retail unit and one live/work unit. The apartments will consist of one and two bedroom units. This historic rehabilitation project will rehabilitate this 5 story building which is currently a gutted shell. This project will place the building back into use in the city and it will spur economic activity and growth in the surrounding downtown neighborhood.



HM MANAGEMENT LLC
 143 ROEBLING STREET
 SECOND FLOOR
 BROOKLYN, NY 11211

BANK OF AMERICA
 1-32/210

1560

09/30/14

PAY TO THE ORDER OF City Of Providence

\$ **300.00

Three Hundred and 00/100***** DOLLARS

City Of Providence

[Handwritten Signature]
 AUTHORIZED SIGNATURE

MEMO App- 32 Custom House - HM Ventures Group 6

SECURITY FEATURES INCLUDED. DETAILS ON BACK

⑈001560⑈ ⑆021000322⑆ 483010308953⑈

HM MANAGEMENT LLC
 City Of Providence

WWW.COMFUND-ECAS.COM 18234567

09/30/14

1560

300.00

Bank of America Che App- 32 Custom House - HM Ventures Grou

HM MANAGEMENT LLC
 City Of Providence

WWW.COMFUND-ECAS.COM 18234567

09/30/14

2014 OCT -2 P 11: 01

TAX ASSESSOR'S OFFICE
 PROVIDENCE, RI

300.00

1560

300.00

[Handwritten Signature]

Bank of America Che App- 32 Custom House - HM Ventures Grou

300.00