

SAM ZURIER

September 26, 2011

Dear Fellow East Siders:

Last Friday, the Revenue Study Commission agreed upon an overall framework for property tax reform. The goal of the reform is to make the City more competitive for business development, as our commercial and apartment tax rates are significantly higher than the Statewide norm. (Our homeowner residential property tax rate is higher than we would like it to be, but it is reasonably within the mainstream statewide.) In the short term, the available and feasible sources for tax relief are limited. There are no easy ways to reduce the cost of City government significantly, and the City would require new authority from the General Assembly to develop most alternative revenue sources outside of the property tax. As a result, the Revenue Study Commission attempted to develop a tax reform package that would work within these constraints. While the Commission has not developed a proposal, in our meeting on Friday we did approve a concept.

This table shows Providence's current tax rates and ratios, while the Commission's proposal appears in blue:

Category	Current Rate	Current Ratio	Proposed Ratio
Homeowner	15.95	1.00	1.00
Apartments	27.11	1.70	1.54
Commercial	36.75	2.30	2.00
Inventory	55.80	3.50	3.00

In short, the Commission is proposing to reduce the disparity between the residential homeowner tax rate and the other categories of property tax. In order to achieve these reforms within the constraints just described, it will be necessary to develop a package of alternative revenues (such as agreements with the nonprofit, tax exempt property owners, new fees, etc.) to combine with perhaps a modest increase in the homeowner tax rate. In the long run, it is the Commission's hope that this tax reform will boost business development and thereby revenues, which will strengthen the City's revenue base without increasing the burden on taxpayers.

In other news, the City Council Finance Committee completed its review of the police and teachers contracts, and forwarded them to the City Council for a vote this week. I will be voting in favor of the police contract, which achieves the targeted \$6 million per year of savings without layoffs, but includes a safety valve in the event of a projected budget overrun. If that happens, labor and management will meet to discuss, and in the absence of an agreement the City can implement layoffs. This fallback provision will help to ensure that the projected savings are realized. I have not yet completed my consideration of the teachers contract, but I hope to report on that to you later this week.

Sincerely,


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