

**CITY OF EAST PROVIDENCE
SPECIAL WATERFRONT DEVELOPMENT DISTRICT**

**TAX INCREMENT FINANCING (TIF)
PROJECT PLAN**



**EAST PROVIDENCE
WATERFRONT SPECIAL DEVELOPMENT
DISTRICT COMMISSION
JULY 2008**



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1. Introduction

Context

In 2003, the City of East Providence created and adopted the *East Providence Waterfront Special Development District Plan* to articulate and frame a plan, vision and strategies to transform over 300 acres of the City's currently underutilized waterfront along the Providence and Seekonk Rivers to a mix of land uses, including: commercial; office; medium and high density residential; entertainment and hospitality; restaurants; marinas; civic, and recreational uses, particularly those oriented towards the water. The City's waterfront planning efforts have been continuous and on-going since the adoption of the City's *Comprehensive Plan* in 1992, and have been consolidated into a comprehensive waterfront development plan.

Currently, the East Providence waterfront is mostly vacant land formerly used for industrial or heavy commercial purposes, such as petroleum and chemical storage, distribution facilities, and a steel mill site. While these uses were actively operating, they generated revenues and employment opportunities to City residents and the region. However, dramatic changes in the United States economy over the last fifty years, and a shift from industrial economies to a new service economy and information technologies, have left behind unsightly vacant derelict structures and buildings, weed strewn fenced parcels of land, and, in many cases, environmental contamination on the East Providence waterfront.

Due to the large scale of potential redevelopment and the scenic and recreational resources of these waterfront properties, the waterfront along the Providence and Seekonk Rivers holds the single greatest potential for East Providence for attracting new business and jobs, and creating new housing, recreational, civic and cultural opportunities. The *Waterfront Plan* allows for the potential building of over 2 million square feet of office/commercial space, and 2,500 new residential units.

It is the City's intention to foster a rebirth of its waterfront that will result in a new city with a mix of quality development and land uses that generate year-round activity, with linkages to the surrounding neighborhoods, downtown amenities, labor, access to infrastructure, and the recreational and scenic attributes of a waterfront location.

Much of the acreage along the northern East Providence waterfront looks out across the Seekonk River to mostly wooded and green scenic vistas of Providence. Views from properties in the southern waterfront look across to views of the Seekonk and Providence Rivers, India Point Park, the Upper Narragansett Bay, and Downcity Providence. The scenic and recreational resources of these waterfront properties hold both city-wide and regional significance. These extraordinary features can provide a unique and competitive environment to attract and retain new residents and businesses.

Reuse of this waterfront land has a direct bearing on the City's economic future. The potential redevelopment of the East Providence waterfront offers a unique opportunity to significantly expand the local tax base without comparable increase in the demand for City and school services. The positive effects of redevelopment reach far beyond the boundaries of the project

area. The proposed new development along the waterfront will bring a distinctive and significant new identity to East Providence, as well as enhancing the economic and social climate of the City and also to Rhode Island.

The redevelopment envisioned for the waterfront in the Waterfront Plan entails a number of activities including: road construction and associated public improvements; extension of utilities; undergrounding utilities; acquisition of properties; parcel assembly; rehabilitation of structures; improvement, clearance, sale, lease, or other disposition, or any combination of these, of land, buildings, or other the provision of streets, utilities, recreational areas, and other open spaces consistent with the needs of sound community growth in accordance with the City's *Comprehensive Plan*; and carrying out plans for a program of voluntary repair and rehabilitation of buildings and other improvements. For purposes of this TIF Project Plan, the 2003 *East Providence Waterfront Special Development District Plan* ("Redevelopment Plan") is considered to be a redevelopment plan for the Waterfront District.

Based on fiscal analyses already submitted by the two project developers, it is estimated that the development proposed in the tax increment area is projected to result in an increase in assessed value of approximately \$1 billion, without considering inflation. The incremental property taxes in the Waterfront District ("the District") are estimated to increase by nearly ninety-fold. These numbers will be refined as more specific information regarding specific development projects is submitted.

Failure to move on key aspects of this TIF Project Plan would have serious deleterious consequences for the City and State of Rhode Island. Only a very small fraction of the potential long-term economic value of the land would ever be realized, and the larger City would lose a magnificent opportunity to transform its identity, its economy, its neighborhoods' relationship to the water, and its strategic opportunity to create a new and unique form of urban life. Threats to realizing the full redevelopment potential of East Providence's waterfront include:

- failure to implement the vital transportation access improvements;
- piecemeal, unplanned and uncoordinated development;
- over-reliance on a predominant *single* land use, i.e. all suburban-type office development rather than sustainable *mixed use* developments;
- nonconforming uses and structures that are incompatible with desired developments and uses;
- poor quality building and streetscape design;
- perpetual, unnecessary blighting of the scenic vistas of the rivers and bay; and
- disjointed, uncoordinated, and limited public access to the waterfront.

Substantial improvements need to be made to the infrastructure in the Waterfront District to support the redevelopment and growth anticipated by the Redevelopment Plan. Through the use of tax increment financing and the City's experience with redevelopment, this TIF Plan will facilitate the implementation of these public improvements.

Project Purpose

A fundamental goal of the TIF Plan is to ensure that the currently underutilized properties of the

waterfront once again become vital economic resources for the State and City and that these revitalized properties remain sustainable over time. The following vision principles were created to guide the City's decisions when considering the appropriate land uses for the waterfront, and in planning for the economic vitality of the City as a whole:

Expand the Tax Base: Waterfront development should provide positive fiscal impacts to the City while expanding the tax base. Waterfront development should either generate substantial revenue and/or reduce the tax burden on residents. The total population of East Providence has declined slightly (3.4 percent) from 1990 to 2000 (US Census 2000). This decline in population can be attributed in large part to the high percentage of elderly residents in East Providence and resulting high death rates for the past decade: East Providence has the second highest percentage of elderly residents of any community in the State of Rhode Island.

Generate New Jobs: Implementation of the waterfront development as envisioned by this Plan will generate a substantial number of new employment opportunities, potentially adding 3,000 to 4,000 jobs to the State's economy.

Implement a Mixed-Use Vision and Sustainability: Through land use regulations, promote a mix of commercial, office, housing, institutional, civic, and recreational uses that should remain self-sustaining over time.

Create a Regional Destination: Encourage development that will create a "destination" for East Providence residents and that will draw visitors, businesses and investors from beyond East Providence. The waterfront must provide jobs, residences, products and services that command a regional interest so as to ensure a stable market demand.

Expand Opportunities Equally for all Persons: Assist in creating an environment of market-driven redevelopment opportunities that will create new opportunities for higher-wage employment, and for housing, recreational, cultural and waterfront public access opportunities for all persons, especially to those with low- to moderate-incomes and to minority populations.

Due to the large scale of potential redevelopment and the scenic and recreational resources of these waterfront properties, the waterfront along the Providence and Seekonk Rivers holds the single greatest potential for East Providence for attracting new business and jobs, and creating new housing, recreational, civic and cultural opportunities. The Redevelopment Plan allows for the potential building of in excess of over 2 million square feet of office/commercial space, and 2,500 new residential units.

The proposed redevelopment project consists of the construction of public facilities including, but not limited to: road construction, sanitary sewer and water line extensions, streetscape improvements, recreational facilities, and potentially new public facilities, e.g. public parking, emergency service facilities (fire/rescue and police facilities), open space, construction of sidewalks, installation of granite curbing, installation of street signs, lights and associated streetscape amenities, including street trees, benches and trash receptacles.

Implementation of the development envisioned by this TIF Project Plan will require *substantial investment from both the public and private sectors*. The East Providence Waterfront Special Development District Commission (“the Commission”) has broad authority in financing approaches and will play a key role in the financing of Plan implementation.

Creating a TIF Zone

Rhode Island statute §45-33.2 requires the following steps before a TIF project plan can be approved:

Development of TIF Project Plan:

- Defining area
- Identifying needs and costs
- Proposed improvements
- Establishment of existing tax base in area
- Establishment of policies & procedures

Plan must show findings of:

- Facilities & actions are in public interest
- Inadequate supply of housing for low income, veterans, disabled or elderly
- Unemployment or threat of
- Located in blighted or substandard area
- But for government assistance
- Maximize opportunity for private financed development
- Financing is in public interest
- Estimate of economic impact

Project feasibility:

- Project qualification
- Economic impact
- Financial feasibility
- Identify risk factors

Project Negotiation:

- Level of TIF
- Consistency with policies
- Credit enhancements
- Financing method

Project approval:

- Public comment
- Legislative determination
- Final agreement

2. Description of the Zone

Proposed Boundary

Generally, the Tax Increment Finance Project Area (“Project Area”) is divided into two main geographic areas – those properties north of the Washington Bridge (Interstate 195) are included within the “Northern Waterfront Special Development District”, while those properties located south of the Washington Bridge (Interstate 195) are located within the “Southern Waterfront Special Development District” (see Figures I and II). The TIF Project Area boundaries and the Waterfront District boundaries are identical.

