



March 12, 2017

Dear Fellow East Siders:

In the wake of Sunday's inspiring rally downtown by the religious community against hate, this week's letter discusses the School Department budget, the City's effort to increase revenue from tax-exempt nonprofits and the recall election in the Third Ward.

On **Wednesday night, March 15 at 5:30 p.m.**, the Education Committee will hear a presentation from the School Department about the programmatic impacts of the deficits projected in the Department's current 5-year budget. The 5-year budget projects annual deficits in the \$10 million range beginning in two or three years, although some of that may be mitigated by increases the Mayor recently promised to increase the City's current local appropriation. With that said, it is likely the City's increase will only address a portion of the shortfall at best. I am hopeful the information will help everyone build the energy and commitment to address this issue on a more urgent basis.

Last week, the administration presented its package of legislation it will pursue in this year's session of the General Assembly. One major item will be a change in how State law mandates the tax treatment of exempt nonprofits. Currently, State law provides that all property owned by nonprofits is exempt, even if it is rented out to others or used for purpose (such as parking lots) that are not related to the organization's charitable mission. The State law was tested when Providence tried to tax 2 Dudley Street, a medical office building located on the Rhode Island Hospital campus and owned by the Hospital as a profit-making real estate venture. The Supreme Court held that the building was exempt from taxes due to the identity of its owner. According to a [Study](#) prepared by the Lincoln Land Institute (at pp. 12-13), the prevailing national practice is to apply the exemption more narrowly, and tax those properties owned by an exempt institution when they are used for different purposes than the institution's charitable core mission. I believe the City's legislative effort is directed more at the hospitals than at the major colleges and universities. Some colleges (notably Brown University) already contribute the equivalent of taxes for the commercial buildings they own. Also Brown University and other institutions have entered into agreements with the City to supplement these payments with others (amounting to millions of dollars per year) with the express condition that those payments will be reduced dollar for dollar against any tax increases the City gains through changes in State law. The hospitals do not have this type of "cushion" against the proposed legislation, and several of their properties (beginning with 2 Dudley Street and parking lots) could be substantial sources of new City income.

On Monday (March 13) at 12:00 noon, the City Council will hold a special meeting to consider a resolution setting May 2 as the date for a recall election in Ward 3. The meeting became necessary after the Secretary of State sent a [Letter](#) to the Rhode Island Board of Elections asking the State to set a May 2 election date should the City Council fail to take action on its own. As the letter states, the election date has to be set between April 2 and May 2 (per the City's Home Rule Charter) and it has to be chosen at least 50 days in advance (per State law). When you put these two deadlines together, tomorrow (March 13) becomes the only possible remaining day, as it is exactly 50 days before May 2. The City Council President was unwilling to schedule this special meeting, so Council members Jennings, Narducci, Salvatore, Yurdin and submitted a petition to call the meeting. (Five members can exercise this authority under the City's Home Rule Charter.) This weekend, we are urging our colleagues to attend the meeting so that a quorum will be present to approve the resolution. By taking this action, the City Council will perform its legal obligations under the Home Rule Charter, and avoid the embarrassment of defaulting on those obligations, clearing the way for State intervention.

Sincerely,