

St. Joseph

**City of Providence**  
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

**CHAPTER**

No. **AN ORDINANCE ESTABLISHING A TAX EXEMPTION AND  
STABILIZATION PLAN FOR PROSPECT CHARTERCARE, LLC AND ITS  
AFFILIATES IN THE CITY OF PROVIDENCE**

*Be it ordained by the City of Providence:*

WHEREAS, CharterCARE Health Partners (“CharterCARE”) operates a healthcare system in the City of Providence and the Town of North Providence which includes Roger Williams Medical Center and St. Joseph’s Health System of Rhode Island; and

WHEREAS, Roger Williams Medical Center is a 220-bed, acute care community hospital located in the City of Providence that provides secondary and tertiary care, is engaged in medical research and is a community-based teaching hospital affiliated with an academic medical center; and

WHEREAS, St. Joseph’s Health System of Rhode Island (“St. Joseph”) operates the St. Joseph Center for Health and Human Services located in the City of Providence; and

WHEREAS, St. Joseph operates an integrated delivery system consistent with the healing mission of the Catholic Church including Our Lady of Fatima Hospital, which is a 278-bed, acute care community hospital located in North Providence, Rhode Island, an assisted living facility through its St. Joseph’s Living Center Division, and specialty care services through St. Joseph’s Hospital Specialty Care; and

WHEREAS, St. Joseph also operates a school of nursing education through St. Joseph’s School of Nursing Division; and

WHEREAS, The CharterCARE healthcare system has considerable economic impact on the City of Providence and the State of Rhode Island. For example, in 2011, CharterCARE employed 3,000 employees with salaries and benefits in the approximate amount of \$178M and undertook purchases from vendors in the State of Rhode Island in the approximate amount of \$71M; and

WHEREAS, Roger Williams Medical Center, alone, currently employs approximately 1,200 employees, pays salaries and benefits in the approximate amount of \$80M, and purchases goods and services in Rhode Island in the approximate amount of \$28M; and

WHEREAS, Approximately 550 of CharterCARE’s employees reside in the City of Providence; and

WHEREAS, Utilizing the multipliers employed by Hospital Association of Rhode Island, CharterCARE has an economic impact of over \$524M in the State of Rhode Island; and

WHEREAS, Prospect owns and operates 9 hospitals and a network of specialty and primary care clinics in high-density areas in California and Texas; and

WHEREAS, Prospect will form a new entity which will continue the name CharterCARE to acquire the CharterCARE healthcare system; and

WHEREAS, Prospect is advancing a purchase price of \$45M for the healthcare system; and

WHEREAS, The new healthcare system shall be called Prospect CharterCARE, LLC (“New Hospitals” or “Prospect CharterCARE”); and

WHEREAS, The existing CharterCARE ownership shall continue to hold a 15% ownership interest in New Hospitals; and

WHEREAS, The governing structure of New Hospitals will be such that Prospect’s ownership interest will appoint 50% of the membership of New Hospitals’ Board and CharterCARE’s ownership interest will appoint 50% of the membership of the New Hospitals’ Board; and

WHEREAS, New Hospitals will be a for-profit entity and thus, a portion of the real property and personal property owned by the system in the City of Providence may become taxable; and

WHEREAS, The challenges facing acute-care community hospitals in today’s environment require the City of Providence and CharterCARE to partner in advancing the mission and continuing the positive economic impact of the CharterCARE healthcare system; and

WHEREAS, Since Prospect CharterCARE will be a for-profit entity, the City of Providence may no longer receive appropriations in lieu of property tax payments from the State of Rhode Island pursuant to R.I. Gen. Laws § 45-13-5.1 (the “State Payment”); and

WHEREAS, in order to ensure the viability of CharterCARE and encourage future development at Roger Williams Medical Center and the properties owned by St. Joseph within the City of Providence, CharterCARE and the City of Providence have agreed to enter into a tax stabilization and exemption treaty pursuant to R.I. Gen. Laws § 44-3-9 and Chapter 21, Article VIII, Section 169 of the City of Providence Ordinances; and

WHEREAS, The City of Providence has authority pursuant to R.I. Gen. Laws § 44-3-3.1 to exempt personal property, as defined therein, used for commercial purposes; and

WHEREAS, After a public hearing, for which at least ten (10) days notice has been given in a newspaper having a general circulation in the City of Providence, the City Council finds and determines that the tax stabilization and exemption contemplated to be made pursuant to this Ordinance have been determined by the City Council to be fair, equitable and acceptable to the City of Providence; and

**Be It Ordained by the City of Providence:**

Section 1. That the findings set forth in the preceding recitals are hereby made and confirmed.