The Northern Waterfront Special Development District generally extends from the Washington Bridge (Interstate 195) northerly to the Bucklin Point Wastewater Treatment Facility (see Figures I and II). The depth of the corridor from the waterfront to the inland boundary varies and is described in the sub-districts below. The district’s western boundary is the Seekonk River. This special development district is divided into four sub-areas: Crook Point Special Development Sub-District; Dexter Road Special Development Sub-District; the Phillipsdale Special Development Sub-District (which includes the approved “East Pointe” and Phillipsdale Landing development projects), and the Pawtucket Avenue (former Fram Property) Special Development Sub-District. A limited number of properties are also located in a Taunton Avenue Special Development Sub-District.

The Southern Waterfront Special Development District generally extends from the Washington Bridge (Interstate 195) southerly to, and including, the Kettle Point property (see Waterfront Maps attached). This redevelopment area is divided into the Bold Point Harbor Area, Veteran’s Memorial Parkway, and Kettle Point. The approved Tockwotton Home project is located in the Bold Point Harbor sub-district.

Portions of Warren Avenue and properties on Taunton Avenue and Lyon Avenue are also included in the Project Area. These properties are included within the Project Area in recognition of their gateway location to the waterfront, or for the purposes of strengthening existing commercial areas and discontinuing nonperforming blighting influences.

These boundaries are intended to encompass all potential areas identified for redevelopment and public improvement projects in the next 25 years and to include additional areas reasonably expected to experience redevelopment and/or new investment as a result of increased market demand stemming from the contemplated improvements. The Assessor’s map, block, and parcel numbers of those properties included in the Project Area and their value are attached as Appendix A. Full descriptions of each parcel in the Waterfront District are available upon request.

3. Property Conditions

Description of Blight

This Redevelopment Area contains significant components of blight, according to the definitions found in Rhode Island RI §45-31-8:

(3) "Blighted and substandard area" includes a "slum blighted area", a "deteriorated blighted area", or an "arrested blighted area", or any combination of these areas. "Blighted and substandard area" shall also include those areas where the presence of hazardous materials, as defined in § 23-19.14-2, impairs the use, reuse, or redevelopment of impacted sites.

(18) "Slum blighted area" means any area in which there is a predominance of buildings or improvements, either used or intended to be used for living, commercial, industrial, or other purposes, or any combination of these uses, which by reason of: (i) dilapidation, deterioration, age, or obsolescence; (ii) inadequate provision for ventilation, light, sanitation, open spaces, and recreation facilities; (iii) high density of population and overcrowding; (iv) defective design or unsanitary or unsafe character or condition of physical construction; (v) defective or inadequate street and lot layout; and (vi) mixed character or shifting of uses to which they are put, or any combination of these factors and characteristics, are conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, and crime; injuriously affect the entire area and constitute a menace to the public health, safety, morals, and welfare of the inhabitants of the community and of the state generally. A slum blighted area need not be restricted to, or consist entirely of, lands, buildings, or improvements which of themselves are detrimental or inimical to the public health, safety, morals, or welfare, but may consist of an area in which these conditions predominate and injuriously affect the entire area.

The physical character of much of the East Providence waterfront project area has undergone changes over the past two hundred years with the introduction of many manmade features, with many of these suffering from years of abandonment and neglect. Vacant derelict buildings; rotting piers, pilings, discarded boats and barges along the waterfront; discarded vehicles and miscellaneous machinery; and overgrown weed-strewn properties are some examples of the overall poor visual image of portions of the waterfront and project area.

The first impression for prospective homeowners, consumers, and entrepreneurs of these areas can be disconcerting. Areas of abandonment and neglect can be the grounds for further disinvestment and continuing negative economic impacts. Allowing such conditions to continue would have detrimental effects on implementing the waterfront vision of new residential, retail, office, entertainment and recreational uses along the waterfront.

The systems in the redevelopment area are a substandard condition and the environmental problems caused by these systems are likely to contribute to blight in the area. The blight and substandard conditions in the project areas will be replaced by the facilities to be provided by the redevelopment program.

4. District Plan

Waterfront Land Use Goals

The following are general land use goals for the Waterfront District, as identified in the Redevelopment Plan:

- Reclaim brownfields and encourage redevelopment and reuse
- Foster a mix of commercial, residential and recreational uses along the waterfront, giving priority to public access and recreation, and water-related activities along the water's edge
- Maintain scenic viewshed corridors by placing lower-scale buildings at the water's edge and adjacent to established residential neighborhoods and its viewsheds
- Alleviate physical and economic blighting conditions within the TIF Project Area
- Mitigate conditions that contribute to soil and groundwater contamination
- Beautify and enhance the Project Area
- Improve transportation and traffic circulation throughout the TIF Project Area through the construction of a new roadway (Waterfront Drive); a new roundabout, improved intersections, and new ramps from Interstate 195; bicycle routes, and new bus transit routes
- Create safe and convenient pedestrian and bicycle circulation
- Assist private property owners in rehabilitating their existing commercial buildings
- Preserve and create civic and cultural facilities and amenities as a catalyst for area revitalization
- Update and expand public infrastructure and associated facilities including improvements to water, sewer, and storm drainage systems
- Maintain and expand public access, recreational opportunities, and open space
- Expand and improve the City's supply of affordable housing through a program of inclusionary zoning

This Project Area presently consists of a wide range of uses, primarily manufacturing, with interspersed commercial and some residential uses. The area also includes some heavy industrial uses and a small amount of retail use. The current uses of the Project Area are described in detail in the Redevelopment Plan.

Existing Zoning

The following land uses have been incorporated into ordinance form as amendments to Chapter 19, "Zoning," of the Revised *Ordinance of the City of East Providence*, with associated amendments to the Zoning Map. The proposed amendments also contain character-defining design standards. Amendments to Chapter 19, Zoning and the zoning map required the review and advisory recommendation of the Planning Board, with a public hearing and vote by the City Council.

Mixed land use may include, but are not limited to, any combination of housing, offices, retail and service businesses, and public and civic uses. Land uses may be mixed by floor (vertically within the building) or horizontally on a parcel of land. For example, businesses, housing, and civic uses may be mixed "vertically" on a site by constructing offices and residences above retail space, or "horizontally" by connecting different uses adjacent to each other with pedestrian pathways, plazas, and other public spaces. The scale of mixed use may range from a single stand-alone retail use with a second-story apartment, to a major development with several hundred thousand square feet of integrated housing, offices, shops, streets, and public space.

Higher-end and multi-family development is documented to have fewer children of school age than single- or two-family (lower density) residential land use. Implementation of this Plan is not expected to have any significant direct impact on the school population in the City of East Providence. Proposed developments are required to submit detailed impact analyses based upon specific development proposals which address potential impacts, e.g. traffic impacts, fiscal impacts (impacts to schools and other City services). While the Redevelopment Plan describes maximum densities, allowable densities will be limited by the specific results of impact analyses, and/or upon the ability to mitigate any identified negative impacts.

Proposed population density, land coverage and building intensity

The intent of the waterfront district is to provide uses in conformance with the *East Providence Waterfront Special Development District Plan*. The plan and subsequent zoning ordinance identify a range of general land uses within each of the waterfront sub-districts, as described below:

(1) *Kettle Point*: Medium density residential, with ancillary commercial uses including restaurants, clubhouses, marinas and limited retail geared toward residents. Medium density residential is land designated for residential and limited commercial uses, including townhomes, apartments and other attached housing, artist live/work studios, home offices and smaller scale neighborhood oriented retail establishments. A maximum of fifteen percent of the total parcel area devoted to a mixed residential project may be single-family lots. Building coverage shall not exceed 70 percent of the lot area. Building height shall not exceed five stories.

