RHODEMAP RI ECONOMIC DEVELOPMENT PRIORITIES

MIT ECONOMIC DEVELOPMENT PLANNING
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# Table of Contents

Acknowledgements ................................................................. 3

Introduction .............................................................................. 5

Executive Summaries
Property Tax Incentives .......................................................... 7
Entrepreneurial Development .................................................... 9
Ship Building ........................................................................... 12

Property Tax Incentives
Introduction ............................................................................ 15
Findings .................................................................................... 16
Strategy and Approach ............................................................ 19
State-Level Enabling Policies ................................................... 21
Support for Localities ............................................................. 32
Conclusion and Next Steps ....................................................... 39

Entrepreneurial Development for Minority, Immigrant, and Low-Income Communities
Background .............................................................................. 41
Findings .................................................................................... 43
Strategy ................................................................................... 45
Recommendations ................................................................. 49
Next Steps .............................................................................. 53

Diversification in the Ship and Boat Building Industry
Background .............................................................................. 55
Focus on Composites ............................................................... 55
Current State Efforts ............................................................... 56
Vision ....................................................................................... 58
Workforce Development ........................................................ 60
University Partnerships .......................................................... 60
Existing Business and Entrepreneurial Support ....................... 62
Infrastructure .......................................................................... 63
Industry Collaboration ........................................................... 64
Conclusion .............................................................................. 66

Report Conclusion .................................................................... 67

Works Cited ............................................................................... 68

Appendix .................................................................................... 72
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INTRODUCTION

This report reflects the work of graduate students in the MIT Department of Urban Studies and Planning’s Economic Development Planning course during the spring of 2014. The class was taught by Karl Seidman and included thirteen Masters of City Planning students. During the semester, our class worked with two joint clients in the State of Rhode Island, the State Division of Planning and Commerce RI, the state’s economic development agency. This report shares our contributions to the formulation and implementation of a state economic development plan that is part of the RhodeMap RI statewide planning process.

RhodeMap RI is a two-year planning process, taking place between 2013 and 2014, conducted with funding from the HUD Sustainable Communities program. The MIT team’s task was to complement and elaborate on this work by conducting more detailed analysis and plan formulation around several client-identified opportunities. After analysis of broader areas and feedback from a presentation, focus group, and working session, we centered our recommendations on the following areas:

- **Tax System:** How can Rhode Island effectively use property tax incentives to encourage economic development, particularly in growth centers? This question came out of the team’s analysis and recommendations to help make Rhode Island’s tax system more competitive with other states.

- **Diversification in the Ship and Boat Building Industry:** How can Rhode Island’s ship and boat building industries increase economic opportunities through diversification? This question came out of the team’s initial evaluation of economic development opportunities linked to Rhode Island’s ocean and marine environment and proposed strategies to capitalize on them.

- **Minority and Immigrant Entrepreneurial Development:** How can Rhode Island’s entrepreneurial development system better train and support entrepreneurs from minority, immigrant, and low-income communities? This question came out of the team’s assessment of Rhode Island’s current entrepreneurial development system and suggestions for improving the system’s support for the start-up and growth of new businesses.

We organized this project into three phases, beginning with broader based research and analysis of options based upon the client-identified topics and narrowing our scope to strategy development upon receiving client feedback. The specific project phases were:

- **Phase I: Research, Analysis, and Strategy Options.** Teams conducted research and analysis to assess and understand the subject areas, to frame the key economic development goals, barriers, and opportunities, and to formulate a broad agenda and strategy options to advance state economic development goals related to the area. This research combined a review of existing studies and research, quantitative industry and economic analysis, qualitative research including key informant and stakeholder interviews, and integration of
the analysis into summary findings and proposals. This phase took place between February and March of 2014.

• **Phase II: Strategy and Detailed Plan Development.** Based on client feedback, we set broad goals and specific strategies and priorities for each area were and undertook more detailed strategy and plan development. This phase took place during April and May of 2014.

• **Phase III: Finalize Strategy Recommendations and Prepare Final Plan Report.** The class revised recommendations and proposed plans to incorporate feedback received from the client and other stakeholders and prepared the final plan report and presentation. The final plan was presented to our clients and other Rhode Island stakeholders. This phase took place during May of 2014.

This report provides our final detailed recommendations from this three phase process. An overview of each of the three team’s findings are available as Executive Summaries below, and each team’s recommendations have been developed in further detail in the ensuing report chapters.
EXECUTIVE SUMMARY: PROPERTY TAX INCENTIVES

Background
Rhode Island’s property taxes are the primary source of funding for local government and amount to 43 percent of all state and local taxes. They are locally controlled and vary widely among municipalities. Overall, property tax rates are fairly high compared to many parts of New England and the country.

We were tasked with identifying ways in which property tax incentive programs could be used to support economic development, particularly in growth centers. Through ten key informant interviews, literature reviews, a comparative review of best practices, and two growth-center case studies, we identified recommendations for state-level enabling policies and support for localities with a focus on growth centers.

Findings
Property tax incentives currently used in Rhode Island include:

- **Tax stabilization**, used in 14 cities and towns, allows a municipality to freeze the tax rate on a given property for up to 20 years. Cities rely on stabilization to compensate for high commercial tax rates.
- **Tax Increment Financing (TIF)** allows municipalities to create a district where future growth in tax revenues are directed to fund specific qualified projects. TIF revenue is frequently used to guarantee bonds that fund infrastructure development and targeted place-specific investment. TIF utilization in Rhode Island is relatively infrequent, largely because TIFs are technically difficult to implement.
- Rhode Island also has a **property tax levy cap**, which limits the growth in total revenues from property taxes to four percent a year.

Strategy
We recommend the use of property tax incentives primarily in growth centers. If the same tax benefits are available everywhere, there will be little incentive to concentrate economic development in growth centers. For these recommendations to have an impact, state land use policy should selectively designate growth centers that support economic development, are well-served by infrastructure, and could drive employment growth. **Our recommendations are guided by the principle of targeting and narrowing incentives, while also increasing capacity at the local level in order for municipalities, particularly growth centers, to strategically make use of property tax incentives.**

We have identified 11 recommendations in two areas, state-level enabling policies and support for localities. State-level enabling policies would require legislative changes to current property tax incentive laws in the state. The recommendations to support localities require
administrative changes that can happen within existing state agencies. Some of these recommendations could provide the state with “quick wins” in terms of property tax incentive reform.

State-level Enabling Policies

1. **Target Property Tax Incentives:** Create legislation that provides preferential property tax incentives to growth centers. To be effective, four different options for focusing and targeting property tax incentives include:
   - **Limit** TIF districts to targeted growth centers and focus on revitalization.
   - **Reimburse** municipalities strategically for revenue lost from tax stabilization in growth centers.
   - **Restrict** the duration of tax stabilization awards outside of growth centers.
   - **Focus** tax stabilization and TIF on revitalization rather than greenfield development. Consider limited exceptions in rural areas.

2. **Strengthen State Oversight:** Require periodic state evaluation of tax stabilization to ensure incentives are in line with local comprehensive plans and the overall economic development plan. Establish appropriate consequences for misuse or provide advice to localities to encourage good decision-making.

3. **Integrate into Comprehensive Plan Updates:** Require municipal comprehensive plans to include guiding principles for when and how the town intends to use tax stabilization or TIF:
   - Integration should require municipalities to establish and include their own standards for eligible projects, such as wage standards or minimum abatements allowed per job.
   - Projects receiving incentives would need to be consistent with the comprehensive plan.

4. **Clarify the “But For” Clause:** Codify and enforce the “but for” clause in TIF and tax stabilization legislation.
   - The state’s tax stabilization legislation should be updated to include a strong “but for” requirement.
   - We recommend a financial analysis demonstrating the need for an incentive be required as part of a redevelopment plan for projects wanting to use TIF and tax stabilization.

5. **Clarify Allowable TIF Projects:** The current definition of allowable projects in the state’s TIF statute is complex, lengthy, and overly broad, making it hard for municipalities to interpret and permitting projects that may not be sustainable. We recommend targeting and clarifying TIF’s “allowable project” definition to focus on the acquisition and improvement of land and vacant buildings in accordance with a redevelopment plan and the municipality’s comprehensive plan.

6. **Restructure the Tax Levy Cap:** To be effective, the tax cap should not discourage investment in municipalities that will encourage economic growth. We recommend revising the tax levy cap to include a fifth exception exempting new economic development in growth centers from the tax levy cap.
Support for Localities

7. **Targeted Education for Local Officials and Developers:** Implement a bi-annual training program about property tax incentives for municipal staff. Training services should target growth centers’ needs and may include general council or administrative support, finance, legal, and economic development planning support, or job training.

8. **Provide Funding:** Provide funding for under-resourced municipalities to help them meet the requirements for using property tax incentives.

9. **Create a Property Tax Incentive Toolkit:** Make a toolkit that acts as a one-stop reference for property tax incentives for use at the local level.

10. **Add Advisory Capacity:** Hire a dedicated team to work across the Rhode Island State Planning Division, Commerce RI, and the Division of Municipal Finance to advise municipal leaders on property tax incentives, to review proposals, and to evaluate their effectiveness. Consider partnering with a non-profit partner or leveraging foundation funding to support this role.

11. **State-wide Goals for Property Tax Incentives:** Establish a state-led initiative that fosters a vision about how property tax policies and existing tools can support growth centers.
EXECUTIVE SUMMARY: ENTREPRENEURIAL DEVELOPMENT FOR MINORITYITY, IMMIGRANT, AND LOW-INCOME COMMUNITIES

Why focus on entrepreneurial development for minorities, immigrants, and people of color?

- People of color are one-fourth of Rhode Island’s population and 100 percent of population growth since 1990 (Equity Profile). An inclusive economy needs to support minorities, immigrants and people of color in realizing and capitalizing on small business development opportunities, and will benefit from doing so.
- Nationally, immigrants are twice as likely as native-born residents to start their own business (Kauffman Index), indicating great potential for strengthening the entrepreneurial sector. However, small business services often do not have the language, cultural, and other capacities to support this rising group of entrepreneurs.
- Small business development can be both an anti-poverty strategy and an economic development strategy, ensuring that economic development plans do not leave significant sections of the population behind.

Findings
Through a literature review and interviews with key players throughout the state, we identified a number of challenges for the entrepreneurial development support system for disadvantaged communities in Rhode Island:

- Most of the key elements of an entrepreneurial development “ecosystem” exist, but each with limited capacity and limited scale.
- There is a lack of coordination and cooperation between the various players.
- Funding is unstable, and there is a high level of program turn-over.
- Immigrant and minority communities face linguistic and cultural barriers in accessing small business support services.
- Small business lending in the state tends to be risk-averse and focused on high-tech companies.
- Insufficient credit history and collateral are major impediments preventing immigrant entrepreneurs from accessing capital.
- Even if entrepreneurs are able to get a loan, they often are not able to keep adequate records and manage the loan properly.
- Youth do not necessarily see entrepreneurship as a viable option.
- Some feel that funding is determined more by relationships than clear accountability measures.
Strategy: Equity and Life-Cycle

We suggest that a larger, more integrated entrepreneurial development system, with a focus on disadvantaged populations, could help address economic disparity across the state and boost economic development in Rhode Island. Rhode Island’s entrepreneurial development system can better meet the needs of underserved communities by addressing the five components outlined below which cover the lifecycle of small business development.

