

**RHODE ISLAND COMMERCE CORPORATION
MEETING OF DIRECTORS
PUBLIC SESSION**

The Board of Directors of the Rhode Island Commerce Corporation (the “Corporation”) met on July 1, 2015, in Public Session, beginning at 5:00 p.m. at the offices of the Corporation, located at 315 Iron Horse Way, Suite 101, Providence, RI 02908, pursuant to the public notice of meeting, a copy of which is attached hereto as Exhibit A, as required by applicable Rhode Island law.

The following Directors were present and participated throughout the meeting as indicated: Governor Gina M. Raimondo, Bernard V. Buonanno III, Dr. Nancy Carriuolo, Jason Kelly, Mary Lovejoy, Michael F. McNally, George Nee, Donna M. Sams, Vanessa Toledo-Vickers and Karl Wadensten.

Directors absent were: Ronald O’Hanley, Tim Hebert and Mary Jo Kaplan.

Also present were: Stefan Pryor, Darin Early, Wade Gibson, Jeremy Licht and Thomas Carlotto.

1. CALL TO ORDER AND OPENING REMARKS

The Chair, Governor Gina M. Raimondo, called the meeting to order at

5:04 p.m. indicating that a quorum was present.

2. TO CONSIDER FOR APPROVAL THE PUBLIC SESSION MINUTES FOR THE MEETING HELD ON MAY 18, 2015

Upon motion duly made by Mr. Nee and seconded by Dr. Carriuolo, the following vote was adopted:

VOTED: To approve the Public Session Minutes for the meeting held on May 18, 2015, as presented to the Board of Directors.

Voting in favor of the foregoing were: Dr. Nancy Carriuolo, Jason Kelly, Mary Lovejoy, Michael F. McNally, George Nee, Donna M. Sams, Vanessa Toledo-Vickers and Karl Wadensten

Voting against the foregoing were: None

Mr. Buonanno arrived at 5:14 p.m.

3. TO RECEIVE AN UPDATE CONCERNING THE STATE BUDGET.

The Governor gave a brief introduction of the core of the jobs plan contained in the state budget and the need to focus on economic development. She highlighted that the administration was able to close a significant deficit without any broad base tax increases and to

make substantial investments in relation to economic development including education and tax incentive programs. The Governor introduced Secretary of Commerce (the “Secretary”), Stefan Pryor, to provide details of the programs that will be administered by the Corporation. See Exhibit B

Mr. Pryor began by explaining that Rhode Island was lacking many economic incentive tools that other states possess, which was a significant limitation in terms of retaining businesses presented with offers from other states and attracting new businesses to the state. The Secretary then explained that the major proposed programs contained in the Governor’s budget were adopted in the budget passed by the General Assembly.

Mr. Pryor indicated that the majority of the economic incentive programs are under the jurisdiction of the Corporation and he commenced his presentation summarizing the Rhode Island New Qualified Jobs Incentive Act. He highlighted the eligibility requirements for a business to receive tax credits under this program. Mr. Pryor then identified the potential benefits as a maximum of \$7,500 per job with a base amount of \$2,500 for up to ten years. He explained that the program is designed to be revenue neutral, which is accomplished with an additional limitation that the tax credits cannot exceed the estimated personal income taxes generated by the newly created jobs. The Secretary explained that the tax credits may be sold or they can be redeemed by the State at 90%

of the face value of the credits.

The Secretary then presented the Rebuild Rhode Island Tax Credit program. He indicated that many developers have stated that it sometimes does not pay to build in Rhode Island. Mr. Pryor noted that other states have programs that help fill the gap to permit projects to become financially feasible and that Rhode Island needed a competing program. He explained the eligibility criteria for developers to qualify for the base credit, which may be used to close a gap of up to 20% with the provision of a tax credit. He noted that the tax credit may be sold or redeemed by the State at 90% of the face value. The Secretary indicated that under certain circumstances including, but not limited to, transit proximity, adaptive reuse of historic structures or a targeted industry, a project may qualify to fill a gap of up to 30%. Mr. Pryor further detailed the ability to also grant a sales tax exemption in relation to depreciable materials used in the project in addition to the grant of tax credits. He then explained that the benefits for a project are payable over five years and are only granted after the project is completed.

Mr. Buonanno asked if the budget included amounts for each program. The Governor noted that the jobs incentive is revenue neutral so it is not subject to budgeting. Mr. Pryor explained the Rebuild Rhode Island program relies on anticipated future revenues. Mr. Buonanno asked if it is the intention to allocate the majority of the anticipated program funding in the first year. Mr. Pryor responded

that it is not a race but there is a sense of urgency.

Mr. Pryor then noted that many of the remaining programs are all budgeted for in fiscal year 2016. He explained that the programs are discretionary and there will be a selection process for program participants.

The Secretary summarized the Tax Stabilization Incentive program, which is intended to incentivize municipalities to enter into tax stabilization agreements with developers. He explained that the general threshold for qualification is a project of \$10,000,000 that creates fifty jobs, with some exceptions for higher poverty communities. He noted that the program is a positive monetary benefit intended to encourage municipalities concerned with the loss of potential revenues associated with granting a tax stabilization incentive to enter into tax stabilization agreements with developers.

