

# **RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**

## **MEETING OF DIRECTORS**

### **PUBLIC SESSION**

**FEBRUARY 28, 2005**

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Monday, February 28, 2005, in Public Session, at 4:00 p.m., at the offices of the Rhode Island Economic Development Corporation located at One West Exchange Street, Providence, Rhode Island, pursuant to notice of the meeting to all Directors, and public notice of the meeting, a copy of which is attached hereto, as required by the By-Laws of the Corporation and applicable Rhode Island law.

The following Directors were present and participated throughout the meeting as indicated: Mr. Keith Stokes, Mr. George Shuster, Mr. Joshua Miller and Ms. Alma Green.

Directors absent: Governor Donald L. Carcieri, Mr. Frank Montanaro and Ms. Barbara Jackson.

Also present were: Executive Director Michael McMahon, members of the Corporation's staff and Attorney Robert I. Stolzman.

Mr. Keith Stokes presided over the meeting and Attorney Robert I. Stolzman acted as Secretary.

#### **1. CALL TO ORDER**

Mr. Stokes called the meeting to order at 4:00 p.m., and announced that since a quorum was not present, no action could be taken at this meeting, including a vote to approve the minutes of the December meeting. So as not to delay a vote on the Verizon matter until the March board meeting, the Verizon presentation would be made to the attending Board members and the minutes of the meeting would then be circulated to all Board members, together with a Unanimous Written Consent for approval. Mr. Stokes asked if there were any objections to this, to which there were none. Ms. Green asked if the board members must vote in public session, to which Mr. Stolzman explained that the vote by unanimous consent would be public information when the minutes of the meeting are posted. Upon further inquiry of Ms. Green, Mr. Stolzman stated that the bylaws do not presently allow for action by electronic communication, and recommended that the bylaws be amended to take into consideration the various methods of communication that have become available over the last few years.

## **2. PRESENTATION FOR APPROVAL OF PROJECT STATUS FOR VERIZON**

Executive Director McMahon introduced Mr. John Kent, from Verizon, to address the Board regarding Verizon's request that its expansion project be granted "project status". Mr. McMahon stated that Verizon's expansion presents a great opportunity for economic development in Rhode Island, with good jobs for skilled union workers. He referred the Board members to the proposed resolution and draft economic impact analysis in the Board packages (See **Exhibit A**) and asked if there were any questions.

Addressing Mr. Kent, Mr. Stokes inquired as to the company's recruitment process. Mr. Kent explained that a public announcement was made in the Providence Journal regarding the new work center about a month ago. He noted that the word has gotten around and the company has received a lot of inquiries. Mr. Kent told the Board that the plans are to have 40 new employees hired by the end of April 2005 and a total of 150 new employees by the end of October 2005. He explained that the expansion will entail reconstruction of the company's building at 234 Washington Street in Providence.

Mr. Stokes made a suggestion that Verizon consider direct solicitations for recruitment to the local colleges and universities, including the University of Rhode Island, the Community College of Rhode Island and Johnson & Wales. Mr. Kent acknowledged that he would recommend this suggestion to the company.

Mr. Shuster asked for clarification of the 392 new employees referred to in the economic impact analysis. Mr. Kent explained that the new regional work center on Washington Street in Providence will require 350 new jobs to support the new network. He also explained that the DSL High Speed Internet work center, which opened in Pawtucket in 2002 with 25 employees, now has 115 – 120 employees and has outgrown its workspace. The company plans to relocate the Pawtucket employees to Providence by renovating and utilizing another floor in the company's Washington Street building.

Mr. Miller inquired about plans for the parking needs of the new employees, to which Mr. Kent responded that the company is presently having discussions with the City of Providence regarding parking issues. Mr. McMahon noted that the EDC has focused on the Garrahy complex and has worked out an agreement with the Department of Administration to transfer property to the EDC on which a garage can be built. He acknowledged that parking in Providence is a continuing problem.

Upon inquiry of Attorney Stolzman, the attending board members requested that this matter be circulated for unanimous written consent of all board members.

## **3. PRESENTATION REGARDING TECHNICAL UPDATES TO PENSION PLAN**

Mr. Stolzman explained that in 2001, the Board approved technical updates to the pension plan to accommodate persons with separated service with the Corporation, i.e., persons who had left the employ of the corporation and later returned to

employment, so that they would not lose eligible service time for purposes of the pension plan. The technical updates were accomplished by an amendment to the existing pension plan in 2001. Subsequently, in 2004, the pension plan was re-adopted in its entirety, but the re-adoption did not include the technical amendment made in 2001. Mr. Stolzman explained that the Board's approval is necessary in order to correct this oversight (See **Exhibit B**).

Upon inquiry of Attorney Stolzman, the attending board members consented to recommend approval of the technical updates, as presented, and such approvals will be ratified at the next board meeting.

