

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**

**MEETING OF DIRECTORS**

**PUBLIC SESSION**

**MAY 21, 2007**

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Monday, May 21, 2007, in Public Session, at 4:00 p.m., at the offices of the Rhode Island Economic Development Corporation, located at 315 Iron Horse Way, Suite 101, 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: Governor Donald L. Carcieri, Mr. Keith Stokes, Mr. George Shuster, Ms. Cheryl Merchant, Mr. Alexander Biliouris and Ms. Kimball Hall.

Directors absent: Mr. Frank Montanaro and Ms. Alma Green.

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

Governor Donald L. Carcieri presided over the meeting and Attorney Robert I. Stolzman acted as Secretary.

**1. CALL TO ORDER**

Governor Carcieri called the meeting to order at 4:00 p.m.

**2. APPROVAL OF THE MINUTES OF THE MEETING HELD ON APRIL 23, 2007**

Upon motion duly made by Ms. Merchant and seconded by Mr. Stokes, the following vote was adopted:

**VOTED:** To approve the public session minutes of the meeting held on April 23, 2007, as presented to the Board this date.

Voting in favor of the foregoing were: Mr. Stokes, Mr. Shuster, Ms. Merchant and Mr. Biliouris.

Voting against the foregoing were: None.

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

Executive Director Saul Kaplan reported that the most recent numbers show that 1,600 new jobs have been created in Rhode Island, bringing the total since Governor Carcieri took office to 19,300. He stated that Rhode Island has the single best record in New England for the creation of new jobs, with 5,800 new jobs in 2006 alone. Mr. Kaplan noted that there are presently more workers in Rhode Island than ever before. He stated that the EDC's focus continues to be on job creation, particularly higher wage jobs.

Mr. Kaplan announced that the Every Company Counts program launched a Spanish page on its website today, and that there has already been a lot of positive feedback.

The second annual Innovation Tour began last week, stated Mr. Kaplan, with the first company visited being Andera, a software company located in Providence, which provides technology services to financial institutions, primarily small to mid-size credit unions and banks. Mr. Kaplan noted that this company has excellent, well paying jobs.

Noting that the EDC is shifting its focus out into the marketplace, Mr. Kaplan next introduced Katharine Flynn, Director of the EDC's Business Development Team. Ms. Flynn made a Power Point presentation to the Board (See **Exhibit A**) regarding the makeup and activities of the Business Development Team.

Ms. Flynn stated that the Business Development Team is the largest customer-facing part of the EDC, and includes the Every Company Counts program, Export Development program and PTAC (Procurement Technical Assistance Center). The Business Development Team consists of 21 persons in the department and 7 Sector Leads.

The Business Development Team sector leads met with a total of 579 different companies across all industries in fiscal year 2006, according to Ms. Flynn, and 761 companies have been visited by the sector leads to date in fiscal year 2007. She noted that a total of 2,396 businesses have been visited by the combined efforts of the Business Development Team, the Every Company Counts Team, the Export Development Team and PTAC.

Ms. Flynn reported that she is the Sector Lead for Consumer Goods and that the remaining Sector Leads are 1) William Parsons, for Industrial Products/Manufacturing; 2) John Riendeau, for the Defense Industry; 3) Paul Harden, for Marine Trades Workforce Development; 4) Dianne Ritter PhD, for Life Sciences; 5) Chris Cannata, for Financial Services; and 6) Kevin Casey, for Middle Markets.

The Every Company Counts ("ECC") team is lead by Sheri Carrera, Operations Manager, and Ms. Flynn reported that there are over 150 partner organizations associated with ECC. She noted that ECC met with over 700 companies in fiscal year 2006, and 187 companies have been visited to date in fiscal year 2007. Ms. Flynn

explained that ECC has many educational programs and activities, including a monthly newsletter in both English and Spanish. ECC, in partnership with the Secretary of State's office, will hold a "We Mean Business" event on November 5, 2007 to provide businesses with information by and workshops with local, federal and non-profit resources.

Other members of the ECC team are 1) Paul Fournier, Chamber Ambassador; 2) Claudia Cardozo-Tarullo, Latino Business Outreach; and 3) Victor Barros, Enterprise Zone and Micro Business Development initiatives.

Ms. Flynn stated that there are 560 companies in the Enterprise Zone Program and that 162 of those companies have increased employment by 5% or more with the assistance of this program. Each company in the Enterprise Zone Program is visited annually.

The Micro-Loan Program has closed 22 micro-loans to date, reported Ms. Flynn, and there is a total of \$625,000 in loans outstanding. Ms. Flynn explained that this program targets companies with less than 5 employees and less than \$500,000 in revenue, and that the average loan size is \$30,000.

The Export Development program, led by Maureen Mezei, Director, met with 593 companies in fiscal year 2006 to discuss export needs, stated Ms. Flynn. She reported that the program had 3 trade missions in 2006 to India, Poland and the Czech Republic, and that 25 Market Entry and Export Training programs were run for individual companies to 16 different countries. Ms. Flynn noted that the total projected sales from this program's outreach is \$7,784,000.