<table>
<thead>
<tr>
<th>System Components</th>
<th>Key Aspects</th>
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<tbody>
<tr>
<td>1. Outreach &amp; Connection</td>
<td>• Encourage entrepreneurship through education</td>
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<td></td>
<td>• Develop partnerships with community and faith based organizations, business leaders, and universities to identify existing and potential entrepreneurs, and then connect them with core resources</td>
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<td></td>
<td>• Comprehensive and accessible directory of available resources</td>
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<tr>
<td>2. Skills Development</td>
<td>• Basic education, including language</td>
</tr>
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<td></td>
<td>• Business skills development (multi-lingual)</td>
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<tr>
<td>3. Business Planning &amp; Financing</td>
<td>• Financial management training, including assistance in building and repairing credit</td>
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<tr>
<td></td>
<td>• Microenterprise lending, including alternative loan products</td>
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<tr>
<td>4. Business Startup &amp; Stabilization</td>
<td>• Legal services/assistance</td>
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<td></td>
<td>• Coaching and on-going assistance to navigate evolving business needs</td>
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<td></td>
<td>• Business space, including incubators</td>
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<tr>
<td>5. Business Growth &amp; Improvement</td>
<td>• Advanced business skills (customer service, advanced marketing, etc.)</td>
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<td></td>
<td>• More business specific technical assistance</td>
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<td></td>
<td>• Understanding capacity constraints</td>
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<tr>
<td></td>
<td>• Access to new business networks, consultants, and customers</td>
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<td>• Transitioning access to larger loans and bank credit</td>
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Recommendations

All of the above support services should be available in sufficient supply to meet demand, and be fully accessible to disadvantaged populations, such as immigrant, minority, and low-income communities. Recognizing limited resources in the current environment, these are our key recommendations:

1) Potential “Quick Wins” to Build Momentum:
   - As SBDC hires staff and begins programming, ensure that they hire some multi-lingual staff and offer some multi-lingual programming.
   - Include in the state entrepreneurship competition a category for low-income entrepreneurs.
   - Implement the Emprendedores RI marketing campaign and online portal developed by Claudia Cardozo at Commerce RI.
   - Meet with key funders to establish a micro-loan host organization.
   - Visit case example organizations such as New York’s Business Outreach Center, Minneapolis’s Neighborhood Development Center, or Lowell’s Merrimack Sandbox.
   - Pitch the scaled initiative to state government.

2) Expanded Training for Personal and Business Financial Literacy: Focus in on scaling training and technical assistance in the areas of credit and financial management. We propose that the state release an RFP for organizations to apply to plan and lead such an initiative. The selected organization will receive matched funds by the state for a minimum of 5 years.

3) Developing Microenterprise Lending: Develop a range of financial products that support lending targeted to low-income and minority entrepreneurs, including a community access revolving micro-loan fund that would provide smaller loans with more flexible requirements around credit and collateral to reach those with viable business plans currently unable to access capital. Commerce RI could partner with a CDFI or other financial intermediary.

4) Utilize Community Pipelines and Marketing to Connect Entrepreneurs to Services: Community-based organizations, churches, and high schools in immigrant, minority, and low-income communities should receive training in order to identify potential entrepreneurs and refer them to small business support resources. Commerce RI should conduct a linguistically and culturally sensitive marketing campaign to raise awareness of existing resources.

5) Enhance Collaboration and Long-Term Commitment Among Funders: The long term vision of this collaboration would be to allow entities funding entrepreneurial development across the state, such as the state government, city governments, foundations, and banks, to pool their resources and invest them strategically with clear accountability metrics. This would allow for greater impact, scale, accountability, coordination, and stability over time. It also could potentially attract new resources from national foundations and funding entities.
**EXECUTIVE SUMMARY:**

**DIVERSIFICATION IN THE SHIP AND BOAT BUILDING INDUSTRY**

**Background**

Rhode Island has a strong ship and boat building industry that is a crucial part of the state economy. In 2012, there were a total of 3,399 employees working in the ship and boat-building industry in Rhode Island, earning a total of nearly $200 million in annual wages. However, the industry is vulnerable to economic recession and relies on a workforce that is aging out faster than it is hiring younger, skilled workers.

Our report identifies **composite material development** as an area with significant potential for future growth, supporting the existing ship and boat building industry, and supplying related industries such as aerospace, architecture, and product design/ manufacturing. State investment in the development, commercialization, and production of composite material technologies would create a broad ecosystem of composite-based suppliers, and position the state as a leader in this field.

**Strategy**

We believe in a comprehensive approach to economic development that will target the boat/ship building and composites industry from multiple directions. Our approach to grow the industry and make it more resilient involves **workforce and infrastructure development, entrepreneurial development, industry and university collaboration, marketing, and case studies.** A state-led strategy should involve the following key goals:

- Help existing builders/repairers and suppliers **diversify** their customer base by expanding their business into related fields, and supporting marketing of the industry’s composite products and capabilities.
- Support a **strong ecosystem** that connects agencies, research institutions, and private companies with a focus on workforce development.
- Link **university research and resources** with commercial boat/ship building and composites.
- Promote new **business development** within the industry.
- Survey companies and support **industry collaboration** to promote market development and identify opportunities.
Recommendations

**Workforce Development:** Multiple interviewees cited the difficulty in finding people with the skills necessary to work in the boat and shipbuilding industry generally, and composite manufacturing in particular. State-led workforce development programs could do the following:

- Co-sponsor workforce development programs with private firms and the Rhode Island Marine Trades Association (RIMTA).
- Support and create career pipelines in trade schools, such as International Yacht Restoration School (IYRS).
- Partner with high schools and community colleges to promote pre-apprenticeship programs.

**University Partnerships:** Rhode Island universities are very strong in a number of fields applicable to composites, yet our interviews suggest that there is limited or no meaningful interactions with local universities. The state could play a role in addressing this issue by helping establish a multi-university research partnership with four goals:

- Improve existing techniques.
- Foster communication between public and private sectors.
- Provide opportunities for small and mid-size companies to access R&D.
- Help link students with future job opportunities in composites and boat/shipbuilding.

**Existing Business and Entrepreneurial Development:** With an emphasis on diversification of boat/shipbuilding and composite materials, newly developed small firms and spinoff companies could add to what is already a very strong cluster of firms in Rhode Island. The state should dedicate a staff person to focus on business support within the composites industry, providing assistance with three key concierge services:

- Link small boat builders and composite manufacturers with services and financing.
- Help entrepreneurs identify spaces to locate their businesses.
- Connect businesses to grants and federal funding sources (i.e. Department of Labor and Office of Economic Adjustment).

**Infrastructure:** Firms within the boat/shipbuilding and composites industries require facilities and infrastructure to conduct their operations. Our interviews revealed recent trends of rezoning waterfront property from commercial to residential. The loss of waterfront property could be a significant barrier to the growth of the boat/shipbuilding and composites industries. The following are recommendations related to providing key infrastructure:

- Further investigate the loss of commercial waterfront property.
- Manage a database of suitable spaces for this industry.
- Assist in acquiring a space for a joint research lab.
- Help establish in-state testing facilities required to ascertain material durability.
Industry Collaboration: Rhode Island should take advantage of its strong cluster of boat/shipbuilding and composite firms to identify opportunities and strategically promote diversification and marketing. An industry consortium is a promising strategy to achieve these objectives.
- Provide support to an industry-led consortium by convening and promoting businesses.
- Link the development of a consortium with a comprehensive industry assessment.

Marketing: A number of our interviewees stressed the importance of maritime trade shows, industry events, and boat races for marketing their products. The state could help market boat/shipbuilding and composite materials as part of a comprehensive marketing strategy for the marine industry.
- Help defray costs of attending trade shows.
- Continue to establish a continuous presence of Rhode Island at composite shows.
- Consider joint marketing initiatives and market development efforts (such as in New Hampshire Aerospace and Defense Export Consortium) in Rhode Island and New England.

Comprehensive Industry Assessment: In researching the composite material industry in Rhode Island, we found relatively little data on the size and makeup of the composites industry. We suggest that the state conduct an in depth investigation to do the following:
- Establish the number of employers and employees directly and indirectly involved in composite manufacturing, including revenue size, education level of employees, and size of local export markets.
- Explore geographic mismatches between location of composite and boat/ship building industry and areas of high unemployment to target underutilized workforces, and train and connect employees with employers.
Property Tax Incentives

Introduction

The recommendations in this section outline the legislative and administrative changes that Rhode Island could implement to more effectively utilize property tax incentives at the local level.

During the first phase of our research, our team identified Rhode Island’s property tax system as the largest tax burden on businesses in the state. Rhode Island’s property taxes are the primary source of funding for local government and amount to 43 percent of all state and local business tax collections. Taxes are locally controlled and vary widely among the state’s 39 municipalities. In 2011 the state’s high property tax rates ranked Rhode Island the fourth highest in the country for the amount of property taxes paid per $1,000 of personal income (RIPEC, 2013).

While broad-scale reform of the state’s property tax system was not deemed viable at this time, the State Division of Planning and Commerce RI asked our team to investigate how one piece of the property tax system - tax incentives - could be used to better support economic development in designated growth centers described in “Rhode Island’s Land Use 2025” plan. As outlined in the plan, growth centers are locally-determined and state-approved areas where future state growth should be targeted. Designated growth centers are within the urban services boundary in the eastern part of the state or reside in specific well-served rural locations in the western part of the state.

To explore this question and develop strategic recommendations, we began by reviewing the existing property incentive tax system in Rhode Island to identify the current regulatory structure and how incentives are being used. Our team then conducted 10 in-depth interviews with economic development and land use practitioners and researchers from the government, for-profit, and nonprofit sectors who work in Rhode Island. We reviewed how two current growth centers in the state have viewed property tax incentives. Our team also investigated tax incentive studies to identify policies that work well in other states. Based on this research, we identified 11 recommendations: six state-level enabling policies and five that focus on support for localities.
FINDINGS

We identified three primary incentive programs as key points of leverage for local economic development: 1) tax stabilization, 2) tax increment financing, and 3) the state’s tax levy cap.

1. **Tax stabilization**, sometimes referred to as abatement, is used in 14 cities and towns in Rhode Island. The state’s enabling legislation for tax stabilization allows a municipality to freeze the tax rate on a given property for up to 20 years. The incentive can partially or fully reduce the property tax liability for businesses and various land parcel types. The law was written broadly to allow local governments wide discretion to use stabilization as an incentive for economic development. A key exception for stabilization is that it cannot be used by a municipality to attract a manufacturing or commercial firm that is relocating from another site within the state.

In general, studies find that property tax stabilization programs tend to be only temporarily effective at improving the local business climate (Anderson and Wassmer, 2000). Studies also suggest that stabilization allocation should include robust public involvement to ensure transparency in development (Nunn, 1994). In contrast, most states’ firm-specific property tax abatements are negotiated as a part of financial incentive packages that local and state governments use to attract individual firms (Kenyon, Langley, & Paquin, Property Tax Incentive Pitfalls, 2012).

Our research found that many municipalities in Rhode Island frequently use stabilization to compensate for high local commercial tax rates. Providence, for example, has the highest commercial tax burden of any major city in the country (Lincoln Institute of Land Policy, 2013), and as a result, Providence uses tax stabilization to bring businesses to the city that may otherwise be unwilling to locate there. Most of our interviewees felt that changes to stabilization could make them more effective, particularly since they are not used in a strategic or targeted manner in most municipalities, but also that changes should be made with care since tax stabilization helps to ameliorate larger problems within the state’s property tax system.
2. **Tax Increment Financing (TIF)** is a tool typically used to finance infrastructure or improvement programs within targeted areas. It allows municipalities to create a district where future growth in tax revenues from that district are directed to fund specific qualified projects. Improvements are usually financed by locally issued bonds that are then paid back in increments of increased tax revenue generated from increased property values within the district. TIF often uses future projected increases of property values or within a growing tax base to fund improvements that create or support that future increase in value and tax revenue.

*TIF is generally seen to be effective for financing targeted infrastructure projects and for supporting property values within designated TIF districts. What is less clear is whether TIF is effective at encouraging private investment that drives job growth (Lester, 2014). Moreover, when used excessively, TIF could undermine the local tax base (Swenson and Eathington, 2002). It also may not be a property tax incentive that functions well in tandem with stabilization.

TIF utilization in Rhode Island is relatively infrequent, with East Providence being one of the notable exceptions. Our interviews suggested that TIF may be underutilized as the incentive is technically difficult to implement and municipalities may not have the local capacity to meet the legal implementation requirements of the tool. For communities wishing to use TIF, the state’s tax cap levy (discussed below), which limits a municipality’s potential tax revenue growth, was also cited as a strong deterrent.

