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Economic and Fiscal Impacts of Proposed Conversion of 111 Westminster into Residential Use

FINAL DRAFT

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April 25, 2013

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EXECUTIVE SUMMARY

While the departure of a single-occupant commercial tenant from 111 Westminster is a substantial loss for the City of Providence and State of Rhode Island, it also presents a significant opportunity to build on the downtown revitalization momentum by adding a critical mass of new housing. This approach is aligned with national trends driven by shifting demographics and residential preferences favoring urban, walkable residential development and where businesses are increasingly following talent to these locations. Changes to the economy make office absorption of this type and magnitude extremely challenging and potentially detrimental to the City.

The City of Providence is on the cusp of a transformative economic development opportunity with the relocation of Interstate 195 that makes 35 acres of land available, 19 of which will be used for commercial development. This project also unites downtown and the Jewelry District into one cohesive area. While this land is an enormous development opportunity for the City, its success depends upon continued investment in downtown. Knowledge-based companies with highly educated workers are demonstrating growing preferences for urban, walkable live/work locations. Providence already has many of the building blocks to be this type of desired location, but must provide more downtown housing opportunities to be a competitive location for these types of companies.

In addition to Providence itself, many cities across the country are using housing-led economic development strategies to revitalize urban centers. These projects include new development as well as conversion of former industrial, retail, as well as office spaces. The attraction of new residents is contributing to new downtown retail spending, visitor attraction, and other spinoff activity. This report documents the benefits of downtown residential attraction to urban revitalization and economic growth in Pittsburgh, Portland, Austin and Minneapolis; and similar strategies have been adopted successfully in other cities from coast to coast including New York, Boston, Washington, DC, and San Francisco.

HR&A's economic impact analysis finds that the adaptive reuse of 111 Westminster to primarily a residential use will generate substantial economic benefits to the City of Providence and State of Rhode Island.

During the 30 month development period:

- **Project construction would generate a total of $159 million in one-time economic spending.** This includes an estimated $98 million in direct spending on construction-related activities and $61 million in multiplier spending across a range of industries.
- **Project construction would support 1,095 full-time equivalent (FTE) job years.** This includes 645 full-time-equivalent (FTE) job years in construction and related industries and 450 multiplier jobs in a range of industries.
- **Project construction would generate $44 million in employee compensation.** This includes $25 million in employee compensation from direct jobs and $19 million from multiplier jobs.

At full build out, the Project will generate substantial impacts on an annual basis. Given the location in the heart of Providence and strong base of existing retail options, it is likely that the City would capture a significant share of this economic activity. Impacts include:

- **The project would generate over $25 million in economic spending from households and building operations.** This includes $3.7 million in direct resident retail spending, $11.8 million in direct operational spending, and $10.2 million in multiplier spending.
- **The project would support a total 230 FTE jobs.** This includes 104 direct on-site jobs in retail, property management, and office-using sectors of the local creative economy.
- **The project would generate $8 million in annual employee compensation.** This includes over $3 million in direct compensation to workers employed on-site.

Further, the Project will generate substantial fiscal benefits to the City and State. These will include:

- $4.6 million in tax revenues to the State of Rhode Island during construction.
- $680,000 in annual revenues to the State of Rhode Island through sales and income taxes.
- Over 20 years, the Project would produce a total fiscal benefit to the State of Rhode Island of $12.8 million in net present value terms.

If this building is not converted to residential uses, it will unload over 350,000 square feet of Class B/C space on the Downtown market, where vacancy is already 19 percent. Based on a long term average absorption rate of 22,500 SF, HR&A estimates that the absorption of space at 111 Westminster would take 25+ years. While it could occur at a faster rate due to the building's location and iconic status, given prevailing employment trends, these tenants will likely come from the existing regional market, resulting in a mere "shuffling of the cards" as opposed to new growth. Excess inventory of Class B/C space would also have a negative impact on City property tax revenues as increased vacancy depresses market values. HR&A estimates that the introduction of additional vacant space could result in up to $740,000 in annual lost property tax revenue. In contrast, conversion to a residential uses provides a stronger alternative for building to continue to serve a prominent role in the regional economy as a signature residential address.

I. INTRODUCTION

Since its opening in 1927, 111 Westminster Street has remained as the tallest building in the State of Rhode Island and one of the most iconic in the City of Providence. The top of the building hosts a four-story lantern that has helped to make this structure an iconic symbol of Rhode Island and the focal point of the Providence skyline for generations. A 26 story art deco building facing Kennedy Plaza at the heart of the City, the building has served as a regional bank office headquarters since its inception—most recently Bank of America. However, due to changes in the banking industry and need for new spaces, Bank of America, which had occupied the entire building, declined to renew its lease the end of 2012 and the last workers left in April 2013.

On behalf of building owner High Rock Development, Cornish Associates is proposing to convert the 380,000+ SF building (known locally as The Superman Building due to its resemblance to the Daily Planet Headquarters in the 1950s television series) from office to primarily residential use. Due to office market conditions, this conversion is necessary to preserve the value of the building to the developer and the City. It would be challenging for the building to find a new tenant given office market conditions—large anchor tenants prefer modern spaces. At best, the building could be divided up into smaller "Class B" spaces for a range of tenants, but that would significantly depress the already slow office market in which vacancy rates for similar spaces is 19 percent and absorption in 2012 was *negative 120,000 SF*.

Given market trends, conversion to residential uses is the best use of the building in a way that preserves its value. This approach is critical to supporting Providence's continued downtown revitalization efforts and the stability of its local businesses. Adding another 265 households downtown will help enhance retail spending and increase safety through more foot traffic. This would build on the existing trend in Downtown Providence with the addition of nearly 500 units since 2000, many completed by Cornish. The recent growth in downtown residential is not just a local trend. Nationally, there is growing demand for downtown development in cities across the country based on market factors and the recognition that to succeed, 21st Century cities need to offer a mix of activities and product types.

Overview of the HR&A Report

HR&A Advisors, Inc. (HR&A) was retained by Cornish Associates, LLC to conduct an analysis of the economic impacts and fiscal benefits of the conversion of the building from office to residential use would have on the State of Rhode Island.

HR&A is a real estate, economic development, and public policy consulting firm originally founded in 1976. The firm specializes in conducting economic and fiscal impact studies of organizations, development projects, and policies. The firm serves clients out of its offices in New York, Los Angeles, and Washington, D.C.

The report is organized as follows:

- Section II provides an overview of trends in downtown revitalization, including case studies of four cities with successful housing-led economic development strategies.
- Section III provides an overview of recent residential trends in Providence.
- Section IV analyzes office market conditions and demonstrates the negative impacts of the unloading of an additional 350,000+ SF on the market, to provide contrast and demonstrate the

limitations of trying to preserve the building for office uses, including the likely loss of property tax revenues.

- Section V provides a comprehensive economic and fiscal impact assessment of the proposed conversion on the State of Rhode Island, with consideration of local fiscal impacts on the City of Providence.
- Section VI summarizes the key conclusions of HR&A's study.

II. CASE STUDIES IN RESIDENTIAL-FOCUSED DOWNTOWN REVITALIZATION

Across the United States, downtown residential development is leading economic turnarounds in many urban areas. A major demographic shift with growing populations of 20-30-somethings and retiring baby boomers is driving demand for residential development that offers a compact, walkable lifestyle in an urban setting. Together, these groups represent half the population and are a driving force in the real estate recovery, according to research from the Brookings Institute.[1] In addition to leading think tanks, this finding is echoed in real estate market reports and investor activity across the industry.

At the same time as this seismic shift in residential preferences, the nation has experienced fundamental changes in employment growth and business needs. While employment growth is a lagging indicator of economic recovery, the amount and types of spaces companies need is changing. The average number of square feet per employee has declined from approximately 500 in 1975 to 200 in 2010, according to a CoreNet study cited by Jones Lang LaSalle.[2] As a result, most U.S. cities have witnessed stagnation, decline and high vacancies in their office markets. Thus, residential growth in urban areas has been comprised not only of new development and industrial conversions, but also from the conversion of signature office buildings. This trend has been most pronounced in New York City, where the conversion of 15 million square feet commercial space in Lower Manhattan, including a portion of the iconic Woolworth Building, has contributed to the more than doubling of the downtown population since 2001 to over 60,000 people.[3] This in turn has attracted new spending. While the process is slow, new retail uses have followed and Lower Manhattan is gaining recognition as a desirable 24/7 live work environment.

The conversion of the 111 Westminster into residential use is critical to continue to position Providence to participate in this national trend. Additional residential development will provide construction jobs in the short term and support new downtown retail spending in the long term.

The following case studies of downtown revitalization projects in Pittsburgh, Austin, Portland (OR), and Minneapolis illustrate the role of residential development to revitalization efforts in comparable cities. These examples were selected due to the cities similarity to Providence in one or more of the following criteria:

- Population
- Status as a capital city
- Large presence of educational and medical organizations as anchor institutions
- Downtown waterfront
- Conversion of historic buildings
- Use of public investment

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[1] http://www.brookings.edu/research/articles/2010/11/real-estate-leinberger

[2] Banker & Tradesma. February 2013
http://marketing.joneslanglasalle.com/boston/PR/Banker&Tradesman_officespace_02252013.pdf

[3] Alliance for Downtown New York http://www.downtownny.com/sites/default/files/SOLM_2011_9.20.11.pdf

These case studies illustrate the importance of a residential strategy as a critical component in downtown revitalization and urban economic growth. Further, they show the importance of participation by both the public and private sectors to create successful projects.

Pittsburgh: The Revitalization of Market Square

KEY FINDINGS

- From 2000 to 2012, Pittsburgh added 595 rental units to its downtown and increased the number of households living downtown by 46.9%.
- The revitalization of downtown attracted younger, smaller, high-earning households and helped foster the addition of some 24 new restaurants in Market Square.
- Tax credits were an essential source of financing for the adaptation of historic buildings for residential and mixed uses in Pittsburgh's Market Square area.
- These developments preserved the area's historic roots while also increasing downtown's appeal as a place to live, convene, and visit.

INTRODUCTION

After years of depression as a struggling Rust Belt City, Pittsburgh's downtown has experienced a recent resurgence of residential development. Market Square, a public space created in 1764, is located near the tip of Pittsburgh's downtown (referred to as the "Golden Triangle" where the Allegheny and Monongahela rivers converge to form the Ohio River). Once the City's civic and retail center, Market Square was designated as a historic district in 1972, but this did little to stem the area's deterioration. By 2005, Market Square was known for its drug deals, buses, homeless population, and shuttered businesses.[4]

In 2006, Mayor Luke Ravenstahl spearheaded an ambitious $5 million improvement project to reactivate Market Square and transform it into a European-style piazza. Leveraging public and private funding sources, the goal of the project was to create a signature space that would attract people back to the plaza and enhance nearby blocks. This project is credited with catalyzing two historic reuse projects—Market Square Place and Market at Fifth—and additional private investment across downtown.