(2) *Veterans Memorial Parkway*: Medium density multi-family residential along the Veterans Memorial Parkway frontage, with commercial and retail uses at the lower levels of the site, and marina uses at the waterfront. Commercial land use includes lots/tracts containing buildings primarily for business uses including retail, office, medical office, entertainment, restaurant, lodging, artisan, and those buildings or developments mixed with a residential component. One hundred percent coverage is allowed if parking is under the building. Commercial buildings shall have no required side yard setbacks. Buildings shall not exceed four stories in height except in special designated areas as approved by the commission; a minimum of two stories is encouraged.

(3) *Bold Point Harbor*: A mixed-use high density area of commercial, office, retail and high density multi-family residential uses. High density residential includes land designated for residential and a mix of limited business use including limited office, lodging, retail, artisan, community, recreational and other uses by conditional use provision approval. High density residential shall be limited to designated areas in the waterfront district. Within such areas, building height limits shall be evaluated on a case by case basis by the commission with regard to view corridor assessments from within and outside of the waterfront district. Building coverage shall not exceed 70 percent of the lot area. A maximum of ten percent of the total parcel area devoted to a mixed residential project may be single-family lots.

(4) *Crook Point*: Retail and hospitality uses are encouraged closer to the Washington Bridge, with commercial office, retail and high density residential uses transitioning north toward the Henderson Bridge.

(5) *Dexter Road*: Technology-oriented light manufacturing, including offices, research and development, commercial education institutions and supportive commercial retail uses. Heavy commercial, mini-storage or industrial land uses are not permitted.

(6) *Phillipsdale*: A mix of commercial office, retail, mixed-density residential (single-family, townhouses and multi-family condominiums), light manufacturing (in selected areas) and artisan live/work studio space.

Conditions, covenants and restrictions

The land uses within the redevelopment plan are consistent with the zoning ordinance and the conditions, covenants, and restrictions for the development of property are those imposed by the zoning ordinance.

The City has instituted appropriate controls wherever necessary upon parcels in the Project Area to ensure their proper development and use, by covenants or restrictions, conditions of approval, or other means, as permitted by the *East Providence Waterfront Special Development District Plan*, Chapter 19, “Zoning,” and the *East Providence Land Development and Subdivision Review Regulations*.

Land to be acquired and buildings demolished

Certain aspects of this Plan involve privately owned land that may be impacted by the proposed transportation access improvements, or parcels that may be proposed for assembly into larger redevelopment parcels. Where eminent domain is required for transportation access improvements, it shall be in compliance with the Uniform Relocation Assistance and Real Property Act 1970, as amended. It is the intent of the City that whenever possible, property will be acquired through a negotiated purchase from property owners. The basis for negotiation will be the fair market value as determined by competent appraisers and as approved by the acquiring agency. Where good faith efforts to negotiate the private sale of any properties within the Project Area fail, eminent domain may be invoked. While every effort will be made to minimize the use of eminent domain, there will be occasions where the judicious use of eminent domain is essential to accomplishing a goal that will benefit the greater public good.

Eminent domain, or condemnation, is the legal process by which a governmental entity may acquire private property for a public use. The Fifth Amendment of the U.S. Constitution requires that the owner of private property acquired for public use must receive “just compensation” for the property. The power of eminent domain may be exercised by the City of East Providence (City Council), by the Rhode Island Department of Transportation, by the Rhode Island Economic Development Corporation, and the East Providence Waterfront Special Development District Commission, and in all cases follows a formal legal process.

Any property acquisition necessary for the waterfront transportation access improvements will be done by the Rhode Island Department of Transportation (RIDOT). The waterfront access

improvements related to the Interstate 195 access and ramping system has had its Environmental Assessment (EA) approved by the Federal Highway Administration and is awaiting final design. It is anticipated that the number of private properties impacted by the proposed transportation access improvements would be minimal, as the RIDOT owns an extensive right-of-way in the I-195 corridor and associated highway ramping system in the vicinity of Taunton Avenue and Warren Avenue.

Properties would be acquired only as they are needed and for very specific purposes. In some cases market forces will dictate ownership changes over time, while other properties such as those impacted by the proposed transportation access improvements, may need to be acquired earlier in the redevelopment process. Properties may be acquired by the City through either negotiated purchase or eminent domain.

Valley Street and Dexter Road

The small size of most parcels located along Valley Street and Dexter Road creates a challenge for developers who need larger contiguous sites for any significant redevelopment. The City may use eminent domain to acquire and consolidate parcels that would enhance the redevelopment of the Waterfront District.

Existing structures, buildings, or other improvements may be cleared or moved from property to accomplish needed redevelopment, and certain properties may require environmental site remediation prior to redevelopment. Properties acquired by the City will be disposed of in accordance with State law and other applicable provisions of law.

Relocation resulting from redevelopment

While it is anticipated that the displacement of business from the Project Area will be minimal, any businesses displaced from property within the Project Area by development activities should be granted a reasonable preference to reestablish on redeveloped sites in the Project Area. Businesses seeking to reenter the Project Area must meet the requirements of the Plan and comply with any applicable rules and regulations adopted by the Commission. The compatibility of the business with the uses planned for the property and the desired character of the redevelopment should be taken into consideration.

Attainment of Redevelopment Act

The purposes of the “Tax Increment Financing Act” include “the public health, safety, morals, and welfare of the people of the state generally, the increase of their commerce, welfare, and prosperity and the improvement of their housing, employment and educational opportunities and general living conditions...” The Act was provided to “prevent, arrest, and alleviate blighted, decayed, and substandard areas in cities and town, to increase the supply of housing available to homeowners and to tenants at low rentals, to increase the tax base...” The Act further states that it is the purpose of the statute “to provide an additional and alternative means to cities and towns to fund and/or finance municipal and other public facilities and residential, commercial and industrial development and revitalization, home ownership; and programs to combat poverty, improve municipal and neighborhood living conditions and provide improved employment and educational opportunities, all to the public benefit and good, in the manner provided in this chapter.”

Among the purposes of the Act that will be attained as a result of the Redevelopment Plan are the following:

Public health, safety and general living conditions

The City will perform the above actions, and all other functions and services relating to public health, safety, and physical development normally rendered in accordance with a schedule which will permit the redevelopment of the Project Area to be commenced and carried to completion without unnecessary delays.

Implementation of the Plan will potentially result in the creation of over two thousand market rate housing units, which will likely result in the City falling below the required percentage of affordable housing. Under Rhode Island State Law, in communities which fall below the required minimum percentage of affordable housing, developers of housing projects are permitted to go through a comprehensive permit process that may inhibit the city's ability to apply zoning and land development standards and regulations.

Developers of new residential market-rate multi-family developments located in the Project Area are required to provide affordable housing units for low and moderate income households equal to ten percent (10%) of the total new housing units located in the development.

Commerce and employment opportunities

As of 2006, there were a total of 21,543 persons employed by private industry in East Providence, a gain of 207 employed persons from the year 2000 (RIEDC 2008).

East Providence Private Industry Average Annual Employment by Major Sectors (2006)

Average Annual Employment by Major Sectors	Number of Persons
Construction	1,272
Manufacturing	3,125
Wholesale Trade	1,398
Retail Trade	1,880
Transportation & Warehousing	128
Information	437
Finance & Insurance	3,317
Real Estate & Rental & Leasing	256
Professional & Technical Services	1,248
Management of Companies & Enterprises	73
Administrative Support & Waste Mngmnt.	1,009
Educational Services	649
Health Care & Social Assistance	3,498
Arts, Entertainment, & Recreation	474
Accommodation & Food Services	1,412
Other services (except Public Administration)	731
Unclassified Establishments	1
Public Administration	1,866
TOTAL	22,774

Source: Rhode Island Economic Development Corporation webpage, 2008

Currently, the East Providence waterfront is mostly vacant land formerly used for industrial or heavy commercial purposes, such as petroleum and chemical storage, and distribution facilities, and a steel mill site. While these uses were actively operating, they generated revenues and employment opportunities to City residents and the region. However, dramatic changes in the United States economy over the last fifty years, and a shift from industrial economies to a new service economy and information technologies, have left behind unsightly vacant derelict structures and buildings, weed strewn fenced parcels of land, and, in some cases, environmental contamination on the East Providence waterfront.

Implementation of the waterfront development as envisioned by this Project Plan will generate a substantial number of new employment opportunities, potentially adding 3,000 to 4,000 jobs to the State's economy.

