
Appendix B
Supporting Materials: Impact of Enterprise Zone on
Woonsocket Commercial Tax Base and Planning

January 11, 2012

Woonsocket's Economic Development Challenge

State Programs Part of an Incentive Package

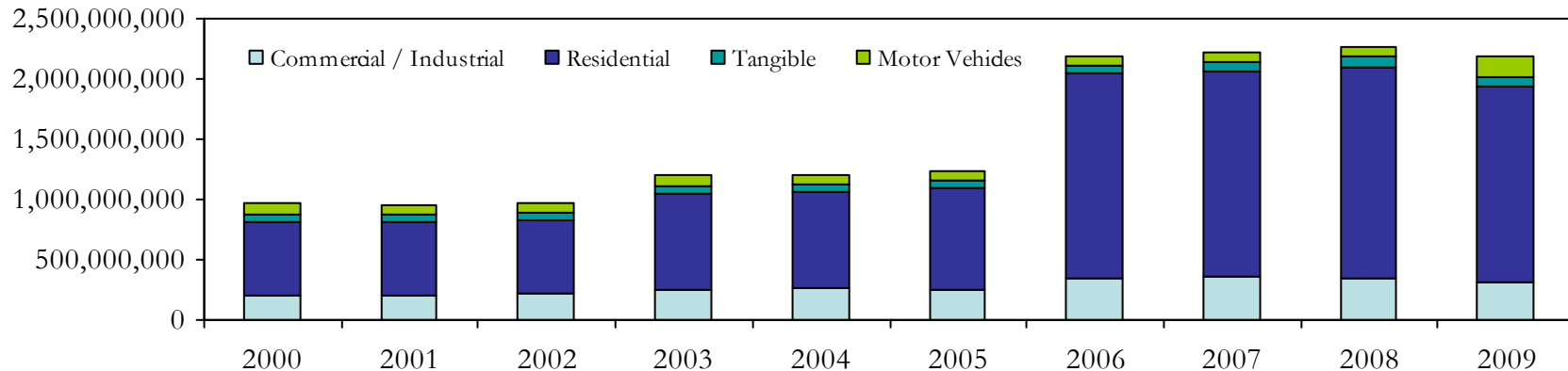
- The City of Woonsocket is in a tenuous fiscal condition
- While there is cause for optimism, the challenges are significant
- We estimate that in order to raise the revenue to meet the City's debt obligations and current operational levels, live within the levy caps set by State law and preserve the City's homestead exemption, the commercial tax base must grow by at least \$72.9 million dollars (from a starting point of calendar 2011)
- Without a well rounded package of tax incentives, the comparative disadvantages of locating in Rhode Island, together with the commercial tax rates in the City, make it difficult to imagine how the City can market to new businesses or investors
- The enterprise zone program is one of the highest impact State programs available to the City, even in its current limited form (application only to C-corps).

The Fine Line We Walk

Growth v. Taxes

- While \$72.9 million in new value appears feasible over the course of 5 years, the reality is, it would be impossible to achieve given current building values and remaining buildable space in the City
 - The assessed value of the buildings and outbuildings of the commercial base is only \$187 million – a 39% increase over 5 years would require an unprecedented economic boom
 - New construction is most able to approach the target, but there are not enough lots available in the City to garner that level of taxable investment
 - Rehab projects offer limited potential to add value since there is rarely a 1:1 translation from spending to new value
- If the burden of added revenues is shared equally across residential and commercial properties, and there is no growth in the base, the commercial tax rate would increase from \$34.30 in 2010 to \$38.58 by 2015
 - On a million dollar building, that's a tax increase of \$4,200, a 12.5% effective increase
 - And a total tax bill of \$38,582 – equity may be absorbed faster than the taxpayer can build it
 - The current rate is not competitive with neighboring communities as it is:
 - Blackstone: \$12.52
 - Franklin: \$11.17
 - Cumberland: \$15.34
 - Lincoln: \$24.75
 - Bellingham: \$10.44
 - Wrentham: \$14.10
 - North Smithfield: \$17.65
- Thus, the only *actionable* strategy is a blended one – maximizing growth and supplementing with increased levies to meet the target
 - It may be interesting to see if the business community will rally to the cause if there is an informal policy of offsetting the levy increase by the taxes on the amount of new investment – motivating the invested base to help recruit new firms
 - Policy to shift burden onto the residential base will work for a limited time but is not sustainable