Market Square in Pittsburgh's Downtown "Golden Triangle"

Key conversions of historic buildings revitalized blocks provided new housing, and a range of amenities. Market Square Place – the largest historic preservation and adaptive reuse project in downtown Pittsburgh to date – combined seven distinct buildings of different eras, construction types, and architectural styles into one mixed-use project offering 46

4 https://www.ida-downtown.org/eweb/docs/2011%20Awards/PPs/Public%20Space/Pittsburgh%20Downtown%20Partnership,%20Market%20Square.pdf

rental lofts, 25,000 square feet of street level retail, and a large commercial space filled by a new downtown YMCA.[5] Once slated for demolition, these historic buildings included the former G.C. Murphy Department Store and ranged in style from an early cast iron-fronted building from 1880 to Art Deco facades from the 1930's. Strada and Millcraft Industries led this $40 million development, integrating a single shared apartment entrance for all seven buildings, while maintaining ground floor facades that matched each building's distinct character.[6]

While this project was made possible in part by the public investment in open space and infrastructure, it also required seven funding sources, including New Market and Historic Tax credits,[7] to make it financially feasible.

Market Square Place has won several accolades, including (1) a Preservation Honor Award from the National Trust for Historic Preservation, (2) an Honor Award at the 2012 Richard H. Driehaus National Preservation Awards, and (3) a Gold Award in the Mixed Use Development - Large Size Projects Category from the 10,000 Friends of Pennsylvania.

Before and After: View of Market Square Place from across Market Square[8]

5 http://www.marketsquareplace.com/site/marketsquare-place; http://www.theatlanticcities.com/design/2012/12/behold-highly-desirable-frankenstein-green-building/4146/

6 http://stradallc.com/show_project.php?id=59; http://www.theatlanticcities.com/design/2012/12/behold-highly-desirable-frankenstein-green-building/4146/; http://www.ura.org/pdfs/showcase/MarketSquarePlace.pdf

7 http://www.uli.org/global-awards-for-excellence/market-square-place-2012-global-awards-for-excellence-finalist/

8

RESULTS

Pittsburgh's downtown population growth has supported new retail and additional spinoff investment. By the time that the renovation of Market Square was completed in 2011, approximately $500 million in private funds had been committed within a two-block radius of the square. Pedestrian counts downtown doubled between 2006 and 2010.[9] In 2011, Mayor Luke Ravenstahl noted with delight that "Downtown is seeing over $4 billion of investments either under construction, completed or planned, and is experiencing its Third Renaissance."[10] Other large-scale development projects within the Golden Triangle include the Tower at PNC Plaza to house 3,000 PNC employees and provide street-level retail, as well as a $200 million new construction project for the 25-story, 185-room, LEED Gold certified Fairmont Hotel.

According to the Pittsburgh Downtown Partnership, investment in and around Market Square since 2007 includes:

- 24 new restaurants,
- 12 building rehabilitations (including Market Square Place and Market at Fifth),
- 5 new construction buildings,
- 16 façade improvements,
- 6 infrastructure enhancements,
- 4 public space developments, and
- Over 387 new residences.[11]

The City's revitalization effort downtown reversed the decline in the number of households living downtown. After the number of households in downtown Pittsburgh had dropped from 785 to 722 – an annual decrease of 0.83% – from 1990 to 2000, the number of households living in downtown Pittsburgh grew by 46.9% to 1,360 by 2012.

Pittsburgh's downtown residents are, on average, younger and enjoy higher household incomes than residents of the City or the surrounding metropolitan statistical area (MSA). The average age of Pittsburgh's downtown residents dropped from 34.3 in 2000 to 29.7 in 2012, while the average household income downtown rose three percent to $74,066. Downtown residents also have smaller average household sizes than surrounding areas. In addition to attracting younger, smaller, higher-earning households to live downtown, the renovation of Market Square also contributed to making Pittsburgh's downtown a thriving commercial center; the downtown area had an employee to resident ratio of 31.46 as of 2012, compared to 0.82 for the City and 0.50 for the MSA.

9 https://www.ida-downtown.org/eweb/docs/2011%20Awards/Public%20Space/Pittsburgh%20Downtown%20Partnership,%20Market%20Square.pdf
10 http://www.downtownpittsburgh.com/news/market-square-redevelopment-affirms-downtown-pittsburgh-as-a-center-of-opportunity
11 http://www.downtownpittsburgh.com/_files/docs/market-square-investment-map.pdf

Portland, Oregon: Redefining the Pearl District

KEY FINDINGS

- A wide variety of public financing tools, including tax credits, tax abatements, and tax increment financing, fueled the dramatic transformation of abandoned, industrial buildings in Portland's Pearl District into one of the City's hippest places to live, work, and shop.
- Public and private investment in residential development in the Pearl District quickly showed results – from 2000 to 2012, the number of rental housing units increased by over 80% and the number of owner housing units increased by 89%.
- The neighborhood added 5,198 new residents from 2000 to 2012, and the average income of households in the Pearl District grew at a faster rate during this time period than that of households in the surrounding City.
- This residential-led revitalization has helped increase property values significantly in the Pearl District.

INTRODUCTION

Portland's Pearl District was the city's transportation hub in the early 1900s, full of railroad yards, warehouses, and manufacturing facilities. In the 1950s, as water and rail became less critical to the city's transportation infrastructure, the District became vacant and marginalized.[12] As a low-rent district near downtown, the Pearl District gradually attracted an eclectic mix of artists, art galleries, and auto shops. Large tracts of the District's industrial land bordering the central business district remained vacant, underutilized, and contaminated.

Redevelopment efforts in the Pearl District began in the 1980s and led to the adoption of the River District Urban Renewal Plan in 1998, which provides tax increment financing for improvements within the district over the next 20 years. (The River District includes the Pearl District, as well as the city's Old Town and Chinatown neighborhoods.) Housing strategies for the River District adopted in 1994 and 1999 called for the creation of 6,594 new housing units over a 20-year period.[13]

The Portland Development Commission, an independent not-for-profit entity that reports to the mayor, planned the redevelopment of many of the City's neighborhoods, including the Pearl District. A Housing Implementation Strategy included the development of several incentive programs to encourage private developers, including bond financing, partial tax abatements, and other sources of funding.[14] In 2001, the City added a streetcar with an 8-mile loop that connects the central business district with nearby districts, including the Pearl District. The City also funded the development four new parks in the Pearl district.

A Neighborhood Master Plan, adopted in 2001, aimed to transform the Pearl District into "a high density urban neighborhood" and emphasized the rehabilitation and adaptive re-use of historic buildings and mixed-use developments.[15] A Family Housing Density Bonus, run by the Portland Development Commission,

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12 http://www.pdc.us/Libraries/River_District/Pearl_District_Development_Plan_pdf.sflb.ashx

13 https://scholarsbank.uoregon.edu/xmlui/bitstream/handle/1794/9674/Portland_River_District_Housing_Strategy.pdf?sequence=1using_implementation_strategy_199904.pdf

14 http://www.studiosynergyllc.com/cmsAdmin/uploads/Brewery_Blocks_Redevelopment_Final.pdf

15 http://www.pdc.us/Libraries/River_District/Pearl_District_Development_Plan_pdf.sflb.ashx

allowed developers increased floor area ratios and spurred new, mixed-use development. One of the most notable developments was the renovation of the historic Brewery Blocks complex at the seam of the Pearl District and the central business district to create 1.7 million square feet of residential units, office space, and high-end retail.

The Brewery Blocks redevelopment preserved an important part of the City's industrial history while providing new housing and mixed uses spaces.

The Brewery Blocks complex was purchased by Gerding Edlen, a Portland development firm, in January 2000. The complex, which covers five city blocks, includes three historically significant buildings: the Portland Armory, the Weinhard Brewhouse, and the Chevrolet Auto Dealership. Gerding Edlen promised to preserve the historic buildings as it redeveloped the land as a mixed use development of office, retail, and residential buildings.[16]

The complete development included:

- 200,000 square feet of retail space;
- A performing arts center;
- 15-story mixed-use condominium building ("The Henry");
- 1,350 car underground parking garage;
- 2 office towers with ground floor retail; and
- 242-unit residential building ("The Louisa").

Despite its location in an evolving area with a significant amount of public infrastructure investment, this project still required multiple sources of financing and a strong public-private partnership to make it feasible. Project financing included:

- $50 million equity from local investors
- $250 million construction loans
- $10 million investment from the PDC, including a $6 million loan for parking and $2 million for infrastructure improvements.

The project qualified for numerous incentives, including the State's Business Energy Tax Credit Program, a 10-year tax abatement from the PDC, Historic Rehabilitation Tax Credits, the City's tax increment financing, as well as financing from the Energy Trust's Renewable Energy program and the Bonneville Environmental Foundation for its solar electric photovoltaic system. The inclusion of green building technologies enhanced the project's eligibility for state and city incentives; three of the buildings received LEED certification.

16 http://www.breweryblocks.com/history/

The Brewery Blocks, during and after construction[17]

17 http://www.hoffmancorp.com/selectedprojects/selected-project.aspx?title=Brewery+Blocks+Redevelopment&cat=Mixed+Use; http://www.gerdingedlen.com/ge-news/in-the-media/article/controller/News/action/detail/item/brewery-blocks-revitalized/

RESULTS

The Pearl District is now a hip, bustling neighborhood known for its parks, restaurants, galleries, retail shops, educational institutions, cultural attractions and diverse residential options.[18] The redevelopment of the Brewery Blocks played a central role in the neighborhood's turnaround and the complex now serves as the gateway to the Pearl District from downtown. Within the first several years after completion of the project, property values of the Brewery Blocks increased almost 500%.[19] From 2000 to 2012, the Pearl District added:

- 2,539 rental units, representing an annual increase of 14.7%,
- 1,157 owner units, representing an annual increase of 20.5%, and
- Over 5,000 new residents.

The population of Portland's Pearl District grew much more rapidly during this time than the City or the surrounding metropolitan statistical area (MSA). The population of the Pearl District jumped 82.3%, from 1,113 to 6,311, representing an annual increase of 15.6%. Meanwhile, the City's population grew by 11.5% and the population living in the MSA increased by 15%, representing annual increases of 1% and 1.4% respectively.

Residents of the Pearl District are slightly older, but comparable in age to the residents of the City and the MSA. They tend to have smaller household sizes, on average 1.36 household members compared to 2.28 for the City and 2.52 for the MSA as of 2012. Their average household incomes increased at a faster rate from 2000 to 2012 than those of households in the City and MSA. The average income of households in the Pearl District surged from $43,064 in 2000 to $65,835 in 2012, an increase of 34.6%.

The dominant business types that the Pearl District has attracted are professional, scientific, and technology services (17%) and retail trades (16.3%). The Pearl District's employee to resident ratio of 2.35 is higher than that of the City, at 0.69, or the MSA, at 0.46.