Section 2. Definitions. The following terms shall have the meanings set forth herein:

- (a) “Buy Providence Tax Credit Incentive” shall have the meaning detailed in Section 7. The Tax Credit Incentive is a dollar-for-dollar credit as detailed in Section 7, applicable to the Stabilization Payments due and payable in an applicable year.
- (b) “Commencement Date” shall be the later of the passage of this Ordinance or the completion of the acquisition of CharterCARE in accord with regulatory approvals to be issued by the Rhode Island Attorney General and the Rhode Island Department of Health.
- (c) “Department of Economic Development” shall mean the City of Providence’s Department of Economic Development.
- (d) “Existing Real Property” shall mean CharterCARE’s Real Property in existence in the City of Providence, and subject to property taxation under the laws of the State of Rhode Island and the City of Providence, as of the Commencement Date up and through the Termination Date.
- (e) “Existing Personal Property” shall mean CharterCARE’s Personal Property in existence in the City of Providence, and subject to property taxation under the laws of the State of Rhode Island and the City of Providence, as of the Commencement Date up and through the Termination Date.
- (f) “New Construction” shall mean any improvements undertaken and completed at CharterCARE’s Real Property in the City of Providence after the Commencement Date and within the term of the Ordinance which requires an updated assessment of said improvements. Said improvements shall be limited to an expansion of building footprints existing as of the Commencement Date and not the rehabilitation and/or reconstruction of an existing footprint which shall be included under the definition of Existing Real Property.
- (g) “New Technology Investment” shall mean new investment in equipment utilized in, or related to, patient care.
- (h) “New Technology Investment Exemption” shall have the meaning detailed in Section 6 and is a property tax exemption granted during the term of the Ordinance.
- (i) “Personal Property” shall mean any and all tangible personal property including, but not limited to all fixtures, furniture, equipment, furnishings, vehicles, computer hardware and software, informational systems and other personal property subject to property taxation pursuant to the laws of the State of Rhode

- (k) “Prospect CharterCARE and its affiliates” shall mean those entities identified in the application submitted pursuant to R.I. Gen. Laws §§23-17-1 *et seq.* and 23-17.14-1 *et seq.* including but not limited to, Prospect CharterCARE, LLC, Prospect CharterCARE RWMC, LLC, Prospect CharterCARE SJHSRI, LLC, Prospect CharterCARE Elmhurst, LLC, Prospect CharterCARE Ancillary Services, LLC.
- (l) “Real Property” and/or “Facility Site” shall mean the property identified in the City of Providence Assessor’s records as detailed in Exhibit A for property associated with the “St. Joseph Center for Health and Human Services Campus” and Exhibit B for all of New Hospitals’ remaining property in the City of Providence including the Roger Williams Medical Center, and all of the real estate, buildings and improvements located thereon, at the Commencement Date and thereunder, subject to property taxation under the laws of the State of Rhode Island and the City of Providence.
- (m) “Stabilized Assessment of New Construction” shall be equal to One Hundred and Fifty (\$150.00) Dollars per square foot of floor space constructed during the term of this Ordinance. Said assessment shall include any ancillary structures constructed to support such New Construction, including but not limited to parking areas, access roadways, walkways and entries.
- (n) “Stabilized Real Property Rate” shall mean the tax rate to be applied to Existing Real Property during the term of the Ordinance and it shall be \$36.75 per \$1,000.
- (o) “Stabilized Personal Property Rate” shall mean the tax rate to be applied to Existing Personal Property during the term of the Ordinance and it shall be \$55.80 per \$1,000.
- (p) “Stabilized Property Assessment” with respect to the Existing Real Property and Existing Personal Property shall be subject to determination via the next statistical revaluation and/or full revaluation undertaken beginning in the seventh (7<sup>th</sup>) year after the Commencement Date by the City of Providence pursuant to RI Gen. Laws § 44-5-1 *et seq.* CharterCARE shall have a right to appeal any statistical revaluation and/or full revaluation directly to the Rhode Island Superior Court Business Calendar, Providence County and shall maintain all rights available under RI Gen. Laws § 44-5-26.
- (q) “Stabilized Tax Payments” shall mean the payments set forth in Sections 4 and 5, below, as applicable, and then multiplied by the Stabilized Tax Rate, as applicable, and subject to applicable Tax Credit Incentives.
- (r) “Tax Credit Incentives” as defined herein are dollar-for-dollar credits applicable to Stabilized Tax Payments due and payable in an applicable year.
- (s) “Termination Date” shall mean twelve (12) years from the Commencement Date.