Conversely, our analysis revealed several areas where Rhode Island’s TIF law maybe too broad and wide-ranging. The law is perceived as having unclear language in terms of its definition of eligible projects. Additionally the “but for” clause in the TIF statute, which says that a project can only receive TIF funding if the development would not have happened but for the incentive, is ineffective in preventing projects from using the incentive that do not actually need it. Finally, the statute also allows TIF to be used to finance social service programs, which means that municipalities can use a debt-financing model to fund regular services, making them more expensive to taxpayers than necessary and introducing extra financial risk to the municipal finance system.
3. Property Tax Levy Cap: Updated in 2007, Rhode Island’s property tax levy cap limits the allowable growth in total revenues from property taxes to a fixed rate of four percent a year. Any revenue exceeding this cap must be returned to the taxpayers and absorbed by a municipality via spending reductions. The levy is not a restriction on the growth of the tax rate, but rather on the total revenue collected. Exceptions to the levy are granted only in limited situations.

Critics of the policy believe that the levy cap creates a disincentive for local communities to expand their commercial tax base or pursue economic development projects because it reduces the benefits to the city or town. One local organization focusing on land use policy, GrowSmartRI, points out that many municipalities have already reached or exceeded the levy cap over the last four years.

“Rhode Island’s property tax levy cap limits the growth in total revenues from property taxes to four percent a year.”

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STRATEGY AND APPROACH

Two principles underlie our recommendations.

First, we recommend targeting the use of property tax incentives primarily to growth centers. If the same tax benefits are available everywhere, there will be little incentive to concentrate economic development in identified growth centers. Property tax incentives are most effective when they are targeted and defined tools to encourage economic development. Rhode Island’s current statutes for stabilization and TIF are overly broad and disperse the efficacy of these incentives and thus fail to support growth centers. Our recommendations are guided by the principle of targeting and narrowing these incentives, while also increasing capacity at the local level so municipalities, particularly growth centers, can strategically make use of property tax incentives.

Second, for these recommendations to have impact, state land use policy should selectively designate growth centers. Growth centers should have the ability to support economic development, be well-served by infrastructure, and have potential to drive employment growth. Similar to the property tax incentive tools, designated growth centers should be strategic and target locations more desirable for economic development, particularly if growth centers can be supported by strong property tax incentive tools.

Of note, current growth centers encompass diverse urban and rural areas, limiting our ability to develop recommendations based upon their specific characteristics because one growth center may look very different from another. We also recognize that property tax incentives, particularly stabilization, are currently used to compensate for a varied property tax system across municipalities in Rhode Island. This may make limiting their use challenging until broader structural issues can be addressed.

“Our recommendations are guided by the principle of targeting and narrowing these incentives, while also increasing capacity at the local level in order for municipalities, particularly growth centers, to strategically make use of property tax incentives.”
Based on these principles, we have identified 11 recommendations in two areas, state-level enabling policies and support for localities. State-level enabling policies would require legislative changes to current property tax incentive laws in the state. The recommendations to support localities require administrative changes that can happen within existing state agencies. Some of these recommendations could provide the state with “quick wins” in terms of property tax incentive reform.
STATE-LEVEL ENABLING POLICIES

The first six recommendations require state legislative action. These recommendations have the potential to streamline and target Rhode Island’s property tax incentive system but may require long-term political action.

1. Target Property Tax Incentives

Create legislation that provides preferential property tax incentives to growth centers.

To be effective, four different options for focusing and targeting property tax incentives include:

1. Limit TIF districts to targeted growth centers and focus on revitalization;
2. Reimburse municipalities strategically for revenue lost from tax stabilization in growth centers;
3. Restrict the duration of tax stabilization awards outside of growth centers; and
4. Focus tax stabilization and TIF on revitalization rather than greenfield development. Consider limited exceptions in rural areas.

Rationale

For property tax incentives to effectively focus development on growth centers, Rhode Island needs to differentially treat properties in growth centers compared to those outside of growth centers. If the same benefits are available everywhere, there is no incentive for development to occur within growth centers. Many growth centers are targets for redevelopment and likely have higher costs associated with them than greenfield areas, making it particularly important for them to have preferential tax incentive treatment. Multiple academics studying the impact of local economic development incentives have concluded that the benefits of incentives are maximized when their use is targeted at disinvested areas, thereby reducing the higher cost burden of those sites on firms (Bartik, 1991; Bartik, 1994; Wasser and Anderson, 2001). If incentives are available to all localities independent of their economic status, increasing numbers of localities will adopt them over time as their neighbors implement programs (Wasser and Anderson, 2001).

The overall high cost of Rhode Island’s property taxes makes restriction of tax stabilization agreements difficult. Many communities currently rely on tax stabilization agreements to remain competitive. Restricting the availability of tax stabilization without broader reform of property taxes would result in a substantial decrease in competitiveness among Rhode Island towns.
One solution to differential property tax rates is currently used in Minnesota, which allows counties to approve property tax stabilization if they can show that their tax rates are at least 45 points higher than a neighboring county. In Rhode Island, tax stabilization agreements could be restricted and made available for: (1) investment in growth centers, and (2) investment anywhere in a municipality that has a tax rate different than neighboring municipality of at least some minimum amount.

Alternately, we identified four possible ways to more narrowly target property tax incentives on growth centers without directly restricting the use of tax stabilization agreements.

**Enactment**

1) **Limit TIF districts to targeted growth centers with a focus on redevelopment.**

Municipalities in Rhode Island are currently permitted to create TIF districts anywhere within their boundaries, as long as the TIF districts are created as part of a redevelopment plan. To target TIF usage towards growth centers, TIF could be limited to areas within designated growth centers. Implementing this change would require modification of TIF legislation at the state level.

2) **Reimburse municipalities strategically for revenue lost from tax stabilization in growth centers.**

Instead of the state banning the use of tax incentives in non-growth center areas, it could continue to allow them everywhere, but selectively reimburse municipalities for a portion of their forgone revenue from tax stabilization that occurs in growth centers. This incentivizes localities to focus their tax stabilization efforts on growth centers, either through the municipal ordinances that govern stabilization or simply through selecting the stabilized properties (see appendix for more information about this concept).

State reimbursement of property tax incentives has been implemented in several states including Maine and Connecticut. In Maine, the state will reimburse localities for 50 percent of revenue forgone through property tax abatements. Such state reimbursements increase the use of incentives by localities, but may make localities too quick to approve tax incentives. However, by only reimbursing properties in growth centers and including a cap on the total amount of reimbursement, the state could avoid some of these pitfalls. Implementation of this strategy would not require modification of existing legislation, but would require the state to approve reimbursement.

3) **Restrict the duration of tax stabilization awards outside of growth centers.**

Currently, municipalities are allowed to grant tax stabilization awards for up to 20 years to any property. One way to target tax stabilization would be to limit the time period for which stabilization is available outside of growth centers. By not eliminating tax stabilization outside of growth centers, the state allows localities to moderate the high tax rates while promoting growth centers. This approach could be implemented at the local or state level.
4) Focus tax stabilization and TIF on revitalization rather than greenfield development. Consider limited exceptions only in rural areas.

The state could consider using tax incentives for strictly redevelopment and revitalization of previously developed parcels, as opposed to new greenfield developments. Limited exceptions might be made for specific developments in concentrated rural parts of the state that do not have much land available for redevelopment.

2. Strengthen State Oversight

Require periodical state evaluation of tax stabilization to ensure incentives are in line with local comprehensive plans and the overall economic development plan. Establish appropriate consequences for misuse or provide advice to localities to encourage good decision-making.

Rationale

State oversight would be controversial because local governments will want to guard their right to dictate tax policies. Therefore, our team does not recommend completely overhauling the tax incentive structure by shifting control to the state. At the same time, it is clear that local governments tend to excessively allocate tax incentives and end up gaining much less than they lose (Dalehite et al., 2005). As suggested above, narrowing tax incentive usage is one strategy to deal with this problem. Another strategy is to require that properties with tax incentives demonstrate the incentives’ effectiveness.

This recommendation is different from our other recommendations because we suggest the oversight be backward looking, evaluating existing tax incentives’ effectiveness based on hindsight. If Rhode Island commits to allowing rigorous evaluation to inform policy making in the future, we believe this could allow Rhode Island to make the best decisions on how to reform tax incentives strategically.

Importantly, Rhode Island is not alone in their need for more oversight. In 2012, The Pew Center on the States comprehensively analyzed state oversight on tax incentives for the entire country. They found that only 13 states had robust evaluation and oversight methods that allowed for more effective use of tax incentives, and no state had a complete picture of what its tax incentives were achieving. While it might be an uncommon practice, they also found that good evaluation provides real benefits. For example:

Louisiana’s economic development agency discovered that one tax incentive it previously credited with creating more than 9,000 jobs had produced a third of that number. By taking a closer look, the agency identified a number of ways the incentive could be strengthened, many of which were adopted by state officials (Pew Center on the States, 2012 p. 3).
The Pew study found that states can link good evaluation to real policy changes. This adaptive, strategic technique allows them to mitigate many of the pitfalls of associated with incentives by using real data.

**Enactment**

There are a number of options the state could pursue. Here we propose one option with strong oversight and another more moderate solution:

**OPTION A: Strong Oversight With Larger Burden on Local Governments**

This option aims to only allow incentives with proven track records to persist.

1. Under state and local laws, local governments would grant allowable tax incentives. When granting the tax incentives, local governments must be explicit about how the tax incentive is in line with their comprehensive plan and what objectives the incentive helps them achieve.
2. State legislation would require that the tax incentive expire within five years, unless action is taken to renew the incentive.
3. If the municipality were interested in renewing the incentive, it would need to provide documentation to state officials demonstrating that the incentive is working. This should focus specifically on how the incentive allowed the local government to meet the economic development goals outlined for the project when they passed it initially.

This process is similar to what occurs in Oregon. Under Oregon law, tax incentives expire every six years unless they are extended. In 2011, legislative leaders set a spending cap on expiring incentives that would only allow a quarter of existing incentives to continue beyond six years. This motivated policy makers to rely on evaluations to determine which incentives should be continued and which should not. While evaluation is not required, Oregon has strongly promoted evaluation, and lawmakers are considering creating a budget and legislative committee dedicated to studying incentives (Pew Center on the States).

An alternative is to have the state government take on the responsibility of evaluation. This would reduce the burden on local governments that may not have the budget or capacity to effectively study incentives.
OPTION B: State as Advisor with Lesser Burden on Local Government

This option is less strict and does not require that local governments take any immediate action on their property tax incentive programs. It has the advantage of allowing home rule to continue and shifts the burden of evaluation from local to state government. At the same time, it provides local governments with information that might lead to better local policy.

1. Tax incentives are reported to the state by local governments with an explicit description of their overall goals.
2. The state reviews every tax incentive in a given time period.
3. The state provides feedback to local government on how well the tax incentive is meeting the objectives and recommends whether local governments should continue, modify, or terminate the incentive.

This option models Washington State’s tax expenditure review process. Their policy involves a number of different actors. The State has a Citizen Commission appointed by the governor and the majority and minority leaders of the State Senate and House (see Recommendation 11 of this report for another relevant advisory council option). This body creates a schedule to ensure that each tax expenditure is reviewed once every 10 years. A second nonpartisan staff from the Joint Legislative Audit and Review Committee reviews the incentives to see if they meet their defined objectives. They submit a report to the Citizen’s Commission, which is allowed to comment before the legislative fiscal committee meets and considers legislation based on the report (Pew Center on the States).

Rhode Island could start with this Option B level of property tax incentive oversight to gain a better understanding of how tax incentives are working on the ground, and then move to the more restrictive, but effective, approach outlined in Option A.
3. Integrate Tax Incentives into Comprehensive Plan Updates

Require municipal comprehensive plans to include guiding principles for when and how the town intends to use tax stabilization or TIF.

- Integration should require municipalities to establish and include their own standards for eligible projects, such as wage standards or minimum abatements allowed per job.
- Projects receiving incentives would need to be consistent with the comprehensive plan.

Rationale

Currently, many of Rhode Island’s cities and towns lack a unifying local strategy around property tax incentives. Without clear goals, localities may grant tax incentives haphazardly or in a way that does not necessarily conform with the town's development goals.

Additionally, municipal master plans and municipal budget processes are often not well coordinated. The actions guided by city plans should have substantial impact on municipal finances, and when making the plans the authors should be conscious of this (Huddleston, 2005).

Enactment

We recommend that cities and towns integrate property tax incentive strategies into their comprehensive plans. If a municipality intends to make use of property tax incentives, it should explicitly identify the intended economic development goals it believes those incentives will allow it to achieve.

