

March 22, 2015

Dear Fellow East Siders:

This week's letter discusses the 257 Thayer Street development and the bond study commission.

The 257 Thayer Street student apartments will open this summer, and the sales office on Thayer Street reports brisk sales with few remaining vacancies. When I visited last week, I learned that rents vary depending upon the floor plan, but a typical 3-bedroom unit costs \$1,167 per tenant per month, while the comparable figures are \$1,500 for 2-bedroom apartments and \$1,900 for 1-bedroom apartments. The apartment will next be valued for tax purposes on December 31 of this year for the 2016-17 tax year. The developer prepared a "pro forma" statement of anticipated income and expenses to justify a tax treaty that would increase taxes from \$300,000 in 2016-17 to \$456,000 in 2026-27. Because I thought the project would gain higher monthly rents than \$850 per tenant, I asked the Internal Auditor to prepare a [Table](#) based on different assumed rents, while retaining the other assumptions provided by the company. His analysis revealed that the project could generate \$1 million in annual taxes without a treaty if average monthly rents reached \$1,400 per bed. On this basis, the City Council rejected the proposed deal, as the "no deal" scenario offered the chance of dramatically greater revenues. We will not know the actual taxes until the actual appraisal, but the developer's success in attracting high-value tenants will not only help the company's bottom line, but also should create an important revenue stream for the City.

In the meantime, the development of the I-195 land remains uncertain. Despite an active marketing effort, the Commission has attracted few interested developers, including pending projects for which the developer seeks a tax stabilization agreement. While the taxpayers will benefit from the City's decision not to offer tax concessions to a developer who was willing to build even without those concessions, it is far from clear whether other developers will be equally motivated with regard to the I-195 land. In last Thursday's City Council meeting, Councilman Salvatore introduced a proposed [Ordinance](#) to make a template stabilization agreement available to all developers seeking to build on the I-195 land. At this point, there may be a body of evidence that little construction will occur without such an agreement; therefore, the choice may be between development with reduced taxes or no development at all. The Governor's budget offers a 10% State contribution of the lost municipal tax revenue, which could mitigate the impact of the recently introduced "template" proposal.

Last Wednesday, the City Council's Commission to Study Bond Financing held its first meeting, at which time the Commission reviewed a [Packet](#) of documents, including the Commission's charge (pp. 1-2), the City Charter's requirement of a capital budget and the administration's 2014-15 submission (pp. 3-4), and the Commission's work schedule (p. 5). The City Charter requires that the administration submit a 5-year capital spending plan to the City Council each year; however, last year's budget lacked the content required by the Charter. As a result, the City has no framework in which to place upcoming proposals and ongoing needs. The Commission will hold six more meetings, as outlined on page 5 of the packet. At the first meeting (which will take place **this Wednesday, March 25 at 6:00 in City Hall, Third Floor**), the Commission will review the inventory of currently pending bonds, and the City entities that are responsible for issuing those bonds. The next three meetings (as outlined in the packet) will take place on **Wednesday, April 15 at 6:30 p.m., Wednesday, April 29 at 6:00 p.m.** and **Wednesday, May 13 at 6:00 p.m.**

Sincerely,

*Samuel D. Zurier*

---