

Rhode Island Small Business Advocacy Council

Friday, October 15, 2010

Navigant Credit Union, Smithfield RI

Minutes

The meeting of the Small Business Advocacy Council was called to order by Lt. Governor Elizabeth Roberts at 8:AM.

Present: Lt. Governor Roberts, Keith Stokes, Keith Oliveira, Gary Furtado, Sherri Carrera, Len Tinkoff, Joe Monteiro, Randy Sacilotto, Jeffery Cascione, Dispina Izzo, Mark Deion, Fred Reinhardt, Leslie Taito, Ray Fogarty, Elizabeth Perry, Phil Papoojian, Kathering Flynn, Bill Parsons, Victor Barros Jr., Paula Hopkins.

I. Welcome and Introductions

The Lt. Governor welcomed those in attendance and recognized and thanked Mr. Gary Furtado, President and CEO of Navigant Credit Union for hosting the gathering at their headquarters.

The Lt. Governor then recognized Keith Oliveira, Senior Policy Analyst in the Office of Lt. Governor. Mr. Oliveira began working in the Lt. Governor's office in June, 2010. Mr. Oliveira serves as a senior policy advisor on small business development. He coordinates the Small Business Advocacy Council, serves as project manager for the Buy Local RI initiative, and is the office liaison to federal, state, and

local small business agencies and advocacy groups.

Lt. Governor Roberts introduced Keith Stokes, Executive Director of the Rhode Island Economic Development Corporation (RIEDC). Mr. Stokes began by recognizing the members of the RIEDC staff who were in attendance.

II. Presentation by RIEDC Director Keith Stokes

Mr. Stokes began his remarks with a brief history of the evolution of the R.I. Economic Development Corporation to its current form. In response to an organizational review of the RIEDC called for by Governor Carcieri, the RIEDC is currently in the process of aligning its organizational structure with an aggressive new agenda.

Mr. Stokes outlined the priority plan of this new agenda:

- 1) to develop a robust policy research, data-driven capacity in order to evaluate the return on the public's investment for various small business and economic development initiatives;**
- 2) to bring a dedicated focus to the needs of existing Rhode Island small businesses;**
- 3) to further develop a properly capitalized public/private business attraction program, focused on key industry clusters, in collaboration with local chambers of commerce;**
- 4) to recapitalize and refocus RIEDC's capital/credit programs to have a broader impact. RIEDC's role is not to be a bank but rather to use its public resources to leverage and induce private capital**

investment.

Mr. Stokes provided insight into current initiatives being undertaken within the RIEDC.

Regulatory Reform Initiatives

The RIEDC is currently implementing a regulatory reform initiative that is being headed by Ms. Sherri Carrera. In this role, Ms. Carrera serves as the agency's "regulatory ombudsman" charged with assisting small businesses to navigate the myriad of state and local regulatory and licensing processes and procedures. She works directly with other state and local regulatory agencies to study and evaluate how to align and streamline their licensing/permitting policies and procedures. The RIEDC is currently in the process of hiring a Director of Regulatory Affairs.

Supporting Local-level Economic Development Efforts

The RIEDC is also engaged in a Community Economic Development initiative with the objective of further engaging local communities in economic development planning and policy. For example, many local communities have land for development but do not have the technical capacity for an independent economic development function. RIEDC will provide the technical capacity to assist these local communities to develop such projects. As an example, the RIEDC is currently working with a consortium of nine East Bay communities in the development of a land-based, utility-scale wind farm project near Rt.

24 in Tiverton.

Addressing the Capital and Credit Needs of RI Businesses

The RIEDC is also attempting to address the capital/credit needs of businesses in the aftermath of the collapse of the financial markets and in light of the tightening of federal lending regulations. Mr. Stokes praised recent passage of federal small business legislation to increase federal SBA programs and praised the work of the Rhode Island SBA. However, these enhanced programs are finite in nature. The RIEDC capital/credit products are designed to compliment the federal SBA loan programs. Among the RIEDC capital/credit programs are the Industrial Development program currently capitalized at \$60 million. The RIEDC is also seeking to recapitalize its Small Business Loan Fund with a pending application for \$13 million in federal funding from the recently authorized federal small business legislation. These funds can be used to provide debt replacement financing and credit enhancement loan guarantees. The RIEDC is also planning to expand its Renewable Energy Program to invest in hydro, solar, and wind projects. \$335 thousand in grant funding was recently awarded from this program to support the East Bay wind farm project. The RIEDC is also seeking to enhance the capacity of the Slater Fund to invest in start-up ventures.