Section 3. Term. The term of this Ordinance shall be a period commencing upon the

- In year one the Stabilized Payment shall be \$500,000;
- In year two the Stabilized Payment shall be \$600,000;
- In year three the Stabilized Payment shall be \$700,000;
- In year four the Stabilized Payment shall be \$800,000;
- In year five the Stabilized Payment shall be \$900,000; and
- In year six Stabilized Payment shall be \$1,000,000.

Beginning in the seventh year after the Commencement Date, all taxes assessed, levied and collected on account of Existing Property shall be based upon the Stabilized Assessment reduced by the Exemption Table, below, multiplied by the Stabilized Real Property Rate and Stabilized Personal Property Rate. The full amount of the Stabilized Payments shall be phased in over the seventh (7<sup>th</sup>) through twelfth years (12<sup>th</sup>) based upon the below Exemption Tables.

Real Property Located in the City of Providence  
(properties identified in Exhibits A and B)

<b>Year</b>	<b>Percent of Stabilized Assessment to be Taxed</b>
7	44%
8	55%
9	66%
10	77%
11	88%
12	100%

Personal Property Located in the City of Providence

<b>Year</b>	<b>Percent of Stabilized Assessment to be Taxed</b>
7	44%
8	55%
9	66%
10	77%
11	88%

**Section 5. Stabilized Plan for New Construction.** After the Commencement Date, all taxes assessed, levied and collected on New Construction which requires an assessment, post-Commencement Date, shall be paid based on the Stabilized Assessment for New Construction reduced by the Exemption Table, below, multiplied by the Stabilized Assessment for New Construction. The full amount of Stabilized Tax Payments on New Construction shall be phased in over twelve years (12) pursuant to the following Exemption Table:

<b>Year</b>	<b>Percent of Stabilized Assessment of New Construction to be Taxed</b>
1	0%
2	0%
3	0%
4	11%
5	22%
6	33%
7	44%
8	55%
9	66%
10	77%
11	88%
12	100%

**Section 6. New Technology Investment Exemption:** It is vital to CharterCARE's success that it has the appropriate New Technology available for patient care. In order to facilitate CharterCARE's purchase of New Technology, and in accord with R.I. Gen. Laws § 44-3-3.1, CharterCARE shall be granted an exemption for all New Technology Investment during the term of this Ordinance.

**Section 7. "Buy Providence" Initiative and Tax Credit Incentive.** CharterCARE will use good faith efforts to ensure that goods and services purchased for Roger Williams Medical Center during the turnaround of CharterCARE's operations, located in the City of Providence, are purchased from economically competitive and qualified vendors located in the City of Providence. In furtherance of this effort, CharterCARE will work with the Department of Economic Development to develop and implement a program to identify and certify

Section 8. Employment Opportunities for Residents of the City of Providence.

