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Fitch Ratings

Rhode Island city touts development in the face of coronavirus

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Despite the COVID-19 pandemic, several economic development projects are ongoing in East Providence, Rhode Island.

Projects in the city, adjacent to state capital Providence and the state's fifth-largest at 47,500 residents, include brownfield conversions of oil tanks to mixed-use development.



University Orthopedics' East Providence location, at a former brownfield site. *City of East Providence, RI*

Also in the pipeline is Rhode Island's first new high school in many years, a voter-approved \$189 million undertaking.

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The city is remaking itself while maintaining its industrial and manufacturing presence, Mayor Bob DaSilva said on a [Bond Buyer podcast](#).

"Like most municipalities, we were caught by surprise by this pandemic, but [with]the foundation that we had in our various departments, especially in our planning department and our police and fire departments, we were able to come together rather quickly and set up some plans to deal with the COVID-19 response."

"The good news is despite all the negativity that this pandemic has brought on, there are a lot of positives that have happened. There's continued investment in our community. We've had some major developments approved."

The city also received a shot in the arm on May 1 when Moody's Investors Service upgraded the city's general obligation bonds to A1 from A2.

"We were very fortunate to have a very good record of stable reserves, improved operating results and an improving tax base, which has really helped the city manage the pandemic," said Director of Planning and Economic Development Bill Fazioli, a public finance industry veteran who has worked over the years for Public Financial Management and First Southwest. The latter is now Hilltop Securities.

Moody's cited strong cash and fund balance levels, low debt and new management structure. DaSilva, a former state representative and a retired Pawtucket police captain, is the city's first mayor since voters in 2017 approved a change from a city manager-run form of government to an elected mayor system.

Additionally, Moody's cited new commercial and residential growth along the redeveloping waterfront. Challenges include above average pension liabilities. Moody's, while seeing no material immediate credit risks for East Providence, did cite the coronavirus as a variable.

"We actually had them in for a site visit in February, pre-COVID," Fazioli said. "They took their time in doing the review of the city to make sure, in fact, that if they were going to make a rating change

it was on solid ground.”

Rhode Island lawmakers in 2003 created the Waterfront District Commission to redevelop 300 underused acres. The commission received permitting authority with a streamlined development process.

Parcels include many former industrial sites and brownfield areas contaminated by decades of oil and gas storage tanks.

The city has been using tax-increment financing.

“Through the fact that the taxes on these properties were minimal pre-development, once the city set up a tax-development increment plan, we were able to capture the increment, and it multiplies very, very fast as we start constructing on these properties,” Fazioli said. “We were able to channel that money to finance public improvements like roads, utilities, things of that nature.”

Officials say the district has created roughly 700 permanent jobs within the district and generated more than \$300 million in commercial, residential and industrial private investment from a broad range of companies.

One-time revenues to the city have exceeded \$2 million with taxes generating recurring revenue. The city has also received millions in state and federal funding to improve its infrastructure.

Major projects have included Ross Commons on Roger Williams Avenue, a \$6 million project on a remediated brownfield featuring 54 one- and two-bedroom condominiums as well as office space; and Tockwotton on the Waterfront, a \$53 million nursing and assisted living center that replaced its 140-year old building in Fox Point.

The Kettle Point development, also on a former brownfield site, includes improved public walking trails with direct connection to the East Bay bike path. The nearly three-acre parcel features a 600-foot fishing pier donated to the city as a park. It is also a home to University Orthopedics.

“We’ve seen manufacturing and other businesses wanting to expand, and they’re choosing East Providence because of the friendly climate we have toward business,” DaSilva said.

“We are fortunate that in East Providence we are in a great location. We are real close to New York, not too far from Boston, so it’s a great place to work, so it’s a great place to work, right on a major interstate.”

DaSilva called the [under-construction replacement](#) for East Providence High school, “the most technologically state of the art.” It is expected to open for the 2021-22 academic year and will replace a worn-out, 67-year-old facility. Nearly 78% of city voters approved the project two years ago.

Rhode Island will cover roughly 75% of the costs, largely through a \$250 million school construction bond program that received statewide approval, also in 2018.

“We’ve been very fortunate working with our finance department, with Bill and some of the other people involved, and we’ve been able to borrow at very reasonable rates, saving us close to \$1 million in short-term borrowing,” DaSilva said. “And then when we eventually go out to bond for the project overall, we’re hoping we have the type of interest rates that we’re seeing now in play.”

Rhode Island has been playing catch-up with its deteriorating school buildings. A [report](#) in 2017 by the state Department of Education’s School Building Authority identified more than \$2.2 billion in in facility deficiency costs to meet aspirational standards, with \$627.6 million identified as higher priorities, or “warm, safe and dry.”



Brownfield areas in East Providence were contaminated by decades of oil and gas storage tanks. *City of East Providence, RI*

The city's form of government changed following a 2017 referendum in which nearly 80% of city voters approved multiple amendments to its home-rule charter. A year later, DaSilva, a Democrat,

won election to a four-year term as the first mayor in what the city calls the mayoral-council form of government.

“It’s been a challenge because it’s been a new form of government, but I think it’s been very successful,” DaSilva said.

Fazioli, himself a former city manager in East Providence, said an empowered mayor has been able to fashion a vision for the city as well as implement it. “It’s a big difference in this form of government, and it’s clearly working well for this city.”

Like many older cities, East Providence finds itself beating back old stereotypes. New people moving in has helped change that.

“Sometimes it’s difficult to get everyone on board with a vision,” DaSilva said. “A lot of people around here have been around for a very long time, and they have been accustomed to a certain picture of what East Providence should be.

“There’s a common reference to East Providence residents as being ‘townies,’ even though we’re the fifth-largest municipality in the state. People keep referring to themselves as townies. And sometimes it’s hard to get people to transition away from that mindset.

“But more and more, people’s attitudes are changing through outreach.”

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