Net Assessed Value of Taxable Property, by Class Trend 2000-2009



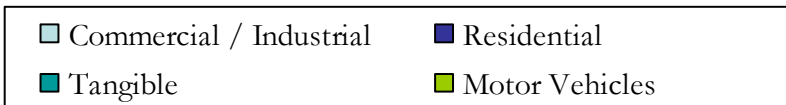
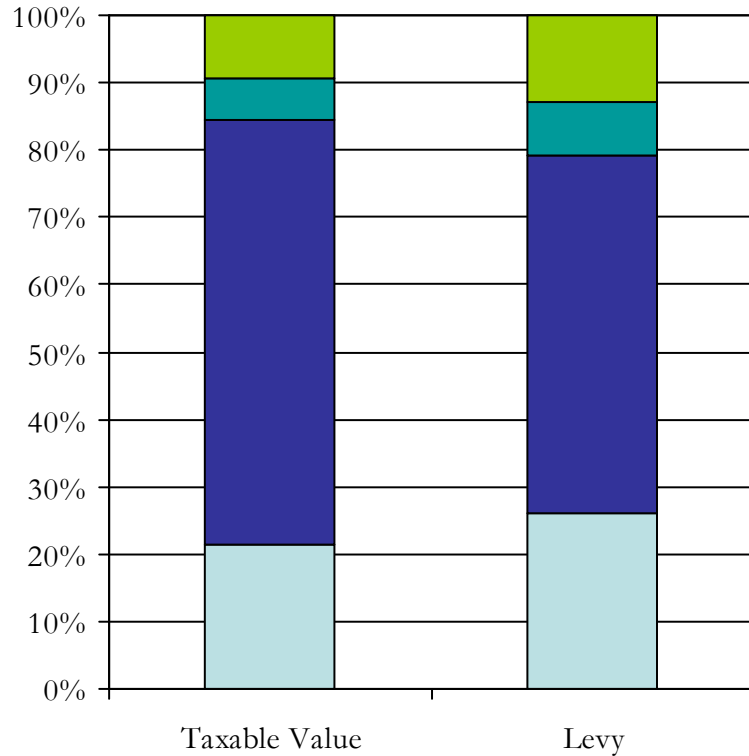
Source: Tax Assessor's tax roll certifications 2000-2009; 2009 figures corrected for classification error

- Revaluation cycles are clearly identifiable
- Commercial / Industrial as a category has grown by 50% since 2000 but has shared in the rapid decline in values since 2008; most recent revaluation resulted in a \$45 million decline in value from a decade-high \$345 million to just over \$300 million
- Rapid expansion of CVS Caremark presence in Highland Industrial Park has contributed significantly to the rise in value
- Net the impact of CVS' expansion, the driver of volatility in commercial values has been multi-unit housing, which has taken the brunt of the real estate downturn

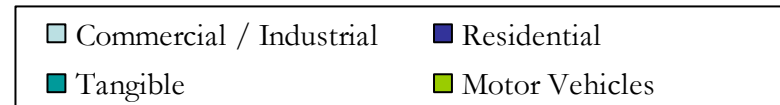
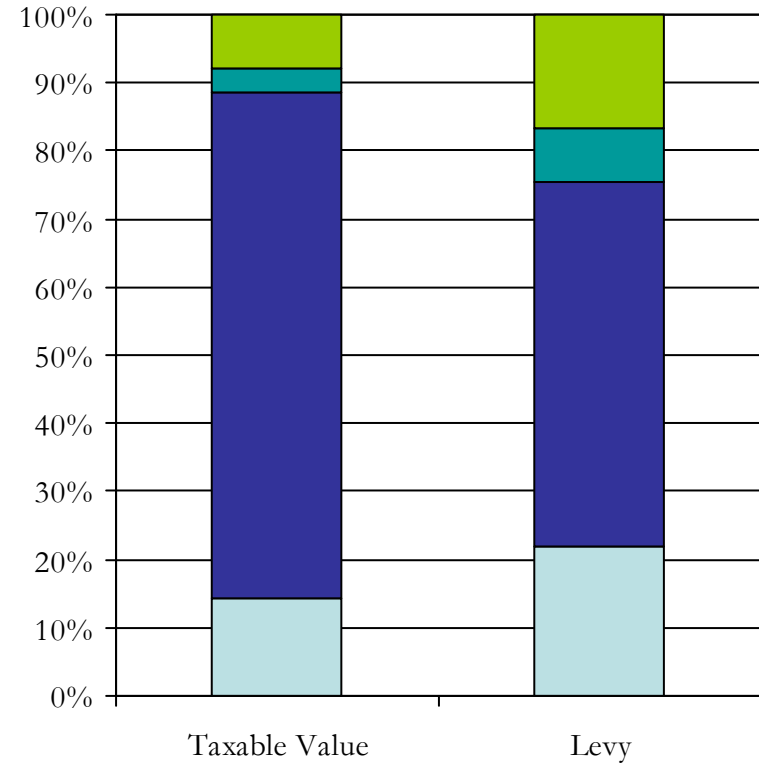
Who Shoulders the Burden Today

Comparison of Tax Base and Share of Levy, 2000 vs. 2009

Tax Base and Levy Composition, 2000



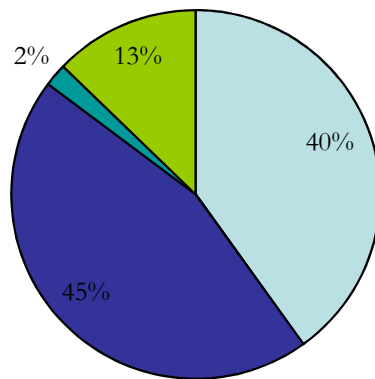
Tax Base and Levy Composition, 2009



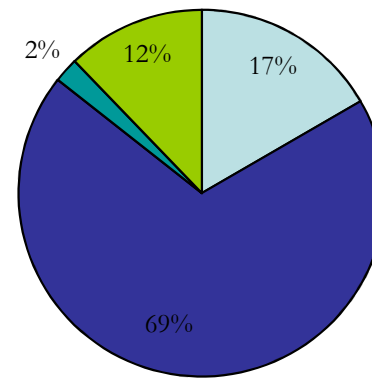
Source: Tax Assessor's tax roll certifications, 2000 and 2009. 2009 classification error corrected with estimated values.