8.1 Employment Opportunities During New Construction. CharterCARE shall make a good faith effort to award to Minority Business Enterprises as defined in Rhode Island General Laws, Section 37-14.1 ("MBE Act") no less than 10% of the dollar value of any New Construction costs in the City of Providence (as determined in accordance with the rules and regulations promulgated pursuant to MBE Act). CharterCARE shall make a good faith effort to award to women business enterprises (WBE's) no less than 10% of the dollar value of the construction costs in the City of Providence. CharterCARE will request that the Department of Economic Development establish a list of qualified MBE/WBE companies in order to satisfy its MBE/WBE construction goals. In this manner, the City of Providence will assist CharterCARE in meeting said goals. The process of participating with the MBE/WBE office shall begin upon passage in order to develop a designated MBE/WBE subcontractor list which will encourage MBE/WBE participation and joint ventures with other members of the construction industry.

8.2 Employment Opportunities During Operation. CharterCARE shall establish a protocol with the Department of Economic Development to post all job opportunities through the First Source Providence-Hire Providence program, and to educate the community about future employment opportunities with CharterCARE.

Section 9. Plan for Compliance with Employment, and "Buy Providence" Outreach Components. CharterCARE will work with the Department of Economic Development to publish a plan for compliance with Sections 7 and 8, within sixty (60) days of the acquisition of CharterCARE being completed.

Section 10. Satisfaction of Obligations. The City of Providence agrees that so long as the Stabilized Tax Payments are made by CharterCARE in accordance with the terms of this Ordinance, the City of Providence shall accept said payments in full satisfaction of the obligations of CharterCARE as to the payment of any and all taxes, including real and personal property assessments, to the City of Providence which could otherwise be levied upon the Existing Property, New Construction, and New Technology during the term of the Ordinance.

Section 11. Beneficiaries of Ordinance. The City of Providence expressly acknowledges that any and all future owners of the Facility Site and/or units or sub-units thereof, are intended to be beneficiaries of this Ordinance, and the provisions herein will apply with the same force and effect, except that if Prospect loses title to the Facility Site as a result of a foreclosure or tax sale, this Ordinance will have no further effect on a future owner of the Facility Site.

Section 12. Severability. If any one section of this Ordinance is found to be unenforceable, then the other provisions herein shall continue to have the same force and effect as if the unenforceable provision were not passed as part of this Ordinance.

Section 13. Effective Date. This Ordinance shall become effective immediately upon the Commencement Date.

## EXHIBIT A<sup>1</sup>

### St. Joseph Center for Health and Human Services Campus

1. 21 Peace Street; Plat 44, Lot 259
2. 96-100 Wesleyan Avenue, Providence; Plat 44, Lot 294
3. 114-118 Wesleyan Avenue, Providence; Plat 44, Lot 290
4. 130 Wesleyan Avenue, Providence; Pat 44, Lot 286
5. 31 Whitmarsh Street, Providence; Plat 44, Lot 240
6. 29 Whitmarsh Street, Providence; Plat 44, Lot 241
7. 16 a/k/a 22 Peace Street, Providence; Plat 44, Lot 242
8. 89 Peace Street; Plat 44, Lot 150
9. 124 Wesleyan Avenue; Plat 44, Lot 288
10. 69-81 Peace Street, Providence
  - a. 69-71 and 81-83 Peace Street; Plat 44, Lots 711 and 256
  - b. 73-75 Peace Street, Providence; Plat 44, Lot 257
  - c. 77 Peace Street, Providence; Plat 44, Lot 265
11. 53 Whitmarsh Street, Providence; Plat 44, Lot 233
12. 106 Wesleyan Avenue, Providence; Plat 44, Lot 292
13. 647 a/k/a 653 Broad Street and 649 Broad Street, Providence; Plat 44, Lots 273 and 272
14. 864-868 & 872 Admiral Street, Providence; Plat 124, Lots 243 and 521
15. 52 Plenty Street; Plat 44, Lot 135
16. 56 Plenty Street; Plat 44, Lot 258
17. 62 Plenty Street; Plat 44, Lot 205
18. 33 Plenty Street; Plat 44, Lot 261

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<sup>1</sup> Subject to confirmation with the Tax Assessor that Exhibit A and Exhibit B include all of the real property owned by CharterCARE Health Partners and/or its affiliates in the City of Providence.