Improve and increase housing supply

According to the U.S. Census (2000), there are 12,096 owner-occupied housing units (59 percent) and 8,434 renter-occupied housing units (41 percent) in East Providence (with 779 vacant units, including those of a seasonal, recreational, or occasional use). Existing structures in the Project Area that are to remain in place may be rehabilitated and improved. Deteriorating and substandard structures shall be brought up to current design standards and building code requirements. The City and Commission should collaborate on carrying out a program of rehabilitation assistance necessary to bring property into compliance with the Redevelopment Plan's objectives and design/development standards, and should provide funds to leverage business and rehabilitation loans that will alleviate substandard conditions and promote reinvestment

Mixed use developments which include market rate rental residential units must provide a minimum of ten percent (10%) of the total units for purchase or rent by persons of low to moderate incomes.

Proposed changes in streets and utilities

As described in the Waterfront Plan, substantial improvements need to be made to the traffic circulation system in the Project Area to support the redevelopment and growth anticipated by the Redevelopment Plan. Through the use of tax increment financing, this plan will facilitate the implementation of these public improvements. The Redevelopment Plan also contemplates significant pedestrian improvements in the area, and this TIF Project Plan would also support these efforts. Improved streets and roads will permit more efficient use of public transportation and will assist the City in making public transportation more widely available.

While the Project Area is served by all major public utilities, some of these utilities are dated and are not designed to serve the development anticipated by the Redevelopment Plan. Therefore, as part of the redevelopment process, certain utilities will need to be repaired or replaced, and utilities needed to serve specific developments will need to be installed.

Areas with inefficient site layout, lacking adequate parcel size and shape, accessibility, or usefulness may be redesigned through the subdivision process. Land which may be difficult to

develop due to fragmented ownership or other causes may be redesigned, re-platted, and reconfigured through parcel assembly for new development.

Instituting and completing proceedings to open, close, vacate, widen, or change the grade of streets and public rights-of-way, and for other necessary modifications of the streets, the street layout, and other public rights-of-way and easements in the Project Area. The City may require the abandonment, removal, and relocation by public utility companies of their operations in public rights-of-way as appropriate to carry out the Plan, provided that nothing in the Plan shall be construed to require the cost of such abandonment, removal, and relocation be borne by others than those legally required to bear such costs.

Conformance with City's Comprehensive Plan

The land uses to be permitted within the Project Area shall conform to the City's *Comprehensive Plan*, as it currently exists or as it may from time to time be amended, and as implemented by City ordinances and other laws. The City's *Comprehensive Plan* was amended and/or updated to include the *East Providence Waterfront Special Development District Plan* and related amendments to the text of Chapter 19, "Zoning," and to the Zoning Map. In addition to Planning Board review and approval subdivision in the Project Area, including parcel assembly, is subject to the review and recommendation of the Waterfront Commission prior to final approval of the plan. Design review in the Project Area is conducted by the Waterfront Commission, with procedures for such review to be established by the City and the Commission.

Designated beneficiary class

The Redevelopment Plan includes no designated beneficiary classes as described in the TIF statute. Instead, a project area is designated for each project. The projects will serve the general public and are not directed to a specific beneficiary class.

5. Waterfront District Infrastructure Needs

The Waterfront District will require utility re-routing, extensions, and possible system upgrades in order to accommodate the placement of roads, assembly of parcels, and the proposed type and density of land uses.

Infrastructure Cost Estimate- Summary

As indicated in the attached cost matrix, approximately \$97.1 million is required to meet the infrastructure needs for the Waterfront District, based on current cost estimates. This information is based on best available information and is subject to further design evaluation, subsurface investigations, and the permit approval process. With escalating energy costs and the doubling of asphalt costs within the past year, it is important to regularly readdress construction cost estimates.

Although this figure seems high, the City has identified high-priority infrastructure elements that must be funded and implemented in order to facilitate development of the Waterfront District. These are:

I. Construction of Waterfront Drive between Dexter Road and Phillipsdale Landing

- II. Installation of water and sewer upgrades along the length of Waterfront Drive
- III. Assemblage of land on Dexter Road and Valley Street

TIF funds may not be the only source of funds used to pay for these improvements: for example, the water and sewer upgrades might be funded through the City's Enterprise Fund or the State's Revolving Loan Fund. The City will continue to seek future funding from other revenue sources.

Waterfront Drive

Background

Several major infrastructure projects are proposed to serve East Providence waterfront development. The primary project, Waterfront Drive, includes the Warren Avenue connector to Bold Point, completed in 2007, as well as portions that RIDOT has advanced through various planning and design stages for several decades. Although RIDOT's original focus was to provide an industrial corridor that connected to the East Pawtucket Industrial Highway, more recent objectives are to connect and service proposed mixed use development along the East Providence waterfront, and to provide a connection to and from I-195 via proposed eastbound ramps. RIDOT is considering several Waterfront Drive segments: Warren Avenue to Dexter Road; Dexter Road to the Omega Pond bridges and Bourne Avenue; and the northern segment to Beverage Hill Avenue with a spur to Newport Avenue in Pawtucket. Waterfront Drive segments in the East Providence Waterfront District are indicated on Figures III and IV.

Waterfront Drive, previously referred to as the "East Providence Industrial Highway," has long been recognized as the solution for improving north-south travel along the waterfront and linking existing City streets to the waterfront. The entire length of the roadway could extend approximately three and one-half miles from the area of Bold Point to the East Providence/Pawtucket boundary. The costs of constructing such a roadway in its entirety would be approximately \$60 million dollars (including associated rail improvements).

In recognition of the high costs of constructing the entire roadway in one phase, and the complexities and lengthy time frame for designing and permitting the roadway in its entirety, the City of East Providence has been working cooperatively with the RIDOT and their consultants regarding the design and permitting of segments of Waterfront Drive.

The current confusing and indirect traffic patterns create numerous negative social and economic impacts. The lack of a continuous north-south travel route has the negative effect of increasing traffic on local residential streets, notably those connecting Taunton Avenue to Waterman Avenue. Driving time is increased, causing inconvenience and potentially increased costs. In order to attract new businesses, activities and visitors to the waterfront, the traffic movements to get into and out of the waterfront and to travel north-south along the City's waterfront have to be as simple and direct as possible.

Waterfront Drive is proposed within the existing state-owned property used by the P&W RR. Although P&W RR has abandoned the right to operate south of Dexter Road, the rail remains active to the north. A wye connector between P&W's line along the shoreline and the East Junction line was recently constructed in the vicinity of Dexter Road. The state-owned corridor

currently accommodates one rail line and the Phillipsdale tap electrical line. The rail bridge across Omega Pond, adjacent to the Omega Pond dam, is the sole north-south connection along the shoreline. An uncontrolled at-grade rail crossing is currently located at Bourne Avenue. The Draft *Transportation Improvement Program* (TIP) for Fiscal Years 2009-2012 includes several references to projects along the East Providence waterfront:

- Highway Program: Waterfront Drive Warren Avenue Connector-Revetment Project (ID 00758H) is listed in the construction stage with \$200,000 for FY 2009.
- Study and Development Program: Two segments of Waterfront Drive are listed with no further identification of fiscal year or cost estimate.
 - Waterfront Drive – Central Segment limits are Valley Street and the Newport Avenue Connector.
 - Waterfront Drive – Newport Avenue Connector limits are the East Pawtucket Industrial Highway and Newport Avenue.
- SAFETEA-LU Earmarks: I-195 to Taunton and Warren Avenue – New Interchange limits are HP-67, HP-485, TI-370. The phase is identified as Design, Right-of-Way, and Construction. Earmark funding remaining is \$15.13 million.
 - Waterfront Drive C-3 (2009) extends from Warren Avenue to Dexter Road (ID 0075F).
 - Bridges #467, #468, #469, and New Bridges (2011) include the I-195/Taunton Avenue/Warren Avenue Interchange (ID 9601A).

Segments of Waterfront Drive are integral to three developments: Village on the Waterfront LLC (formerly Picerne Realty Group) and East Pointe (GeoNova).

- The Village on the Waterfront plan illustrates phased mixed-use development, parking structures, waterfront parks, and roadways, and includes cost estimates for publicly accessed infrastructure.
-
- The GeoNova Development Company, LLC, submitted a Tax Increment Proposal to the City of East Providence to construct the basic infrastructure plan. Elements of this plan subject to the Tax Increment Proposal include utilities (sewer lines, water lines, streetlights, path lighting and utility relocation); marine work/shoreline protection; landscape fencing, plantings, and pedestrian amenities; traffic improvements; public amenities; and Waterfront Drive.
- Essex River Venture anticipates submitting a request for TIF for site work. This request is based on the need to generate additional funding sources with recent changes in the State Historic Tax Credit program. The site work budget was received on June 9, 2008 and includes recent (2008) cost estimates.
- Access to the Gilbane Development Co.'s proposed mixed-use development at Kettle Point is via Veterans Memorial Parkway. This development is located south of Watchemoket Cove and is separate and distinct from proposed sections of Waterfront Drive. The East Providence City Council entered into a Memorandum of Agreement with Gilbane Development Co. in 2007. Among other commitments, this agreement will enable Gilbane to pay taxes on a lower valuation to enable the company to use the money saved to pay off bonds for remediation, infrastructure and public access improvements.