Goals might dictate locations where incentives can be used or the type of developments they can support. For example, a town might decide that it only wants to incentivize the development of commercial properties and businesses that create substantial numbers of living wage jobs. Deciding on these goals in the comprehensive plan will allow municipalities to evaluate whether tax incentive proposals fit within the community’s vision.

Beyond the discussion of property tax incentive use in municipal plans, the state should also begin collecting records on which properties are receiving tax stabilization, as it does with TIF projects’ reporting requirement. Simply having data on the prevalence of tax stabilization will be a large step forward in evaluating the policies’ effectiveness.
State action might include:

- Encourage municipalities by providing education or technical assistance on how to incorporate property tax incentives (see Recommendations 7 -10 of this report for more information on related technical assistance)
- Legislatively require property tax incentives be included in municipal comprehensive plans.
- Create and maintain a database of properties receiving tax stabilization to enable better evaluation.

### 4. Clarify the “But For” Clause

**Codify and enforce the “but for” clause in Tax Increment Financing (TIF) and Tax Stabilization legislation.**

**Rationale**

Property tax incentives should not be permissible on projects that would otherwise happen without incentivization. Rhode Island’s TIF and stabilization statutes should provide guidance and require documentation for demonstrating that TIF or stabilization assistance is financially necessary to bridge funding gaps and thus make development possible. Currently, Rhode Island’s TIF statute has a broadly defined “but for” clause and no “but for” clause in stabilization.

Research in Chicago has shown that ill-defined or non-enforced “but for” clauses result in tax incentives as a de facto feature for new development, regardless of a project’s financial need (Lester, 2014). Weak “but for” clauses can result in a ‘race to the bottom’ as municipalities vie to attract development that would have occurred without incentivization. Additionally, excess use of tax stabilization and TIFs without clear and enforceable “but for” clauses have been shown to undermine local tax bases while also failing to stimulate or focus economic development efforts (Swenson and Eathington, 2002).

**Enactment**

Ensuring financial need can be difficult, but requiring evaluation and implementing enforcement plays an important role in protecting the public interest. It also ensures that public subsidies are not misallocated and that they maximize the impact of property tax-based incentives (Sands et al., 2006). Some strategies include:
• The “but for” clause definition could include concise guidelines or requirements that focus property tax incentives on filling gaps in local development financing or targeting key local employment sectors.
• Require a cost-benefit analysis that demonstrates financial need.
• Ensure projects meet objectives within the local comprehensive plan (see Recommendation 3 for more information about comprehensive plans).
• Develop a monitoring strategy to ensure that public benefits are being maintained.

5. Clarify Allowable TIF Projects

Target and clarify TIF’s “allowable project” definition to focus on the acquisition and improvement of land and vacant buildings in accordance with a redevelopment plan and the municipality’s comprehensive plan.

Rationale

Rhode Island’s current definition of allowable projects is complex and overly broad. This definition makes it hard for municipalities to interpret, and to permit projects that may not be financially sustainable or publicly beneficial.

For example, theoretically under Rhode Island’s current TIF legislation, municipalities can define a TIF project as the creation of a community program. Community programs funded under TIF would then use TIF bonds as their main funding source. In this scenario the community program would rely on bond debt to operate with the expectation that the TIF increments will repay the bond. While the localities using the TIF assumes that the community program will sufficiently increase property values and sustain increments to repay the TIF bond, if property values do not increase as robustly as expected, then there will be a financing shortfall and taxpayers or developers will be liable to repay the bond. As funding under the TIF model evaporates, the community program will likely be cut.

Research shows that the most successful and fair TIF usage depend only on increments that result from the TIF project itself and not from other outside influences that increase property value or tax revenues (Sullivan et al., 2002). Failing to define and relate project scope can also result in an uneven redistribution of TIF benefits and costs, potentially eroding specific areas within the local tax system.

TIF projects have been successfully utilized in California, Illinois, and Texas among others (Sullivan et al.) for redevelopment. For Rhode Island, we believe TIF can be used successfully to improve infrastructure or urban amenities by leveraging private gains in property values for urban revitalization and brownfield development. We recommend narrowing the scope of TIF legislation to focus on urban revitalization rather than greenfield development.
Enactment

Using the above rationale, we recommend:

- TIF applications should require a vigorous project financial analysis and feasibility to ensure expected future tax increments can repay the bonds for a given TIF project (Sullivan et al.).
- TIF should require projects and financing aims to the same area.
- TIF should depend on only increments that would result from the TIF project itself and not from other outside influences.
- Focus TIF legislation to target urban revitalization and brownfield development, particularly within growth centers, rather than on greenfield development.

6. Restructure the Tax Levy Cap

Revise tax levy cap to include a fifth exception exempting new economic development in growth centers from the tax levy cap.

Rationale

Rhode Island adopted its current tax levy cap in 2007. Phased in over six years, the levy cap limits the growth in total property tax revenues to four percent a year. Note that this is not a restriction on the growth of the tax rate, but on the total revenue collected, whether that change comes from an increase in the tax rate, an increase in the assessed values of current properties, or from the development of new properties.

Four types of exemptions to the levy cap exist:

1. Municipalities that see a reduction in non-property tax revenue, generally in the form of a reduction in state aid, can increase their property taxes to compensate. This is the most common form of exemption and has been granted on 30 occasions.
2. Cities and towns may request exemptions in emergency situations, defined as situations in which municipal health insurance, retirement contributions, or utility expenditures grow by more than 12 percent. This exemption has only been granted twice.
3. An exemption is available if a city or town’s debt service expenditures increase by more than the amount of the levy cap. This exemption has been granted on 12 occasions.
4. If a municipality sees substantial new growth, it may receive an exemption to the cap in order to fund critical infrastructure investment and municipal services. This exemption has never been used (GrowSmart RI, 2012).
The levy cap has been successful in limiting the amount by which local spending can grow. However, limiting the total growth in revenue that localities can realize, independent of increased property values or new development, removes much of the incentive for towns to invest in strategies for economic development. If a town makes a substantial investment in upgrading a city park, for example, the property values of the surrounding parcels are likely to increase by a fair amount. But if the town is pushing against the levy cap, those higher property values may not result in increased tax revenue for the town. In fact, the town may have to reduce its tax rate to return the extra revenue that would result from the higher property values, even as it has to pay for the park maintenance. Towns that do not see a financial upside to investments in new infrastructure may be hesitant to invest in such projects.

This is somewhat different from tax levy caps in other states. Massachusetts, for example, has had a property tax levy limit of two and half percent since 1980. However, increases in revenue due to new development, growth in the tax base that is not the result of revaluation, are excluded from this limit. Towns in Massachusetts are also able to override the levy limit via referendum. New York and New Jersey have similar arrangements.

The exact extent to which the Rhode Island property tax levy cap will be binding is still unclear. It only reached its final level of four percent in the 2013 fiscal year. In the first several years of the levy cap’s existence, several municipalities were granted exceptions to exceed it each year (the all-time high was 14 municipalities in 2011, largely due to a decrease in state motor vehicle tax aid). In 2013 and 2014, only one community has exceeded the cap, and relatively few have enacted increases of close to four percent. This may be a result of cities and towns adjusting their finances to comply with the cap, or it may be due to sluggish growth in property values after the recession.

**Enactment**

To remove disincentives for economic development investment that may accompany the property tax levy cap, and to encourage investment in growth centers, we recommend adding a fifth exemption that would exclude incremental property tax revenue that is generated within growth centers from the levy cap. The exemption could apply to all increases in valuation within growth centers, or just to those due to new development. Applying it to all valuation increases would allow cities to realize revenue from general improvements in growth centers that increase the value of existing properties, such as street revitalization programs or investments in public green space. Making this change to the exemption would allow municipalities to better fund the infrastructure investments and municipal services new developments necessitate.
This exemption would differ from the current exemption for new growth in that it would:

- Allow municipalities to financially benefit from investing in improvements designed to promote economic development, rather than simply reacting to growth that has already occurred.
- Align Rhode Island’s tax levy cap better with those in competing states, such as Massachusetts, New York, and New Jersey (Wilhelm and Ridberg, 2013).

GrowSmart RI has proposed an amendment to the current law that:

would allow municipalities to exempt from the levy cap calculation the incremental increase in property tax revenue generated within locally-designated and state-approved ‘growth centers’, provided that such revenues are reinvested exclusively back into the growth center through a municipal economic development trust account. This proposal, which aims to maximize use of existing assets and efficiency of limited resources, recommends a not-to-exceed safeguard cap to prevent an undermining of the original intent of the levy cap law (GrowSmart RI, 2012).

A proposal such as this is in line with our recommendation.
Support for Localities

Multiple interviewees noted that there is a capacity gap hindering the use of property tax incentives at the local level. A statewide organization could work alone or partner with other organizations to provide stronger education, technical assistance, and a vision for improved use of property tax incentives. Currently there are at least three statewide organizations that provide technical assistance related to property taxes or incentives:

1. The Division of Municipal Finance at the Department of Revenue provides assistance to municipalities to ensure that they remain fiscally sustainable and in compliance with state law.
2. Commerce RI has provided some technical assistance to municipalities regarding the use of TIF.
3. The State Division of Planning currently has staff working on growth centers, but no dedicated staff member who works on property tax incentives.

Any of these offices could expand their capacity to advise municipalities more comprehensively about property tax incentives. This may include hiring a dedicated staff member who can work across these three organizations to advise municipal leaders on property tax incentives, to review proposals, and to evaluate their effectiveness (more information about this is found in Recommendation 10). Below are recommendations that could provide support for localities. A selection of these may be implemented in conjunction with or independent of the above state-level policies.
7. Targeted Education for Local Officials and Developers

Implement a bi-annual training program about property tax incentives for municipal staff.

- Training services should target growth centers’ needs and may include general council or administrative support, finance, legal, and economic development planning support, or job training.

Rationale

Due to municipalities’ small staff and the amount of varied work they already do, it has become apparent that there is limited expertise in property tax incentive use among local officials. Additionally, to encourage economic development growth, it may be helpful for developers to become more familiar with the incentive programs allowing them to use them most efficiently. For these reasons, we recommend providing training courses on property tax incentives for municipal employees and local developers.

In place of or in addition to an in-person training course, another model could include online learning modules for local officials. One frequently cited example of state technical assistance for municipalities is found in Massachusetts (see appendix for links). The Massachusetts model may be useful for Rhode Island as it moves forward with the economic development planning process.

Enactment

1. **Find state-level partnering institutions**: These organizations need to be invested in economic development and may include the University of Rhode Island, Brown University, Bryant University, and Johnson and Wales University, as well as other local colleges and universities. Effective partner institutions may also be non-profit organizations such as RIPEC or GrowSmartRI.

2. **Develop a curriculum**: Other organizations and states have developed training and technical assistance materials to support municipalities on utilizing property tax incentives. These include but are not limited to: A) the Lincoln Land Institute, B) Grow Smart RI, C) American Planning Association, and D) the National Development Council (see appendix for links).

3. **Facilitate user-friendly workshops**: This may require hiring new staff or utilizing existing staff to facilitate user-friendly workshops on property tax incentive use.

In addition to trainings, there may be a need to provide continuing education in the form of a monthly or quarterly newsletter. This could promote the most up-to-date guidelines on property tax incentive usage.
8. Provide Support for Under-Resourced Municipalities

Provide funding and support for under-resourced municipalities to help them meet the requirements for using property tax incentives.

Rationale

One negative side-effect of making property tax incentives more restrictive or requiring stronger evaluation requirements is that it may make incentives less accessible to some local governments. If local governments do not have the staff capacity to understand the new regulations or the funding to do evaluations they may be discouraged from allowing incentives, even when incentives could provide a real benefit.

This discrepancy is already obvious with regard to the use of TIF. Larger communities with greater capacity such as Providence are able to navigate the complicated process and requirements whereas smaller communities cannot take advantage of this incentive. If the state makes stabilization more resource intensive, local governments may lose access to this resource too. Therefore, we encourage Rhode Island to pair any additional requirements for property tax incentives with increased support for under-resourced municipalities.