- a. Original Lot 261
  - b. Original Lot 593
  - c. Original Lot 262
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- 19. 39 Plenty Street; Plat 44, Lot 263
  - 20. 43 Plenty Street; Plat 44; Lot 264
  - 21. 47 Plenty Street; Plat 44, Lot 266
  - 22. 55 Plenty Street; Plat 44, Lot 267
  - 23. 58 Plenty Street (Plat 44, Lot 268, and 132 Wesleyan Street, Plat 44, Lot 730
  - 24. 57 Whitmarsh Street; Plat 44, Lot 234
  - 25. 10 Peace Street, Plat 44, Lot 247
  - 26. 40 Peace Street; Plat 44, Lot 249
  - 27. 48 and 52 Peace Street; Plat 44, Lots 252 and 253
  - 28. 56 Peace Street; Plat 44, Lot 254
  - 29. 60 Peace Street; Plat 44, 255
  - 30. 61 Peace Street; Plat 44, Lot 719
  - 31. 112 Wesleyan Street; Plat 44, Lot 291
  - 32. 128 Wesleyan Street; Plat 44, Lot 287

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## **EXHIBIT B<sup>1</sup>**

### **Roger Williams Medical Center**

1. 825 Chalkstone Avenue; Plat 82, Lot 283
2. 877 Chalkstone Avenue-Physicians Office Building; Plat 117, Lot 417
3. 867 Chalkstone Avenue; Plat 117, Lot 418
4. 865 Chalkstone Avenue; Plat 117, Lot 421
5. 25, 29, 33, 37, 41, 45, 49, 53 and 57 Winrooth Avenue; Plat 117, Lots 483, 484, 485, 486, 487, 488, 489, 490 and 491
6. 444 Pleasant Valley Parkway; Plat 117, Lot 432
7. 61 Winrooth Avenue; Plat 117, Lot 492
8. 65 Winrooth Avenue; Plat 117, Lot 507
9. 71 Winrooth Avenue; Plat 117, Lot 509

### **Roger Williams Realty Corporation**

1. 50 Convent Street; Plat 82, Lot 234
2. 60 Maude Street; Plat 82, Lot 154
3. 70 Maude Street; Plat 82, Lot 155

### **Rosebank Corporation**

1. 33 & 37, 41, 45 and 49 & 55 Rosebank Avenue
  - a. 33 & 37 Rosebank Avenue; Plat 82, Lots 224 and 223
  - b. 41 Rosebank Avenue; Plat 82, Lot 222
  - c. 45 Rosebank Avenue; Plat 82, Lot 221
  - d. 49 and 55 Rosebank Avenue; Plat 82, Lots 220 and 219
2. 32 Winrooth Avenue; Plat 117, Lot 474

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<sup>1</sup> Subject to confirmation with the Tax Assessor that Exhibit A and Exhibit B include all of the real property owned by CharterCARE Health Partners and/or its affiliates in the City of Providence.

3. 21 Winrooth Avenue, 17 Parkway Avenue, 881 & 895 Chalkstone Boulevard; Plat 117, Lots 473, 471, 416 and 415

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March 13, 2014

*Via Messenger*

Michael A. Solomon, Council President  
City of Providence  
25 Dorrance Street  
Providence, Rhode Island 02903-1789

***RE: Prospect CharterCARE LLC Stabilization/Exemption Ordinance***

Dear Council President Solomon:

This office represents Prospect Medical Holdings, Inc. ("PMH"). PMH and CharterCARE Health Partners ("CCHP") have executed an Asset Purchase Agreement proposing to form a joint venture ("Proposed Joint Venture") to own and operate Roger Williams Medical Center in Providence ("Roger Williams"), Fatima Hospital in North Providence ("Fatima"), the St. Joseph Center for Health and Human Services located in Providence ("St. Joseph") and the other assets of the CCHP network. Adler, Pollock & Sheehan, PC represents CCHP.

Enclosed is a proposed Stabilization/Exemption Ordinance relative to the Proposed Joint Venture that we would like to have introduced at the Providence City Council at its hearing on March 20, 2014 for reference to the appropriate committee.