These trends illustrate the business attraction benefits of increasing residential density in urban neighborhoods.

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18 http://www.gerdingedlen.com/ge-news/press-releases/article/controller/News/action/detail/item/brewery-blocks-named-best-new-development/

19 http://www.pdc.us/Libraries/Document_Library/The_Henry_building_profile_pdf.sflb.ashx

Austin: Attracting Residents to Downtown

KEY FINDINGS

- To boost residential density downtown, the City of Austin offered residential developers a range of incentives, including donation of public land, tax abatements, grants, and density bonuses. In addition, the City restructured its management and adopted developer-friendly reforms to improve the permitting process and reduce other bureaucratic barriers to development.
- The City's efforts resulted in 6,000 new residents moving to downtown, representing a 40% growth in Austin's downtown population. These residents have higher incomes and smaller household sizes than the surrounding City and metropolitan statistical area. Living downtown has proved to be popular: occupancy rates were over 95% as of 2011.
- During this same period, downtown Austin attracted 6,000 new jobs, 400,000 square feet of retail space, and 1,500 additional hotel rooms as part of an ongoing revitalization of downtown.

INTRODUCTION

In the 1990s, the population of Austin was growing rapidly, but the downtown core still struggled with high commercial vacancy, lack of activity in the evenings, and a perception of crime. Downtown population growth was stagnant, compared to an overall residential growth rate 3x the national average. Residential density per square mile in downtown remained in the lowest third of southern and western cities.

In 1999, the City adopted the Central Urban Redevelopment Combining District, which laid out a plan to add more multifamily housing units in Downtown. In 2005, the Mayor of Austin established a goal of reaching 25,000 residents in downtown in 10 years. By 2007, the City was engaged in a five-year planning process for downtown development and had identified the need for the City to commit resources for new residential development downtown. This planning process resulted in the Downtown Austin Plan, adopted by the City Council in 2011, which presents the implementation strategy to achieve the community's vision for downtown. Historic preservation is one of the City's goals highlighted in the 2011 Downtown Austin Plan.

In order to stimulate activity in the private development market, the City of Austin used public land as an incentive. The City offered land to developers in key locations, particularly along Second Street. Projects that used free or subsidized City land are either built or in the pipeline, including the AMLI development on Second Street and the Green Water Treatment Plan mixed-use project highlighted below. The City adopted a Smart Growth and Urban Design Matrix, which provided automatic access to waivers, tax abatements, and grants for retail and commercial developments that met smart growth criteria. The City also adopted a density bonus incentive to gain public benefits from additional development over the current zoned allowance, including affordable housing.

LARGE-SCALE RESIDENTIAL DEVELOPMENT PROJECTS DOWNTOWN

AMLI Development on Second Street:
The AMLI Development on Second Street, known as AMLI Block 22 Tower, is a 18-story, three-star-green building that includes 35,000 square feet of ground level retail space, 17 floors of apartments with over 230 units, over four levels of above-ground parking, and a spacious amenity deck.[20] Five percent of the building's 231 units are designated as affordable to households whose income is equal to or less than 80% of area median income.[21]

This $44 million project, which was completed in 2008, is the result of a partnership between the City of Austin and AMLI Residential Properties. The City owns the land and provided a 70-year ground lease at negotiated rate to AMLI Residential Properties.[22] The City also provided AMLI Residential Properties with an expedited development review, and contributed landscaping on Second Street and enhanced streetscapes.[23]

AMLI Development on Second Street[24]

20 http://larryspeck.com/building/amli-on-2nd-mixed-use-development/
21 http://www.terrain.org/unsprawl/19/
22http://texas.construction.com/features/archive/0611_cover.asp;
http://www.austintexas.gov/sites/default/files/files/Redevelopment/Redevelopment_Projects/Creative_Collaborations_Booklet_7-2012-VIEW_ONLY.pdf
23http://www.austintexas.gov/sites/default/files/files/Redevelopment/Redevelopment_Projects/Creative_Collaborations_Booklet_7-2012-VIEW_ONLY.pdf
24 http://larryspeck.com/building/amli-on-2nd-mixed-use-development/

RESULTS

As the result of the City's aggressive effort to boost residential density downtown, downtown Austin added 6,000 new residents from 2000 to 2010 – a remarkable growth rate of 40%. Other development followed, building on the momentum downtown. Between 2000 and 2010:

- 6,000 new residents moved into new condominiums, apartments and townhouses downtown;
- 6,000 new jobs have moved downtown;
- 400,000 square feet of new retail space, shops, nightclubs and restaurants have opened to serve residents, visitors and employees, bringing more life to the streets;
- 1,500 new hotel rooms have been constructed;
- 1.7 million square feet of new office space has been added;
- 70 block faces of tree-lined sidewalks have been created; and
- Over 15 miles of new bike facilities have been constructed within, and leading to, downtown.[25]

Downtown occupancy and rental rates are the highest in the region, and more than seven million people visit annually, contributing over $2.8 billion to the economy.[26] Concentrations of restaurants and shops in the Second Street District and around the Whole Foods World Headquarters in the Market District have strengthened downtown as a regional destination.

Austin's downtown residents have higher incomes and smaller household sizes than the City and the surrounding metropolitan statistical area (MSA), as of 2012. The average household income in downtown Austin is $102,535, compared with $73,116 in the City and $79,136 in the MSA. The average household size is 1.57 household members compared with 2.37 in the City and 2.58 in the MSA.

25 ftp://ftp.ci.austin.tx.us/DowntownAustinPlan/dap_approved_12-8-2011.pdf
26 ftp://ftp.ci.austin.tx.us/DowntownAustinPlan/dap_approved_12-8-2011.pdf

Minneapolis: Transforming the Mill District

KEY FINDINGS

- The City of Minneapolis played an active role in facilitating and financing the conversion of abandoned flour mills for residential and mixed uses in an effort to draw residents to its Mill District. The Mill District has become a cultural and residential hub downtown.
- The Mill District added new 1,243 housing units as well as approximately 1 million square feet of office space between 1980 and 2012.
- The estimated market value of real estate in the neighborhood rose from $25 million in 1994 to $475 million in 2011.
- Minneapolis' downtown population increased by more than 35% from 2000 to 2012, representing a 4% compound annual growth rate.

INTRODUCTION

The industrial mills in Minneapolis's Mill District harnessed the power of the Mississippi River with the St. Anthony Falls and made Minneapolis into the milling center of the upper Midwest at the turn of the 19th century. At its peak in the 1920s, the Mill District was the largest producer of flour in the world. But as fossil fuels replaced water power, the industry declined and by the 1960s, many of the flour mills in the Mill District were vacant or demolished. The area was hard to access, largely abandoned, and had no public spaces.[27]

In 1971, the St. Anthony Falls Historic District (which includes the Mill District, which is part of the larger Downtown East neighborhood, and several other neighborhoods) was nominated to the National Register of Historic Places. In 1988, the Minnesota State Legislature established the St. Anthony Falls Heritage Board.[28] The Board put together a plan in 1990 that was updated in 2009, focused on the preservation and interpretation of historical resources in the area.[29]

In 1998, the City of Minneapolis adopted the Historic Mills District Master Plan, which was revised in 2001, with the goal of encouraging development along the City's riverfront. The two primary goals of the plan were to create new housing downtown and to attract new businesses to the district.[30] The City encouraged the preservation and reuse of historic buildings. As a result of this plan, the rail lines near the mills were removed and historic buildings in the Mill District were converted for adaptive reuse, drawing residents and offices into the area.

In 2000, the City also adopted the Minneapolis Warehouse Preservation Action Plan. This was followed by the 2008 Minneapolis Plan for Sustainable Growth, which provides a long-term vision for the physical development of the city and a policy framework to guide future planning, zoning and development decisions. The City's focus on the revitalization of the riverfront throughout these plans has transformed its industrial heritage into the heart of the City's downtown.

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27 http://www.ci.minneapolis.mn.us/www/groups/public/@cped/documents/webcontent/convert_279837.pdf
28 http://www.mnhs.org/places/safhb/pdf/2009interpplan/Report_small_12_23_09.pdf
29 http://www.mnhs.org/places/safhb/pdf/2009interpplan/Report_small_12_23_09.pdf
30 http://www.minneapolismn.gov/www/groups/public/@cped/documents/webcontent/convert_267857.pdf

Adaptive Reuse of Industrial Buildings

North Star Lofts

Brighton Development Corporation worked with the City of Minneapolis to develop three housing developments in the Mill District, including North Star Lofts, Stone Arch Lofts, and the Washburn Lofts (part of the Washburn Crosby complex described below).

The North Star Lofts development is one of the iconic landmarks of the Mill District. The North Star Woolen Mill, established in 1864, employed over 60 people and had 17 looms. As of 1920, the North Star Woolen Company was the country's top manufacturer of wool blankets, with almost 300 employees. The company shut down its operations in 1949 and in 1999, the building was converted into 36 lofts. The building, listed on the National Register of Historic Places, offers views of the river and downtown. The conversion received a preservation award in 2000.[31]

This $16 million project received an investment of $2.57 million from the City of Minneapolis, in tax increment financing, and a $166,786 grant from the Metropolitan Council.[32]

Washburn Crosby Complex

The City of Minneapolis, the Minnesota Historical Society, and Brighton Development worked together to develop the Mill District's Washburn Crosby complex, transforming this former grain processing operation into a mixed-use development, including the Mill City Museum, luxury condominiums, and office space. The Washburn Crosby Complex was originally constructed in the 1870s and 1880s, and was operated by the Washburn Crosby Company (the forerunner of General Mills) to produce flour for over a century.

The $60 million redevelopment of the Washburn Crosby Complex received $28 million from the Minnesota Historical Society and $1.6 million from the City, State, and Metropolitan Council. The development created 40 luxury condominiums along with 70,000 square feet of museum space and 6,700 square feet of commercial space.[33]

[31] http://www.hoffmanparkin.com/neighborhoods/minneapolis/downtown/milldistrict/northstarlofts/northstarlofts.htm

[32] http://www.ci.minneapolis.mn.us/cped/projects/cped_north_star

[33] http://www.minneapolismn.gov/cped/projects/cped_mill_city_museum

Washburn Lofts, part of the Washburn Crosby Complex

RESULTS

Within 25 years, 80 buildings were rehabilitated along Minneapolis' riverfront. By 2012, the revitalization of the riverfront boasted the following results in the entire Riverfront District, which includes the Mill District as a sub area:

- Over 5,300 new housing units were completed or under construction, with hundreds more planned;
- Over 7,000 jobs were preserved or created; and
- 4.5 million square feet of new office, commercial, and industrial space were added.