Woonsocket Commercial Property Tax Base

Gross Area versus Assessed Value



□ Industrial
■ Large Business
■ Small Business
■ Combo

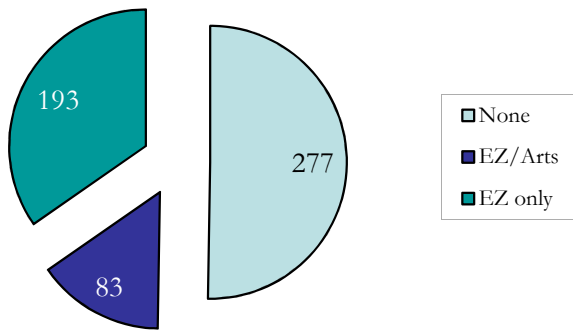


□ Industrial
■ Large Business
■ Small Business
■ Combo

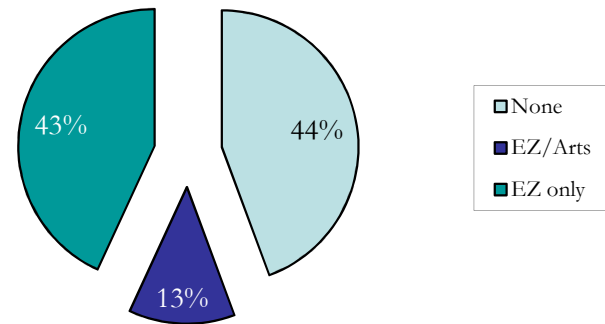
- The average (not “typical”) commercial building in the city is 19,000 sq. ft. and is assessed at just under \$327,000
- Large businesses account for slightly less than one half of the usable commercial space in the City, but more than two thirds of the assessed value in the commercial property class
- Asset age may be one driver of this “value gap,” the average industrial property is 82 years old, while the average large business building is 57 years old
- We need to arrive at a more nuanced definition of large business versus small business going forward

Role of R.I. State Geography-Based Programs Enterprise Zone, Arts District Coverage

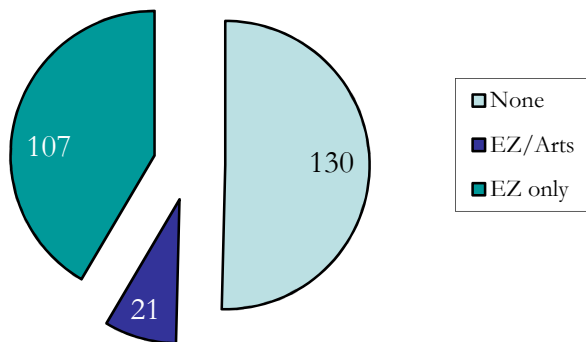
Program Eligibility:
Buildings



Program Eligibility:
Building Gross Area



Program Eligibility:
Parcel Value
(\$ millions)

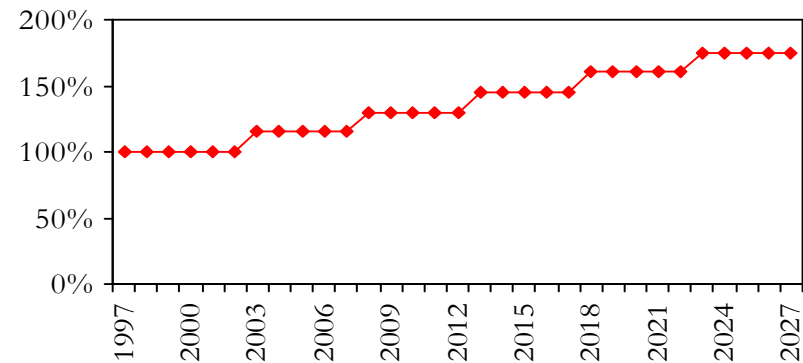


Program	Total Coverage (Gross Area)
None	4,266,860
Enterprise Zone	5,353,864
Arts District	1,205,712

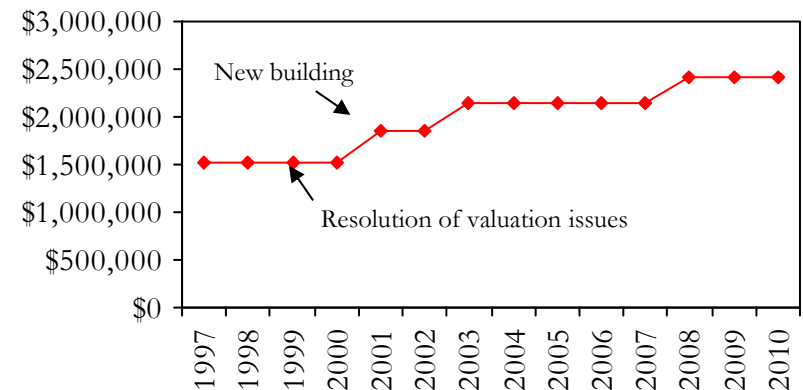
CVS Payment-in-Lieu-of-Taxes (PILOT) Summary of Terms and Performance

- While technically treated as a PILOT for state reporting purposes, the agreement takes the form of and operates like a stabilization treaty
- Assessment is a function of a base value (\$60 per square foot) increased over time by a fixed percentage (15% every 5 years)
- Tax rates for both real property and tangibles are locked in at a base rate (\$24.10 for real property and \$46.58 for tangibles)
- Provisions call for adjustments to be made for new construction and improvements upon properties included in the “project”
- Another increase of just about \$180,000 will occur in FY 2013