Enactment

Providing support to under-resourced municipalities might take a couple of forms:

1. The state could assume the role of evaluator and provide local communities with the results of its analysis. This might be done by officials at Commerce RI, the State Division of Planning, or through a partnership with a non-governmental group.
2. The state could provide training to local governments to increase capacity at the local level.
3. The state could provide grants or loans to fund evaluation efforts by local staff or outside consultants.
9. Create a Property Tax Incentive Toolkit

Create a toolkit that acts as a one-stop reference for property tax incentive use at the local level.

Rationale

A toolkit can add capacity to municipal staff by providing a resource that explains property tax incentives and how they can be used to promote economic development throughout the state. This toolkit could be made available online through the office of Municipal Finance’s website or one of the other statewide bodies’ websites. It is important that the website’s interface be user-friendly and easily accessible for people who are not property tax experts. This toolkit and interface might draw inspiration from the Massachusetts Division of Local Services website, which does an effective job of being accessible to a lay audience.

Enactment

In order to ensure the quality and impartiality of the product, an independent group should create the toolkit and the statewide Tax Incentive Advisory Council (described in Recommendation 11 below) should review the toolkit to ensure that its content aligns with the statewide goals or vision for property tax incentives. To aid in the initial development of the toolkit, below are ideas for the toolkit contents and the goals that may need to be addressed through the development of the toolkit. The toolkit itself should include general information about the uses for and limitations of the following tax incentive tools: a) Tax Abatement and Stabilization and b) Tax Increment Financing (TIF). In addition to the specific property tax incentive overviews, the toolkit should aim to include the following information:

a. Descriptions of property tax incentives in the Rhode Island context and their use within the state
b. Demonstrations of best practices via case studies
c. A phasing schedule as well as a checklist for policy adoption and implementation
d. A template application form for communities that reflects best practices of tax incentive uses
10. Add Advisory Capacity

Hire a dedicated team to work across the Rhode Island State Planning Division, Commerce RI, and the Division of Municipal Finance to advise municipal leaders on property tax incentives, to review proposals, and to evaluate their effectiveness.

- Consider partnering with a non-profit partner or leveraging foundation funding to support this role.

Rationale

Throughout this report, we have suggested steps that would require increased capacity at the state level. Our recommendations suggest that the state take on the burden of monitoring, evaluating, and perhaps more closely regulating local use of property tax incentives. We also suggest that the state work with local governments to provide resources and suggestions regarding best practices for implementing tax incentives. All of this will require dedicated staff members who can serve as experts on how to use incentives effectively, and on how to navigate the regulations and hurdles to implement them.

Our team believes that the benefit of increasing capacity would be worth the cost. This capacity would not only allow the state to be more strategic about the use of property tax incentives, but also help to centralize knowledge about best practices. Right now most of the cities and towns have local rules regarding how incentives can be used. If one centralized body better understood the diversity of rules, this body could provide support to local governments as they rethink their local policies. Additionally, if this body were to be in charge of studying and evaluating the effectiveness of property tax incentives they could better understand which programs are working and which ones are not. Over time this body would become adept at comparing incentives, understanding why local governments feel they need incentives, and evaluating them based on informed objectives.

Enactment

It may make more sense to partner with a non-profit or to form a Citizens Advisory Committee to serve this role. Our team believes that the details of where this body is housed are less important than ensuring that it has the following characteristics:

1. **Centralized:** This body should operate at the state level of government in order to ensure it has a full picture regarding what is happening across the state.
2. **Stable:** This body will only be effective if it can retain knowledge. It may make sense to have a task force of multiple people, so that if one person leaves their institutional knowledge does not leave with them.
3. **Builds technical capacity over time:** This body should work to compile best practices around the use of regulations and property tax incentives. If it understands what works and what does not, it can advise local governments over time.
11. Statewide Goals for Property Tax Incentives

Establish a state-led initiative that fosters a vision about how property tax policies and existing tools can support growth centers.

Rationale

Statewide goals should be established regarding the use of property tax incentives. In order to ensure the inclusion of subject matter expertise and local knowledge for the development of these goals, an advisory council should be established to provide guidance for the direction of property tax incentives in the state (for additional statewide oversight, please see recommendation 2 of this report). The council should be made of private and public community leaders as well as planning and economic development experts. Idaho, Michigan, New Hampshire, and other states have developed advisory councils to support initiatives like these (please see the appendix for their related links). Based on these different models but adjusted to the Rhode Island context, the advisory council should recommend a statewide vision for the use of property tax incentives.

Enactment

1. **Statewide Tax Incentive Advisory Council**: Establish a statewide Tax Incentive Advisory Council responsible for providing expertise regarding the goals of statewide property tax policies. Some organizations that should have representatives include the National League of Cities, National Association of Counties, the Lincoln Land Institute, local government officials, Commerce RI, and others.

2. **Evaluation Criteria**: Overall, the Pew Center on the States (2012) recommends that as states consider policies to provide better evaluation of tax incentives they consider a few key components that increase effectiveness. Our team agrees that it would be worthwhile for Rhode Island to ensure that it is asking the right questions when evaluating incentives. Evaluation criterion to consider include:

   a. Does the incentive change a business’s decision in a way that provides a clear benefit to Rhode Island?
   b. Who benefitted from the incentive? Does this come at the expense of others?
   c. How much of the benefit flows across local jurisdictional boundaries? Across state lines?
   d. Do the benefits outweigh the costs? What is the timeline for the state achieving benefits from the costs they incurred? How long will these benefits last?
   e. What are the indirect impacts (positive and negative) of the incentive?
   f. Is the incentive meeting its original objective (job creation, helping a distressed area, etc.)?
   g. Is the incentive supporting the state’s overall growth center policy?
CONCLUSION AND NEXT STEPS

In this report we present eleven recommendations that our team believes could help Rhode Island use property tax incentives more strategically. Importantly, we do not recommend that Rhode Island implement all eleven recommendations. Instead, we suggest that Rhode Island select recommendations that could work in conjunction with the rest of the state economic development plan to facilitate achieving its economic goals. The above report includes the following recommendations:

State-Level Enabling Policies:

1. Target property tax incentives
2. Strengthen state oversight
3. Incorporate property tax incentives into comprehensive plans
4. Clarify the “but for” clause
5. Clarify allowable TIF projects
6. Restructure the tax levy cap

Support for Localities:

7. Targeted education for local officials and developers
8. Support for under-resourced municipalities
9. Create a toolkit
10. Add advisory capacity
11. Develop statewide goals for incentives

Overall, these recommendations provide various means to achieve three objectives that our team believes are of prime importance:

A. Target Incentives

Property tax incentives are ultimately a tool for public officials to have some control over development. They allow public officials to target growth in specific regions, attract firms that can offer real community benefits, and to encourage beneficial business practices (such as ensuring fair wages or requiring local hiring). Ideally, any benefit from the incentives will outweigh the cost of potential revenue losses. However, if property tax incentives are not well regulated or restricted they cannot achieve this goal.
B. Effective Administration

Rhode Island can only strategically target its use of property tax incentives if its strategists have a strong understanding of what is happening across the state. For this to be achieved, Rhode Island must build capacity to monitor and evaluate existing local policies and incentives. It must also decide how much the state ought to control local property tax incentives to achieve their more regional goals that would benefit all municipalities. As we see it, the state has two options:

1. The state can play a more active role by legislating restrictions or additional requirements for local use of property tax incentives.
2. The state can play an advisory role by thoroughly understanding best practices and making recommendations to local governments using the incentives.

C. State Support for Localities

Property tax incentives have been used unevenly across the state because local regulations differ greatly and local governments have varying degrees of capacity to implement them. Our team strongly recommends that state officials actively assist local governments to improve capabilities in order to:

1. Navigate regulations and requirements.
2. Better understand best practices regarding when and how property tax incentives can be used to achieve their goals.
3. More fully recognize their local property tax incentive use as it functions as a part of the larger state economic climate.

Our team identified the following next steps for the RhodeMap Rhode Island process and for the general Rhode Island economic development plan:

Our team believes there are a few overriding questions that Rhode Island can ask itself to find a good mix of policies that will serve as a sustainable tax incentive plan:

1. Will the plan allow Rhode Island to achieve its objectives in the long-term?
2. Will the plan achieve short-term wins that can build momentum to reach long-term goals?
3. Will the plan allow Rhode Island to adapt as it learns more information about its property tax incentive effectiveness and make informed decisions along the way?
4. Does the plan allow Rhode Island to balance growth with equity?
5. Does the plan provide the necessary support to localities and state offices for implementation?

Going forward we suggest that Rhode Island create a vision regarding what it hopes to achieve through the use of property tax incentives. Once it has that vision, it should evaluate our recommendations with respect to how they may realize that vision. Ideally, our team would like to see Rhode Island implement a set of policies for the effective use of property tax incentives, especially those which support strategically identified growth centers.
ENTREPRENEURIAL DEVELOPMENT FOR MINORITY, IMMIGRANT, AND LOW-INCOME COMMUNITIES

BACKGROUND

A key opportunity for Rhode Island’s economic development—specifically entrepreneurial development—exists with the state’s minority, immigrant, and low-income populations. Though exciting new programs in the entrepreneurial system in Rhode Island have been developing over the past number of years, these tend to be concentrated in the high-tech sector, with less focus on other types of businesses. To scale its entrepreneurial development system, Rhode Island should ensure that any resident has the opportunity to turn a smart idea into a successful and sustained small business. An entrepreneurial system that enables all types of entrepreneurs, from small store owners to craftsmen to software developers, from all ethnic and class backgrounds, would promote livelier places and healthier local economies in Rhode Island.

Ensuring the entrepreneurial system in Rhode Island addresses a wide-range of entrepreneurs is important because of the state’s increasing diversity:

- People of color are a quarter of Rhode Island’s population and 100% of population growth since 1990 (Equity Profile, 2013). Thus, ensuring communities of color are connected to economic development and entrepreneurial development is key to the state’s future success.
- Self-employment is one way to look at entrepreneurship. Whites have the highest levels of self-employment in Rhode Island, followed by Latinos. Both Blacks and Asians have fairly low levels of self-employment at 5% and 6%, respectively, lower than neighboring states. Latino self-employment, however, is a strength in Rhode Island, with 9% of Latino households earning self-employment income, a proportion equal to or greater than neighboring states (see Figure 1).
- A national study by the Kauffman Foundation found immigrants to be nearly twice as likely to start a new business each month as native-born residents (Fairlie, 2013).

Rhode Island’s growing immigrant population represents an opportunity to strengthen the entrepreneurial sector. However, small business services often do not have the language, cultural, and other capacities to support this rising group of entrepreneurs. Similarly, African-American and Asian communities could benefit from greater exposure to entrepreneurship as an option and greater support in developing their businesses. By focusing on low-income communities, small business development can be both an anti-poverty strategy and an economic development strategy at the same
time, ensuring that economic development plans address the needs of the entirety of the state’s population.

In this report, we identify major gaps in the current entrepreneurial development system in Rhode Island, especially in relation to reaching and supporting low-income, minority, and immigrant businesses, and we outline a strategy to strengthen the continuum of services across the larger system. We conclude with specific recommendations for the state to enact, in order to build scale, increase access, and enhance the system’s coordination.
FINDINGS

After conducting a review of the literature, interviews with key players including service providers, funders, and state agencies, a focus group, and case studies from other cities and states, we identified a number of strengths and challenges for the entrepreneurial development system in Rhode Island. In terms of strengths, we found that most of the key elements of a strong entrepreneurial development “ecosystem” exist in Rhode Island. There are organizations that provide the variety of services needed by aspiring entrepreneurs. However, the services provided do not have sufficient capacity to meet potential demand, and gaps exist in quality of programming and intensity of service. In addition, a key area for improvement lies in accessibility of all communities to services. Enhancing accessibility requires better promotion of and outreach for existing services, as well as serving greater numbers of people in low-income communities. Another aspect of accessibility includes helping minority and immigrant communities with limited credit history and collateral to obtain capital for small business development. Finally, strengthening connections between all players in the system, including Rhode Island’s universities, is a critical area for improvement. Key challenges that currently exist within the entrepreneurial development support system for disadvantaged communities in Rhode Island include the following:

- While most of the key elements of an entrepreneurial development “ecosystem” exist (see chart of current players in Appendix I), each category has limited capacity and scale. Interviewees pointed out that the number of people reached is small compared to the potential within the state and entrepreneurs have less access to sustained assistance via counseling, mentoring, and coaching. Research by the Federal Reserve Bank of Boston identified significant untapped potential in expanding the state’s Latino small business sector (Kerry, 2012).