The City installed and renovated roads, bridges, and utilities in the area, and developed almost 140 acres of riverfront parkland.[34] Gold Medal Park, located on the former site of General Mills grain elevators, is the latest addition to the Minneapolis Riverfront's network of parks. The Stone Arch Bridge was restored in 1994 and four miles of walking and biking trails were created, including the 1.8 mile St. Anthony Falls Heritage Trail.[35] Downtown remains a commercial center as well; the employee to resident ratio downtown is 14.72 compared to just 0.86 in the City and 0.59 in the surrounding metropolitan statistical area (MSA).

The clearest results of the City's revitalization effort are evident in the Mill District. In 1980, the Mill District had only seven housing units. By 2012, the Mill District had 1,250 housing units, with hundreds more planned.[36] By 2012, the Mill District had created 1,000,000 square feet of commercial space; 512 hotel rooms; and over 2,000 permanent jobs and hundreds of construction jobs. The estimated market value of real estate in the Mill District rose from $25 million in 1994 to $475 million in 2011.[37]

Minneapolis' downtown residents have an average household income of $63,171, as of 2012, higher than that of City households, at $59,403, but lower than the average household income in the MSA, at $80,549. However, the average household income of downtown residents has grown at a faster rate – increasing 1.7% annually from 2000 to 2012, compared to an annual growth rate of 1.1% in the City and 1.5% in the MSA. Downtown residents have smaller household sizes, with an average of 1.47 household members downtown compared to 2.23 members in the City and 2.53 members in the MSA.

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[34] http://www.ci.minneapolis.mn.us/www/groups/public/@cped/documents/webcontent/convert_279837.pdf
[35] http://www.landof.org/central/walkable_central.html
[36] http://www.ci.minneapolis.mn.us/www/groups/public/@cped/documents/webcontent/convert_279837.pdf
[37] http://www.ci.minneapolis.mn.us/www/groups/public/@cped/documents/webcontent/convert_279837.pdf

In addition to the Mill City Museum, the Mill District now boasts the Guthrie Theater, the MacPhail Center for Music, the Mill Ruins Park, the new Gold Medal Park, and the headquarters for the McKnight Foundation.

III. RESIDENTIAL DEVELOPMENT TRENDS IN PROVIDENCE

Over the past decade, the City of Providence has made significant progress in revitalizing its downtown. Major infrastructure investments, including the relocation of the rail road unified downtown into a compact area. It now boasts an active train station, Providence Place-one of the most successful regional malls, and a convention center/arena. This in turn has supported the development of nearly 500 units of housing since 2000.. Local universities have also played an important part with major downtown investments by Johnson and Wales and the Rhode Island School of Design (RISD), including the 2006 conversion of the former Rhode Island Hospital Trust Bank building into the RISD school library and campus housing.

High Rock's development consultant Cornish has also been pivotal to the revitalization of Providence's urban core. The firm has completed 199 residential units in 5 buildings and recently purchased and is in the process of renovating The Biltmore parking garage. As part of these efforts, the developer has worked hard to create a retail growth strategy that has brought a range of locally-owned restaurants and small shops downtown.

With the relocation of Interstate 195, the City is on the cusp of another transformative redevelopment opportunity. This major infrastructure project united the Jewelry District with Downtown and freed up 35 acres of land, with 20 acres set aside for new business development and the remainder for parks and open space, focused along the waterfront.[38] Broadly branded as the Providence Knowledge District, the area includes Brown's new medical school facility housed in a former jewelry factory, Hasbro's new offices, and some small startups in existing buildings. The vision for the district is that it will attract growing knowledge industry companies, mainly in tech and the life sciences, who will be attracted to Providence's access to seven universities, comparatively lower costs of business, and positioning as a revitalized urban center.

While the Knowledge District is focused on employment growth, its success is dependent upon the provision of attractive housing and amenities for new workers and Providence residents. A December 2011 article in the New York Times noted that Hasbro chose to expand to Providence because young employees in its gaming division "preferred an attractive, urban environment"[39] The conversion of 111 Westminster Street provides a significant opportunity to enhance the growth of the Knowledge District by enhancing downtown housing options.

The City and State have worked together in the past to save significant historic assets. After being abandoned unfinished in 1928 due to the Great Depression, the Masonic Temple sat vacant for nearly 75 years until in the early 2000s, hotel developer Sage Hospitality Resources put together a plan and a multi-layer financing package, including nearly $30 million in federal, state and city investment,[40] to convert the building into a Marriott Renaissance Hotel with event and conference space. Since its opening

[38] RIEDC: http://www.riedc.com/news/2013/04/work-begins-on-i-195-land

[39] New York Times: http://www.nytimes.com/2011/12/14/realestate/commercial/providence-makes-itself-a-home-for-knowledge.html?_r=0

[40] http://www.artinruins.com/arch/?id=redevelop&pr=mason

in 2006, the facility has maintained strong occupancy rates and was recently purchased by the Procaccianti Group, a Cranston-based hotelier and development company.

The City is continuing to improve downtown by focusing on the quality of its public spaces. Since 2007, the Downtown Providence Parks Conservancy (DPPC) has worked with the Project for Public Spaces to consider how to better activate Kennedy Plaza. In the short term, the organization has been focused on programming to attract more people downtown. In the longer term, the group is promoting a plan to make major capital upgrades to the Plaza and disperse the bus terminals to expand the plaza and enhance its position at the City's economic and cultural core.

The success of Providence's downtown revitalization is reflected in demographic and economic growth. Since 2000, its downtown population has grown nearly 40% from 2,866 to 4,808 compared to only 1% in the City overall. In fact, of the 2,257 new residents the City gained between 2000 and 2012, 86% of this growth was in the downtown population alone (1,942 people). The growth of the downtown residential population has also contributed to gains in average household income in the urban core. In 2000, the average downtown household income was $36,438 compared to $41,614 in the City overall. By 2012, the average downtown household caught up and was even slightly higher than the citywide average ($53,936 versus $53,217).

IV. LIMITED POTENTIAL FOR OFFICE DEVELOPMENT

The proposed conversion of the 111 Westminster building comes at a time when the Downtown Providence office market is beginning to emerge from the Great Recession of the late 2000's. While some Class A buildings are showing signs of stabilization, the historic building stock that characterizes much of the downtown inventory continues to suffer from high vacancy and stagnant rents.

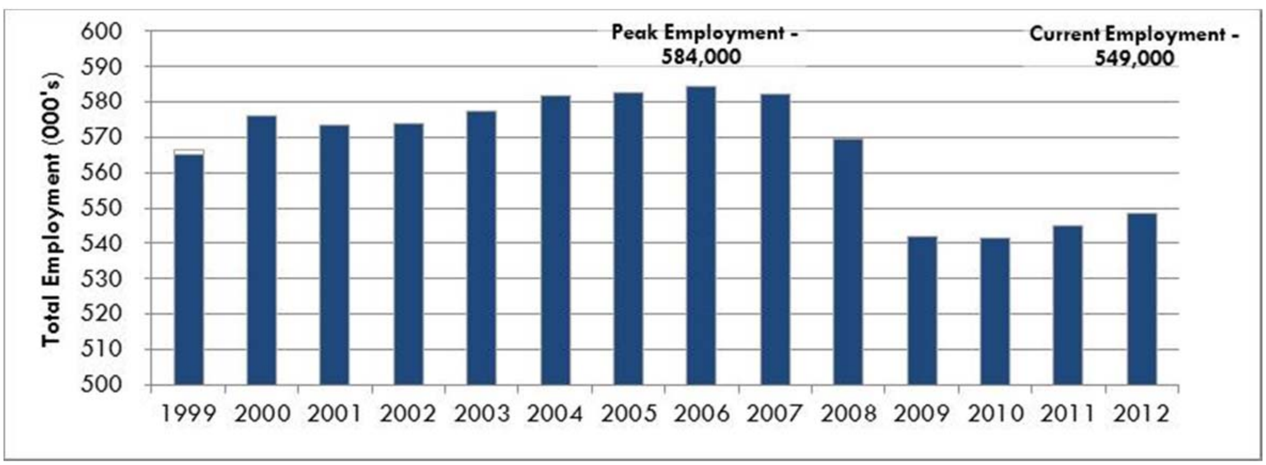
Economic and market indicators suggest that the downtown office market is several years away from full recovery, a challenge that would only be exacerbated by repositioning 111 Westminster as a multitenant Class B or C office building. The resulting supply shock would have a long-lasting, negative effect on property values in the broader downtown market, with landlords having to lower rents as they compete to fill empty space.

Contraction in the office market could subsequently spill over into the retail sector, as shops and restaurants that occupy the ground floor of increasingly vacant buildings suffer from a loss of foot traffic and owner reinvestment. Relocating existing office users to 111 Westminster would not address this problem, but rather shift it from Kennedy Plaza to other parts of downtown that are just now beginning to experience revitalization.

ECONOMIC AND REAL ESTATE MARKET CONTEXT

As of year-end 2012, total employment in the Providence-Fall River-Warwick, RI-MA NECTA ("Providence region") was approximately 549,000 in both private and public sectors, representing 35,900 fewer jobs than the peak prerecession employment level observed in 2006[41]. Much like the rest of New England, the Providence region is slowly recovering from the Great Recession, having added only 7,000 new jobs between 2011 and 2012.

Figure 1: Historic Employment Trends in Providence-Fall River-Warwick, RI-MA NECTA, 1999 to 2012



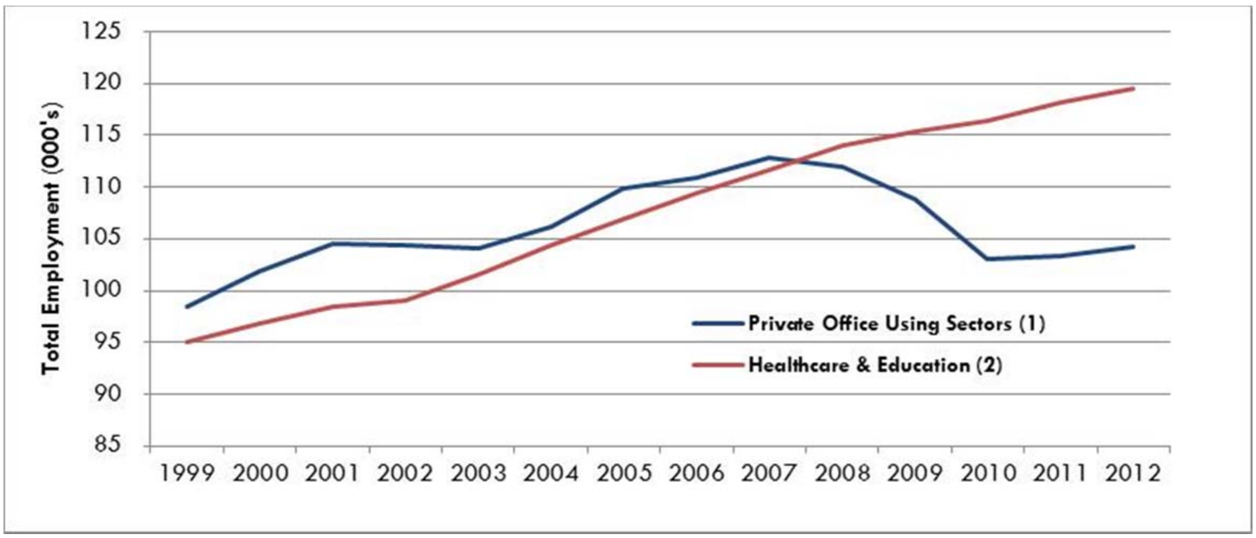
Source: U.S. Bureau of Labor Statistics; HR&A Advisors, Inc.