Ms. Flynn stated that the PTAC Program is led by Dorothy Reynolds, Director, and assists small to mid-sized companies with Government procurement. In fiscal year 2006, PTAC worked with a total of 393 companies and assisted those companies with Government procurement totaling \$163 million and the creation of 3,252 jobs.

The Research Department is led by Michael Doherty, Research Manager, and is responsible for obtaining and analyzing economic and demographic data, stated Ms. Flynn.

Concluding her report, Ms. Flynn reported that the Business Development Team goals include continued outreach to companies within and outside of Rhode Island, continued assistance to companies as they expand, becoming an important resource to all businesses in key industry sectors and to continue to market the State's strengths, including quality of place, business climate and Innovation @ Scale to companies outside of Rhode Island.

Executive Director Kaplan thanked Ms. Flynn for her report and stated that he intends to continue sector reports to the Board at future meetings so that the Board will have a clear understanding of the workings of the EDC.

Mr. Kaplan reported that, as mentioned at the April meeting, the EDC has an opportunity to join with the Rhode Island Manufacturing Extension Service ("RIMES"), the specifics of which will be presented later in the meeting. He stated that this is an important opportunity to integrate across both organizations.

Governor Carcieri noted an editorial commentary in Barrons Magazine this week regarding Eric Goetz and his efforts with CCRI to introduce a specific program to teach manufacturing techniques and skills. Governor Carcieri recommended that the Board members read the article.

Regarding the Bio-Expo convention held in Boston earlier this month, Governor Carcieri stated that Amgen made a great presence as Rhode Island made its first stab at participating in this event. He noted that he was struck by the fact that, unlike other conventions where companies have exhibits to promote their products; this convention was made up of exhibits by other states and other countries from around the world, to promote their locations to businesses. Governor Carcieri stated that biotechnology exists all over the country and all over the world and there is extraordinary competition. He reported that Massachusetts had a large booth and that Rhode Island made a good effort and received a good response.

Mr. Kaplan mentioned that his team met today to discuss next year's convention in San Diego.

Governor Carcieri noted that he attended the ground breaking for Davol's new research and development headquarters which is being built off Route 95 and that Davol is very committed to Rhode Island. He also reported that the President of APC spoke at the Chambers Expo this date and that APC is also very committed to Rhode Island.

#### **4. FOR APPROVAL OF RIMES MEMORANDUM OF UNDERSTANDING**

Mr. Kaplan introduced Leslie Taito, CEO of RIMES, to address the anticipated collaboration between RIMES and the EDC. Ms. Taito explained that RIMES is in its 11<sup>th</sup> year of assisting manufacturers in Rhode Island, particularly with increasing federal funding. She noted that RIMES has worked with the EDC for many years and that a mutual collaboration of the two organizations will help to streamline the system. Ms. Taito noted that the companies assisted by RIMES are required to report their numbers to RIMES annually. She reported that from 2000-2006, manufacturing jobs increased by 265, there was a retention of sales of \$52 million and cost savings of over \$8 million. Board member Cheryl Merchant reported that she has worked with RIMES over the years and that, as a result, RIMES has helped her business save a lot of money. She gave one example of how, at the suggestion of RIMES, she closed down one building and consolidated into another building. The closed down building was then sold for a profit, which was reinvested in the company.

Attorney Stolzman stated that, because federal funds are involved, it was necessary to formalize the collaboration with a Memorandum of Understanding and a

Recipient/Subrecipient Agreement. He noted that the contract is terminable by either party upon notice and that certification of in-kind services will be required. Upon inquiry of Mr. Biliouris, Mr. Stolzman explained that there will be no tax implications related to the in-kind services, as both entities are non-profit organizations.

Upon motion duly made by Ms. Merchant and seconded by Mr. Shuster, the following vote was adopted:

**VOTED:** See text of vote at **Exhibit B.**

Voting in favor of the foregoing were: Mr. Stokes, Mr. Shuster, Ms. Merchant, Mr. Biliouris and Ms. Kimball.

Voting against the foregoing were: None.

**5. FOR APPROVAL, SUBJECT TO GENERAL ASSEMBLY APPROVAL, OF THE W PROVIDENCE HOTEL PROJECT**

Mr. Kaplan called the Board's attention to the (revised) RIEDC Project Status Policy Definition (see **Exhibit C**), which explains the definition of Project Status and the criteria for qualification of same. He noted that, since the implementation of the new policy, the Board has approved two projects for Project Status, both of which are scheduled to be presented to the General Assembly for consideration this week.

Mr. Kaplan explained that Project Status designation provides companies with tax abatements on the purchase of building materials, supplies, furniture, fixtures and equipment and information technology. He noted that the criteria for Project Status includes a minimum of 100 full time jobs, with customary employee benefits, and personal income tax revenue that exceeds the cost of the tax abatement within a three year period. The procedure to determine eligibility includes an economic impact analysis performed by the EDC, stated Mr. Kaplan. The economic impact analysis calculates the incremental income tax increase projected from the direct jobs and the ability for those revenues to pay back the cost of the abatement over a 3 year period.

