

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

SPECIAL MEETING OF DIRECTORS

PUBLIC SESSION

APRIL 9, 2011

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Saturday, April 9, 2011, in Public Session, beginning at 8:00 a.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: Governor Lincoln D. Chafee, Ms. Helena B. Foulkes, Mr. Lynn Singleton, Mr. Jerauld Adams, Dr. David Dooley, Mr. Stephen Lane, Mr. George Nee, Ms. Cheryl Snead, Mr. Daniel Sullivan, Mr. Jack Templin, Mr. Karl Wadensten and Mr. Stanley Weiss.

Directors absent: Dr. Timothy Babineau

Also present were: Executive Director Keith Stokes and Secretary David M. Gilden.

1. CALL TO ORDER AND OPENING REMARKS

Governor Chafee called the meeting to order at 8:02 a.m. and welcomed everyone to the meeting. He reemphasized the need to improve peoples' perception of the State and the need for a unified message on tourism in the State. The Governor expressed his desire to listen to the ideas of the Board members with respect to the various areas of focus during the meeting.

2. PRESENTATION OF OVERVIEW OF AREAS OF FOCUS AND RELATED PROGRAMS

Ms. Foulkes set forth the goals of the Retreat, which included: confirming that the Corporation is working on the right five areas of focus; creating subcommittees to drive the work on the areas of focus; creating clear definitions of success; and defining the Corporation's role within each of the areas of focus. She also presented to the Board the "Vision Into EDC Action" (See **Exhibit A**), which sets forth each of the areas of focus/strategic goals, areas of initial specific focus, as well as other areas of the State's economy which the Corporation will help support. Ms. Foulkes stated that the Retreat would be centered around the "Vision Into EDC Action" and implementation of that plan.

3. PRESENTATION OF EDC POWERS

Executive Director Stokes presented to the Board the statutory powers granted to the Corporation by the General Assembly, which includes the following economic development programs: Enterprise Zones, Jobs Development Act, Project Status, Jobs Creation Guaranty Program, Rhode Island Regulatory Reform Act, Small Business Regulatory Fairness in Administrative Procedures and the Renewable Energy Fund (See **Exhibit B** for a copy of the Mr. Stokes's Powerpoint presentation). He noted that the Corporation has the power to issue debt and make guaranties, to acquire and develop real estate and to create subsidiaries, such as the Quonset Development Corporation and the Rhode Island Airport Corporation, to carry out certain programs. Mr. Stokes also referred to the 2009 Economic Growth Plan, wherein the Corporation had identified ten concrete action items to meet economic challenges and to accelerate the pace of job growth in the State. He noted that most of the action items are incorporated within the five areas of focus which the Board is continuing to work on in 2011.

Mr. Stokes then discussed recent accomplishments of the Corporation. He noted that nine pieces of legislation had been passed making it easier to do business in the State and that such legislation has also authorized the establishment of the Office of Regulatory Reform within the Corporation. Other accomplishments include: lowering of the top marginal income tax rate by 40% from 9.9% to 5.99%, which places the State in balance with other New England states; increasing the cap from \$20 million to \$60 million for the Industrial-Recreational Building Authority, which provides significant guaranties and credit enhancements to fixed asset companies; the enactment of two pieces of legislation addressing work force development, including the CCRI 21st Century Workforce Commission; and the long-range strategic plan for tourism, which is intended to guide the growth and marketing efforts for tourism for the next five years.

Mr. Stokes next presented the State's economic development appropriations in comparison to other New England states. He noted that our State has budgeted approximately \$3.9 million for FY 2012 which represents .05% of the State's budget. The other New England states' appropriations for economic development range from .04% to .36% of the total state budgets. He noted that of the over \$24 million which Connecticut has budgeted, \$15 million is appropriated for statewide tourism marketing, while our State has budgeted less than \$1 million for statewide tourism initiatives.

Led by Vice Chairman Foulkes, Board members discussed other areas related to economic development which need improvement, including the importance of educating and retaining young people within the State, changing the perception of the State across the board, including revitalization and rebranding of State government, and consolidation of municipal services throughout the State. Dr. Dooley noted that in addition to the five areas of focus, there should be a notion of putting together the right package of coordination and facilitation that will enable established companies, both large and small, to expand, to add jobs and to access capital.