[41] Providence-Fall River-Warwick, RI-MA New England City Town Area (NECTA) includes all of Rhode Island as well as twelve towns in eastern Massachusetts immediately bordering Rhode Island.

The region's emergence from the national economic downturn is largely being driven by steady growth in the healthcare and education sector, with notable institutions Brown University and Rhode Island Hospital representing the two largest employers in the City of Providence[42]. While the "Eds and Meds" sector has had a stabilizing effect on the regional economic base, industry sectors often associated with private office use were hit harder by the recession and have been much slower to recover. As recently as 2007, there were 113,000 private office jobs in the Providence region, as compared to 112,000 jobs in the healthcare and education sector. By year-end 2012, private office using sectors had shed 9,000 jobs during the preceding five year period, whereas healthcare and education added 8,000 jobs.

The continued shift in employment toward healthcare and education has significant implications for Providence's commercial real estate market, as the institutions and private firms comprising this sector have highly specialized functional needs and are less likely to occupy traditional office space in privately-owned buildings. However, growth in this sector will also have a positive impact on the region by adding quality jobs that attract new residents, who in turn will drive demand for increased housing options and supporting retail amenities.

Figure 2: Sector Level Employment Trends in Providence-Fall River-Warwick, RI-MA NECTA, 1999 to 2012



Notes:
(1) Private Office Using Sectors include: Information (NAICS Code 50); Financial Activities (NAICS Code 55); and Professional and Business Services (NAICS Code 60)
(2) Education and Health Services (NAICS Code 65)

Source: U.S. Bureau of Labor Statistics; HR&A Advisors, Inc.

[42] Providence's Principal Employers from City of Providence, Rhode Island Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2012

LOCAL OFFICE MARKET TRENDS

The Downtown Providence office market contains approximately 6.3 million square feet of space across eight sub-districts. The 111 Westminster building is located in the Financial District, which is the largest of the sub-districts with over 2.6 million square feet of space in the heart of the historic downtown area. The bulk of the overall market is concentrated in Class B and Class C buildings, with 4.5 million square feet of space representing over 70 percent of the total office inventory[43].

Vacancy rates in the downtown office market vary widely by sub-district and building class. The Class A market experienced positive net absorption of 115,000 square feet in 2012, pushing the Class A vacancy rate below 10 percent for the first time since 2004. Relatively strong demand in the Class A market has been driven in part by a "flight to quality," in which tenants with expiring leases have sought newer space in more efficient buildings. This trend is most recently evidenced by Bank of America vacating 111 Westminster for new space in nearby Class A buildings at 100 Westminster, 1 Financial Plaza and 1 Citizens Plaza.

While Class A space has performed relatively well coming out of the recession, the Class B/C market continues to struggle with negative space absorption of 120,000 square feet in 2012. This loss of occupied space more than offset positive gains in the Class A market and drove the Class B/C vacancy rate over 19 percent.

Current average lease rates in the Downtown Providence office market range from $19 to $31 per square foot for a gross lease, with Class A buildings commanding a $10 per square foot premium over Class B/C space. The highest rents are found in the Capital Center District, an area that has experienced significant new development over the past decade. Meanwhile, the average rent in the Financial District is approximately $23.51 per square foot, a rate skewed lower by the concentration of less efficient, historic office buildings.

[43] Building Owners and Managers Association International (BOMA) defines Class B properties as those buildings competing for a wide range of users with rents in the average range for the local market area. Building finishes are generally of fair to good quality. Class C buildings compete for tenants requiring functional space at rents below the market average.

Figure 3: Downtown Providence Office Market Snapshot, 2012

District	Total SF	Available SF	Vacancy	Absorption	Avg. Lease Rate
Capital Center	626,497	70,935	11.3%	33,306	$ 31.61
Financial	2,687,882	372,056	13.8%	37,699	$ 23.51
Westminster	475,300	62,553	13.2%	(939)	$ 19.47
South Main	138,107	6,435	4.7%	1,711	$ 21.07
Randall Square	195,986	22,223	11.3%	(2,300)	$ 21.63
Empire	527,181	104,316	19.8%	(104,316)	$ 23.79
Promenade	1,195,206	275,709	23.1%	38,942	$ 21.51
Jewelry	417,907	89,257	21.4%	(8,512)	$ 19.42
Class	**Total SF**	**Available SF**	**Vacancy**	**Absorption**	**Avg. Lease Rate**
Class A	1,800,215	150,680	8.4%	115,736	$ 30.00
Class B/C	4,463,851	852,804	19.1%	(120,145)	$ 20.98
Total Market	**6,264,066**	**1,003,484**	**16.0%**	**(4,409)**	**$ 23.34**

Source: CB Richard Ellis/New England; HR&A Advisors, Inc.

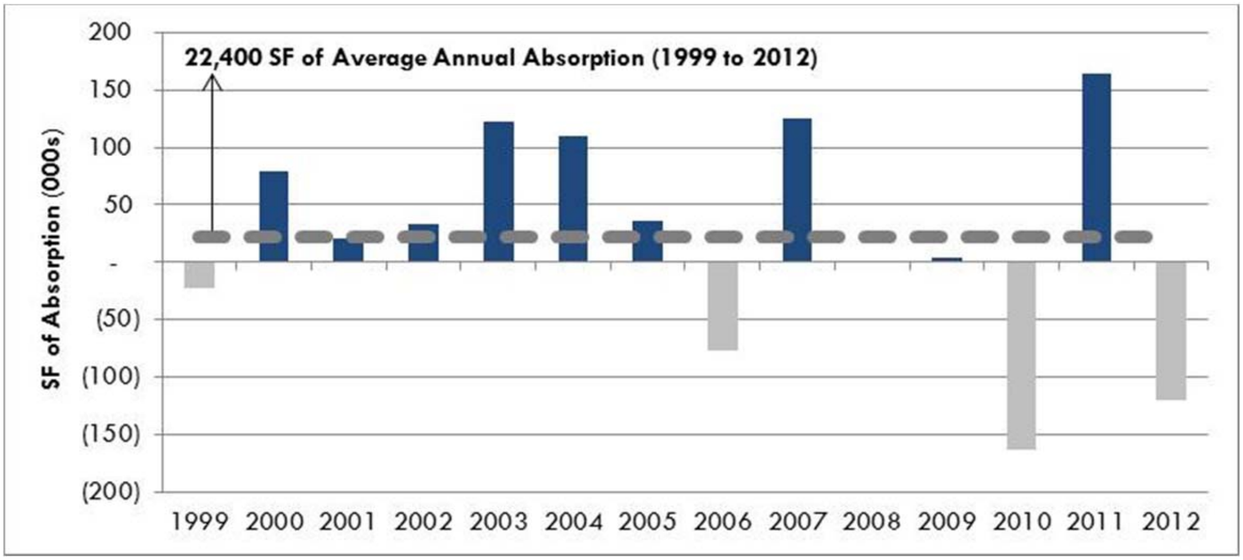
IMPACT OF 111 WESTMINSTER ON LOCAL OFFICE MARKET

If 111 Westminster remains an office building, it will significantly increase downtown vacancy creating a drag on an already soft market. Absent conversion to a residential use, one of the most logical future alternatives for 111 Westminster is for the asset to be repositioned as a multitenant office building. Given the age of the property, less efficient floor plans, and overall lack of building amenities, a repositioned 111 Westminster would likely compete for new tenants with other buildings in an already soft Class B/C market. A completely vacant 111 Westminster would result in over 1.2 million square feet of total available downtown Class B/C space and increase the vacancy rate to 25 percent vacancy rate.

In order to quantify the impact of 111 Westminster flooding the local office market, HR&A analyzed historic absorption trends dating back to 1999, capturing two recessions and more than one commercial real estate cycle. Over the past 14 years, the Downtown Providence Class B/C office market has experienced an average annual net absorption of 22,400 square feet, as illustrated in Figure 4.

Extrapolating from the historic absorption trend, it would take between 24 and 30 years to lease up excess supply and stabilize the Downtown Providence Class B/C office market. While a repositioned 111 Westminster may lease at a faster pace due to the building's location and iconic status, this will come at the expense of other properties that will be forced to lower rents in order to maintain occupancy. The end result would be two or more decades of a depressed office market in which tenants would cycle through existing buildings trying to find the best deal. Figure 5 compares key market indicators with and without 111 Westminster as vacant office.

Figure 4: Historic Absorption Trends in Downtown Providence Class B/C Office Market, 1999 to 2012



Source: CB Richard Ellis/New England; HR&A Advisors, Inc.

Figure 5: Impact of 111 Westminster on Class B/C Office Market

	Current Downtown Providence Class B/C Market			Current Market plus 111 Westminster + 350,000 SF		
Baseline Market Conditions						
Total Class B/C Inventory	4,463,851 SF			4,813,851 SF		
Total Available Space	852,804 SF			1,202,804 SF		
Vacancy Rate	19.1%			25.0%		
Stabilized Market Conditions						
Total Class B/C Inventory	4,463,851 SF			4,813,851 SF		
Total Available Space	557,981 SF			601,731 SF		
Stabilized Vacancy Rate	12.5%			12.5%		
Total Absorption Required to Reach Stabilization	294,823 SF			601,073 SF		
Average Annual Absorption	20,000 SF	to	25,000 SF	20,000 SF	to	25,000 SF
Years to Reach Stabilization	**12 yrs**	**to**	**15 yrs**	**24 yrs**	**to**	**30 yrs**

Source: CB Richard Ellis/New England; HR&A Advisors, Inc.

IMPACT OF 111 WESTMINSTER ON LOCAL PROPERTY TAX REVENUE

Increased vacancy in the Providence office market will have a negative effect on downtown property values and real estate related tax revenues. Property records from the City of Providence Assessor Database indicate that the total value of 111 Westminster is currently assessed at $31 million. As a vacant building, HR&A estimates that this figure could drop to $11 million based on the firm's experience with national best practices for calculating assessed values for income-producing assets. [44] Applying the local mill rate for commercial real estate to the current assed value, HR&A estimates that 111 Westminster pays $1.15 million in annual property taxes to the City of Providence. Meanwhile, as a vacant building, HR&A estimates that the property would generate only $410,000 in annual property taxes. Even if the building is repositioned as a Class B/C multi-tenant space, absorption would come from elsewhere in the market and shift vacancy to other city properties. Thus, HR&A estimates that the City of Providence could lose approximately $740,000 per year in property taxes under current conditions with a vacant building.