The cost estimate submitted to City Council in 2006 reflects the Kettle Point project budget and will be subject to further assessment to reflect current costs, debt service and administration.

RIDOT is currently proceeding with the permitting and preliminary design process to provide eastbound ramp access to I-195 from downtown East Providence and the waterfront. This \$38,180,789 (2006 dollars) project is partially funded with a congressional earmark and is listed on the 2009-2012 Draft *TIP*. The associated roadway network includes a roundabout at Mauran Avenue on Veterans Memorial Parkway that will create a gateway to the East Providence Waterfront District. Although this project improves access to the waterfront, innovative funding strategies such as TIF are not being considered at this time.

Relocation and Construction of Utilities

Infrastructure relocation and upgrade is important to redevelopment efforts in the East Providence Waterfront District. Two major above-ground electrical utilities, the E-183 115kV overhead power line from India Point and the Phillipsdale Tap, traverse the district, the former from east to west and the latter from north to south. The E-183 line bisects the Tockwotton Home site, constraining developable areas. As part of I-195 relocation, several alternatives have been considered to relocate or underground Providence and East Providence waterfront sections of this major electrical connection between National Grid's Manchester Street Station and Brayton Point in Somerset, MA. Discussion by the state legislature is ongoing (a hearing was held in June 2008) to fund relocation. Cost estimates for the E-183 relocation has not included in this Plan. The Phillipsdale Tap, currently located adjacent to the rail line, requires relocation to enable construction of Waterfront Drive, the rail line, and this aboveground electrical line within the existing state-owned corridor (80-foot minimum width). The cost estimates included with this memorandum include the relocation of two Tap poles to accommodate the construction of the Warren Avenue to Dexter Road segment of Waterfront Drive.

The City of East Providence Public Works Department has assessed the need to improve sewer and water services along sections of the proposed Waterfront Drive to accommodate potential future development. As indicated in Camp Dresser McGee's (CDM) 2005 Waterfront Redevelopment Area Utilities Evaluation memorandum, underground utility work including sewer interceptor and water line extensions are planned by the City throughout the Waterfront Drive corridor. The CDM report evaluated the existing capacity of the systems, identified potential needs, and developed a projected capital improvement plan that includes probable costs and an anticipated implementation schedule.

Public Infrastructure Needs- Cost Estimates

Of the \$97.1 million total, \$41.6 million has been identified for construction of three segments of RIDOT's Waterfront Drive. Over half of this cost is for construction north of Bourne Avenue to Beverage Hill Avenue in Pawtucket (\$24 million), a project not likely to be constructed in full within the foreseeable future.

Waterfront Drive: Lyon Avenue to Bold Point

Estimated TIF costs were provided by Village on the Waterfront, LLC for the segment of Waterfront Drive between Bold Point (the recently constructed Warren Avenue Connector) and Lyon Avenue.

The proposed roadway improvements include the construction of Waterfront Drive from Bold Point to the northern property line (1,835 linear feet (lf) or 0.35 miles), the construction of Waterfront Drive within the site (3,200 lf or 0.6 miles), and the internal roadways (including walls supporting the roadway) connecting Waterfront Drive to a roundabout on Veteran's Memorial Parkway at Lyon Avenue. On-site roadways excluding Waterfront Drive and including the roundabout total 3,960 lf or 0.75 miles. A 12-foot offroad bike path will parallel Waterfront Drive. Other improvements are the development of a waterfront park and a fishing pier with public access and the necessary utility improvements to support the project.

The estimated cost for these improvements is \$10,825,000. The addition of engineering, General Contractor and contingency costs (30%) brings the total cost to \$14,146,110 in 2008 dollars.

Water and sewer costs for this segment of Waterfront Drive are identified in the *Waterfront Redevelopment Area Utilities Evaluation* as \$915,000 for water improvements and \$3,000,000 for sewer improvements. The sewer improvements are not associated with Village on the Waterfront, but will serve areas upstream from this project. Costs for water improvements for this segment of Waterfront Drive were approximated from the cost estimates provided for larger areas of improvement.

The cost estimates provided by Village on the Waterfront, LLC are included in Appendix C and are summarized in the Infrastructure Cost Estimates table in Appendix B. Total costs for infrastructure improvements along this section of Waterfront Drive are \$18 million.

Waterfront Drive: Dexter Road Connector (Warren Avenue to Dexter Road)

Estimated roadway construction costs were provided by the Maguire Group, consultant to RIDOT, for the segment of Waterfront Drive between the recently constructed Warren Avenue Connector and Dexter Road. Due to recent modifications to the proposed roadway alignment as it joins Dexter Road, the project is currently at fifty percent (50%) stage of design development. The RIDOT is currently re-evaluating right-of-way requirements and environmental impacts associated with this project.

The proposed roadway improvements include the construction of Waterfront Drive and all associated utility improvements within the identified limits. This segment of roadway will be funded by several sources including a City bond, a grant obtained by the City, and earmark funds from the I-195 project. The existing Waterman Avenue railroad bridge

will be removed as part of this project and access to points west of Waterfront Drive will be provided from the new roadway.

The estimated cost for these RIDOT improvements is \$8,000,000, in 2007 dollars, including the relocation of two Phillipsdale Tap towers to accommodate the proposed roadway. As further design details are developed, this cost may be subject to revision. Water and sewer costs for this segment of Waterfront Drive are identified in the *Waterfront Redevelopment Area Utilities Evaluation* as \$810,000 for water improvements and \$2,500,000 for sewer improvements. Costs for water improvements for this segment of Waterfront Drive were approximated from the cost estimates provided for larger areas of improvement.

The cost estimate for this segment of Waterfront Drive is summarized in the Infrastructure Cost Estimates table in Appendix B. Total costs for infrastructure improvements along this segment of Waterfront Drive are \$11.3 million.

Waterfront Drive: Omega Pond Bridges and Approaches (Dexter Road to Bourne Avenue)

The RIDOT has prepared preliminary plans to remove and relocate the rail line and power transmission lines, construct new rail and roadway bridges across the entrance to Omega Pond, and construct Waterfront Drive within the identified limits. As this project is at the conceptual or 10% design stage, it is likely that future costs may vary based on design refinements and availability of detailed site information.

The estimated cost to construct these RIDOT improvements is \$12,000,000, in 2007 dollars. However, the East Pointe/GeoNova TIF estimate includes \$2,370,000 for Waterfront Drive and other traffic improvements from Omega Pond to Bourne Avenue, reducing the RIDOT estimated cost to approximately \$9,600,000.

The proposed East Pointe/GeoNova project includes the removal and relocation of the rail line and transmission towers to accommodate the proposed roadway, construction of the section of Waterfront Drive from Omega Pond to Bourne Avenue, traffic improvements (including the railroad grade crossing on Bourne Avenue), most utilities to service the site, improvements to the shoreline, landscape improvements and pedestrian amenities, and other public amenities such as shoreline access and improvements to Omega Pond.

The estimated construction cost for these East Pointe improvements subject to the Tax Increment Proposal is \$10,500,000. Engineering, General Contractor and contingency costs are not included in this estimate. The total TIF request for this project, \$12,250,000, includes bond issue costs and a reserve amount to pay interest on the bonds during the early years of pay back, prior to the project producing sufficient revenue to cover the costs. Ms. Mary Voce of GeoNova Development Company, LLC acknowledged that the actual costs for infrastructure improvements will likely exceed the TIF request, but the developer is willing to absorb some of the costs.

GeoNova Development Company's site work cost estimate presented in Appendix C includes several items not included within the Tax Increment Proposal. Approximately \$3.4 million of the \$3,626,500 utility estimate is included in the GeoNova TIF request. Earthwork (\$1,985,000), roads/sidewalks/site work (\$1,145,170), and field inspection/quality control (\$684,000) are not included in the Tax Increment Proposal.

