



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,

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