Figure 6: Impact of Increased Office Vacancy on Annual Property Tax Revenue

	111 Westminster Assessment and Taxation Scenario	
	Current Conditions as of April 2013 (1)	**Vacant Building**
Assessed Value		
Land (2)	$2,516,400	$2,516,400
Building (3)	$28,818,100	$8,645,430
Total Assessed Value	**$31,334,500**	**$11,161,830**
Mill Rate (per $1,000)	36.75	36.75
Estimated Annual Property Taxes	**$1,151,543**	**$410,197**
INCREMENTAL CHANGE IN ANNUAL PROPERTY TAX (ROUNDED):	**($740,000)**	

Notes:

(1) Current assessed value and property taxes based on property records from City of Providence Tax Assessor Database (http://providence.ias-clt.com/parcel.list.php)

(2) Assessed land value remains the same for vacant building

(3) Assessed value for vacant building discounted by 70 percent to account for lost operating income.

Source: City of Providence Tax Assessor Database; HR&A Advisors, Inc.

[44] HR&A's estimate of annual property taxes for a vacant 111 Westminster building assumes that the current assessed land value remains the same and that the current assessed value of building improvements is discounted by 70 percent to account for lost operating income.

V. ECONOMIC AND FISCAL IMPACTS OF PROPOSED PROJECT

Following the departure of Bank of America, High Rock Development ("the Owner") is proposing to convert 111 Westminster, located in the heart of Downtown Providence, from office to residential use (the "Project.") The Project would contain a total of 441,600 square feet of gross building area, consisting of 278 rental units and 33,000 square feet of ground floor commercial space.

The Project capitalizes on current and projected market trends in the City of Providence that indicate significant demand for downtown living across all demographic segments, including students, young professionals, regional commuters, and retiring empty nesters. Converting 111 Westminster to a residential use will expand the available inventory of a housing product that is in strong demand, as evidenced by low vacancy rates observed at other downtown apartment buildings. Lack of comparable product elsewhere in the local market indicate that the economic and fiscal benefits resulting from the Project would be substantially incremental, or "net new," to the City of Providence and State of Rhode Island.

Figure 7: 111 Westminster Development Program, April 2013

Program Component	Units	SF per Unit	Total SF	% of Total GBA
Multifamily Apartments	278	863	239,821	54.3%
Retail			23,000	5.2%
Office			10,000	2.3%
Total Net Rentable Area - SF			**272,821**	**61.8%**
Core Area - SF			168,747	38.2%
Gross Building Area - SF			**441,568**	**100.0%**

Source: Cornish Associates; HR&A Advisors, Inc.

ECONOMIC IMPACTS OVERVIEW

The conversion of 111 Westminster and operation of a multifamily project would produce significant economic benefits for the State of Rhode Island. These impacts include creating and supporting jobs, employee compensation, and economic spending. HR&A's analysis includes the direct economic spending projected for the State's economy as well as the multiplier impacts this spending would generate throughout the State of Rhode Island.

HR&A based its economic analyses on pro formas provided by Cornish Associates and its partners. HR&A did not independently verify any of these estimates. Using the input-output model IMPLAN (IMpact analysis for PLANning), a nationally-recognized industry standard econometric input-output model,[45] HR&A estimated the direct and multiplier effects on employment, compensation, and economic spending on the State of Rhode Island. Multiplier or spinoff activity is comprised of two components: 1) indirect economic impacts caused by additional business spending stimulated by direct economic spending during construction

[45] Further detail on the IMPLAN model can be found in Appendix 1.

and operating activities (e.g., supplier business operations) and 2) induced economic impacts stimulated by additional household spending due to wages from the direct and indirect activity.[46]

FISCAL IMPACTS OVERVIEW

In addition to the economic impacts produced by the proposed Project, HR&A's analysis also considers tax revenues generated by economic activity during the construction period and from ongoing operations. One-time fiscal impacts during the construction period include taxes on construction worker wages, corporate business taxes, and sales taxes paid on building materials. The operation of a residential project would also generate ongoing annual fiscal impacts, including income taxes paid by new residents and sales taxes resulting from resident spending. HR&A used state and local tax rates are summarized in **Figure 8** below.

Figure 8: Summary of State and Local Tax Rates

Revenue Source	Tax Rate	Construction Period	Ongoing Operations
Sales Tax			
State Sales & Use Tax	7.0%	X	X
Local Meals & Beverage Tax	1.0%	N/A	X
State Income Tax			
First $57,150 of taxable income	3.75%	X	X
Taxable income between $57,151 and $129,900	4.75%	X	X
Taxable income of $129,901 and above	5.99%	X	X
Other Taxes			
State Business Corporations & Franchise Tax	9.0%	X	N/A

Source: State of Rhode Island Division of Taxation; City of Providence Tax Assessor website (http://www.providenceri.com/assessor)

[46] A description of indirect and induced impacts can be found in Appendix 1.

One-Time Economic and Fiscal Impacts of Construction

HR&A estimated the one-time economic impacts of construction activities resulting from the conversion of 111 Westminster Street. The renovation and conversion of the building into residential apartments would produce significant economic benefits for City of Providence and the State of Rhode Island, including job opportunities in the construction industry and related occupations. In addition, these direct impacts will create spinoff jobs from indirect and induced spending.

The Owner of 111 Westminster plans to develop the project over a 30-month period, including 12 months of planning and entitlement work, followed by 18 months of construction. Figure 9 summarizes the development cost estimate HR&A used to estimate the temporary economic impacts of construction. The economic impact analysis excludes land basis costs and interest carry on debt financing that do not generate new economic activity. Thus, HR&A analyzed the impacts of approximately $103 million in proposed spending using the IMPLAN model. The development cost estimate includes direct construction costs of converting the building as well as other project related soft costs such as architecture and engineering, marketing costs, legal and professional costs, financing fees, and developer fees. HR&A estimates 95 percent of the spending to be "net new" to the region because other construction activities of this magnitude would not have otherwise taken place at this site, with the remaining 5 percent of the budget spent out of state on specialized consultants and services.

Figure 9: 111 Westminster Development Cost Estimate, April 2013

Project Cost	Total Cost	$ per GSF	$ per Unit
Hard Costs	$ 88,700,000	$ 201	$ 319,065
Soft Costs (excluding interest carry)	$ 14,000,000	$ 32	$ 50,360
Total Project Cost	**$102,700,000**	**$ 233**	**$ 369,424**

Source: Cornish Associates; HR&A Advisors, Inc.

The following sections summarize each type of impact on State Economic spending refers to the aggregate spending taking place in the region due to the project activities. These include purchases of goods and services and employee compensation. Construction jobs are defined as the annual number of jobs created or supported during the construction period. For the purposes of this study, employee compensation includes wages, benefits and taxes.

HR&A estimates three levels of economic impacts in terms of jobs, employee compensation, and economic spending in the State of Rhode Island. Direct impacts are the change in industry production that results from activities directly related to the planning and construction of the project. Indirect impacts includes additional ancillary business activities that results from the construction activities. Induced impacts are generated by household spending that is supported from wages generated by the direct and indirect activities. For reporting purposes, we combine indirect and induced spending to calculate impact multipliers.

ECONOMIC SPENDING

HR&A estimated that approximately 95 percent of the $103 million development cost estimate would be spent in Rhode Island. Direct spending of $98 million would trigger a total of $61 million in multiplier spending throughout the State. The total economic impacts of the conversion of 111 Westminster for the State of Rhode Island are estimated to reach $159 million.

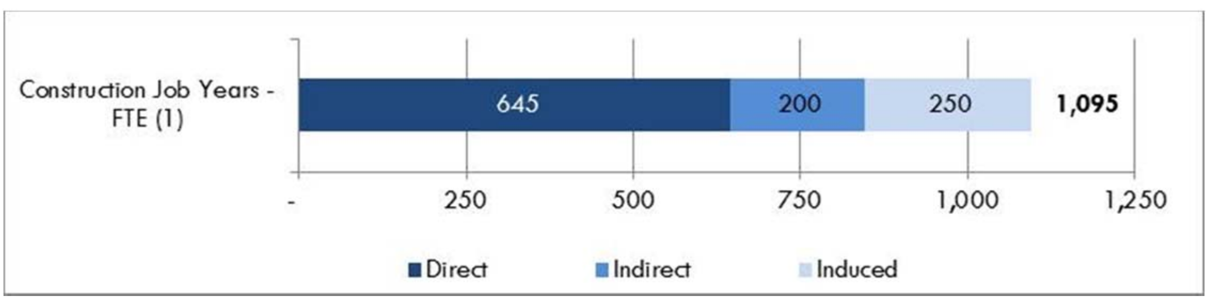
Figure 10: Summary of Construction Period Spending

Source: IMPLAN; HR&A Advisors, Inc.

CONSTRUCTION-RELATED EMPLOYMENT

HR&A estimated that the total construction spending would support 1,095 FTE job years[47] of employment over a 30-month development period, 645 of which would be directly related to onsite construction and development activities. The types of direct jobs include construction laborers, managers, architects, engineers, attorneys, leasing agents and other related professions. The project would also support an additional 450 multiplier FTE job years of employment throughout the State of Rhode Island.

Figure 11: Summary of Construction-Related Employment



Notes:
(1) Full-Time Equivalent Job Years

Source: IMPLAN; HR&A Advisors, Inc.

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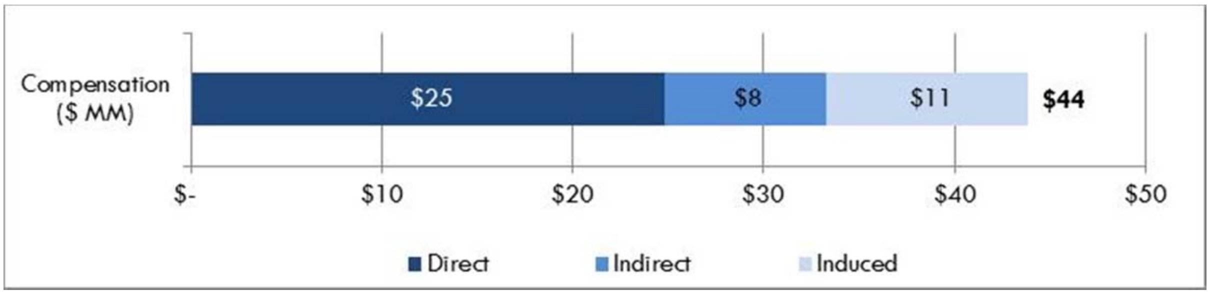
[47] A job year is defined as the amount of work completed by one person in one year. This translates into approximately 405 FTE jobs created or supported over the 30 month construction period.