Schedule of Assessment Increases under CVS PILOT



Payment History to Date under CVS PILOT



Note: Chart shows total payments made by CVS for both real property and tangibles

Source: Tax Assessor's records for 1999-2010; 1997-1998 are reconstructed

Principal Taxpayers of the City

Assessed Value as of December 31, 2008 (page 1 of 2)

Name	Nature of Business	Assessed Value	Status
CVS Caremark	Pharmacy / Retail global headquarters, distribution	\$92,263,870	Continues to consolidate operations into RI & grow; subject to PILOT agreement, assessment not reflected in tax roll certification
National Grid	Electricity transmission	\$20,435,987	Stable
RD Woonsocket Associates	Retail shopping center (Walnut Hill Plaza)	\$15,841,500	Sears, Shaws are anchors; some vacancies
WP Woonsocket Associates, LLC	Retail shopping center (Woonsocket Plaza)	\$12,720,000	Burlington, Staples, small grocery market are anchors
SFFGA Rhode Island LLC	Retail (Lowe's)	\$10,171,348	Uncertain; high performing store in terms of ROI
Walnut Hill Apartments	High density low income housing	\$9,573,200	Stable
Wal-Mart	Retail	\$8,599,100	Uncertain
Woonsocket Nursing Center	Nursing home	\$6,715,900	Stable
Develco's Interest	Apartments	\$6,606,900	Stable
Oakland Grove	Nursing home	\$6,424,800	Stable

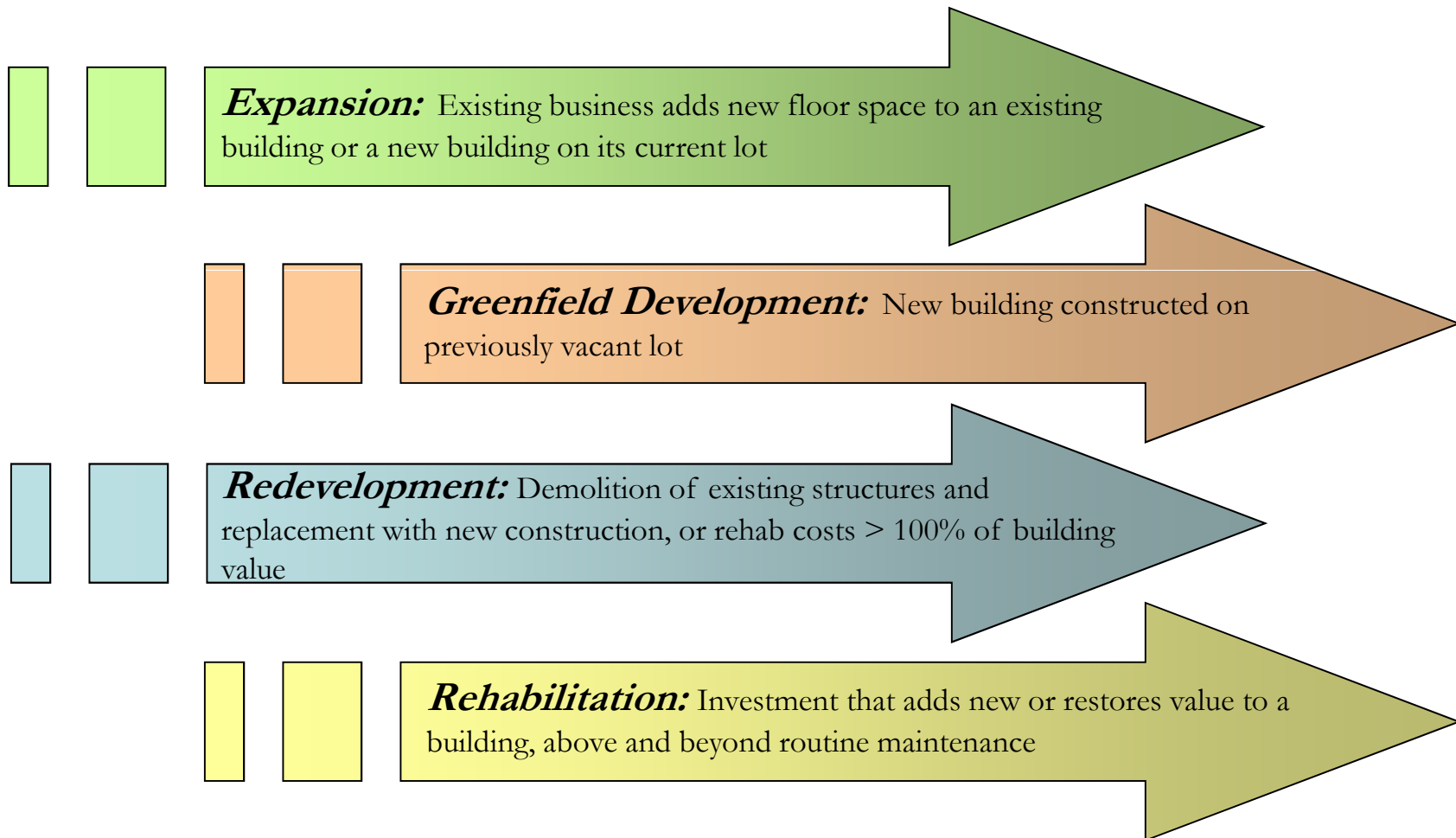
Principal Taxpayers of the City

Assessed Value as of December 31, 2008 (page 2 of 2)