- There is a lack of coordination and cooperation between the various players. Coordination and cooperation between key providers was stronger in the past, but as funding has become more scarce, a more competitive environment has developed between providers. SBA does currently lead regular conference calls between key players, including CWE, SCORE, and SEED, but the connection between these organizations and other entities is weak and providers speak of an environment that is generally more competitive than collaborative. Funding is a key challenge for providers. Funding sources are unstable, which leads to a high level of program turn-over. Several programs perceived as successful such as Primer Paso and Every Company Counts were discontinued because funding was cut. Furthermore, some feel that funding is determined more by relationships than clear accountability measures.
• Immigrant and minority communities face linguistic and cultural barriers in accessing small business support services. While there are some exceptions, the perception of a number of providers is that most small business services are provided only in English and without the cultural expertise, commitment to outreach and relationship-building needed to reach diverse communities.

• Small business lending in the state tends to be risk-averse and focused on high-tech companies. Commerce RI’s small business loan fund must meet a number of federal guidelines that have contributed to the risk averse nature of its lending. Interviewees identified this reality within banks as well. The Slater Technology Fund provides small business loans, but focuses on the high-tech sector, leaving a need for lending in other areas. Overall, the state lacks a CDFI or other lender with extensive experience in microenterprise lending in immigrant and low-income communities.

• Insufficient credit history and collateral are major impediments preventing immigrant and minority entrepreneurs from accessing capital. Interviewees felt that this was the number one barrier for aspiring entrepreneurs in these communities. Many immigrants conduct business in a “cash economy” that does not build a strong credit history and low-income individuals have few assets to serve as collateral. Despite a limited credit history and lack of collateral, many of these aspiring entrepreneurs have viable business ideas and plans that are never realized. One interviewee told a story of an immigrant entrepreneur with a successful micro-business who had to close shop because they were unable to get a $5,000 loan to cover a needed expense.

• Even if entrepreneurs are able to get a loan, they sometimes are not able to keep adequate records and manage the loan properly. Providers emphasized that the need for financial education does not end with getting a loan. The ability to properly manage that loan, engage in credit repair, and to maintain proper financial documents are key for when the entrepreneur wants to grow the business and access larger loans.

• Youth do not necessarily see entrepreneurship as a viable option. Several interviewees lamented the lack of focus on entrepreneurship in K-12 education. At the same time, others commented that those youth entrepreneurship programs that do exist might focus less on celebrating entrepreneurship as a concept and more on training youth with the skills needed to launch a viable business.
STRATEGY

A fuller, more accessible, and more integrated entrepreneurial development system is needed to further economic development in Rhode Island. This system would provide a continuum of services to aid entrepreneurs through all steps necessary to create and maintain a well-developed small business. Services should be tailored to address the specific needs of disadvantaged populations, including minority, immigrant, and low-income residents. In order to achieve scale, a commitment to providing significant funding will be needed. A funding collaborative and greater coordination between both funders and providers will be key for investing strategically at scale with accountability.

An entrepreneurial development system that can better meet the needs of underserved communities will address the following five components. These components, which cover the lifecycle of small business development include:

- outreach and connection
- skills development
- business planning
- business startup and stabilization
- business growth and improvement

Outreach and Connection

This foundational component to an effective entrepreneurial system includes efforts to encourage entrepreneurship through the education system, and also to develop partnerships with community and faith based organizations, business leaders, and universities. This broad scope of outreach is essential to sustaining and scaling the system. A comprehensive and accessible directory of available resources and services is also critical.

There are current efforts in Rhode Island designed to engage the minority population with the entrepreneurial development system. Commerce RI is developing an outreach campaign designed to target the Hispanic population. Also, CWE has been working on outreach efforts for minority communities by giving presentations at community centers and faith based organizations. CWE has identified a number of organizations, but their capacity to reach out to all of the identified organizations is limited. Building on these efforts will be essential, as discussed in the next recommendations section.

Case examples

- The Neighborhood Development Center in Minneapolis, MN focuses on partnering with community, ethnic/cultural, and faith-based organizations to identify candidates for its Entrepreneurial Training Programs and business incubators.

- The Iowa Innovation Resource Network promotes its comprehensive directory of local organizations and programs to support entrepreneurs including information on incubators, state programs, financing opportunities, and a guide to intellectual property protection.
**Skills Development**

Skills development focuses on the basic education, language, and entrepreneurial and business skills aspiring entrepreneurs and new business owners need in order to be able to launch an initially viable enterprise. Existing programs should offer courses in multiple languages, and intensively focus on financial management.

Capital Good Fund is a good example of an organization in Rhode Island that provides individual financial management services. Also, the Small Business Development Center (SBDC) is transitioning to its new home at the University of Rhode Island. The SBDC will provide business counseling and advanced skills training. The service points will engage entrepreneurs with expert advisors, and also partner with the CWE and Opportunities Industrialization Center (OIC) to help meet the needs of minority and women owned businesses. It is critical that this collaboration between SBDC, CWE, and OIC incorporate bilingual staff and training programs, and that they learn from success stories in other communities.

**Case examples**

- The Neighborhood Development Center’s Entrepreneurial Training Program offers weekly, multilingual classes in accounting, marketing, and management, and free additional workshops on starting a business, industry analysis, credit repair, financing, customer service, and pitching business ideas.

- The Business Outreach Center in New York and New Jersey offers multilingual “Business American-style” workshops to immigrant entrepreneurs focused on banking, state regulations that affect new businesses, credit, legal services, and accounting. The Center also focuses its skill development ton targeted industries such as food, child care, and construction.

- The New York State Entrepreneurial Assistance Program (EAP) is an enterprise development program that targets minorities, women, dislocated workers, and individuals with special needs. In addition to working on the formation of new businesses, the EAP provides assistance to businesses during the early stages of development through the first five years. In 2012 each organization funded under the EAP received $73,000 in state funding to help entrepreneurs, and the state funds were matched with cash and in-kind funding (EAP Annual Report, 2012). To receive funding the EAP centers must provide a 60-hour entrepreneurship course, 15-hours of technical assistance programs, and enterprise expansion assistance to interested and qualified entrepreneurs.

**Business Planning and Financing**

Once an entrepreneur is connected with the system and has the necessary basic skills, the next step includes training or technical assistance specific to creating a sound business plan and getting a business started. It can take one to two years for entrepreneurs to move from a business plan to business start-up. At this stage, financial assistance is also needed, and entrepreneurs will need access
to less-traditional forms of capital to start their business. This is a critical service area required by immigrant and minority entrepreneurs, and a gap in Rhode Island’s current system which has no well-established microenterprise lender. Programs must focus on not only access to financing but creating alternative loan products accessible to individuals with inadequate or no credit, assistance in building and repairing credit, and the financial management training to support the effective use of funds received.

Current players and initiatives in this area of development in Rhode Island span across non-profit organizations, high-tech incubators, university programs and start-up accelerators. Social Enterprise Greenhouse provides financial management services, fiscal sponsorship, and bookkeeping services. SEED operates four different loan programs with finances ranging from $1,000 to $5 million, including a micro loan program for startup businesses that are not yet ‘bankable’. SEED has made numerous loans to small businesses in Rhode Island. In addition to start-up assistance, RI SCORE provides mentorship to small businesses in accounting and budgeting, cash-flow management, tax planning, and e-commerce. CWE, the SBDC, and Betaspring also provide mentorship and networking opportunities to help entrepreneurs obtain and maintain loans or other funding. While these individual services are a great start, there is a lack of connectivity between the organizations, and the focus on minority entrepreneurs could be made stronger through more outreach and loan programs in other communities.

Case examples

- The Neighborhood Development Center and Economic and Community Development Institute (ECDI) in Ohio provide flexible loan products to entrepreneurs with insufficient credit to access traditional loans. Loan eligibility is decided on by an independent committee that evaluates a candidate’s business plan and plan for mitigating risks; applicants must also complete a financial literacy course. The Center provides approximately 40 loans annually and as its grown has expanded to provide larger small business loans (up to $250,000) in addition to microloans. According to a 2008 independent study, of the businesses supported by NDC lending, 21% had increased their number of employees and 56% had increased their gross monthly revenues (Neighborhood Development Center). The Center’s annual loan loss rate is 8% with 12% portfolio at risk (loans over 30 days past due) that is comparable to the industry percentage of 7% and 15%, respectively, as reported by the Aspen Institute (“US Microenterprise Census Highlights,” 2013).

- The Business Outreach Center has a Capital Access Revolving Loan Guaranty Program that provides up to a 40% guaranty on loans for qualified micro and small business that have difficulty accessing traditional loans, and that include financial management and planning training and workshops on setting profit goals and forecasting sales, marketing, service delivery, and other financial costs.

- Accion focuses on the double bottom line to maximize financial and social impact. Accion strives to provide access to economic opportunity for all through microfinance services, financial education for micro-entrepreneurs, and training of future microfinance professionals. Accion makes loans globally and in every U.S. state, the loans range from $200 to $300,000. They have 25 field offices and a robust internet service platform.
Business Startup and Stabilization

Once entrepreneurs are able to access the skills development training and initial capital they need to start a business, they now require legal services, coaching, and on-going assistance to navigate evolving business needs, and access to affordable incubator or other business space to begin running and growing an enterprise, including “incubators” tailored to the space, coaching, and technical assistance needs of non-technology oriented businesses. At this stage, entrepreneurs will need continued help in accessing capital and maintaining the loans they have received.

Case examples

- The Neighborhood Development Center runs a targeted real estate development program to create affordable and stable incubator space that also serves to revitalize underserved neighborhoods. Business consulting and lending services are provided to tenants. The Center currently has over 120,000 square feet of commercial space leased to 100 small businesses. Another way this organization helped businesses start-up in successful locations was by creating several “Mercados,” which are projects that combine food, craft, and retail businesses to create attractive destinations, enabling businesses to have large-foot traffic and gather more customers.

- The Merrimack Valley Sandbox in Lowell, MA partners with business community leaders who commit 3-5 hours a month to work with an entrepreneur. Their Accelerator Program gives entrepreneurs three months of intensive mentorship and workshops, access to technical experts, free office space, and participation in a funding competition.

Business Growth and Improvement

Once business are launched, continued support is required in the form of advanced skill development (focus areas include customer service, financial management, social media marketing, and hiring), and business-specific technical assistance. Enterprises that are now in the position to create jobs also require support to address economic disparities that inhibit the business’s social and economic sustainability, such as access to new business networks, consultants and customers. As firms grow, they outgrow micro-lenders and need assistance transitioning to more formal credit from CDFIs or banks.

Case examples

- To address economic disparities hindering the growth and stability of new business owners and their employees, ECDI offers Individual Development Accounts or matched savings accounts to help individuals save and enter the financial mainstream. They also offer no-cost health insurance for children of small business owners and employees.

- StreetWise focuses on established entrepreneurs and provides a StreetWise MBA program aimed at assisting growth oriented businesses. The StreetWise MBA is a nine month program that meets bi-weekly and includes coursework as well as real world experience with case-studies and extensive business networking that helps participants to produce a three year strategic growth plan.
- The Idea Village in New Orleans partners with local MBA students to provide strategic consulting to local entrepreneurs. In the last 13 years the Idea Village has assisted over 3,000 New Orleans entrepreneurs, creating over 2,000 jobs now generating $100 million each year.

RECOMMENDATIONS

The section presents five recommendations to build scale, increase access, and enhance coordination in the system to better support disadvantaged entrepreneurs. All of the above mentioned support services should be available in sufficient supply to meet demand, and be fully accessible to disadvantaged populations, such as immigrant, minority, and low-income communities. The current competitive and disjointed environment for support services can be transformed to one that is coordinated and collaborative for best results.