Mr. Pryor next discussed the Tax Increment Financing program noting that it is not a budgeted program as it permits the Corporation to pledge up to 75% of certain new state tax revenue generated by a project. He indicated that there are an array of taxes in the statute that may be pledged including the corporate income tax or the hotel tax. The Secretary explained that the TIF program may be a better choice than the Rebuild Rhode Island program in certain circumstances and adds an additional tool in the economic incentive tool box. The Governor commented that this is a tool that municipalities can use in

relation to property taxes and this program expands the taxes that could be eligible to support a project. Mr. Wadensten asked if municipalities are using TIF incentives and Mr. Pryor explained that it is available to municipalities but appears to be uncommon in Rhode Island.

The Secretary then detailed the Anchor Institution Tax Credit Act, which arose from discussions with local chambers of commerce. He explained that it is intended to incentivize companies that are dedicated to Rhode Island and who encourage suppliers or customers to move to Rhode Island. The program will provide a tax credit to an institution that plays a significant role in such a company moving to Rhode Island.

Mr. Pryor went on to outline the Main Street Rhode Island Streetscape Improvement Fund, which is budgeted for \$1,000,000 in fiscal year 2016. He explained that the program is designed to improve business districts and make them attractive. The program is intended to provide funding with a match from a municipality and/or third-parties to improve streetscapes, which may include improvements to building facades, sidewalks, signage, street lighting, among other elements.

Mr. Wadensten asked who is going to be responsible for monitoring and managing these programs. Mr. Pryor explained that for the smaller programs, such as the Mainstreet Program, the Corporation

will be the sole administrative entity. With respect to the Rebuild Rhode Island, for example, the Department of Administration and the Division of Taxation will be involved in certain aspects of the program. Mr. Pryor further explained that matters such as the financing gap analysis for a project would be the responsibility of the Corporation and may involve third-party experts. He then explained that the issuance of the tax credits and redemption the tax credits will involve the Division of Taxation. The Governor then commented that the Corporation will be retaining expert staff to facilitate the administration of such a program and any help that can be provided by Board members in identifying candidates for employment would be appreciated. Mr. Buonanno stated that the program presents an interesting challenge in that it requires ensuring that investors are not simply receiving a benefit for a project that would occur without the incentive. Mr. Pryor agreed and explained that that is the job of the Corporation. Mr. Early explained that the awards will be on a contractual basis and the Corporation can seek an upside interest to help protect against such concerns.

Mr. Pryor next detailed the Small Business Assistance Program, which is a program to provide loans and technical assistance. He explained that in addition to general lending assistance, the program includes a micro-loan program. The technical assistance component will provide grants to third-parties to help businesses. The Secretary further noted that there has been consideration of the types of loan constructs that would work best to leverage both the public and

private resources available to businesses, such as credit enhancements of SBA loans, loan loss reserve fund and other incentives that would involve a partnership, which includes the underwriting process of a private lender.

The Secretary next introduced the Industry Cluster Grant program, which will provide a total of \$750,000 for a strategic exercise to identify industries that should receive investment. He explained that the funding will be available to trade groups, industry associations and industry representatives for the purpose of identifying the competitive advantage of Rhode Island in industry sectors and what kinds of needs exist to enhance these advantages or fill gaps. Mr. Pryor explained that in tandem with this program, the Department of Labor and Training is doing a parallel exercise in relation to workforce needs on a sector or cluster basis, which will provide funding in connection with those efforts.

Mr. Pryor went on to discuss the First Wave Closing Fund as an effort to provide last dollar funding for commercial projects that may have reached caps in other programs or not eligible for other programs. The budget for the program was appropriated in the amount of \$5,000,000 for fiscal year 2016. The program is intended to be highly flexible to allow for the necessary discretion to permit incentives to certain projects early on in the implementation of these incentive programs.

The Secretary discussed the Innovation Voucher Program, which is intended to trigger research and development activity. He noted that oftentimes smaller and mid-size businesses don't have the resources to invest in certain research and development but there exist resources in the state such as colleges and universities that have the expertise to provide the needed research and development to these businesses. The program would provide vouchers to aid a business to obtain such research and development assistance.

The Secretary next addressed the Wave Maker Fellowship program, which is intended to attract and retain graduates to work in Rhode Island. He indicated that we hear from many people that talent is a leading need of businesses in Rhode Island. The program provides tax credits to qualified individuals of up to \$4,000 for candidates with a bachelor degree and \$6,000 for candidates with a graduate degree. The program requires that 70% percent of the incentives are allocated for Rhode Island residents or graduates of Rhode Island institutions, and are will be granted on a competitive basis to applicants that work for a Rhode Island company. He noted that the program was budgeted for \$1,750,000 in fiscal year 2016. The Governor commented that she would like to see additional private contributions to the program and/or corporate partners to provide additional incentives for loan repayment to help attract talented people to either stay or come to Rhode Island.

