

**Rhode Island Economic Development Corporation**

**Enterprise Zone Council**

**Minutes of Meeting of April 24, 2007**

**RIEDC: Narragansett Room**

**315 Iron Horse Way, Suite 101**

**Providence, RI 02908**

**In attendance:**

**COUNCIL AFFILIATION**

**R. Caniglia Stand Corp.**

**D. Varin Vice Chairman**

**M. Wood Town of Burrillville**

**B. Parsons RIEDC**

**OTHER AFFILIATION**

**V. Barros RIEDC**

**J. Garrahy Legal Counsel**

**D. Villanova RI Division of Taxation**

**M. Canole RI Division of Taxation**

**B. Clark Portsmouth Bus. Dev.**

**K. Cosentino City of Providence**

**M. Godin Needs, Inc.**

**Vice Chairman Varin called the meeting of the Enterprise Zone**

**Council to order at approximately 10:05 AM and noted that there was a quorum present.**

**The first order of business before the Council was approval of the meeting minutes of two prior Council meetings.**

**Mr. Varin asked for a motion on the minutes from the March 13, 2007 meeting.**

**Mr. Parsons made a motion to approve; seconded by Mr. Wood.**

**There being no further discussion, the motion was unanimously approved.**

**Mr. Varin asked for a motion on the minutes from the March 27, 2007 meeting.**

**Mr. Caniglia made a motion to approve; seconded by Mr. Wood. Mr. Parsons asked that the meeting minutes reflect him abstaining from the vote because he was not present during the March 27, 2007 meeting.**

**Mr. Varin pointed out a correction on page 3, the 5th paragraph of the minutes which was noted by Mr. Barros.**

**There being no further discussion, the motion was approved.**

**The next order of business before the Council was 2007 Recommendation for Membership.**

**Mr. Barros stated that there were 8 (eight) companies on the report for 2007 membership and that all had completed applications and were reviewed by the local point of contact and recommended approval of all four companies bring the year-to-date total to three one (31) new member businesses in 2007.**

**Mr. Caniglia asked about the Hotel Providence and the impact of the recent sale. Mr. Barros stated that the business entity applying for membership was the new corporate entity that had purchased the hotel from the previous owner.**

**Mr. Garrahy asked if they were going to hire all the existing employees. Mr. Barros replied by saying, “the business is a new business with a new FEIN and intends to hire some or most of the existing worker and some additional employees above and beyond those who worked for the prior owners of the Hotel Providence.**

**Mr. Barros addressed the possibility of drafting regulations or amending the law to restrict a company’s ability to hire “an existing workforce or employees’ under certain circumstances, as it related to EZ eligibility.**

**Mr. Varin and Mr. Parson both expressed similar concerns. They talked about putting pressure on the employment situation where you force a company to go out and hire all new people and purposely exclude those who worked for the prior business.**

**Mr. Parsons asked about Shipwreck Falls and whether they were operating in the zone yet. Mr. Barros stated that they were not yet operational but were registered with the Secretary of State and the town.**

**Mr. Clark expressed his concern about the zero benchmark issue and suggested that the Council do something to address it.**

**A general conversation ensued about the merits of a company claiming a zero benchmark and hiring a pre-existing workforce.**

**Mr. Wood expressed concern about the potential for trimming of payroll. He explained that a new company could hire only 30% of prior companies existing workforce but still be eligible for credit for those jobs, despite it representing a net decrease in jobs.**

**He continued, saying that he believed there should be some policy that addresses when a business is hiring an existing workforce where credits have been previously award for the hiring of those employees. A company should not be allowed to get tax credits for employees**

who were used in calculation a prior credit for a prior business entity. Mr. Canole expressed some of his thoughts concerning this issue. He stated that, "these tax credit are tax payer money that we are dishing out by the hand full. What's the return? To create more jobs; additional jobs. So what is the fiduciary responsibility in administering the program?"

He continued by saying, " ... that we are issuing tax credits which are real dollars and getting nothing in return in tax revenue from the new employees ... how many people would be hired without the credit and what is the cost to create those jobs?"