The City of East Providence anticipates submission of a TIF request for infrastructure and site work at Phillipsdale Landing, located north of Bourne Avenue but integrally linked to the Waterfront Drive Bridges and Approaches segment. This request for Phases I and II of development by the Essex River Venture includes demolition, site remediation, stormwater treatment, grading, hardscape concrete and paving, retaining walls, revetments, Bourne Avenue paving and excavation, and street improvements on the west side of the site.

The total site work budget for Phillipsdale Landing is \$7,060,738 (2008 dollars), as presented in Appendix B. This preliminary cost estimate does not include debt service or other fees associated with TIF.

According to the CDM study, the cost of water distribution system improvements to serve East Pointe and the adjacent neighborhoods is \$750,000. CDM's *Waterfront Redevelopment Area Utilities Evaluation* identifies \$750,000 for water distribution improvements. Costs for water improvements were approximated from the cost estimates provided for larger areas of improvement. No sewer improvements are recommended along this segment of Waterfront Drive.

The cost estimates for this segment of Waterfront Drive are summarized in the Infrastructure Cost Estimates table in Appendix B. Total costs for infrastructure improvements along this segment of Waterfront Drive are \$30 million, including Waterfront Drive (and railroad and roadway bridges), city water line upgrade, and GeoNova Development Company, LLC Tax Increment Proposal and Phillipsdale Landing TIF requests.

Waterfront Drive: Bourne Avenue north to the East Pawtucket Industrial Highway and the Newport Avenue Connector

The RIDOT has prepared preliminary plans to relocate the rail line and power transmission lines and to construct Waterfront Drive within the identified limits. This segment of Waterfront Drive is not identified strictly as an East Providence project, with limited portions of the project in the City of Pawtucket. The RIDOT does not have separate costs developed for each community, as their projects are not community specific.

RIDOT study and design efforts from the early 1990s focused on the objective of extending the East Pawtucket Industrial Highway south to the East Providence waterfront to serve industrial developments along the waterfront via the proposed Waterfront Drive. This segment of Waterfront Drive is also adjacent to the Pawtucket Avenue Subdistrict of

the East Providence waterfront. A connection between the East Pawtucket Industrial Highway at Beverage Hill Avenue and Newport Avenue would relieve traffic on Beverage Hill Avenue and provide a direct truck link to the Narragansett Industrial Park. This link would benefit the East Providence waterfront (including the Pawtucket Avenue Subdistrict) by improving connections to commercial developments on Newport Avenue and providing alternative access routes to I-95.

Based on 2004 information posted on the RIDOT website), the design process for the Newport Avenue Connector is 100% complete but construction is on hold pending right-of-way acquisition and availability of state construction funding. Construction could be completed in two construction seasons. RIDOT estimated construction cost at \$2.3 million for the Newport Avenue Connector. RIDOT's estimated construction cost for this segment of Waterfront Drive and the Newport Avenue Connector is \$24,000,000 in 2007 dollars. Based on the preliminary (study and design) stage, this estimate will be subject to further refinement with the availability of future information. This includes the \$2,300,000 noted above.

Water and sewer costs for this segment of Waterfront Drive are identified in the *Waterfront Redevelopment Area Utilities Evaluation* as from \$3,200,000 to \$10,600,000 for water improvements and \$900,000 for sewer improvements. Costs for water improvements for this segment of Waterfront Drive vary depending upon the option selected to best meet the City's needs. Option 1 (\$3,200,000) includes improvements to the existing water distribution system. Option 2 (\$10,600,000) includes the construction of a 1.5 million gallon elevated water storage tank and a 24" transmission main. The cost estimate for this segment of Waterfront Drive is summarized in the Infrastructure Cost Estimates table in Appendix B. Total costs for infrastructure improvements along this segment of Waterfront Drive range from \$28.1 million to \$35.5 million, depending on water service implementation.

Construction of the Dexter Road connector (\$8 million) and the Omega Pond bridges and approaches (\$9.6 million) may have a higher priority for implementation, to serve GeoNova's approved East Pointe development in Phillipsdale. Construction of the Warren Avenue to Dexter Road segment will be the next phase of Waterfront Drive construction. With the addition of municipal sewer and water costs (not to be borne by RIDOT), the total for the Warren Avenue to Dexter Road connection is \$11.3 million.

The City of East Providence currently has a \$2 million EDA grant, a \$2 million city bond, and a \$2 million enterprise fund for a 50 percent match for construction of this segment of Waterfront Drive. The City of East Providence will be responsible for approximately \$12.1 million for sewer and /or water line installation along five segments of Waterfront Drive: Bold Point to Lyon Avenue (\$3.0 million sewer and \$915,000 water); Dexter Road connector (\$2.5 million sewer and \$810,000 water); bridges and approaches (\$750,000 water), and north of Bourne Avenue (\$900,000 for sewer and between \$3.2 and \$10.6 million for water). If the City chooses to proceed with the \$10.6 million water option, the City's responsibility will increase to \$19.4 million.

Cost estimates are presented below for RIDOT projects, City sewer and water projects, and developer site improvements, by Waterfront Drive segments. These segments are identified on Figures II and IV.

Other District Improvements

Dock for Fire Department boat

The City's Fire Department is looking for a location to site their fire boat dock: Bold Point Park has been suggested as a possibility for dock construction. The RIDEM recently installed a 4-pylon, one hundred-foot dock: including CRMC permitting costs, the dock was constructed and installed for approximately \$45,000.

Land assemblage for Valley Street and Dexter Road

The Valley Street area (and Dexter Road, to a lesser extent) is characterized by many small lots that currently house disparate uses. The area is primarily a series of industrial and commercial uses with interspersed residential uses. Acquisition costs for several key parcels along Valley Street are estimated to be approximately \$2 million; acquisition of parcels along Dexter Road is approximately \$5 million. The RIEDC has indicated that a shortage of ready-to-build sites for light manufacturing and commercial use had impeded growth in Rhode Island. Assemblage of these parcels is critical to the City's effort to attract commercial and light industrial uses.

Future infrastructure needs

The City may amend this TIF Project Plan in the future to include other public improvements such as streetscape enhancements, floodplain mitigation, parking structures, and affordable housing.

Development Project Infrastructure Needs

Summary

Developer requests are anticipated for four Waterfront District projects identified to date, totaling nearly \$43.5 million.

- GeoNova Development Company, LLC has submitted a request for \$12.25 million for the development of the East Pointe project
- Essex River Ventures anticipates submitting a TIF request for \$7.1 million for the Phillipsdale Landing project
- Based on preliminary discussions with the City, the Village on the Waterfront, LLC will submit a request for \$14.15 million for a development of the same name
- Gilbane has finalized a TIF Memorandum of Agreement with the City of East Providence for \$7.5 million but anticipates an additional \$2.5 million for remediation costs for their proposed Kettle Point project

Project Descriptions

Please see Appendix C for specific project funding requests.

i. East Pointe

The redevelopment of the former Ocean State Steel Company, located in the Phillipsdale sub-district, began with the City's acquisition of the 27-acre former Ocean State Steel property in 2003. The developer, GeoNova Development Co. LLC, will construct a mixed-use project that will ultimately include approximately 495 housing units, office and retail space, restaurants, and a publicly-accessible riverwalk on two sides of the property (along the Seekonk River). The project was approved by the Waterfront Commission in January 2007; the project is estimated to create an estimated 150 permanent jobs.

ii. Phillipsdale Landing

Phillipsdale Landing ("Phillipsdsale") is located at 310 Bourne Avenue in East Providence, RI on the Seekonk River. Phillipsdsale is comprised of sixteen buildings totaling approximately 350,000 square feet on 12.67 acres. The existing brick structures on the property date back to the early 1880s and 1900s, while the newer butler-buildings closer to the river were constructed in the 1950's. The property has been listed on the National Register of Historic Places and qualifies for state and federal historic tax credits.

The developer— Essex River Ventures— has established a unique redevelopment plan to convert the site to a master planned mixed-use community that is consistent with the newly-enacted regulations of the East Providence Waterfront Development District. The master plan vision includes adaptive reuse of the existing historic structures and the construction of two new residential buildings to create a waterfront village for residents to live, work and play. Development under the master plan consists of 253 residential units and 38,000 square feet of commercial space. The completed project will include over twenty-five percent green space and a public waterfront walkway.