COMPENSATION

The construction of the project would generate over $44 million in total compensation to employees in direct and multiplier jobs. Compensation is defined as employee wages, payroll taxes (e.g. social security) and benefits. The project would generate $25 million in total compensation to workers directly employed during construction. In addition, the multiplier activities would support over $19 million in additional compensation in Rhode Island. The average annual direct compensation is approximately $38,400 per employee.

Figure 12: Summary of Construction Period Compensation



Notes:
(1) Compensation includes wages, benefits and employer paid taxes

Source: IMPLAN; HR&A Advisors, Inc.

FISCAL BENEFITS FROM CONSTRUCTION

Direct project spending will result in almost $4.6 million in total tax revenue for the State of Rhode Island. Nearly $4.2 million of tax revenues (or 90 percent) are attributable to sales taxes from the purchase of almost $64 million of construction materials. State income tax revenues attributable to construction period employment total approximately $300,000. State taxes on corporate income would generate an additional $120,000 in revenue.

Figure 13: Summary of One-Time Fiscal Impacts of Construction

	State of Rhode Island (Current $)
Construction Period Tax Revenue	
Sales Tax from Materials Purchased in Rhode Island	$ 4,180,000
Income Tax from Construction Related Employment (1)	$ 300,000
Business Corporations & Franchise Tax	$ 120,000
Total Construction Period Tax Revenue	**$ 4,600,000**

Notes:

(1) Assumes 90.0% of construction period employees live in Rhode Island

Source: State of Rhode Island Division of Taxation; Cornish Associates; IMPLAN; HR&A Advisors, Inc.

Ongoing Annual Economic and Fiscal Impacts

HR&A estimated the ongoing annual impacts of the Project on the City of Providence and State of Rhode Island based on the anticipated profile of building occupants, projected operating revenues and expenses, estimates of resident spending, and estimated commercial activity that would remain in a small portion of the building, mainly on the ground floor. Economic impacts from resident spending will occur throughout the State of Rhode Island, but a high portion will likely remain in Downtown Providence due to the tendency of urban households to shop and eat near their homes. As with the construction impact analysis, this spending generates multiplier impacts that HR&A estimated using the IMPLAN model.

HR&A relied on operating revenue and expense estimates provided by Cornish Associates and its partners to estimate ongoing annual impacts. The analysis was performed using its first stabilized year of operations, as illustrated in Figure 14.

Figure 14: 111 Westminster Stabilized Operating Assumptions in 2013$

Project Component	Units	Total SF	Average Rent PSF (1)	Stabilized Vacancy	Operating Expenses (2)
Multifamily	278	239,821	$2.13	5.0%	$6,000 per unit
Retail		23,000	$20.50	10.0%	$0.50 PSF
Office		10,000	$16.75	10.0%	$0.50 PSF

Notes:

(1) Based on per unit multifamily rent of $1,840 per month. Revenue also includes an additional $100 per month for on-site storage units.

(2) Operating expenses also include $100,000 per year for concierge service

Source: Cornish Associates; HR&A Advisors, Inc.

RESIDENT DEMOGRAPHICS

Based on a stabilized occupancy rate of 95 percent, HR&A estimated that the Project will be home to 265 households with 450 residents. A survey of residents living in Cornish Associates' downtown properties indicates that 35 percent of total renters are students attending nearby colleges and universities. Adjusting this demographic profile to reflect a larger project with higher rents, HR&A estimated that approximately 40 units (15 percent) at 111 Westminster would likely be occupied by undergraduate and graduate students. The remaining 225 non-student households are estimated to earn an average household income of $73,600, resulting in total non-student income over $16 million. HR&A also assumes that student residents have non-housing discretionary spending of approximately $4,700 per student or a total of approximately $188,000. Student spending is included in the spending analysis but not in the income tax analysis.

Figure 15: On-Site Resident Demographics

Total Households		265
Residents per Household		1.70
Total Residents		450
Total Non-Student Households		225
Average Non-Student Household Income	$	73,600
Total Non-Student Household Income	$	16,560,000

Source: U.S. Department of Housing and Urban Development; Rutger's Center for Urban Policy Research at the Edward J. Bloustein School of Planning and Public Policy; Cornish Associates; HR&A Advisors, Inc.

ON-SITE EMPLOYMENT

The proposed project retains approximately 33,000 SF of commercial space for retail and office uses, mainly on the ground floor. HR&A estimated that on-going operations would support 104 full-time equivalent jobs, 52 of which would work in the ground floor commercial spaces. The types of jobs include retail clerks, store managers, servers, and other retail-related positions. The 45 office jobs include employees of firms in the creative economy, such as architects, web designers, and other companies that traditionally seek the type of unique office space contemplated as part of the redevelopment. The project would also support an estimated 7 additional full-time equivalent staff to help operate and maintain the multifamily component of the project. On-site employees would earn total combined direct compensation of over $3.4 million, and businesses located on-site would generate nearly $12 million in direct statewide spending. In addition, the multiplier activities resulting from on-site employment would support 60 additional jobs, over $2.3 million in additional compensation, and $7.7 million in total spending in Rhode Island.

Figure 16: On-Site Employment Demographics

Project Component	Occupied SF (1)/ Total Units	SF/Units per Employee	Total Employment
Retail	20,700	400	52
Office	9,000	200	45
Multifamily	278	40	7

Notes:

(1) Assumes 10 percent vacancy for both retail and office uses.

Source: Cornish Associates; HR&A Advisors, Inc.

Figure 17: Ongoing Annual Economic Impact of On-Site Employment

	Employment (FTE)	Employee Compensation	Spending
Direct	104	$ 3,410,000	$ 11,780,000
Indirect	20	$ 880,000	$ 2,890,000
Induced	40	$ 1,460,000	$ 4,850,000
Total	**164**	**$ 5,750,000**	**$ 19,520,000**

Source: IMPLAN; HR&A Advisors, Inc.

RESIDENT SPENDING

HR&A estimated that residents living at 111 Westminster will spend over $4.0 million per year on retail, dining out, and entertainment. However, some of this expenditure may occur while residents travel out-of-state for vacation or visit specific stores not available in Rhode Island. Based on consumer behavior patterns for specific types of goods and services, HR&A estimates that approximately $3.7 million would be spent in the State, much of which would likely be captured downtown as the business mix continues to diversify. Direct resident spending throughout the state will support over 50 full-time equivalent retail jobs and over $1.5 million in compensation. On-site resident spending will also support 18 multiplier full-time equivalent jobs and almost $2.5 million in additional spending throughout the State.

Figure 18: Resident Annual Retail Expenditure

	Non-Student Households	Student Households	Total Households
Total Households	225	40	265
Average Annual Retail Expenditure	$ 17,700	$ 4,700	$ 15,823
Total Retail Expenditure	$ 4,005,000	$ 188,000	$ 4,193,000
% Spent in Rhode Island	88.0%	91.0%	88.0%
Total Retail Expenditure in Rhode Island	$ 3,529,000	$ 171,000	$ 3,700,000

Source: U.S. Bureau of Labor Statistics; HR&A Advisors, Inc.

Figure 19: Ongoing Annual Economic Impact of Resident Spending

	Employment (FTE)	Employee Compensation	Spending
Direct	51	$ 1,546,000	$ 3,700,000
Indirect	7	$ 284,000	$ 1,000,000
Induced	11	$ 448,000	$ 1,488,000
Total	**69**	**$ 2,278,000**	**$ 6,188,000**

Source: U.S. Bureau of Labor Statistics; IMPLAN; HR&A Advisors, Inc.

FISCAL IMPACTS FROM ONGOING OPERATIONS AND RESIDENT SPENDING

State Resident Income Taxes

State income tax revenues attributable to on-site, non-student households total approximately $470,000. This assumes that student households represent approximately 15 percent of the total occupied units at project stabilization.

On-site office employees, retail workers, and residential property management staff would pay an additional $54,000 in annual state income tax.

Local and State Retail Sales Taxes

HR&A estimated that resident spending in the State of Rhode Island would generate $160,000 in sales tax revenues, most of which will flow directly to the State. However, the City of Providence also collects a one-percent local meal and beverage tax on food purchased from restaurants and entertainment venues. Given the breadth of dining options in the downtown area, the City is likely to capture a significant share of on-site resident restaurant spending.

Figure 20: Summary of Ongoing Annual Fiscal Impacts

	City of Providence	State of Rhode Island	Total
Annual Tax Revenue			
Income Taxes from Residents	$ -	$ 470,000	$ 470,000
Income Taxes from On-Site Employment (1)	$ -	$ 54,000	$ 54,000
Sales Taxes from Resident Spending	$ 5,000	$ 155,000	$ 160,000
Total Annual Tax Revenue	**$ 5,000**	**$ 679,000**	**$ 684,000**

Notes:

(1) Assumes that 95.0% of on-site employees are Rhode Island residents.

Source: U.S. Bureau of Labor Statistics; State of Rhode Island Division of Taxation; Cornish Associates; HR&A Advisors, Inc.

TOTAL ONGOING ECONOMIC AND FISCAL IMPACTS

The proposed conversion of 111 Westminster and addition of 450 new residents to Downtown Providence would produce annual ongoing benefits to the City and State that translate into substantial cumulative impacts over a 20 year period. These include:

- **230 additional FTE jobs throughout Rhode Island**. Economic activity generated by the on-going operation of the project will have a positive effect on employment throughout the state, which currently suffers from an unemployment rate of 9.4 percent.[48]
- **$8 million in annual employee compensation.** Workers filling the jobs created on-site and throughout the state would benefit from increased wages and other benefits.
- **$26 million in annual total statewide economic spending** from resident spending and onsite operations. Businesses outside downtown also stand to benefit from the proposed project, as economic activity that originates on-site would result in additional spending that ripples through the state's economy.

The Project would also result in significant ongoing fiscal benefits for the State of Rhode Island, including:

- **$679,000 in annual revenues** to the State of Rhode Island from sales and income taxes on households and businesses. This revenue has a 20 year net present value of $8.6 million.

48 Statewide unemployment rate as of February 2013 from Rhode Island Department of Labor and Training.

VI. CONCLUSION

While the loss of a single-occupant commercial tenant from 111 Westminster is a substantial loss for the City of Providence and State of Rhode Island, it also presents a significant opportunity to build on the downtown revitalization momentum by adding a critical mass of new housing. This approach is aligned with national trends driven by shifting demographics and residential preferences favoring urban, walkable residential development. Changes to the economy make office absorption of this type and magnitude challenging.

Cities across the country, including Providence, have successfully attracted downtown housing as part of their downtown revitalization and economic growth strategies. These projects include new development as well as conversion of former industrial, retail, as well as office spaces. The attraction of new residents is contributing to new downtown retail spending, visitor attraction, and other spinoff activity.