1. Potential “Quick Wins” to Build Momentum:

a) Multi-lingual Staff and Programming at SBDC: As SBDC hires staff and begins programming, ensure that they hire some multi-lingual staff and offer some multi-lingual programming. These individuals can develop a program customized to minority and immigrant populations. Considering that SBDC is in the process of hiring currently, there is a great opportunity here to ensure access and strengthen entrepreneurial development across the state.

b) Expand Rhode Island’s Business Plan Competition: Adjust the competition’s objectives by encouraging different tracks and include a track targeted to low-income and/or minority entrepreneurs. First, the competition could greatly benefit potential entrepreneurs by serving as a platform for connecting participants with the entrepreneurial development system. The competition’s focus should be shifted from simply identifying a winner to being an incubator for those exploring entrepreneurship, and work to connect non-winning entrepreneurs with good business plans to mentors and service providers. The additional tracks will spotlight the potential of urban entrepreneurs and inspire others to follow suit.

c) Draw on University Resources for Small Business Development: Utilize university resources by drawing on the skills of students (for services such as strategic consulting and website design) and the numerous community outreach programs that already exist in the state’s higher education system. As SBDC is moving to URI and URI is a state university, there are rich opportunities to advance this approach.

d) Community-specific Web Outreach and Networking: Implement the proposal for an interactive web portal for Hispanic entrepreneurs, which Claudia Cardozo with Commerce RI is proposing with the name Emprendedores RI. This project could be considered a pilot for other community-specific outreach and networking.
2. Expand Training and Technical Assistance, Especially for Financial Literacy:

While scaling training and technical assistance for all stages of the business cycle, tailored to the needs of specific businesses, is important, a special focus on credit and financial management is warranted. Credit and financial management skills were identified as critical barriers for aspiring entrepreneurs and a major push to raise the level of financial literacy in immigrant, minority, and low-income communities in Rhode Island could have a real impact on entrepreneurial activity. We propose that the state (or funding collaborative) release an RFP for organizations to plan and lead such an initiative over a period of five years. The increased capacity for small business assistance would benefit all entrepreneurs, while the multi-cultural capacity mentioned above and outreach plans detailed below ensure access for immigrant, minority, and low-income entrepreneurs.

Estimated costs

Estimates based on national averages (see below) suggest that scaling training and technical assistance, with a focus on financial education, could be done at the level of one million dollars a year to reach roughly 1000 people with training, 350 of whom also receive more intensive counseling; or two million dollars a year to reach roughly 2000 people with training, 700 of whom also receive more intensive counseling. Cost per person estimates are drawn from the Aspen Institute’s FieldUS.org, with national averages at $1049/individual and $2725/client. Individual is defined as anyone who receives any type of service and clients are defined as those individuals who receive services leading to a loan or at least 10 hours of support.

3. Develop Microenterprise Lending:

Develop a range of financial products that support lending targeted to low-income and minority entrepreneurs, including a community access revolving micro-loan fund that would provide smaller loans with more flexible requirements around credit and collateral to reach those with viable business plans currently unable to access capital. The Neighborhood Development Center in Minneapolis provides a strong model for community micro-lending, which is supported by foundations, the state, the city, SBA microloan funds, and CDFI funds. They provide loans and technical assistance to entrepreneurs living or working in targeted neighborhoods in the city who graduate from the Center’s training programs.

To launch a comparable loan fund, Commerce RI could partner with a CDFI or other financial intermediary such as the Navigant Credit Union or other local bank. Expert interviews suggest that 1-2 million dollars would be sufficient to capitalize the fund, which could then grow over time with returns and additional funding via SBA, the CDFI fund, and private bank and foundation sources.

4. Utilize Community Pipelines and Marketing to Connect Entrepreneurs to Services:

Community-based organizations, churches, and high schools in immigrant, minority, and low-income communities should receive training in order to identify potential entrepreneurs and refer them to small business support resources. These “pipelines” would help connect those with potential businesses to the resources they need to seriously evaluate their plans and make
them a reality. Commerce RI should conduct a linguistically and culturally sensitive marketing campaign to raise awareness of existing resources. For identifying key community organizations through which to promote resources and identify entrepreneurs for more intensive services, Commerce RI, SBDC, or other providers could work with CWE, who has been building a list of community organizations connected with minority populations across the state.

5. Enhancing Collaboration and Long-Term Commitment Among Funders:

The long term vision of this collaboration would be to allow entities funding entrepreneurial development across the state, such as the state government, city governments, foundations, and banks, to pool their resources and invest them strategically with clear accountability metrics. This would allow for greater impact, scale, coordination, and stability for programmatic initiatives over time. It also could serve to attract new resources from national foundations and funding entities looking for continuity and organization within the entrepreneurial development system before dedicating resources to its expansion.

**Steps to Enhancing Collaboration Among Funders**

A clear vision and leadership is needed to strengthen the entrepreneurial development system in Rhode Island. Funders such as Commerce RI, RI Foundation, SBA, and others should start by meeting with each other to discuss the proposals in this report, each entity’s respective funding of small business assistance, and how they might better coordinate and scale the system for entrepreneurial development in Rhode Island. Commerce RI, as the state’s economic development leader, might take the lead in convening these initial meetings, although any formal collaborative could be hosted by another organization.

The next step is to determine whether this funding group wants to formalize their collaboration for the purpose of pooling funds and who might be best positioned to host a funding collaborative. Ultimately, a formalized collaborative would be best positioned to pool resources and invest them strategically. Strong and committed leadership from a well-respected individual/organization by potential funders would be required for this collaborative to succeed. If funders are not ready for a formalized collaborative, regular meetings to build strategic coordination could also be helpful. We encourage funders to visit out-of-state case study examples (such as NDC in Minneapolis, BOC in New York, or Merrimack Sandbox in Lowell, MA) that successfully provide the programs the funding initiative would support, such as the revolving loan fund and personal/business financial training in order to build interest and commitment to the initiative.

**Providers’ Collaborative**

Collaboration and coordination is ultimately what the entrepreneurial development system in Rhode Island requires. Alongside or in place of a funding collaborative, we suggest that active service providers form an association or network to provide clarity to potential funders about the business connections that currently exist and the outcomes they can achieve, creating a platform to more efficiently advocate for additional resources. They might also approach a large bank foundation or national foundation around a joint effort to improve and scale Rhode Island’s system.

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1 Seidman, interview
Rough Cost Estimates for Proposals

1. Scaling training & technical assistance, with focus on financial education and community pipelines

Option A: One million dollars to provide low intensity services such as training to 1000 additional people and higher intensity counseling to 350 additional people

Option B: Two million dollars to provide low intensity services such as training to 2000 additional people and higher intensity counseling to 700 additional people

*cost/person estimates drawn from FieldUS.org’s national averages of $1049/individual and $2725/client, with individual defined as anyone who receives any type of service and clients defined as those individuals who receive services leading to a loan or at least 10 hours of support.

Compared with the number currently served by RI key small business support organizations:

- SBDC (2013): 1074 training attendees, 297 long-term counseling clients
- CWE in Rhode Island (2013): 1325 training attendees, 173 counseling clients

*figures from the U.S. Small Business Administration

2. Capitalizing a Micro-Loan Fund

- 1-2 million to capitalize the fund
- A host organization able to provide ongoing administrative support
Next Steps

Scaling the entrepreneurial system for Rhode Island’s minorities and immigrants will take commitment by a number of key actors. By building momentum through “quick-wins,” energy, and interest around change will gather so that the growing minority and immigrant population can be fully engaged in entrepreneurship, thus promoting the state’s economic development. To initiate this process, we recommend the following “first steps” relevant to all recommendations:

1. Work with URI SBDC leadership to gain commitment to hire bilingual counselors.
2. Work with the RI business plan competition organizers to add a category for minority/immigrant/low-income entrepreneurs, and provide an outreach platform for non-winning entrepreneurs with strong business plans.
3. Implement the Emprendedores RI marketing campaign and online portal developed by Claudia Cardozo at Commerce RI, and use this as a model for similar marketing campaigns targeting African American and other minority populations.
4. Hold a meeting with key funders of entrepreneurial development in Rhode Island, including Commerce RI, RI Foundation, SBA, banks, municipalities, and legislators to discuss:
   • hosting or partnering with Commerce RI to develop a microloan fund
   • funding commitments to scale training/technical assistance and capitalize a microloan fund
   • ways to better coordinate efforts and maintain communication over time, whether this be through a formal collaborative or more informal regular meetings
5. Visit case example organizations such as New York’s Business Outreach Center, Minneapolis’s Neighborhood Development Center, or Lowell’s Merrimack Sandbox to gain additional insights into implementation of an improved entrepreneurial development system.
6. Focus on pitching the scaled entrepreneurial development initiative to the legislature and new Governor to obtain additional funding support. Look to national foundations or federal grants that could be brought in to supplement funding by Commerce RI, RI foundation, city CDBG funds, and local banks.
**Diversification in the Ship and Boat Building Industry**

**Background**

Rhode Island’s geography and long history in the maritime trades make it a natural home for ship and boat building and repairs-related industries. However, the economic recession from 2007-2009 exposed the fragility of this sector, whose businesses rely heavily on the disposable income of wealthy customers or, alternatively, federal level defense dollars.

Early research into the state maritime industries suggested a number of possible avenues for further development of the sector. Following feedback from a Phase I meeting, our subsequent research focused on diversification of the state’s ship and boat building industries as a promising, far-reaching, and realizable strategy for state action. Interviews with public and private sector representatives suggested composites development as the primary means for achieving this goal.

**Focus on Composites**

Our focus on composites therefore indicates that composite materials can play an important role in bolstering ship and boat building activities in Rhode Island. Composite materials service a wide variety of other fields and products. Rhode Island manufacturers can play a part in servicing each of these industries. Though local companies still rely most heavily on ship and boat building and repair, since 2007 the state’s medium and large firms increasingly looked beyond ship and boat building to supplement their traditional sources of revenue. This report identifies ways the state can support existing efforts to promote diversification in the marine trades, and also look to support a broad ecosystem of composites developers and suppliers.
CURRENT STATE EFFORTS

Rhode Island has already embarked on several important initiatives towards this goal. In 2013, representatives of the state government facilitated a meeting outlining efforts undertaken by the University of Rhode Island (URI) to develop research on the subject. It has also engaged with the Rhode Island Marine Trades Association (RIMTA) and key private sector participants to facilitate an application to the state Governor’s Workforce Board for a government-funded Composites Industry Partnership (IP). If successful, a new Composites IP would receive state grants of $100,000 over a three-year commitment period. Recently, Rhode Island joined Delaware, Maine and other states and universities in application for a $70 million matching grant from the Federal Department of Energy (DOE), which would help develop Rhode Island’s composites manufacturing base.

State agencies have, therefore, begun the important process of convening stakeholders and establishing broad partnerships to develop Rhode Island’s capacity in the composites industry. Our recommendations build upon existing initiatives but also provide a broad strategy and focus for pursuing these efforts in the future. Through our recommendations, we hope to clarify the role of the state vis-à-vis the private sector and state universities, and offer guidance for long-term growth.

VISION

Composite material development is an industry through which the state’s ship and boat building industry can diversify from limited, potentially risky revenue streams and also represents an opportunity area for significant future growth. We recommend expanding on the state’s existing efforts to establish a comprehensive composites design, manufacturing, and marketing initiative. This should take the form of a coordinated strategy to invest resources in supporting research, development, production, and marketing of composite materials, which have direct application to ship and boat building but may also expand into other markets. Our recommendations are in the following areas:

- Strengthen capacity of existing ship and boat builders and suppliers in composite materials and help develop opportunities to diversify their customer base by expanding their business into related fields and supporting marketing of the industry’s composites products, services and capabilities
- Support a strong ecosystem that connects agencies, research institutions and private companies with a focus on workforce development
- Attract and support new small businesses and entrepreneurs with expertise in composite materials
- Survey companies and support industry collaboration to promote market development and identify opportunities
Composites

Composites are made from multiple constituent materials, whose combination yields a product with improved material properties. Typically, composites consist of a resin (e.g. epoxy) and substrate that are combined through fabrication processes that bind the two constituent elements. The resin forms a glue that mixes with the substrate - carbon, in the case of advanced composites or, more typically, fiberglass - and is molded to form a variety of products, including but not limited to planes, cars, furniture, solar panels, buildings, and wind turbines.