Mr. Wadensten shared with the Board a rendering which depicted his perception of how to “Gain and Retain Companies’ Profitability in Rhode Island”, which requires both retaining/sustaining of existing companies and gaining/attaining new companies. Board members discussed whether these two factors should be treated equally or whether we should, like some other states, focus on retaining companies rather than seeking to entice companies to move here. Mr. Stokes also called to the Board’s attention materials provided in the Board’s binders, which included: a Business Tax Credit Incentive Matrix – All New England States, the Department of Revenue’s Tax Credit and Incentive Report, and a Project Status Sale Tax Exemption Program Performance Assessment 1996-2010 (see **Exhibits C, D and E** respectively).

Mr. Nee noted that the connection between economic development and workforce development has been missing. He stated that as a State we do not have young people who are equipped with the education, literacy and skills to fill the workforce needs of a developing business community. Mr. Nee emphasized the need to implement work force development funds to invest in the State’s workforce. Ms. Snead stated that creation of jobs should be one of the measures of success in each of five areas of focus. Mr. Nee added that the goal should be to increase not just jobs, but the quality of jobs within the State.

4. DISCUSSION OF “HELP GROW OUR KEY INDUSTRIES”

Mr. Stokes next presented an overview on the “help grow our key industries” focus area. He noted that tourism and business attraction should be viewed as the “accelerators” for the Board to focus on initially, along with the broader goals of growing the defense sector, green economy, advanced manufacturing, life sciences and financial services. He described how, under the current statute, room taxes on accommodations, which amounted to approximately \$12-13 million in the last fiscal year, are divided among the six regional tourism districts (including the State board). Mr. Stokes questioned whether an integrated system, as opposed to the present fragmented one, would be a better use of the funds.

Members of the Board commented that the only mechanism to change the present system of dividing the room tax revenues into six regional district “buckets” would be through revision/amendment of the current legislation. Dr. Dooley noted the fact that, based upon the tourism presentation at a prior Board meeting, Rhode Island’s market share in New England is going down and thus the current system is clearly not working. Mr. Lane suggested that the Board should tackle the hardest problem first, which would be the amendment of the statutory structure of tourism funding. Mr. Sullivan also commented on the need to have a unified sales and marketing force with respect to the State tourism message.

Ms. Foulkes stated that Mr. Sullivan would be the subcommittee chair for tourism.

The Board next considered the business attraction aspect of growing our key industries. Mr. Lane discussed the need for the State to have magnetic attraction, which creates an attractive package to various industries that encourages businesses to form and transform within the State. He noted that it is not just attracting businesses over the borders, but it is also creation within our borders. Mr. Lane noted that unfortunately there is magnetic energy in other parts of the country where there are already public-private partnerships between academia and private industry, which are pulling investment dollars out of the State. Mr. Stokes commented that business attraction is not simply attracting companies, but it is a function of the environment, tax scheme, and workforce in creating a business friendly environment which will drive the market. Mr. Lane stated that the collective muscle of the Corporation needs to be the driving force behind creating a prospering business climate.

Mr. Wadensten commented on the need to consider the life cycle of a business from young entrepreneur stage through a sale or merger of a company; he noted that there should be a desire to launch businesses which become legacy organizations. Mr. Adams noted the need for capital for the budding entrepreneur, such as recent graduates in the State; he emphasized the need to connect and integrate people to resources within the State. Ms. Snead stated that the need is not just attraction but creation and growth and suggested a theme of “company life cycle support and development”, which would include transitioning strategies. Mr. Lane noted the success of the Corporation and the business community created by the Rhode Island Center for Innovation & Entrepreneurship (RI-CIE), which has successfully brought together investors and entrepreneurs and he suggested that the RI-CIE model could be expanded into other industries.

5. DISCUSSION OF “CREATE BUSINESS-READY INFRASTRUCTURE HUBS”

Mr. Stokes stated that the initial focal point of this area of focus is the Knowledge District, while other important infrastructure hubs include the Warwick Station Interlink and the Quonset and ProvPort sites. He then discussed the collaboration of State and City of Providence officials who are determining the use of property available due to the I-195 realignment, which has the potential to be used to build upon the life sciences and higher education institutions in the area. Mr. Stokes questioned the Board as to the role the Corporation should play, if any, in the development of the Knowledge District. He noted that the Corporation, in conjunction with the governance structure being developed, could have an instrumental role in the development and implementation of the Knowledge District.