Name	Nature of Business	Assessed Value	Status
Second Avenue Associates	Apartments	\$5,912,700	Stable.
Boucher Real Estate Partners, LLP	Cornerstone Building	\$5,226,700	Stable, but has vacancies.
Perot Systems Corp.	Computer systems at CVS campus in Highland	\$4,906,000	Stable. Company has been bought by Dell, Inc. and now operates as Dell Services.
Plaza Village Group	Apartments	\$4,738,900	Stable.
Mt. St. Francis Health Ctr.	Nursing Home	\$4,200,100	Stable.
LAXMIJI, LLC	Holiday Inn Express	\$3,949,300	Stable. Somewhat reliant upon business travelers associated with CVS Caremark
Friendly Nursing Home	Nursing home	\$3,821,100	Stable.
25 John Cummings Way LLC	Banc of America	\$3,523,100	Stable.
Cox Com Inc.	Various cable communications systems	\$3,352,968	Stable.
ALM Super Three	Retail shopping center (Park Square)	\$3,301,400	Likely to come under competitive pressure from Dowling Village.

Elements of the Challenge

Four Paths For Investment in Real Property



Elements of the Challenge

Obstacles Exist Along Every Growth Path

Expansion

- Does parcel support additional building space along with required parking, stormwater handling – if not, variance required
- Building and other permits for complex / multiple buildings can be more drawn out process than usual, can cause friction with construction season / schedules and cost of work

Greenfield

- Access to roadways, other infrastructure (of the few parcels, several are landlocked)
- Utility connections / capacity and permitting
- Compliance with comprehensive plan / potential for neighborhood opposition
- Building permits

Redevelopment

- Demo costs / asbestos / lead
- Neighborhood opposition to change of use

Rehab

- Fire code compliance
- Building code compliance
- Configuration of space / modern standards and uses
- Parking and other zoning requirements not met with existing configuration

Mapping Existing Project Possibilities



Business Expansion

- Technic, Inc.
- American Cord & Webbing
- Plastics Group (?)
- C&C Plastics (?)
- Summer Infant (?)
- T.E.A.M. (?)



Greenfield Development

- Park East / Mendon (private / rezoned)
- 2 lots on Park East (Highland)
- Land “behind” Dowling Village, both City owned and private



Demo & Redevelopment

- CVS Chipman’s Corner
- 85 Fairmount
- Diamond Hill /Mendon Road corner
- South Main / Glenark
- 153 Hamlet

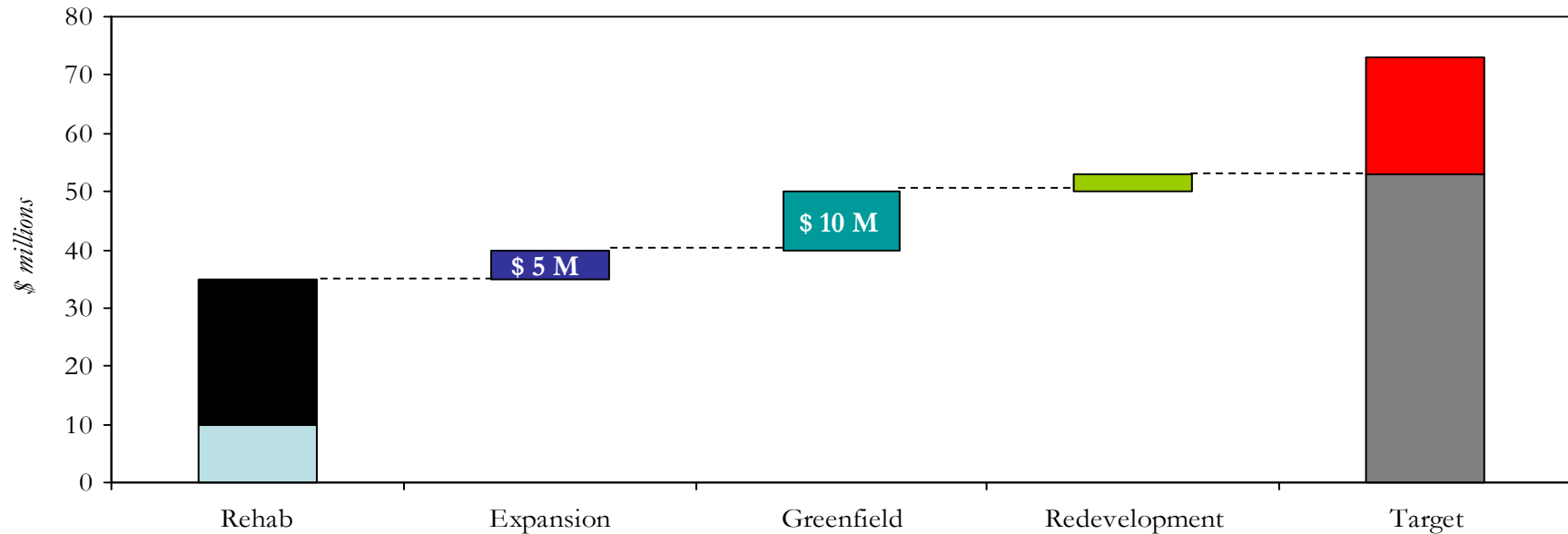


Building Rehabilitation

- 754 Front Street (restaurant)
- Old Middle School
- Commercial Block (?)
- St. Francis House
- 43 Railroad (?)
- Landmark(?)

