

Grow Smart Rhode Island's Selected Recommendations for  
Strengthening the Rhode Island Economy  
and the RIEDC's Effectiveness  
March 16, 2009

Introduction:

Grow Smart RI believes strongly that austerity does not equal prosperity and that too much of Rhode Island's recent economic development strategy has been based on this flawed premise. Any effective economic game plan for the state should be grounded in the assumption that good infrastructure that capitalizes on our compact development patterns and strategic location is part of what makes for an attractive economy and a compelling business recruitment and retention strategy. As Rhode Island state government seeks to establish more cost effective forms of service delivery, we must also invest, in a targeted way, in a variety of activities and assets that will make us more economically competitive, e.g., transit, our outstanding collection of historic buildings and neighborhoods, higher education, affordable housing, agricultural viability, water conservation, etc.

Specific Suggestions:

▪ **Focus on Sectors Where We Should Have a Comparative Advantage**

Let's have the self confidence and self knowledge to build an economic development strategy not just around the kind of jobs that most other states are looking for, but around the kind of jobs where we have a natural or potential advantage, e.g., marine trades, alternate energy development, tourism, certain elements of the bio technology field, financial services, etc. While developing high wage jobs should be our top priority, let's not dismiss sectors with large employment potential such as tourism simply because their wage structure appears lower than some other fields.

▪ **Ensure that our Leaders are Positive in their Promotion of the State**

By working with Leadership RI and other groups of emerging leaders such as the Providence Geeks and the Hispanic Chamber of Commerce, we should seek to get more of our potential economic development ambassadors promoting the assets of Rhode Island, and fewer of them dwelling almost exclusively on our weaknesses. If we don't believe in ourselves, how can we expect others to believe in us and invest in us?

▪ **Broaden the Membership of the EDC**

Although the EDC Board has become more diverse in recent years, we think it could benefit from the addition of emerging entrepreneurs who move to Rhode Island from elsewhere. Currently our economic development policy discussions seem to be influenced too much by people who have grown disillusioned with Rhode Island and may not see much of a stake for themselves in the state's future direction.

▪ **Build upon the Recent Knowledge Economy Initiative of the Greater Providence Chamber of Commerce and the Providence Foundation.**

Recognize that our hospitals and universities are new economic engines of our state and treat them as such. Put more resources into understanding what kind of activity could be spun off from them and fewer resources trying to salvage the traditional, highly import sensitive segment of the manufacturing sector. Instead of having only 1.5 FTE's devoted to the Rhode Island Science and Technology Advisory Council's mission, consider at least a tripling of staffing levels for this critical function.

▪ **Develop a Smart Growth Site Inventory**

Partner with Grow Smart RI and municipal governments to develop a smart growth site inventory to support needed development and redevelopment (pad-and-rehab-ready sites). We have concluded that in the area of marketing economic development sites, as in so many other aspects of our economic policy, Rhode Island needs to spend more time playing to our strengths and less time trying to compensate for our weaknesses. Our large collection of recently rehabbed historic mill and factory buildings in strategic locations, and the sizable collection of vacant, underutilized and still unrehabbed historic mill and factory buildings in similar locations is a critical, largely untapped economic resource for our state. We may not fully appreciate this resource because we have been so consumed by the largely futile pursuit of out of state companies interested in big, one story installations in greenfield locations. This is a segment of the economic development arena where we have arguably insurmountable disadvantages in relation to the many larger and more rural states such as North Carolina, Indiana, Tennessee, Virginia, etc.

Grow Smart RI believes that Rhode Island needs to turn its attention to our impressive inventory of historic buildings/neighborhoods and the kinds of knowledge economy companies that are naturally attracted to such sites. That's why we propose in 2009 to begin working with others to develop a smart growth site inventory that can be used by the EDC as an effective corporate recruitment tool for the growing number of small and medium sized, high wage businesses, e.g., Atrion Networking, AVTECH, United Natural Foods, that would prefer locating in an urban, mixed use, historical and funky neighborhood rather than a sterile, isolated, auto dependent business park

We see as a starting point for this inventory a careful assessment of the current locations, features and levels of utilization of the roughly 200 historic tax credit projects completed to date. Another logical focus for the site inventory are the hundreds of other historic buildings in RI either currently being rehabbed or not yet enrolled in any rehab effort. We see as potential partners for this effort the EDC, the Rhode Island Historic Preservation and Heritage Commission, local chambers of commerce, the Providence Plan, the Rhode Island Chapter of the American Planning Association, the RI League of Cities and Towns, and urban revitalization non-profit advocacy groups such as the Providence and Pawtucket Foundations.

▪ **Offer TIF Technical Assistance (Tax Increment Financing) to Municipalities**

During the 2008 General Assembly session, Grow Smart worked with others to ensure the passage of legislation that ensures that the property tax levy cap will not prevent municipalities from using Tax Increment Financing (TIF). TIF has been used successfully by municipalities around the country (and in Rhode Island) to finance needed infrastructure improvements or capital projects designed to jumpstart private investment within a targeted, economically distressed development or redevelopment district. Although complex, it can be a particularly useful tool for overcoming obstacles that might otherwise stall or prevent the investment of private capital into a district or site. Through a TIF arrangement, a municipality may borrow the resources needed to fund infrastructure improvements and repay the loan with a portion of the incremental increase in property taxes generated as a result of the ensuing private investment. However, many municipalities – particularly smaller ones - lack the technical expertise to facilitate TIF.

RIEDC, with its well-developed financial management capacity, could bring greater efficiency to the process and provide necessary technical assistance to local communities interested in utilizing Tax Increment Financing (TIF) in partnership with private developers.

▪ **Establish Innovative Investment Incentives**

Consider supporting an exemption to S-3050 (the property tax levy cap) for new property tax revenues generated within municipally designated and state-approved growth centers. Such centers – the criteria

for which are already defined in Rhode Island's State Land-Use Plan - represent the most efficient use of land and public infrastructure and are typically well-served by existing mass transit.

▪ **Improve Public Transit**

Recognize the strong connection between a robust mass transit system and a growing, vibrant economy and take a major role in shaping and implementing the Metropolitan Transit Study now underway to develop a bold vision for a first-class, multi-modal statewide transit system.

▪ **Resurrect the Historic Investment Tax Credit**

Support efforts to restore a targeted historic investment tax credit in 2009. Knowledge-based industries have been demonstrating a desire for the types of authentic buildings, spaces and neighborhoods of which Rhode Island has an abundance, and which can only be fully utilized with the redevelopment incentive offered by the historic tax credit program.

▪ **Maximize the Economic Viability of RI Agriculture**

To maximize Rhode Island agriculture's economic viability, it must be treated as a serious business with many potential economic spin offs, including tourism and attraction of "green" and high tech industry to our state.

We recommend that the EDC work with Grow Smart and others to provide our cities and towns with guidance on how to make their land use regulations more agriculturally friendly. Rhode Island farmers' continued prosperity will require some regulatory flexibility regarding the buildings and commercial activities that are allowed on their property. The Grow Smart RI Board Subcommittee on Agricultural Viability has developed a set of ideas about this issue that we'd be happy to share with the EDC.

▪ **More Effectively Utilize our Ports and Major Airport**

Let's not continue getting bogged down in a narrow debate about our ports' future that defines our only two options as no port development or large load container port development. Explore fuller utilization of our ports through such options as short sea shipping and prioritize statewide consensus about how best to derive greater economic value from Rhode Island's ports in a way that is environmentally sound. Regarding TF Green Airport, we recommend redoubling efforts to get an environmentally acceptable runway extension there.