Governor Chafee commented that legislation is being prepared that would create a redevelopment authority, which would streamline the process for companies to come into the district. The Governor further noted the interest to expand expressed by Brown University President Ruth Simmons. Mr. Stokes noted that if the Corporation acquired the property, funds from the sale of land could be redeployed either to the City of Providence, to the State, or to a restricted development fund account. He emphasized the Board’s authority to implement a wide range of actions in this regard.

Mr. Singleton noted that the value of the project is not merely the value of the land itself, but the potential it has to be a catalyst. Mr. Templin commented that currently the Knowledge District contains new companies in the fields of information technology and digital media, along with life sciences and biotech; however, there is more cross-sector potential as well. He also emphasized that the Knowledge District has the potential to create the engine to propel the State forward for decades. Mr. Lane also emphasized the need to build confidence in the Corporation's policy and methodology, since it has the core assets. He noted the difficulty for companies to receive funding for the incubation of ideas, as opposed to projects which involve wind turbines and bricks. Through a strategy of realigning of the Corporation's various resources, Mr. Stokes stated that the Corporation could take on a role of developing and marketing the Knowledge District. Board members expressed their desire to see the Knowledge District become a place where one can "live, work, and play," in the words of Ms. Snead.

Dr. Dooley commented on the need for a commitment to implement plans with a sense of urgency. He stated that the University of Rhode Island and Rhode Island College will be delivering a study of the building of a facility together within the Knowledge District, which would be funded through a public-private partnership, with the state leasing back the property. He stated sooner is better than later and that there should be a goal of having "cranes in the sky in 2012." Mr. Templin agreed, stating that the Knowledge District has the potential of becoming a visible symbol of development in Rhode Island. Mr. Stokes noted that Mr. Templin and Ms. Foulkes would serve as subcommittee chairs for the Knowledge District focus area.

6. DISCUSSION OF "MAKE IT EASIER TO DO BUSINESS IN RHODE ISLAND"

Ms. Foulkes stated that this area of focus resulted from input from members of the Board and the Governor, who had each expressed the sentiment that in light of our State's small size it should be the easiest State in which to do business. She emphasized the need to streamline process to remove existing roadblocks. Mr. Stokes noted the significant legislative action in the past two years which created the Office of Regulatory Reform, as well as legislation which will allow the Corporation, in coordination with DEM, to create pad-ready industrial/commercial zoned sites, equipped with utilities, and ready for development, which the State is lacking in comparison to neighboring states. Ms. Snead stated that there is a need for standardization among cities and town with respect to rules and expectations. Mr. Stokes noted the challenges in achieving this goal due to home rule charter provisions, which allow cities and towns to conduct their own city planning and building permitting/licensing. Mr. Stokes further commented that the Office of Regulatory Reform is looking into creating an integrated regulatory process.

Mr. Lane commented that he had not had difficulty in interfacing with various agencies in the build out of his own company in Rhode Island. He suggested that while the Corporation may not be able to create regulatory uniformity, it could underwrite the

solution to the challenge through an ombudsman or private entity facilitator who could assist or support businesses. Mr. Stokes asked the Board what a measurement of success would be in this focus area. Ms. Snead suggested a minimum 50% reduction in time to permit a project. Dr. Dooley and Ms. Foulkes both discussed using a survey now and three to five years in the future in order to determine whether the needle has moved in the right direction. Mr. Nee stated that success could be seen a businesses' desire to come to the Corporation because the Corporation gets things done. Mr. Stokes noted that Mr. Wadensten will serve as the subcommittee chair for this area of focus.

7. DISCUSSION OF "REVITALIZE AND REBRAND OUR URBAN CORE"

Ms. Foulkes stated that Mr. Weiss will be the subcommittee chair for this area of focus. Mr. Stokes commented that the urban strategy will initially be focused on the five distressed communities previously identified, Central Falls, Woonsocket, Pawtucket, West Warwick and Providence, which can then serve as models for other urban areas in the State. He noted that the Main Street program can be used to create an approach for the State and that other programs such as Grow Smart Rhode Island are moving beyond simply physical renovation of space and are taking a more integrated approach to increase the vitality of the existing businesses in communities. Mr. Stokes also noted the Pawtucket Foundation's success in integrating the city with the main corridors of the Blackstone Valley. Mr. Weiss stated that the urban core needs to be mixed use to include housing, but that the most important element is parking. He further stated that additional parking will attract major retailers which will then also help small businesses. Mr. Weiss also suggested examining the tax credits in areas where the State wants to see land developed. Mr. Stokes stated that one of the most important factors in enhancing Charleston, South Carolina's downtown was the building of parking garages, which enabled people to park, shop and dine downtown. Members of the Board discussed the need to address parking in the urban communities, which is a symptom of the larger problem of mass transit within the State. Suggestions included improvements in the trolley systems with links to existing parking facilities, such as Providence Place Mall, or between main streets. Mr. Stokes noted that some of the best practices have been parking facilities in the public domain, which allow for use by businesses during the day, and arts, entertainment and tourism at night.