The timeframe for full build-out of the master plan is 3 to 5 years depending on market conditions. The redevelopment of Phillipsdale Landing includes a number of challenging development features including historic buildings, brownfield remediation, and extensive utility, stormwater treatment and riverfront stabilization infrastructure: TIF financing will assist in making the redevelopment financially feasible.

iii. Village on the Waterfront LLC / Chevron

The Village on the Waterfront LLC ("Village") of Barrington, Rhode Island has entered into a cooperation agreement with Chevron to transform Chevron's former light products terminal at 431 Veterans Memorial Parkway into a mixed-use community. Village will lead the design team and will develop the twenty-five acre site into approximately 800 residential units contained in townhomes, condominiums and apartments. The project will also have some supporting commercial uses and a water-dependent recreational component, such a public fishing pier. The project will be developed in six phases over ten years. Village is currently creating conceptual plans and is in the process of seeking permits from State and City agencies, including the East Providence Waterfront Special Development District Commission. It is anticipated that occupancy of the first phase of the project will be in 2011.

iv. Kettle Point

The Gilbane Development Co. executed a purchase agreement to acquire the former petroleum storage facility from British Petroleum, adjacent to Squantum Woods, a City park. Originally used as farmland, the site was sold to Arco and Amoco in the early 20th century for the construction of oil storage tanks: after their removal, the Arco portion of the site was remediated. The site will be developed to include approximately 280 residential units on forty acres of land and will contain a mixed style of architecture, containing both seacoast architecture and loft-style buildings. The development will also have approximately 15,000 square feet of commercial/office use, a marina and a boat launch. All roads will be open to the public; five thousand feet of walking paths throughout the development will be also available to the public. The developer also plans to provide additional parking for the East Bay Bikepath. The project will be phased over 5-6 years.

With the exception of the GeoNova request, none of the other anticipated TIF requests include the cost of issuing the bonds or establishing a reserve fund to pay the interest on the bonds during the early years before tax revenues are sufficient.

6. Overview of TIF, Other Public/Private Financing, and Economic Impacts

Description of TIF financing

Tax increment financing is the use of projected increased local tax revenues from an anticipated development to fund site and area improvements or provide incentives to developers which, in Rhode Island, means property taxes. TIF can be used for land assembly and acquisition, demolition, infrastructure development, to match federal grant sources and to provide developer incentives. Local governments benefit from higher property tax revenues once the bonds are retired and may receive more wage taxes if the development project results in a creation of new jobs. TIF can also advance broader policy objectives, such as MBE/WBE programs, linkage programs such as affordable housing, and public amenities such as open space.

“Pay-As-You-Go” TIF

The basic principle behind the concept of Pay As You Go (“Pay Go”) financing is that instead of the municipality issuing debt to raise capital for tax increment eligible expenditures, a developer would finance the cost through a private loan. Instead of the community issuing bonds to raise the capital to finance the improvements or incentive payments, the developer privately raises the funds and installs the improvements, dedicating them to the community. The community then issues a bond or note to the developer (“Developer Bond”) in the principal amount of the cost of the improvements. One advantage of this method is that the community uses none of its debt capacity: this is very appealing to the City, given the current crises in Federal, State and local funding opportunities. The “Pay Go” option would protect the City’s finances and bond rating while ensuring that developers will be held accountable for financial projections that are less than accurate.

The money a city invests in TIF projects is often obtained through the sale of bonds, which are then repaid over time with the annual tax increment funds. If the incremental revenue is not sufficient to pay off the bonds, the city has to make up the difference. Some cities take a more conservative "pay as you go" approach, spending TIF money only as the tax increment comes in

each year. The city may spend the money on improvements itself, or may use the money to repay the developer for improvements the developer already completed.

Once the development is completed, the increase in taxes in the tax increment district (TID) would generate a revenue stream that could be used to pay principal and interest on a bond or note that was issued to the developer to pay or repay these costs. The government entity reimburses developer costs based on *actual* incremental revenues generated by the development area; the level of reimbursement negotiated in development agreement. In this way, the risk of non-performance of the district is transferred to the developer and away from the community: all of the financial and market risk is held by developer. If there were insufficient revenues available to make payments in any year and if at the end of the TID life, or at an agreed upon period prior to the end of the TID revenues were insufficient to cover the principal amount, the developer would have no other recourse against the municipality for recovery of the funds. An alternative analysis should be prepared to evaluate Pay-Go financing and/or debt financing options that the TIF district would support.

Senate Bill §3050

RI Senate Bill §3050 was passed in order to reduce the overall tax burden in Rhode Island communities. It required that incremental new tax revenues above debt service costs can *only* be used to lower property taxes rather than as additional spending on public services: by 2012, Rhode Island cities' and town's tax levy cannot go up by more than four percent.. Additionally, the debt service counts toward the property tax cap. However, there was an exception allowed for debt revenue on general obligation bonds. As a result, any new units added to a city's housing stock did not result in more revenue through increased property taxes: rather, any new revenue generated was applied to lowering property tax bills throughout the city. While this was a boon to tax-payers, it was a blow to local governments, which must provide services to new residents without the means to pay for them. This left Rhode Island cities and towns with no increase in revenue for capital budget increases, including new infrastructure for economic redevelopment projects.

Rhode Island municipalities, developers, and other organizations were able to introduce legislation that calls for incremental revenue to be excluded from the calculation of maximum tax pursuant to the levy cap until the bond is repaid, or for 35 years. The 35-year period was included because some municipalities may not want to use a bond issue to provide the up-front funds for a TIF project. The existing rigorous requirements for documenting the “but for” situation for a TIF remain in place. The legislation passed both the Rhode Island House and Senate in June 2008.

Restrictions on Composition of the TIF Zone

RI General Law §45-33.2-3(7)(v) states that:

The aggregate taxable valuation of the property within all tax increment areas within the city or town cannot exceed twenty-five percent (25%) of the taxable valuation of all property subject to taxation within the city or town.

Special Assessment Districts

Special assessment districts are separate units of government that manage specific resources within defined boundaries. Districts vary in size, encompassing single cities or several counties. They can be established by local governments or by voter initiative, depending on state laws and regulations. As self-financing legal entities they have the ability to raise a predictable stream of money, such as taxes, user fees or bonds, directly from the people who benefit from the services.

Stormwater utility district

A stormwater utility is essentially a special assessment district set up to generate funding specifically for stormwater management. Users within the district pay a stormwater fee, and the revenue thus generated directly supports maintenance and upgrade of existing systems, flood control measures, and water-quality programs; they can also be used for the construction of capital improvement projects. Unlike a stormwater program that draws on the general fund or uses property taxes for revenue, the people who benefit from the program are the only ones who pay for it. Most stormwater utilities base fees at least in part on the percentage of impervious surface of developed parcels within the utility district. The benefit of a utility district is that it provides a stable funding stream to deal with back-logged capital projects and increased maintenance requirements that are not dependent on a municipality's general fund. The downside to utility districts is that homeowners often do not understand what they are paying for and suspect that it is simply another tax. It takes a skilled public participation plan, community education, and rigorous background data to ensure that a utility district can survive in the court of public opinion and in a court of law.

Sewer connection fee

The City Council is considering a sewer connection fee ordinance: the sewer fee could be a major source of funding from waterfront development projects. The sewer connection fees are based on water meter size and are paid annually. Revenues will accrue to the wastewater treatment plant improvement fund. In the event that RI Senate Bill 3050 does not allow the use of TIF the City may have the ability to waive the sewer fees in order to offset developer infrastructure costs.

Waterfront Needs and City's Capital Budget

The City's most recent Budget has estimated the Five-Year Capital Improvement Project requests from FY2008-2012 to be approximately \$87 million. Due to Senate Bill 3050, incremental new tax revenues above debt service costs can *only* be used to lower property taxes rather than as additional spending on public services; debt service counts toward the property tax cap. This bill has left cities and towns with little or no extra funding for large infrastructure projects like those needed in the Waterfront District. The Waterfront Commission must look to other sources of revenue to facilitate the upgrade sewers, water lines and the road network. Through the authority granted to it through State Enabling Legislation, the Waterfront Commission is able to employ a variety of innovative techniques to finance infrastructure improvements, including the creation of a TIF Project Area. The Redevelopment Plan and this TIF Project Plan lay the groundwork for such a district.

Risk to City

With TIF, there is revenue market risk, the risk that the actual market value of the project meets projected value that City borrows against. There is also a substantial lead time for projects that require public infrastructure to occur before the development can be built: due to market conditions, the development may never be constructed but the City would be stuck making payments on the TIF with no revenue from the project coming in. Cost overrun risk may occur if the public sector is building the infrastructure, due to the public bidding process. There is also absorption risk, as there no way to know how long it will take to sell out all of the units: if the City borrows the money, than the City is at risk for it. The City is also at risk for any unforeseen geotechnical or environmental issues.