Mr. Kaplan reported that the City of Providence is very supportive of the W Providence Hotel project. He noted that, although the project will involve a mixed use of residences and hotel, the project status will apply only to the hotel use.

Mr. Stokes asked if the full time jobs are year-round jobs or seasonal, which prompted Governor Carcieri to inquire as to the variation of "seasonability" in Providence. Ms. Lori Warren, Senior Consultant for Professional Tax and Incentive Consultants, LLC, answered this by pointing out how the projected average occupancy per month was determined using rates provided by the Warwick Tourism Bureau, and that the results indicate that hotel use in Providence is not typically seasonal.

Mr. Jerry O'Connor, Development Director for BlueChip Properties, LLC, one of the sponsors of the project, stated that the target market for this hotel includes tourists,

the business community and the institutional community, the latter of which includes schools and hospitals. He explained that the original project was for 145 condominiums, but that the project has been revised to construct a large hotel with 206 rooms and 70 condominium units above the hotel. The hotel will also include 3 restaurants, a full service spa, a fitness facility and pool, banquet facilities and some parking and valet services. Mr. O'Connor showed a drawing of the project to the Board and pointed out its location at 110 Westminster Street, next to the Arcade. He explained that W is a Starwood Hotel luxury brand.

Mr. Biliouris noted that the abatements are based on projections and asked if there is a standard of measurement to confirm if the numbers play out as anticipated. Mr. Kaplan responded by explaining that, upon passage of project status approval, the EDC and the developer will enter into an agreement which provides very tight feedback mechanisms. Mr. Shuster noted that, as reported at the April board meeting, to date there has not been a project which has been granted project status which has failed to meet its projections.

Mr. Stokes inquired about the plans for parking, stating that there is already a strain on parking in the downtown area. Mr. O'Connor explained that the building will have a limited amount of spaces for some staff and for the residents. He stated that the company has already made an agreement with the Pine Street Garage to use some of its spaces, and that it is in discussions with the Arcade Garage to utilize some of its spaces. Mr. O'Connor also noted that downtown parking is currently more strained during financial business hours than after hours, which is when hotel parking is more of a concern. Mr. Stokes reiterated his concern that more downtown parking spaces will be needed in the future. He noted that the trend for urban development is moving to more of a mixed use of residential and retail, and that the Providence downtown financial center is becoming more of a mixed use area. Governor Carcieri agreed that parking is a serious issue in downtown Providence and needs to be addressed.

Upon motion duly made by Mr. Shuster and seconded by Mr. Stokes, the following vote was then adopted:

**VOTED:** See text of vote at **Exhibit D.**

Voting in favor of the foregoing were: Mr. Stokes, Mr. Shuster, Ms. Merchant, Mr. Biliouris and Ms. Kimball.

Voting against the foregoing were: None.

**6. FOR APPROVAL OF BORROWING AND LOAN REGARDING MASONIC TEMPLE HISTORIC TAX CREDITS**

Attorney Stolzman explained that in 2006 the General Assembly authorized the EDC to borrow up to \$14,280,000 in order to acquire control of the historic tax credits previously granted to the Masonic Temple for development of a Renaissance Hotel which would otherwise reduce tax revenue available to the State by an amount of not

less than \$24,000,000. He stated that this procedure will involve the EDC borrowing up to \$14 million from Bank of America and then loaning the funds to the Masonic Temple, which will pay back the loan to the EDC over a 40 year period. The tax savings to the taxpayers will be about \$10 million, subject to costs. Mr. Stolzman stated that the Renaissance Hotel is scheduled to open this week.

Upon inquiry of Mr. Shuster, Mr. Stolzman explained that this process will help the developer's cash flow, result in a discount on potential return to the developer and eliminate from circulation at least \$24 million of tax credits.

Mr. Shuster said that he is aware of rumors that the State plans to reduce its use of historic tax credits, to which Governor Carcieri responded that the tax credits are an economic generator. He confirmed that a lot of discussions are going on because of the budget deficit. Governor Carcieri commented that there will be a natural diminution of the use of historic tax credits due to the fact that the market can only absorb so much. Mr. Stokes agreed with Governor Carcieri, adding that there is a narrow criteria for historic restoration.

Upon motion duly made by Mr. Shuster and seconded by Mr. Stokes, the following vote was then adopted:

**VOTED:** See text of vote at **Exhibit E.**

Voting in favor of the foregoing were: Mr. Stokes, Mr. Shuster, Ms. Merchant, Mr. Biliouris and Ms. Kimball.

Voting against the foregoing were: None.

There being no further business in Public Session, the meeting was adjourned at 5:05 p.m., upon motion made by Ms. Merchant and seconded by Mr. Shuster.

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Robert I. Stolzman, Secretary