Mr. Lane commented on the quirky and eclectic quality of neighborhoods such as Wickenden Street in Providence, which become a destination based on the diversity of businesses. Mr. Weiss noted the potential for Providence to have an art-based main street, with the presence of the Rhode Island School of Design in the city. Mr. Sullivan stated that the Corporation needs to implement tax credits or incentives to attract businesses to the State. A discussion ensued among Board members about how safety, security, and cleanliness are important elements to growing urban areas and attracting people to them. With respect to defining success, Ms. Snead suggested "come for a reason but stay for the day" as a measure. Mr. Sullivan suggested over all tax base growth over three to five years as a measure. Mr. Stokes noted also the inherent tension between municipalities and the State in this regard, in that

municipalities look to property tax values, while the state is looking at income taxes, which results in municipalities placing more emphasis on land and property value than on jobs.

8. DISCUSSION OF “DEVELOP A GAME PLAN FOR ACCESS TO CAPITAL”

Mr. Stokes stated the need for a discussion by the Board as to the proper role of the Corporation with respect to access to capital, including whether that role is as guarantor or as a direct lender. He noted that the Job Creation Guaranty program allows the Corporation to provide guaranties to private sector investment. The Corporation must now determine how to implement the \$50 million remaining in the program. He noted that the Governor is setting aside 10% to be used in conjunction with federal SBA 7(a) loans, resulting in 90% guarantees for private companies. Members of the Board expressed the need for a continuum of access to capital from pre-seed financing to short term access to capital for already-leveraged companies. Mr. Lane suggested that the Corporation’s role may be better placed in connecting companies with private industry resources, as opposed to playing the role of guarantor. The Board discussed the utility of private sector quality control filters with respect to the Corporation’s funding of the right businesses, as well as the use of the Job Creation Guaranty program fund balance in conjunction with existing seed and incubator entities to underwrite and vet opportunities and investments.

Members of the Board discussed the possibility of using the remaining program funds as a driver in the development of the Knowledge District. Mr. Templin stated that a best practice he has seen has been to treat a portfolio not merely as a collection of companies, but also as a cluster, including their physical proximity to one another, which involves social aspects as well. Dr. Dooley noted the value of services assistance and expertise of students, who are resources, in lieu of capital or at a reduced cost. He noted that such resources could be better implemented by bringing together universities and large and small companies through a single entity. Mr. Stokes suggested that the Corporation could serve as a physical space or clearinghouse where university resources could be organized and integrated. Ms. Foulkes commented the need for speed in providing access to capital. Board members noted the use of a private sector model, including with regard to the Job Creation Guaranty program, is a good theme for access to capital moving forward. Mr. Stokes also noted that if the Job Creation Guaranty functions successfully, the Corporation will have more availability of the fund, which can then be redeployed.

9. DISCUSSION OF IMPLEMENTATION TIMELINE

Board members were asked to sign up for subcommittees. Ms. Foulkes requested that the subcommittees report back with purpose statements, goals and next key steps at the May Board meeting, where the Board will have an opportunity to provide further input. She noted that Mr. Stokes will be joining each of the subcommittees, as well as assigning members of the Corporation staff to each of the subcommittees.

Mr. Stokes concluded the retreat by commenting that this was the first time that the Board had taken such active leadership in realigning and deploying the Corporation's programs. (See **Exhibit F** for the Implementation Timeline provided to the Board.)

The Governor thanked Ms. Foulkes, Mr. Stokes, and Ms. Judy Chong for their work on making the Retreat a success, as well as the members of the Board for their participation.

There being no further business in Public Session, the meeting was adjourned at 12:00 p.m.

David M. Gilden, Secretary

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