A Hospital Conversion Act Application and a Change in Effective Control Application are currently being considered by the Attorney General's Office and the Department of Health relative to the Proposed Joint Venture. The Proposed Joint Venture is contingent upon reaching an agreement with the host communities of Providence and North Providence on the issue of stabilizing and exempting property taxes.

CCHP has a significant impact on the economy and quality of life in the City of Providence and the State of Rhode Island. CCHP currently employs approximately 3,000 people with salaries and benefits in the approximate amount of \$178M per year. This includes approximately 550 employees living in Providence. Moreover, CCHP provides approximately \$25M annually in charity care to citizens of the State of Rhode Island. This charity care includes approximately \$12M of care being provided to the residents of Providence. Individuals and families that receive such care would not otherwise be able to afford the same. Moreover, on a yearly basis, CCHP makes in excess of \$70M in purchase from vendors in the State of Rhode Island. Additionally, when utilizing the multipliers employed by the Hospital Association of Rhode Island, CCHP has an annual economic impact of over \$524M in the State of Rhode Island. Moreover, the Proposed Joint

Venture is planning on injecting \$95M into the CCHP network over the next four years. Thus, it is vital that the Proposed Joint Venture be successful.

As you know, the existing hospitals are tax exempt. However, the Proposed Joint Venture has formed an entity called Prospect CharterCARE, LLC that will be owned 85% by PMH (a for-profit entity) and 15% by CCHP and thus, may be subject to property tax. At the same time, as a result of the Proposed Joint Venture, PMH understands that the significant appropriations in lieu of property tax payments from the State of Rhode Island pursuant to R.I. Gen. Laws §45-13-5.1 (the "State Pilot Payments") that the City of Providence currently receives may cease should the transaction be completed. Accordingly, PMH is desirous to enter into a tax stabilization/exemption agreement that would provide the Proposed Joint Venture the flexibility it needs to return the CCHP system to a strong financial position while at the same time, recognizing the potential impact that the loss of the State PILOT payments will have on the City of Providence should the cease.

The proposed stabilization/exemption ordinance is based on the standard 12 year exemption model that the City of Providence has recently adopted, but with an adjustment to recognize the possible loss of the State PILOT payments.

Some key aspects of the proposed stabilization/exemption ordinance are as follows:

- The ordinance proposes a payment of \$500,000 in the 1<sup>st</sup> year, a \$600,000 payment for the 2<sup>nd</sup> year, a \$700,000 payment for the 3<sup>rd</sup> year, a \$800,000 payment for the 4<sup>th</sup> year, a \$900,000 payment for the 5<sup>th</sup> year, and \$1,000,000 payment for the 6<sup>th</sup> year.
- Then, in years 7 through 12 a revaluation would take place and the Proposed Joint Venture would begin paying a percentage of the full assessed tax starting at 44% rising to 100% by the 12<sup>th</sup> year.
- In order to encourage investment in new technology by the Proposed Joint Venture, the ordinance proposes to exempt from taxation all new technology investment during the term of the ordinance.
- In order to encourage investment in the City of Providence, the ordinance contains a "Buy Providence" initiative and an initiative to employ Providence residents, where if completed, the Proposed Joint Venture would receive a tax credit.

Time is of the essence in getting an ordinance passed. In late February, Moody's downgraded St. Joseph Health Services of Rhode Island's bond rating and further issued a negative outlook pointing out that there is only 15 days cash on hand. Accordingly, to protect the vital asset that CCHP is to the City of Providence and the State of Rhode Island, as well as to encourage the investment of \$95M in the Rhode Island economy by and through the Proposed Joint Venture over the next 4 years, it is imperative that the parties come to an agreement with regard to an stabilization/exemption ordinance as soon as possible.

Michael A. Solomon, Council President  
March 13, 2014  
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Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "W. Mark Russo". The signature is fluid and cursive, with the first name "W." and last name "Russo" clearly distinguishable.

W. MARK RUSSO

WMR/was  
Enclosure  
CC: Robert P. Brooks, Esq.