Dimensions of the Fiscal Challenge

Goal Setting by Development Category



- 84 Fairmount
- Landmark Hospital
- 77 Restaurant /Embassy
- 754 Front (?)

- ACW
- Technic
- Summer Infant (?)

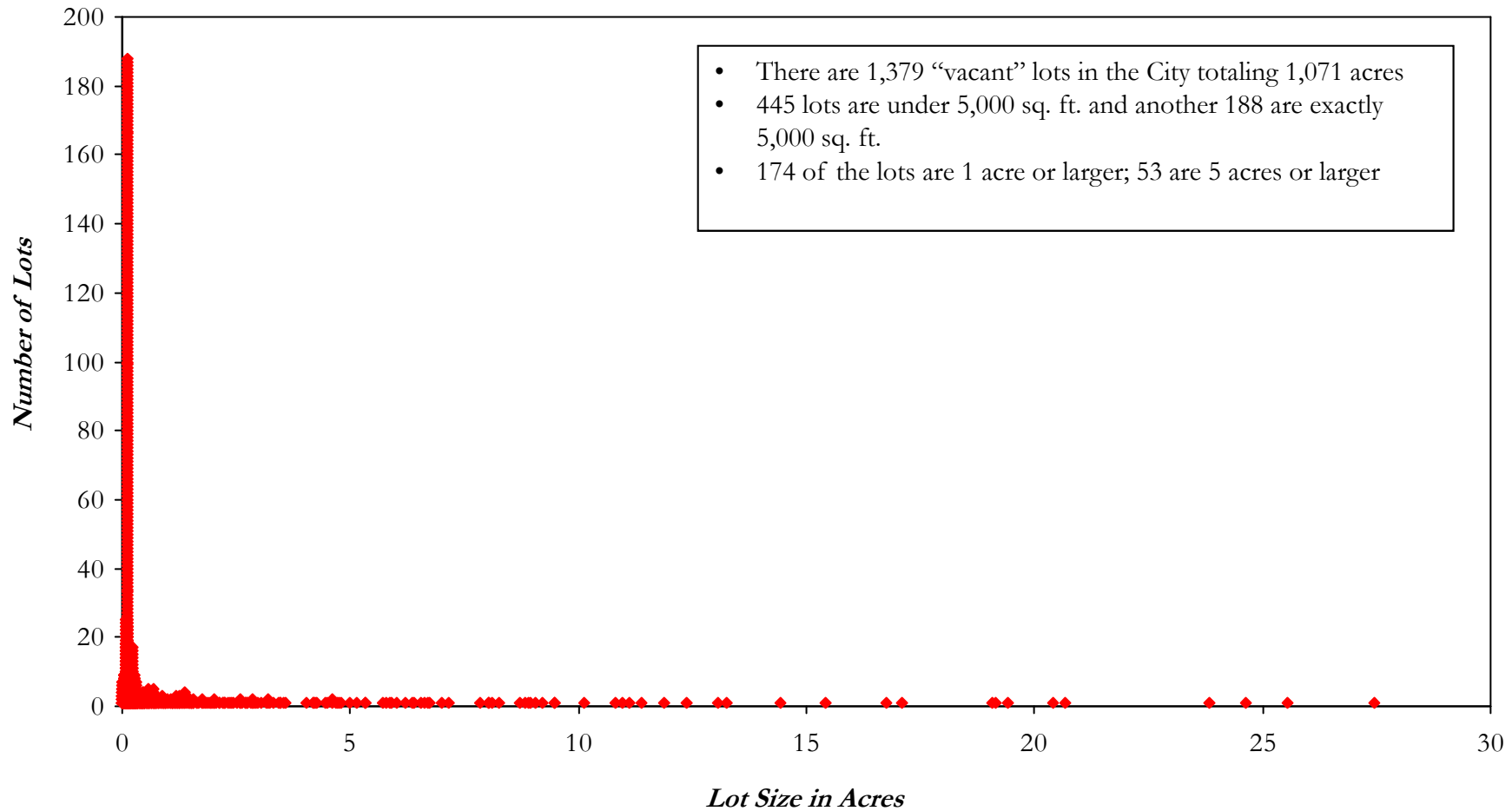
- Mendon/ Park East

- 85 Fairmount
- 153 Hamlet
- Seville Dye
- CVS Chipman's
- Vermette's site

Greenfield Development Potential

Total Number of Vacant Lots in the City

Histogram: Size and Number of Vacant Lots



Greenfield Development Potential

Vacant Lots Sorted by Location Description

Location Description	Total Area	# Lots	Average Lot Size	Total Current Value
Industrial	139	59	2.4	\$ 3,921,600
Business District	23	64	0.4	\$ 2,243,100
Urban	42	109	0.4	\$ 3,196,600
Suburban	754	1118	0.7	\$ 31,330,700
Recreational	75	30	2.5	\$ 998,400
Waterfront	35	21	1.7	\$ 394,400
Rural	6	2	3	\$ 168,600
Flood Plain	15	4	3.8	\$ 88,800