Mr. Caniglia stated that there are many factors that go into a business' decision making process, including the process of hiring new employees, where the benefits of money saved through tax credits has a direct impact. He talked about the benefit of job credits spurring development and investment in distressed areas, using the revitalization of downtown Providence as an example.

Mr. Canole stated that it was his opinion that the program would be more productive if it focused on the nature of the jobs like manufacturers as opposed to public accommodation like hotels or professional services like accounting firms.

Mr. Barros responded by saying that the original intent of the program was to be industry specific and primarily focus on

**manufacturers and manufacturing jobs but was later broadened to include all commercial/business activity.**

**He also mentioned that he would share with the Council the fiscal impact analysis he prepared that addresses the benefit, in terms of additional state income taxes, derived from new EZ jobs.**

**A general discussion continued about the relationship between the EZ tax credits and a company's hiring decisions.**

**Mr. Wood talked about the idea that in order to revitalize and attract businesses to these distressed communities, it should be understood that there may be some kind of cost or tax trade-off. He also said that some of the problematic issues may be more related to unchecked expansion of the program, which dilutes its effectiveness and increases the cost to the state. He added that the expansion issue was more of a political issue and one that should be addressed by the legislature.**

**Mr. Varin also expressed his concern about expansion of zone and where those expansions were occurring. He cited the Richmond and Newport expansions as examples.**

**A short conversation ensued about the state of manufacturing including infrastructure, environmental issues (brownfields), local zoning ordinances and overseas competition.**

**Mr. Wood stated that it was clear to him that when a company that is in the program sells to another company, you have to maintain some kind of employment number, but what about the case where a new company hires the workforce of prior company, who previously was not in the program. Do we treat that differently or do we treat it like any new company hiring employees?**

**The examples of Perot Systems and the Westin Hotel were mentioned and discussed.**

**Mr. Parson stated that in the case of Perot, they could have set up their call center/customer service operation anywhere in the country, taking all of those jobs with them.**

**Mr. Barros stated that he and Mr. Garrahy would look at the issue to provide suggestions on how to give the issue more clarity.**

**Mr. Clark stated that in relation to fiscal impact it is important to note that when there is a new hire in a company that normally means someone else has moved up to a higher salary, total wages increase, and the company is doing better –growing revenues and profits.**

**Mr. Barros stated that we need to do a better job capturing the revenue generating impact of the program.**

**Mr. Clark added that the hospitality and tourism industries are important revenue and job generating industries whose impact on our economy shouldn't be overlooked.**

**Mr. Varin asked for a motion to approve the recommendations for 2007 membership. Mr. Wood made the motion; seconded by Mr. Parsons. Mr. Varin asked for comments or questions.**

**There being no further discussion, the motion was unanimously approved.**

**The next order of business before the Council was Recommendations for 2006 certification.**

**Mr. Barros stated the report included ten (10) businesses. He stated that all of the businesses had meet the requirements for 2006 year end tax certification and recommended approval of all ten (10) companies as presented.**

**Mr. Caniglia asked about the issue of employees originating and terminating as it related to Dimeo Construction.**

**Mr. Barros stated that it is clearly outlined in the certification form that all employees must meet that requirement and that most of the construction firms that apply for credit have addressed this issue.**

**Mr. Varin asked for a motion to approve the recommendations for 2006 certification. Mr. Caniglia made the motion; seconded by Mr. Wood. Mr. Varin asked for comments or questions.**

**There being no further discussion, the motion was unanimously approved.**

**Mr. Varin asked if there was any new business to come before the Council.**

**Mr. Wood asked if we could put together a report or point sheet that addressed the issues that have been identified as problematic. A report that addressed what the Council and staff sees as trouble points or points of contention that then could share with the legislature.**

**Mr. Barros agreed to work on the development of a punch list of those issues, concerns and problems that Council has dealt with in recent years.**

**There being no other business to come before the Council, Mr. Varin asked for a motion to adjourn. Mr. Caniglia moved to adjourn. Mr. Wood seconded the motion. The motion was approved unanimously and the meeting was adjourned at 11:05 a.m.**