#### **4. EXECUTIVE DIRECTOR'S REPORT**

Mr. McMahon stated that, in continuing with presentations on the various sectors of the EDC, Saul Kaplan would present a presentation on the Business Innovation Factory and an update on the EDC's efforts on the IT Sector. He noted that the EDC has set its focus on the quality of opportunities in the State of Rhode Island versus the size of the State's checkbook in its attempts to get businesses to relocate to Rhode Island. As an example, Mr. McMahon noted that the State of Texas was able to lure a new Toyota facility recently by presenting Toyota with a check for \$40,000,000. Since Rhode Island is not able to grant such funding, the strategy has turned to how to outthink other states in luring businesses to Rhode Island.

Mr. Kaplan explained that the EDC is focusing on respect and enhancement of quality of place and improving business quality in Rhode Island. He stated that the desire is to make Rhode Island a more innovative place to grow a business, and noted that the State's size gives it an advantage to become innovative with less rhetoric and more action. Mr. Kaplan referred to this as Innovation@Scale, a practical way to test new business models in a smaller, more manageable environment.

Mr. Kaplan explained that the Business Innovation Factory ("BIF") was formed privately as a Rhode Island non-profit corporation in order to implement turning Rhode Island's size to its advantage by bringing industry sectors together for collaborative discussion regarding innovate ways to do business. He reported that BIF was going live today with its own website and portal ([www.businessinnovationfactory.com](http://www.businessinnovationfactory.com)). Mr. Kaplan distributed a description of BIF to the Board members (See **Exhibit C**).

Using a slide presentation (See **Exhibit D**), Mr. Kaplan reported further on BIF. He referred the Board members to the list of Directors of BIF, which includes Donald Stanford as Chair, Michael Samuelson, who is new to the State of Rhode Island and runs the Blue Cross/Blue Shield wellness programs, and Christopher Meyer, who runs Monitor Networks. Mr. Kaplan described Mr. Meyer as one of the best thinkers in the area of business innovation.

Mr. Kaplan noted that the current business members of BIF include five Rhode Island members and three out-of-state members, all of whom are collaborating on the Rhode Island Wireless Innovation Network ("RI-WINs"), a project to make Rhode Island

the first state in the country to have border-to-border broadband wireless capability. Other BIF projects include Port Security in Narragansett Bay, to design and test a wireless port security network in Narragansett Bay, the Rhode Island Collaborative Health Care Innovation PILOT and the Retail Innovation Laboratory. Mr. Kaplan stated that the purpose of BIF is to change the nature of dialogue both within Rhode Island and outside Rhode Island in such a way as to give businesses a strategic reason to be located in Rhode Island.

Mr. Kaplan then introduced Mr. Stuart Freiman, Account Manager for RIEDC, to update the Board on the Corporation's Communications and Information Technology Sector.

Using a slide presentation (See **Exhibit E**), Mr. Freiman explained the current landscape of the technology sector in Rhode Island. He reported that 2003 research acquired from the Rhode Island Department of Labor and Training indicates that technology jobs represent 6% of non-government jobs, 7.4% of companies and pay well-above average salaries. Mr. Freiman noted the four powerhouse companies in Rhode Island are Verizon, APC, Cox and GTech, which together account for 20% of employment in the technology sector. In addition, Mr. Freiman referred to smaller growth companies such as Context Media, Tazz Networks, ICOA, TowerStream, Nestor and Carousel.

In response to a question of Mr. Stokes, Mr. Freiman stated that government defense jobs were factored out for purposes of this presentation.

Continuing his presentation, Mr. Freiman reported that the existing infrastructure and knowledge base in Rhode Island includes a Tech Collective, a University Community, the Slater Fund, the RIEDC, a Technology Work Force, including many who live here and commute to Southern Massachusetts for their employment, a pool of experienced senior managers and executives and a telecommunications and cable infrastructure.

Mr. Stokes noted that there are a lot of C and B buildings in Rhode Island that claim to be A buildings but are not, and there is a great need for new buildings to accommodate technology and research and development jobs. Mr. Freiman agreed with Mr. Stokes and stated that this issue will be addressed later.

Mr. Freiman stated that the high tech sector can be strengthened by strengthening the basic research platform by networking the State's 11 colleges and universities, strengthening Slater and supporting efforts to create new high tech companies and focusing on innovation@scale. This approach should open doors and create a new dialogue that gives companies a strategic reason to invest and create jobs in Rhode Island.

Referring to RI-WINs, Mr. Freiman explained this effort as a public/private partnership facilitated by the Business Innovation Factory to create the first statewide border-to-border wireless broadband network in the country. He stated that such a

network would allow numerous innovative business models to be explored and tested in Rhode Island, would be an attraction for businesses to locate in Rhode Island and would be a benefit to the State itself.

Mr. Freiman reported that a feasibility study is being conducted, facilitated by BIF and involving interviewing over 40 companies within and outside Rhode Island in both the public and private sectors. The study has resulted in positive feedback and a general agreement that a statewide wireless network will enable all types of business innovation across all sectors. All companies interviewed agree that a statewide wireless network will create new opportunities for business growth. Mr. Freiman noted that the results of the feasibility study will be presented to the Advisory Board in March 2005, and that the next stage will involve network design specification and pilot.

Mr. Miller asked if BIF intends to get involved in policy making, to which Mr. Kaplan responded by stating that BIF's purpose is to bring collaborators together to provide important input, but not to be policy makers.

