

PROVIDENCE

# New apartment building could be tax boon

City, developer are still debating details of a tax deal for upscale apartments near Brown University

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PROVIDENCE — A proposed upscale apartment building near Brown University could bring in millions of tax dollars for cash-strapped Providence.

Its developer, Gilbane Development Corp., want to lock down exactly how much it will pay for the next seven years, but City Council members aren't sure if a tax deal is good for the city.

"It's clear there is still work to do," said Councilman Da-vid Salvatore, who leads the Ways and Means Committee that evaluated the potential agreement Tuesday.

It continued the issue to a future meeting because Councilman Sam Zurier — who represents the area where the building will be built — and others debated the building's assessed worth, Gilbane's possible profits and the potential taxes that could be received without a deal.

Company chairman Robert Gilbane initially envisioned a \$28-million, four-story building at 257 Thayer St. with 102 apartments and room for 277 residents — primarily Brown students.

The design was revised, however, after neighborhood residents and city officials asked for the building to be more in line with the historical area, especially since nine old houses are being demolished for the project. The new plan calls for fewer apartments, about 95, to be built by August 2014.

The houses currently standing brought in \$147,000 in taxes last year, assessor Da-vid Quinn II said.

Gilbane proposes paying the city \$190,000 each for the next two years while the building is being constructed. Quinn said the city would get \$75,000 in taxes on the land without the agreement.

The pact says Gilbane would pay \$300,000, \$350,000, \$367,500, \$385,000 and \$402,500, in property taxes for years three through seven.

"The whole thing my client wants is surety," said Thomas V. Moses, the Providence lawyer representing Gilbane. Knowing upcoming costs, he says, helps the company as it looks for financing for the project.

Yet Councilman Luis Aponte says the deal also "shields this development" from tax-rate increases if the city should approve them. In addition, it is unknown how much the building will be assessed at when finished.

An independent appraiser hired by Gilbane estimates the building could be worth \$10.5 million to \$13.5 million. The projection was based on multiple factors, including getting \$850 a month per resident.

With the current tax rate and the high and low estimate, Quinn said the city could collect between \$385,000 and \$497,000 annually.

"Did you know Brown charges \$900 a month [for its apartments]?" asked Zurier. "These apartments are not as nice as what would be available at 257 Thayer Street."

After suggesting that the building's worth could exceed the highest estimate, Moses said, "I am really at a loss here. This project isn't even built yet. These are speculative estimates ... . They [Gilbane] are taking all the risk to do this."

In addition to the taxes, the agreement calls for Gilbane to use minority- and women-owned businesses — as well as hire Providence residents — for some of its project. Failure to show “good faith efforts” and comply could invalidate the agreement.

The pact also says Gilbane must use subcontractors that have apprenticeship programs. Moses said Gilbane is OK with everything except the apprenticeship program. He said many contractors don’t have apprenticeship programs, therefore it could “substantially increase” project costs by as much as 30 percent.

An increase of that magnitude, says Moses, could kill the project altogether.

The Ways and Means Committee plans to meet again Nov. 29 at 6 p.m. in City Hall.  
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