Operating risk occurs when the City does not get what was expected in a project and end up with a project that requires more services than were originally projected. In many cities, the City may have certain objectives, such as affordable housing or MBE/WBE. These also increase the cost of the project and of the TIF. There is also the risk that a redevelopment district takes business, people and energy away from other parts of the city. However, for taxpayers outside of the TIF district they may be paying lower taxes than in TIF district or they could be higher taxes, depending on the terms of the TIF. If the City defaults on a TIF then the City will never be able to use TIF again.

In addition, local authorities will have to wait until the TIF bonds are retired and the taxes are returned to the coffers (often twenty years) to pay for any increased service needs within the district. If tax-increment supported debt is considered to fund projects at the inception of the TIF district, revenue volatility should also be estimated. A governmental entity should use conservative assumptions and establish reserve funds to protect against future shortfalls when establishing a debt service structure. This will allow for the projects to be developed, become operational, and provide sufficient time for the required increment to come on line to pay debt service.

Other risk factors to be considered include:

- Revenue/Market risk- the proposed project actually takes place. This is particularly important if the TIF is used for basic infrastructure to enable development well ahead of real estate development.
- Projected value meets actual value- have the market and financial studies performed been accurate?
- Absorption risk- how fast the developed real estate begins generating property tax revenues.
- Project risk- cost overruns on public infrastructure, due to unforeseen environmental or geotechnical issues.
- Operating risk- the development generates substantial need for public services beyond initial projections.
- Investment / underwriting risk- the City's bond rating and debt capacity is negatively impacted by the TIF (or other public financing) bonds.

City debt and repayment

The current bonded debt of the City of East Providence is \$28,000,000; its current bond rating by Standard & Poor is “A-.” The City’s debt capacity is approximately \$75 to \$80 million. However, in the future the City will have to issue a deficit reduction bond in the \$4 to \$5 million range, as well as wastewater repair bonds: these could be in amounts up to \$50 million.

If the City incurred bonded debt of approximately \$50,000,000 for twenty years then the principal repayment of the bond would be \$2,500,000 per year. With an interest rate at five percent (5%), the City would be obligated to pay an additional \$2,500,000 per year; at six percent (6%) it would be \$3,000,000 per year; and at seven percent (7%) it would be \$3,500,000 per year. Therefore the City’s total debt service (or the indebtedness incurred) after issuance of a \$50 million TIF bond would be approximately \$5 to \$6 million per year in the early years of the bond.

Revenue projection

Tax revenue is projected to increase at 3.5% per year: other revenue is unknown at this point in time. State aid is expected to decline for the next 3-5 years, with revenue from other sources remaining flat.

7. Tax Increment Projections

Base Value and Assumptions

TIF creation / expiration years

The taxable value for all Waterfront District parcels in the base year of 2007 is \$117,634,200 (see Appendix A). The City, working with financial advisors, must now decide what is the necessary minimum development needed to support the Project Plan.

Project-related evaluation criteria

Potential criteria for evaluating developer funding proposals may include:

- Evaluation of debt limits and impact on credit ratings
- Ability to meet the proposed TIF plan objectives
- Ability to mitigate potential risks to local agencies, including the inability to repay debt in the event of revenue declines.
- Tax revenue projections
- Cost-benefit analysis
- TIF revenue sources
- Pay-Go option

The following table shows what may be requested of developers proposing the use of TIF funds:

Sources and Uses of Funds (example)

	<u>Phase I</u>	<u>Future Phases</u>	<u>Total</u>
<i>Sources of funds:</i>			
Tax increment bonds	\$	\$	\$
Betterment fees	\$	\$	\$
Interest income	\$	\$	\$
Total sources of funds	\$	\$	\$
<i>Uses of funds:</i>			
Project improvements	\$	\$	\$
Bond issuance costs	\$	\$	\$
Capitalized interest	\$	\$	\$
Reserve fund	\$	\$	\$
Total uses of funds	\$	\$	\$

Capitalized interest

Depending on the nature of the proposed TIF project, the amortization schedule for the bond may not match the flow of tax revenue from the project. This is particularly true in the case of projects where the needed infrastructure is to provide critical basic services such as water and sewer or connecting roads to the development from main thruways. Typically this infrastructure is done well in advance of any actual development. In this case it is common practice to capitalize the interest of the first several years of the bond issue to ensure that the debt service is paid while the project is under development. Capitalizing the interest offsets the interest on bonds during the construction period.

Cost/Benefit Analysis

Current (Fiscal Year 2008)

- Tax rate - \$17.11 residential, \$22.60 commercial
- Total City tax base- \$4 billion
- \$68 million collected in taxes for entire City
- Current value of Waterfront District- \$118 million
- \$2.2 million in collected tax revenue for Waterfront District

Fiscal Year 2013

- Not yet full build-out of Waterfront District, but new taxes will be collected from development projects
- Projected 26.5% increase in City tax revenue
- If the Waterfront District is worth an estimated \$1 billion at full build-out (assuming a 50/50 residential/commercial split) then:

- Approximately \$7 million in residential taxes (with exemptions) and approximately \$18.3 million in commercial taxes will be collected
- Total of \$15.3 million per year versus \$2.2 million currently collected
- An eighty-six percent (86%) increase in tax revenue generated by the District.

Gilbane / Kettle Point development-

- Current value of the development parcels is \$1.7 million
- Fiscal Impact Report forecasts that the estimated 2013 value of approximately \$136 million to \$236 million after development (assuming a 50/50 residential commercial split).

Financing Plan

The project improvements will be paid for with a combination of tax increment financing, special assessments, Federal and State grants, state Revolving Loan Funds, City Enterprise Funds, and General Obligation bonds. Incremental property taxes from the properties in excess of a specified percentage per year as determined by the City Council will be pledged to the repayment of tax increment bonds issued to finance the construction of the infrastructure. Special assessments may also be levied and pledged to the repayment of the bonds issued for the improvements.

As stated in the Project Plan Introduction, based on fiscal analyses, it is estimated that the development proposed in the tax increment area is projected to result in an increase in assessed value of approximately \$1 billion, without considering inflation. At full build-out 2013, the incremental property taxes in the District are estimated to increase by nearly twenty-seven percent over 2008 taxes. These numbers will be refined as more specific information regarding specific development projects is submitted.

The tax increment bonds will be issued in phases as the incremental property taxes from the District are sufficient to pay the debt service on the bonds. The bonds will be issued as limited revenue bonds paid solely from the tax increment revenues and possibly the betterment fees (and special assessments for the Phase I bonds). East Providence will not pledge its general fund to the repayment of the bonds and will have no responsibility for their repayment other than the pledge of tax increment revenues and special assessments. The bonds for the first phase will be issued with credit support, such as special assessments, to be arranged that will not result in any liability to the City of East Providence. Future phases may consist of several bond issues.

The method of calculating the tax increment will be calculated each year by the treasurer of the City of East Providence.

TIF Project Process

Once a developer has decided that he or she wants to pursue TIF as one means of financing a project, the City may follow this process:

- Developer contacts the Waterfront Commission for application forms (to be drafted) and initial meeting

- Developer submits application, application fee, supporting material, and preliminary project proposal to Commission staff
- Waterfront Commission reviews conceptual proposal.
- Staff reviews application and proposal for consistency with “TIF Objectives and Policy” (to be drafted). Staff meets with other City officials to review proposal.
- The proposal is distributed to the Commission’s consultants to: review infrastructure estimates, financial information, market value; or retain consultants such as underwriters, bond counsel and economic analysts or any other aspects of the proposal that staff deems necessary for review.
- Staff submits review memorandum to Commission for next Waterfront Commission meeting.
- Staff negotiates a development agreement with developer that is reviewed by City Attorney’s Office. The development agreement outlines the amount of private investment, public improvements required, repayment terms, milestones and any special provisions required.
- Waterfront Commission holds a public hearing and either denies the project or approves the project and forwards recommendation to City Council.
- Staff finalizes a development agreement.
- Advertisement of public hearing.
- City Council meets to consider authorization of development agreement and intent of TIF.
- The proposal goes to the Planning Board if it involves zoning and land use changes.
- Upon approval, City and developer execute the final development agreement.
- Bond issued by the City.
- City Council approves appropriation of funds to reimburse developer for milestones met as stated in the development agreement.
- Developer advances will only be repaid if project milestones are met.
- Developer submits annual TIF Report (format to be determined) 180 days after the municipal fiscal year ends (or as soon thereafter as the audited financial statements become available) to City and Commission.