The conversion to mainly residential use and addition of 278 units would increase Downtown Providence's housing supply by 14 percent. Construction activities would generate a one-time impact of $159 million in economic spending, create or support 1,095 badly needed jobs in a range of industries and generate $44 million in employee compensation. On an annual basis, the project would generate $26 million in annual spending from resident spending and on-site operations. In turn this will support 230 FTE jobs and $8 million in employee compensation.

If this building is not converted to residential use, it will unload over 350,000 square feet of Class B/C space on the Downtown market, where vacancy is already 19 percent. It could take over 25 years to absorb this space directly or other space in the market that would result from the shuffling of tenants to this signature location. In contrast, conversion to a residential use provides a stronger alternative for building to continue to serve a prominent role in the regional economy as a signature residential address.

APPENDIX 1: METHODOLOGY

HR&A used data provided by Cornish to estimate the one time impacts of construction activity for the proposed project. Using rents in the developer pro forma, HR&A estimated the ongoing impacts of household spending and building operations.

HR&A entered direct spending into the nationally recognized input-output model "IMpact analysis for PLANning" (IMPLAN) to estimate economic impacts. The model produces estimates of:

- ***Economic spending,*** which is defined as the total value of industry production that results from an activity. It includes both gross domestic product and spending to produce intermediate goods.
- ***Employee compensation,*** which is defined as the total payroll cost paid by an employer, including wages, all benefits, and employer paid payroll taxes.
- ***Jobs,*** which are defined differently for one-time construction and ongoing activities. One-time construction jobs represent the amount of work completed by one person in one year. Ongoing jobs represent full-time equivalent employees on an annual basis.

The following provides an overview of the types of impacts estimated and a description of the IMPLAN model.

1. One-Time Construction Impacts

HR&A estimated the economic impacts of construction using total project cost data provided Cornish Associates. Existing land basis and carrying costs on project debt which do not contribute to new economic impacts were excluded from the data provided by Cornish Associates. For the purposes of this analysis, HR&A disaggregated the project's hard and soft costs. Each cost item was entered into the IMPLAN input-output model and classified as either a residential construction cost or soft cost (e.g., architecture and engineering, legal services, real estate services, etc.) category. The number of jobs generated during construction represents the number of total annual full-time equivalents (FTEs) that worked over the construction period.

2. Ongoing Impacts

HR&A conducted a two-pronged analysis of the ongoing impacts of the Project on the Rhode Island economy. The primary component of ongoing economic impact is consumer spending by residents living in the newly constructed units. The secondary component of ongoing economic impact is from on-site employment.

HR&A analyzed spending data from the *2011 Consumer Expenditure Survey* conducted by the U.S. Department of Labor and estimated that consumers spend approximately 24 percent of household incomes on retail goods and services, including groceries, restaurants, apparel, convenience goods, and other discretionary items.

For the purposes of estimating the amount of household income that would be spent locally, HR&A assumed that the average project rent ($1,840) equates to 30 percent of total household income. This percentage was selected because it represents the standard affordability guidelines utilized by U.S. Department of Housing and Urban Development. Based on the HUD-derived income parameters and percentage of income allocated to retail spending, HR&A estimates that the average non-student household residing in 111 Westminster will earn an average of $73,600 and will spend approximately $17,700 per year on locally available retail goods and services.

The second component of ongoing economic impact concerns employment generated to support the operation and maintenance of 111 Westminster. HR&A estimated that 2.5 full-time employees are required to operate and maintain 100 apartment units. This estimate includes a building manager, but excludes leasing or other real estate industry personnel that market or place people in the building. HR&A multiplied this ratio by the number of units to estimate the jobs associated with multifamily operations and management. HR&A also estimated the number of full-time office and retail employees based on industry-standard assumptions of 5.0 office workers for every 1,000 square feet of occupied space, and 2.5 retail workers for every 1,000 square feet of occupied space.

3. Economic Impact Model

HR&A used the input-output model IMpact analysis for PLANning (IMPLAN) to estimate the economic impacts of the development and operation of the proposed project on the State of Rhode Island's economy. Direct economic spending and employment during construction and ongoing spending related to 111 Westminster produces spinoff effects throughout the State economy. For all analyses, HR&A estimated the spinoff effects on the State of Rhode Island using the IMPLAN input-output model. The model generates estimates of direct economic impacts as well as spinoff activities based on a series of inputs.

The IMPLAN model is used to conduct economic impact analyses by leading public and private sector organizations across the United States, including the Rhode Island Economic Development Corporation, and the University of Rhode Island. It also has been used to monitor job creation for a range of Federal government initiatives including the economic impacts of the American Recovery and Reinvestment Act of 2009 on state economies.

IMPLAN traces the pattern of commodity purchases and sales between industries that are associated with each dollar's worth of a product or service sold to a customer, analyzing interactions among 440 industrial sectors for the State of Rhode Island, with assumptions about spending that takes place outside of the State. HR&A conducted its analysis with 2011 multipliers[49] for the Rhode Island economy, the most recent data available.

Figure 21 illustrates the structure of economic impacts produced by the model. Multiplier or spinoff activity is comprised of two components: 1) indirect economic impacts caused by additional business spending stimulated by the direct economic spending on affordable housing development (e.g., supplier business operations) and 2) induced economic impacts stimulated by additional household spending due to wages from the direct and indirect activity.

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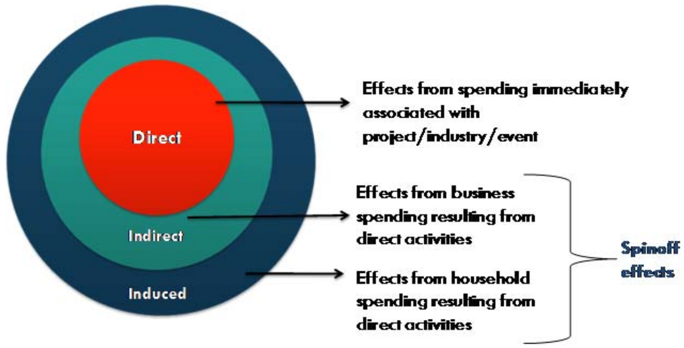
[49] Multipliers are the total production requirements in Rhode Island for all goods and services consumed by final users in 2011.

Figure 21: Overview of Economic Impacts, Direct and Spinoff Effects



Source: HR&A Advisors, Inc.

In addition to overall economic spending, the IMPLAN input-output model also produces estimates of the number of jobs supported and employee compensation. Compensation generated by the IMPLAN input-output model is based on a nationally recognized econometric model, customized for conditions in Rhode Island. It includes wage and salary income plus benefits and employer paid taxes. IMPLAN compensation figures are not directly comparable with wages and salaries reported by the Rhode Island Department of Labor and Training[50] due to differences in measures of "compensation," wages and benefits versus wages only, and of industry categorization. The estimates of jobs and compensation are based on industry-specific data collected by the Bureau of Economic Analysis and Bureau of Labor statistics.

HR&A estimated total annual impacts by combining these drivers to estimate total economic spending, total jobs, and total compensation. Total construction spending was entered into the model under residential construction and soft costs (mainly architecture and engineering). Ongoing spending was entered into the model under a range of codes reflective of household spending patterns.

[50] Rhode Island Department of Labor and Training and U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW). Average wage reflects both union and non-union wages. Data on total compensation including benefits was not available from RI Department of Labor and Training and QCEW.

APPENDIX 2: DETAILED ECONOMIC IMPACT TABLES

CONSTRUCTION PERIOD IMPACTS - TOTAL OUTPUT

Project Cost Category	Direct	Indirect	Induced	Total	Multiplier
Construction	$ 84,300,000	$ 22,020,000	$ 30,320,000	$ 136,640,000	1.62
Soft Costs	$ 13,270,000	$ 4,100,000	$ 4,710,000	$ 22,080,000	1.66
Total Project	**$ 97,570,000**	**$ 26,120,000**	**$ 35,030,000**	**$ 158,720,000**	**1.63**

Notes:

(1) Total project cost excludes land and interest carry on debt

CONSTRUCTION PERIOD IMPACTS - JOB YEARS

Project Cost Category	Direct	Indirect	Induced	Total	Multiplier
Construction	550	170	215	935	1.70
Soft Costs	95	30	35	160	1.68
Total Project	**645**	**200**	**250**	**1,095**	**1.70**

CONSTRUCTION PERIOD IMPACTS - EMPLOYEE COMPENSATION

Project Cost Category	Direct	Indirect	Induced	Total	Multiplier
Construction	$ 21,070,000	$ 7,230,000	$ 9,130,000	$ 37,430,000	1.78
Soft Costs	$ 3,720,000	$ 1,250,000	$ 1,420,000	$ 6,390,000	1.72
Total Project	**$ 24,790,000**	**$ 8,480,000**	**$ 10,550,000**	**$ 43,820,000**	**1.77**

Notes: All amounts are in 2013 dollars; Direct spending derived from developer pro forma; Employment converted to FTE using conversion table published by MIG; Compensation consists of wage and salary, all benefits (eg, health, retirement, etc) and employer paid payroll taxes (e.g. employer side of social security, unemployment taxes, etc); Multiplier is equal to the Total Impact divided by the Direct Impact.

Source: HR&A Advisors, Inc. Analysis; IMPLAN

ONGOING SPENDING

Project Cost Category	Direct	Indirect	Induced	Total	Multiplier
Resident Spending	$ 3,700,000	$ 1,000,000	$ 1,488,000	$ 6,188,000	1.67
On-Site Employment	$ 11,780,000	$ 2,890,000	$ 4,850,000	$ 19,520,000	1.66
Total Project	**$ 15,480,000**	**$ 3,890,000**	**$ 6,338,000**	**$ 25,708,000**	**1.66**

ONGOING EMPLOYMENT

Project Cost Category	Direct	Indirect	Induced	Total	Multiplier
Resident Spending	51	7	11	69	1.35
On-Site Employment	104	20	40	164	1.58
Total Project	**155**	**27**	**51**	**233**	**1.50**

ONGOING EMPLOYEE COMPENSATION

Project Cost Category	Direct	Indirect	Induced	Total	Multiplier
Resident Spending	$ 1,546,000	$ 284,000	$ 448,000	$ 2,278,000	1.47
On-Site Employment	$ 3,410,000	$ 880,000	$ 1,460,000	$ 5,750,000	1.69
Total Project	**$ 4,956,000**	**$ 1,164,000**	**$ 1,908,000**	**$ 8,028,000**	**1.62**

Notes: All amounts are in 2013 dollars; Direct spending derived from developer pro forma; Employment converted to FTE using conversion table published by MIG; Compensation consists of wage and salary, all benefits (eg, health, retirement, etc) and employer paid payroll taxes (e.g. employer side of social security, unemployment taxes, etc); Multiplier is equal to the Total Impact divided by the Direct Impact.

Source: HR&A Advisors, Inc. Analysis; IMPLAN

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