Job Creation Guarantee Program

Mr. Stokes provided an overview of the development of the Job Creation Guarantee Act (loan-guarantee program). The program

emerged out of the recognition of the need for a capital/credit product that invests in new knowledge-based companies in emerging technology industries, which are heavily invested in soft-assets. After exploring various capitalization options, it was decided that the program would take a position of loan guarantor for private investment versus a direct investor into emerging knowledge-based technology companies. The project was initially proposed as a \$50 million program. However, with a separate yet simultaneous \$75 million funding proposal from 38 Studios, LLC also under consideration, the proposals were merged into a single \$125 million program. Mr. Stokes characterized the development of the \$125 program as “catalytic economic development.” The public exposure of the 38 Studios project has generated dozens of inquiries from knowledge-based, emerging technology companies that are currently seeking funding from the RIEDC loan-guarantee program.

Urban Small Business Investment Strategy

Mr. Stokes also stated that the RIEDC is placing a greater focus on urban communities and is in the process of developing an urban small business investment strategy that includes enterprise zones, the urban equity fund, and the Urban Ventures small business incubator. The RIEDC is interested in exploring how to better engage urban communities and invest in urban companies.

In response to a question, Mr. Stokes stated that the RIEDC aligns its work into four key areas: Land, Labor, Capital, and Taxes/Cost.

Land: According to Mr. Stokes, Rhode Island has 60,000 acres of land available for development and use in Rhode Island. However, only 16,000 acres are “pad-ready.” RIEDC will work with local communities to prepare land-use planning for economic development purposes. RIEDC land use economic development strategy has identified four geographic areas:

1) I-195 Highway Realignment area in Providence - The RIEDC is currently working with the DOT and the City of Providence to determine the best use of the newly available land that is also aligned to the development of the adjacent “Knowledge District” and bio-medical cluster.

2) I-295 Corridor - Building on existing companies like Fidelity and Amica, the RIEDC strategy is to develop this area into a financial services industry cluster.

3) I-95 Corridor - The RIEDC will seek to develop the corridor area from the Quonset/Davisville area to the CT line into an industrial hub.

4) West side of Aquidneck Island - With the acquisition of land from the navy, the RIEDC strategy is to develop this area into a marine trades cluster.

Labor: According to Mr. Stokes, 57% of the Rhode Island workforce does not have any post-secondary education. When you align this with the education and skills necessary for the emerging industries in a knowledge-based economy, the Rhode Island workforce has a significant skills gap. As a result, high-wage, high-skills jobs go to our regional competitors in MA and CT. RIEDC is working with CCRI

and RIDE to better train and prepare the workforce for future jobs.

Capital/Credit: RIEDC is developing its capital/credit programs to meet the needs of businesses and generate economic growth.

Taxes/Cost: Director Stokes states that the goal of state tax policy should be to align Rhode Island's tax/cost structure to be competitive with our regional competitors. Progress has been made with the reduction of the personal income top tax rate. Mr. Stokes explained that state tax policy should now focus on the local property tax relief. However, the cost of local property taxes can only be addressed with the implementation of the public education funding formula that shifts the costs of public education more to the state and away from the local communities.

III. Healthy R.I. Task Force Update

The Lt. Governor provided a brief update on the work of the Healthy RI Task Force that she convened over the past summer. The task force engaged over 150 healthcare professionals, providers, and advocates to produce a "blueprint" of how to begin implementing federal health care reform in Rhode Island. The Task Force released its preliminary report last month. Mark Deion expressed that he shared the report with a national organization he is involved with and was told that Rhode Island is well ahead of other state's preparedness for healthcare reform implementation.

IV. Buy Local RI Update

The Lt. Governor provided a brief update on the Buy Local RI initiative. The Lt. Governor's office has entered into a fiscal sponsorship agreement with Social Venture Partners of RI to serve as the organizational and fiscal sponsor of the Buy Local RI projects. Buy Local RI has also recently produced and distributed promotional material that will become more present throughout the state, elevate the visual presence of the Buy Local RI initiative, and raise awareness of the buy local movement in support of locally owned Rhode Island small businesses.

The meeting was adjourned at 9:25AM.