Greenfield Development

Industrial Lots Owned by the City

- Remaining lots in Highland are bound by covenant to remain undeveloped (as open space buffer) or represent utility easements
 - Lot 59-6 is 10 acres on paper but in reality is a long, narrow buffer lot between the park and surrounding residential areas; only a small portion of the lot is of usable configuration (but then grade and ledge must be taken into account)
 - Lot 51-97 is a utility easement across sharply graded land
 - Lot 59-19 is 2 acres of wetlands
- Lots 20-86 and 87 on East School Street / Laundry Street are in the flood plain and have little easy access to either public way
- Lot 8-151 on Fairmount Street, across from 85 Fairmount, is 4.6 acres total and has ample road frontage; a party is contemplating an offer



Only one City-owned lot is a candidate for development

Redevelopment Approach – Basic Data

Scattergram: Building Value per Sq. Ft. / Age



Note: Dotted lines mark average building value and age, thus dividing the chart into 4 pieces, 1) above average value, below average age..etc.

Redevelopment Prioritization Approach

Four Categories Based on Age and Current Value

<p style="text-align: center;">Above average value, below average age</p> <ul style="list-style-type: none"> • This is where you would expect most of the newer buildings to be • Little opportunity to add value since most building features would be best available • Adding through new construction difficult given there are few lots remaining that are not heavily restricted • Effort toward keeping properties full & busy, be sensitive to what creates an environment to make commercial areas successful (beautification, snow removal, traffic flow) <p style="text-align: right;">1</p>	<p style="text-align: center;">Above average value, above average age</p> <ul style="list-style-type: none"> • One would expect these are the “success stories” • Examples: old building converted to medical office space; renovated office space at 2 Main Street, 100 year old building used as nursing home • Rehab to modern standards and/or high intensity uses are the critical drivers <p style="text-align: right;">2</p>
<p style="text-align: center;">Below average value, below average age</p> <ul style="list-style-type: none"> • Tax incentive program participants will appear in this space since assessed value is the variable addressed by the program • Newer buildings with low intensity use per square foot – warehouses – or large amounts of vacant space • Otherwise, best candidates for improvement; newer buildings less likely to have asbestos, UST, lead paint, fire code, building code issues <p style="text-align: right;">3</p>	<p style="text-align: center;">4 Below average value, above average age</p> <ul style="list-style-type: none"> • Second best candidates for change, highest impact on tax base, most likely to have reasonable purchase price • High amount of unused space lowers building value • Significant building rehabilitation challenges • Most likely to pose environmental remediation issues • Need to have a method for prioritizing buildings in this category to understand which ones are worth the effort, and which ones have the highest potential / greatest stress for very limited number of PILOT agreements

Redevelopment Prioritization Approach

Results & Analysis

# of parcels	Square footage	Value (buildings only)	# in enterprise zone
155	2,718,010	\$ 109,793,180	82

- Less than 1/3 of the buildings in the City contribute nearly 2/3 of all the commercial real estate taxes (net CVS)
- A good number of these buildings are in Highland (and therefore in the EZ), some have room to expand, some do not
- To maintain this part of the base, emphasis needs to be on relevance; marketing the City as a whole and generating traffic

1

# of parcels	Square footage	Value (buildings only)	# in enterprise zone
42	244,421	\$ 9,437,500	21

- Most of these buildings are small stores or service shops on busy, but not top-tier, roads
- New small businesses in neighborhoods would expand this group
- Existing members of this group will generate only modest investment

2

# of parcels	Square footage	Value (buildings only)	# in enterprise zone
96	1,322,236	\$ 22,227,035	41

- Small industrial buildings, storage units, and small businesses, small office buildings, large empty commercial buildings on high traffic routes
- Highland and commercial parcels have some opportunity to expand or rehab, most others are maxed out

3

# of parcels	Square footage	Value (buildings only)	# in enterprise zone
262	5,336,057	\$ 38,408,800	133

- Includes nearly all of the largest, oldest mill buildings; Main Street and the surrounding area; also includes older office/mixed use on Park Avenue and other major roads
- Membership of this group is no surprise, but narrowing the base down to this number of buildings is an important step

4

Our Most Challenged Buildings Based on Assessed Value (page 1 of 2)

Location	Living Space	Value / sq. foot	Current Use	Year Built
153 Singleton*	310,108	\$0.84		1910
784 River*	116,055	\$1.29	Vacant (Dorado)	1896
308 East School	120,957	\$1.70	Light industrial / vacant	1904
413 Manville	66,567	\$1.72	Vacant (Ocean State Finishing)	1924
15 Singleton*	52,800	\$1.88		1910
84 Fairmount*	167,240	\$1.89	Vacant (incomplete condo project)	1910
292 East School	67,477	\$1.93	Manufacturing / storage	1904
35 Bellingham	3,400	\$1.94		1900
151 Singleton*	27,025	\$2.10	Mostly vacant	1910

- Asterisk denotes property in the Enterprise Zone
- Nine of our top “challenged” properties are mill buildings or outbuildings built at the turn of the last century
- Other issues contribute to valuation
 - Location
 - Configuration
 - Long term vacancy
 - Roof / window damage
 - Asbestos
 - Environmental remediation

Our Most Challenged Buildings Based on Assed Value (page 2 of 2)

