

City of Providence
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

CHAPTER 2014-29

No. 348 AN ORDINANCE IN AMENDMENT OF CHAPTER 21, "REVENUE AND FINANCE," SECTION 182, "APPORTIONMENT OF TAXES," OF THE CODE OF ORDINANCES OF THE CITY OF PROVIDENCE

EFFECTIVE July 14, 2014

Be it ordained by the City of Providence:

SECTION 1. Chapter 21, "Revenue and Finance," Section 182, "Apportionment of taxes of the Code of Ordinances of the City of Providence is hereby amended as follows:

Sec. 21-182. Apportionment of taxes.

(a) *Limited adoption.* The tax classification plan is hereby adopted with the following limitations:
(1) The designated classes of property shall be limited to the four (4) classes as defined in subsection (b) hereof.

(2) The tax rate for class 2 shall not exceed the tax rate of class 1 by more than two hundred (200) percent, without regard to the owner-occupied status; the tax rate applicable to class 3 shall not exceed the non-owner occupied tax rate of class 1 by more than two hundred (200) percent.

(3) Effective fiscal year 2016, the rate for the non-owner occupied properties of Class 1 type (b) non-owner occupied shall not exceed the owner-occupied tax rate of Class 1 type (a) owner occupied by more than sixty (60) percent.

~~(3)~~(4) Notwithstanding subsection (a)(2) hereof, the tax rate applicable to wholesale and retail inventory within class 3 as defined in subsection (b) hereof, are governed by R.I.G.L. § 44-3-19.1.

~~(4)~~(5) Notwithstanding subsection (a)(2) hereof, tax rates applicable to motor vehicles within class 4 as defined in subsection (b) hereof, are governed by R.I.G.L. § 44-34.1-1.

~~(5)~~(6) The provisions of Rhode Island General Laws, Chapter 35 of Title 44 relating to property tax and fiscal disclosure applies to the reporting of and compliance with these classifications.

SECTION 2. This Ordinance shall take effect upon passage.

In City Council
MAY 01 2014
Read and Passed the First Time
And Referred to the Committee
On ~~Ways & Means~~
Lowell Adams ACTING Clerk

IN CITY COUNCIL
JUN 23 2014
FINAL READING
READ AND PASSED
Lowell Adams
PRESIDENT
Lowell Adams
CLERK
ACTING

VETO
HEREBY DISAPPROVE
AND VETO
Angel Taveras
MAYOR
DATE: 7/3/14

IN CITY COUNCIL
JUL 14 2014
READ AND MAYOR'S VETO
OVERRIDDEN
Lowell Adams CLERK
ACTING



Mayor of Providence

Angel Taveras

July 3, 2014

HAND-DELIVERED

Hon. Michael A. Solomon
President
Providence City Council
Providence City Hall
Providence, RI 02903

RE: Veto of Ordinance 2014-26, an Ordinance in Amendment of Chapter 21, "Revenue and Finance," Section 182, "Apportionment of Taxes," of the Code of Ordinances of the City of Providence.

Dear President Solomon:

Pursuant to Sections 302(f) and 412 of Providence's Home Rule Charter ("Charter"), I hereby veto the enclosed City Council Ordinance 2014-26, an Ordinance in Amendment of Chapter 21, "Revenue and Finance," Section 182, "Apportionment of Taxes," of the Code of Ordinances of the City of Providence.

Make no mistake: This ordinance, which limits the tax rate for rental properties to not more than 60 percent of the rate for owner-occupied properties, would very likely result in a tax increase for the approximately 19,500 homeowners who live in their homes.

The Internal Auditor has cautioned that lowering the non-owner-occupied tax rate as prescribed by this ordinance would create a \$6.6 million hole in the City's budget immediately upon taking effect in Fiscal Year 2016. Neither the Providence Apartment Association, which drafted and lobbied for this ordinance, nor any member of the City Council who voted for its passage has identified a viable way to pay it.

My administration has worked closely with the City Council and with stakeholders across our City to take control of Providence's finances. We worked to eliminate a \$110 million structural deficit, but the fact remains that Providence continues to operate on tight margins. Realistically,

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the City will likely be forced to raise taxes on homeowners to pay for this tax break earmarked for landlords.

The non-owner-occupied tax rate was set after the 2009 and 2012 revaluations in order to maintain parity and fairness between taxpayers who live in their homes and landlords who rent out their properties. These revaluations revealed greater reductions in rental property values than those of owner-occupied properties. In 2009, non-owner-occupied property values dropped an average 43 percent, while owner-occupied properties dropped an average 18 percent. In 2012, non-owner-occupied properties decreased another 14 percent on average, while owner-occupied properties decreased an average 13 percent.

Arbitrarily pegging the non-owner-occupied tax rate to the owner-occupied rate, without regard for current property values and with no viable plan to pay for the resulting tax break for landlords other than raising taxes on homeowners, is irresponsible and ill-conceived. Additionally, the periodic revaluation process is designed to address fluctuations in property values.

Providence's homeowners work hard to balance their checkbooks. Their decision to live and pay taxes in Providence and the investments they make in their homes help to increase stability and improve the quality of life in our neighborhoods.

I will not saddle Providence's next Mayor with a \$6.6 million budget item in Fiscal Year 2016 with the hope that money will be available to pay for it. And I cannot in good conscience consent to an ordinance that reduces taxes for landlords who may not live in Providence on the backs of homeowners who live in our City.

Further, the City has yet to be presented with any data to substantiate the Providence Apartment Association's claim that giving landlords a lower tax rate will translate into reduced rents for their tenants. In fact, as Councilman Zurier has pointed out, it is not clear whether tenants received any benefit from rental properties that experienced a tax reduction in 2013.

My administration worked with the City Council this spring to pass a budget that holds the line on *all* taxes in Providence. The next administration must continue to work closely with the City Council to responsibly manage the City's finances, adjust tax rates as needed to ensure that Providence's tax code remains fair and equitable for all property owners, and to grow our economy and expand our tax base so that tax increases are limited in future years.

For all the foregoing reasons, I hereby veto City Council Ordinance 2014-26.

Sincerely,



Angel Taveras
MAYOR