Mr. McMahon noted that he learned when meeting with South County Hospital that the hospital uses more than one information technology network, which is inefficient, and that, contrarily, Rhode Island Hospital/Lifespan spent \$70,000,000 in updating their information technology to one network, which has created greater efficiency.

Mr. McMahon continued by stating that these efforts are platform neutral. He referred to the collaborative efforts of BIF which identified a way of lowering the cost of building housing, which is a different, non-policy making approach to achieving affordable housing. He noted, however, that while policies can not be ignored, the EDC represents the executors rather than the policy makers.

Mr. McMahon stated that there are a number of concrete projects to be explored, some of which will work and others that will not work. Mr. Kaplan added that there are a lot of motivated institutions involved who want to explore new business models.

With the use of a slide presentation (See **Exhibit F**), Mr. McMahon next reported on a 2005 Jobs Partnership: Working Together to Build Rhode Island's Future. He explained that Rhode Island's tax structure is not sustainable and the State is not getting the highest ROI on its public spending. Mr. McMahon noted that Massachusetts was able to reduce its tax structure through collaborative efforts, and that is what must be done in Rhode Island, by developing a partnership between the business and legislative communities.

Mr. Stokes asked if most of the State's tax burden isn't due to property tax, to which Mr. McMahon responded by saying that Rhode Island has the second highest social services expenditures in the country. He noted that a report by the Poverty Institute Forum indicates that high income people are extremely mobile and are influenced by tax policy in where they choose to live and do business.

Mr. McMahon explained that the goal of the 2005 Jobs Partnership is for a collaboration to create a competitive tax environment, a strong educational system and a government that understands the needs and desires of the business community, and that the path to achieve this is to have well trained workers, good sites, good education, innovation for 21<sup>st</sup> century jobs and a business friendly environment. He emphasized the need for economic and community development oversight, on at least a quarterly basis, as a joint effort between the legislative and administrative branches.

Noting the many large construction projects taking place and slated to take place in Providence, Pawtucket and West Warwick in rehabilitating existing buildings for economic growth, Mr. McMahon emphasized that there is still a need for new buildings throughout the state to accommodate 21<sup>st</sup> century businesses.

Mr. McMahon noted that half of Rhode Island's employees are employed by small companies, many of whom are led by women and minorities. He stated that the EDC is asking for authority to lend money to small and minority businesses, primarily for a capital access program, a minority and women owned businesses loan program, a master bond program for minority contractors and fire code loans.

Summarizing his report, Mr. McMahon stated that innovation is the cornerstone of Rhode Island's economic future, and that the primary resources for innovation include the Slater Fund, the Business Innovation Factory, Marine Life Sciences, Science and Technology Council, Creative Company Status and investing in Rhode Island workers.

Mr. Stokes recommended that Mr. McMahon's presentation be used to get the message out to chambers of commerce, rotaries, municipalities and unions, and to focus on those who can bring something to the table. Mr. McMahon responded by stating that the EDC is trying to serve as a catalyst to bring groups together, and that a forum is needed where people can have open dialogues based on facts. He stated further that the EDC must go beyond analyzing data and begin to implement change.

Mr. Stokes commented that some of the proposals have price tags, and Mr. Miller countered that not all of them do. Mr. Stokes asked who else is out there to stand behind the EDC so as to get the support of the political leadership. Mr. McMahon reported that the EDC has an advocacy matrix, and that Jean Robertson has been talking to logical advocates on a one on one, face to face basis. He stated that the EDC is not yet where it needs to be, but is getting there.

Mr. Shuster suggested that backup be presented regarding page 7 of Mr. McMahon's presentation, regarding Rhode Island tax revenues and returns by income group, to which Mr. McMahon replied that backup can be assembled on this matter. Mr. Shuster noted that there are others issues to be addressed besides tax policies, such as the costs of energy and health care.

Mr. McMahon stated that the key to success is in good government, and cited that the abundance of building renovation and construction currently taking place in Providence is the result of good city government. He noted that both good government

and good education are critical for success, adding that, unlike Rhode Island, both Massachusetts and Connecticut have quality education programs.

While noting that the costs of residency in Rhode Island, including state income taxes, cost to purchase a home and property taxes, are all lower in Rhode Island than in Massachusetts and Connecticut, Mr. McMahon acknowledged that executives focus more on marginal income tax rates when deciding where to live and do business.

Mr. Kenneth Payne reported that discussions with the Senate are moving forward and that Senator William Walaska, former board member of EDC, has become the point person for advocacy of economic development issues.

Mr. Stokes suggested that Mr. McMahon's presentation be written up as an op-ed piece and published in the Providence Journal so as to get the message out to the public.

In response to an inquiry of Mr. Shuster, Attorney Stolzman reported that, now that separation of powers is in effect, there are now 8 directors on the Board of EDC, including Governor Carcieri. One seat is presently vacant, and 5 board members are necessary to have a quorum.

There being no further business in Public Session, the meeting adjourned at 5:30 p.m.

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Robert I. Stolzman, Secretary