Location	Living Space	Value / sq. foot	Current Use	Year Built
32 Mechanic	185,154	\$2.14	Storage, partial industrial, vacancies	1900
117 Ricard	42,822	\$2.25	Storage	1900
Pond Street	61,194	\$2.28	Storage, partial industrial, vacancies	1900
Pond Street	48,792	\$2.32	Storage, partial industrial, vacancies	1900
153 Hamlet*	235,360	\$2.42	Currently being demolished	1906
44 Hazel	37,554	\$2.53		1904
20 Privilege	191,686	\$2.59	Mostly vacant	1902
235 Singleton*	145,464	\$2.63		1910
24 East Mill	48,856	\$2.81		1919
43 Railroad*	14,430	\$3.13	Condemned since early 2009	1890

- Asterisk denotes property is in the Enterprise Zone
- Many of these buildings were at one time part of a larger complex that now appear as separate properties
- Once again, location near rail does not translate to good road access
- Many of these buildings are located near significant multi-family residential units

Prioritization

Potential Candidates for Redevelopment

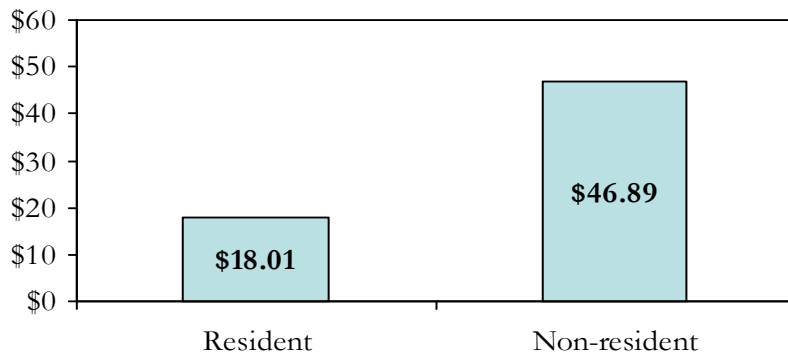
Address	Lot Size	Building	Notes	Condition
85 Fairmount	7.44	-0-	Fire rubble	Vacant
153 Singleton	6.67	385,259	Occupied	Fair
84 Fairmount	6.42	254,225	2 bldngs.	Needs repair but solid
413 Manville	6.29	68,039	Enviro issues	Poor
784 River	4.78	148,756	Partial use	No info
308 E. School	3.63	143,233	Occupied	Fair to good
24 E. Mill	2.11	65,205	Occupied	Fair to good
787 River	1.91	3,025	Vacant	No info
131 Mason	2.36	35,364	Vacant	Fair
25 Second	1.87	33,155	In use	No info

- Targeting requires breaking the existing properties down further – focusing only on the 262 older than average buildings with low per square foot values
- One approach would be to look at the ratio of building value to land value
- When its ratio is 1.0 or lower, it suggests that the parcel may be a good candidate for demolition and redevelopment
 - Building may be so old with so few improvements, it would be cost prohibitive to rehabilitate it
 - The total lot size may be large enough to accommodate modern structure with required parking
- 49 properties have a ratio of 1.0 or lower, top 10 listed to the left
- This approach identifies Fairmount, River, and parts of Olo and Singleton Streets as strong candidates for redevelopment to build the commercial tax base

Possible Solutions for Main Street

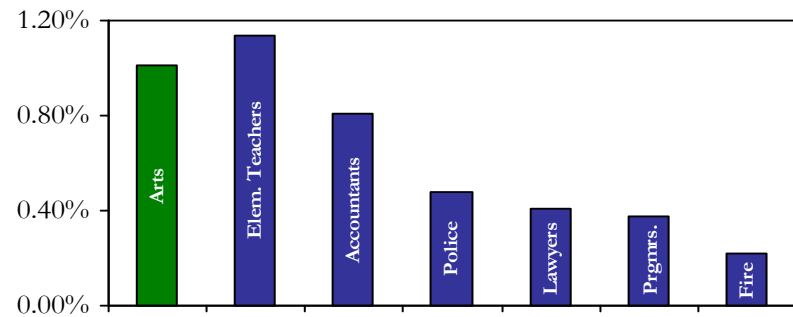
The Documented Economic Impact of the Arts

Average Per Person Audience Spending Induced by Attendance to Non-Profit Arts and Cultural Events in Small Cities, 2005



Source: Arts & Economic Prosperity III Appendix A (Americans for the Arts, 2007) pp. A-208, 228.

Percentage of U.S. Workforce Employed by Profession, 2005



Source: Robert L. Lynch, "The Arts Mean Business" Arts & Economic Prosperity III (Americans for the Arts, 2007) p.3.

- Nationally, the creative sector generates over \$166 billion in economic activity and supports 5.7 million jobs¹
- The arts and entertainment economy also gives rise to nearly \$30 billion in revenue to federal, state and local governments every year²
- Applying additional figures the sources cited above, if half of the 80,000 patrons - the estimated number who come from out of town - who attend shows at the Stadium Theatre each year spend on average \$17.25 on refreshments and meals, the Theatre brings as much as \$690,000 worth of business into the restaurants in the immediate surrounding area

Sources: ¹ Robert L. Lynch, "The Arts Mean Business" Arts & Economic Prosperity III (Americans for the Arts, 2007) p.1.

² Id.