Mr. Pryor in closing explained that programs will be coming before

the Board in the form of rules and regulations and he introduced Mr. Early to provide a summary of the rollout of the rules. Mr. Early indicated that the rulemaking process would be undertaken in two phases. He explained that the more complicated programs would be in the first phase with an anticipated date for consideration by the Board at the July 27 meeting and then a public comment period commencing shortly thereafter, if the rules are approved at that meeting. Mr. Early indicated that the goal was to have the first phase rules in effect as of September 2015. He then commented that the second phase would effectively mirror the first phase with the anticipated review of the rules by the Board at the August meeting.

Dr. Carriuolo commented that many businesses invest in a young employee over a year or two and then the employee leaves, which is oftentimes a significant loss of investment to the business. She asked what would happen to such an employee under the Wavemaker Fellowship program if the employee left their job for another Rhode Island employer or would they need to be in the state for four years. Mr. Pryor asked Mr. Licht to comment on the monetary commitment under the program. Mr. Licht indicated that the monetary commitment is annual for a term of four years. Mr. Licht also stated that the statute doesn't preclude a candidate from moving from employer to employer within the state so long as it was a qualified job, and Mr. Pryor explained that this was an appropriate consideration for a potential limitation in rules and regulations. The Governor noted that a match or additional incentive from the private

employer working in tandem with the state program would be an incentive that would avoid this pitfall.

In conclusion, the Governor thanked the Board for its time and emphasized the importance of these programs.

4. TO CONSIDER FOR APPROVAL RENEWABLE ENERGY FUND MATTERS

The Governor next introduced Hannah Morini for a presentation on the Renewable Energy Fund (“REF”). See Exhibit C. Ms. Morini gave some background of the program and funding to date. Ms. Morini then provided a brief summary of the proposed projects under consideration by the Board. Finally, she responded to various inquiries from the Board of Directors regarding the fund.

- a. A grant to Alteris Renewables, Inc., in the amount of \$324,037.25;**
- b. A grant to Sabetti Construction, Inc., in the amount of \$115,595.25;**
- c. A grant to Stateside Precision Group, LLC, in the amount of \$6,882.75;**
- d. A grant to Sol Power, LLC, in the amount of \$102,455.00;**

- e. A grant to SunWatt Solar, LLC, in the amount of \$24,018.00;**
- f. A grant to US Solar Works, LLC, in the amount of \$10,000.00;**
- g. A grant to Small Axe Productions, LLC, in the amount of \$19,992.75;**
- h. A grant to Herbold Meckesheim USA – Resource Recycling Systems, Inc., in the amount of \$25,760.00;**
- i. A grant to Andrea Bond d/b/a Andrea Bond Winery, in the amount of \$13,765.50;**
- j. A grant to PRI Renewable Energy, LLC (Gatewood), in the amount of \$82,500.00;**
- k. A grant to PRI Renewable Energy, LLC (Bear Hill), in the amount of \$182,500.00;**
- l. A grant to PRI Renewable Energy, LLC (Metcalf Courts), in the amount of \$107,500.00;**
- m. A grant to PRI Renewable Energy, LLC (Indian Run), in the amount of \$212,500.00;**
- n. A grant to Lincoln School, in the amount of \$57,316.00;**
- o. A grant to Friends of SRIMS, Inc., in the amount of \$57,316.00;**
- p. A grant to St. Michaels Country Day School, in the amount of \$11,799.00;**
- q. A grant to the Town of New Shoreham and/or Block Island School, in the amount of \$45,655.00;**
- r. A grant to Church of our Lady of Mount Carmel, Bristol and/or Our Lady Mount Carmel School, in the amount of \$52,440.00;**
- s. A grant to St. Mary Academy – Bay View, in the amount of \$56,672.00;**

- t. A grant to the City of Cranston, in the amount of \$57,316.00;**
- u. A grant to Harmony Hill School, Incorporated, in the amount of \$54,096.00;**
- v. A grant to Pennfield School, Inc., in the amount of \$27,531.00;**
- w. A grant to Moses Brown School Incorporated, in the amount of \$107,500.00; and**
- x. A grant to Sabetti Construction, Inc., in the amount of \$122,855.50.**

Upon motion duly made by Mr. Nee and seconded by Ms. Toledo-Vickers, the following vote was adopted:

VOTED:

Voting in favor of the foregoing were: Bernard V. Buonanno III, Dr. Nancy Carriuolo, Jason Kelly, Mary Lovejoy, Michael F. McNally, George Nee, Donna M. Sams, Vanessa Toledo-Vickers and Karl Wadensten

Voting against the foregoing were: None.

A copy of the Resolution is attached hereto as Exhibit D.

Vote to Adjourn.

There being no further business in Public Session, the meeting was adjourned by unanimous consent at 6:37 p.m., upon motion made by Mr. Wadensten and seconded by Ms. Vanessa Toledo-Vickers.

Thomas Carlotto, Secretary