Advanced composite materials made with carbon are stronger, stiffer and lighter than traditional building materials such as steel. Moreover, the use of advanced composites in transportation vehicles make them extremely attractive propositions as the cost of energy rises, and their low weight yields increased energy efficiencies. This, combined with their high resistance to stress, accounts for the widespread use of these materials in the aerospace industry and, increasingly, in architectural building. It also accounts for the high price tag associated with advanced composites. The complexity of the fabrication process, and the lack of roboticized labor necessitate highly trained labor to oversee production of these materials.
**WORKFORCE DEVELOPMENT**

Through numerous interviews with Rhode Island employers in the boat building and composite materials industry, interviewees emphasized the shortage of trained applicants to fill open positions. Composite manufacturing and boat/ship building requires workers with a unique skill set, and firms often will not hire without worker experience. Additionally, as a number of interviewees mentioned, the boat building industry is experiencing an aging of their workforce. Unfortunately, younger, skilled workers are not replacing older workers at a fast enough rate. Workforce development programs could help employers replace a competent but aging workforce with employees trained as ship carpenters, welders and electricians, and, most importantly, composite technicians. These workers should be conversant in ship building/repair techniques to supply the state’s existing ship building/repair industry. They should also be trained with skills translatable across a range of industries, to facilitate the diversification of composite-based builders and suppliers, and meet the needs of new firms.

The state could partner with private firms and existing trade organizations such as the Rhode Island Marine Trades Association (RIMTA) in developing apprenticeship programs, and could co-sponsor the training of applicants. Through an interview with a representative of RIMTA, we found that this organization has a number of workforce development initiatives within the marine industry. RIMTA is also becoming a more influential organization with RI, increasing from 178 members in 2010 to 281 current members.

**Diversification in the Ship & Boat Industry**

Diversification has been an opportunity for Rhode Island boat builders that may have specialized in one product to stay afloat during fall in boat sales associated with the economic recession. Building and repairing with modern materials including carbon fiber and composites is a desirable skill outside of the marine trades and have applications in other industries such as architectural and commercial. Additionally, one industry representative notes that boat building involves dealing with various odd shapes, a skill that provides an edge in other industries. A Rhode Island composites company previously producing boats has recently worked on everything from ferry to lightweight land vehicles, military shelters, and wind-turbine blades.
The state could also work with trade schools, such as the International Yacht Restoration School (IYRS), to expand the small but highly trained pool of workers graduating from these institutions with the skills necessary to work in composite manufacturing. In an interview with a composites instructor at IYRS, he indicated the school’s efforts to place graduates into multiple industries that use composites. However, the six-month program in the IYRS School of Composite Technology only graduates between 14-20 students per session. To help close the existing gap between jobs in the composite materials industry and skilled workers, the state could provide additional funding to programs like IYRS to expand their impact on the RI workforce. More specifically, the state could offer to match industry funding or in-kind donations to help expand the pool of funds and resources dedicated to increased training. On the industry side, firms could offer paid internships or loan instructors/donate equipment to trade schools like IYRS. Additionally, the state could partner with high schools and community colleges, like CCRI, to promote pre-apprenticeship programs that develop the basic workforce skills necessary for careers in this field.

Although these jobs are well paid and do not necessitate advanced educational attainment, they are often clustered in coastal communities and may not be well advertised or connected to local workforce development programs. Additionally, composite manufacturing is an emerging industry that is not well known throughout the state. A state or industry-led marketing and outreach initiative could significantly benefit composite manufacturing firms by bolstering the pool of local skilled workers. Rhode Island consistently has one of the highest state unemployment rates in the nation, but this unemployment is concentrated in certain areas within the state. The state could also assist by connecting people living in areas of high unemployment to jobs in composite that may be located in other parts of the state.
University Partnerships

Our interviews with RI private sector companies indicated a gap between private firms and Rhode Island’s universities. Firms frequently mentioned limited or no meaningful interaction with universities, and cite relationships with out-of-state institutions, like MIT, as commonly as in-state universities. Yet Rhode Island’s universities are strong in a number of fields, such as design and engineering, applicable to maritime composites. A partnership between universities and the private sector could yield significant benefits for both.

Commerce RI is working toward an industry partnership that involves collaboration with Delaware and Maine. Their effort to incorporate RI universities into an economic development initiative related to composites could be expanded. The state could support the creation of a multi-university research partnership among Rhode Island universities and between Rhode Island and out-of-state universities specializing in composite materials to expand the application of existing materials across industries, improve existing production techniques, and foster communication between public and private sectors. The following is a breakdown of the impact areas of a multi-university composite research partnership:

- **Expand Access to Research and Development:** As one interviewee mentioned, small and mid-sized firms in composite manufacturing and boat building often have trouble accessing R&D. A multi-university research partnership would also involve private sector collaboration. The establishment of a space for research to be conducted, that would be co-funded by the state, private sector, and universities, would enable smaller composite firms to access technology and knowledge that they would otherwise not be exposed to. Specific mechanisms could be used for attracting small and medium-sized firms to participate, like matching grants to support projects, low membership fees, and internship programs that place engineering students with smaller firms. This joint research center could be structured in a similar way to the Advanced Structures and Composites Center in Maine, which represents an effective university research center with many partnerships with private firms.

- **Facilitate Access to University Resources:** IYRS recently reached out to the University of Rhode Island’s (URI) Business Engagement Office to initiate conversation about an exchange enabling IYRS students to take advantage of broader course offerings available at URI. The state could facilitate such exchanges between Rhode Island universities to maximize the accessibility of composites education to students. For example, URI has the advantage of broader course offerings, though it is a large public institution that cannot be as nimble as a smaller trade school like IYRS in curriculum flexibility.

- **Improve Existing Techniques:** A university partnership would foster collaboration and help to improve existing techniques in composite manufacturing and boat/ship building. By improving techniques within these industries, Rhode Island’s firms will be more competitive in composite markets and the state can advertise their expertise in composite materials.
- **Foster Communication between Public and Private Sector:** The partnership will serve as an opportunity for universities, firms and the state to communicate their strengths and needs within the industry.

- **Help Link Students to Job Opportunities in Composites:** This recommendation connects strongly with our earlier recommendation related to workforce development. A composite research center and university partnership would provide students access to jobs with local firms in the composite materials and boat/ship building industries.

As seen in these key impact areas, a university partnership and joint research center for composite materials could serve as key parts of a comprehensive approach to economic development of the composites and boat/ship building industries in Rhode Island. Establishing a multi-university composites research lab would help train engineers, and establish professional relationships that benefit employers, improve university expertise, and help retain graduates. The state could play a role in this process by providing funding, helping to identify space, and logistical support.
EXISTING BUSINESS AND ENTREPRENEURIAL SUPPORT

With an emphasis on the diversification of composite manufacturing in Rhode Island, the state can expect growth in the industry, in the form of current firms expanding operations, or the creation of new firms focusing on composite materials. Newly developed small companies and spinoffs could add to what is already a very strong cluster of firms in the boat and ship building industry in Rhode Island, creating a healthy level of competition.

Both well-established firms and entrepreneurs could use support in navigating regulations and accessing funding, loans and tax credits. One interviewee who works and a composite materials firm in Rhode Island stressed the importance of developing a manufacturing friendly environment. This does not necessarily mean relaxing all regulations and making tax cuts. Firms simply need help to acquire resources and operate an efficient, successful business.

We recommend that Commerce RI dedicate a staff person to focus on business development of maritime composites in the boat and ship building industries. While there are Commerce RI staff that are working within the composite industry, no staff person has the focus of providing technical assistance to these firms. This maritime concierge would link boat builders and composite material manufacturers with the services and financing that they need to grow their businesses, and would also help these firms to identify spaces where they can locate, since waterfront land in Rhode Island is often difficult to acquire.

This service could also help connect local businesses to grants and federal funding sources. For instance, New England Tech recently received a Department of Labor grant for ship building/marine education in partnership with Rhode Island companies and trade associations. Additionally, the Office of Economic Adjustment (OEA) provides up to $1.5 million in noncompetitive federal funding to applicant agencies representing communities that have been economically affected by cuts in defense spending. State level assistance could help guide applicants in the OEA process in the possibility of future cuts in defense spending. This funding opportunity is relevant to other economic development initiatives as well, and could potentially be a source of funds for workforce development and university R&D. Small grants and loans from the state could assist businesses with the high capital costs involved with equipment purchase and upgrades. Pilot programs could test the usefulness and popularity of such loans, which would be designed to offset the high capital costs associated with the industry. Additionally, the state could provide funding to offset the costs associated with marketing, including travel and entrance expenses for participating in trade shows.

Further quantitative analysis of industry composition and market demand, which we recommend later in this report, could inform the development of a Commerce RI maritime concierge. Another role of this staff person could be the identification of composite and boat/ship building firms with significant potential for growth. These companies could then be the focal point of the technical assistance provided by Commerce RI.
INFRASTRUCTURE

Coordinated efforts to bolster land use and infrastructure to support the ship building industry may provide a clear and defined role for the State Division of Planning. The State Division of Planning could examine existing trends to rezone waterfront property from commercial to residential, which may be causing shipbuilders to be effectively zoned out. Specifically, the loss of commercial waterfront property may be a barrier to potential entrepreneurs within the boat and ship building industry who are looking for space to locate their businesses. Further investigations into waterfront zoning trends is needed to determine inform whether the State should invest in an in-depth evaluation of current zoning plans and efforts related to ship and boat building.

Rhode Island could also provide assistance in establishing physical infrastructure necessary to support development of composite industries. Material suppliers and shipbuilders often need significant spaces - between 200,000 and 300,000 square feet building footprints - for manufacturing and repair operations. The state could assist these efforts by keeping a database of suitable spaces, and developing spaces catered to manufacturers in this area. It could help university partners find and develop space for a joint research lab focusing on the development of composites (see the University Partnerships section) and could help establish in-state testing facilities required to ascertain the durability of materials (fire testing facilities, tensile/compressive strength testing, etc.). By taking the lead on establishing key infrastructure, Rhode Island can address a critical barrier to the growth and diversification of the ship and boat building industries.
Industry Collaboration

Rhode Island should continue to take advantage of its strong marine industry cluster to identify opportunities and strategically promote diversification, marketing, and other opportunities to strengthen the industry. A consortium of companies is a promising strategy for establishing a structure for these efforts. Rhode Island’s strong industry and small size are assets that should be leveraged. While a consortium of companies should likely be industry-led, the State of Rhode Island can gather information on specific companies, help promote the industry as a whole, and serve as a connector between companies within the consortium and between the consortium and new markets. The state should survey firms, build relationships, and connect companies to promote themselves cooperatively, help mitigate costs, and reach a market level that companies may not be able to achieve on their own. Companies can be supported in expanding into other local markets through composite materials and to develop export potential through an industry consortium. Recommendations in this area are:

- Survey companies in the state and conduct asset mapping to understand the company strengths and industry landscape.
- Convene companies to consider the feasibility and benefits of a consortium to address market development and potentially other areas, such as workforce development.

Marketing

Rhode Island features a strong marine industry cluster, and significant presence at maritime trade shows, industry events, and boat races. A number of our interviewees stressed how important these events are for marketing their products, and Commerce RI noted the need for a comprehensive marketing strategy around marine-based resources that intersect with tourism.

Development of the composite materials market would also benefit greatly from a marketing strategy. The state can support Rhode Island industry presence at trade shows, and could establish a continuous presence at composite shows, marketing the strengths of state-based companies.

Research/Analysis

There exists relatively little data on the size of the composite industry within Rhode Island as it pertains to ship and boat building/repair, or industries such as aerospace, architecture or manufacturing. We suggest that the state conduct further investigation into the composition of the industry, market, and workforce to better understand the linkages between suppliers and vendors, and the potential for growth. By establishing the number of employers and employees directly and indirectly involved in composite manufacturing, and determining the revenue generated by the sector, the state can better gauge the industry’s current and potential economic impact on the state. Precise figures regarding market size and potential will suggest the appropriate level of investment from the state, and which of the recommendations outlined above it chooses to pursue.

Specifically, the state should determine the number of companies currently operating in the state, the size and revenue of those companies, and the education level of their employees. The state should
establish the current and potential volume of the local market, including purchasing power, and size of exports. Additionally, it should investigate potential geographic mismatches between the location of composite and ship building clusters, and communities with high rates of unemployment (see Workforce Development). This research effort can also be an effective way to verify and deepen understanding of firm needs and support for the proposals in this report.
CONCLUSION

With these initial recommendations, we emphasize the importance of the composite materials sub-sector of ship and boat building as a potential high growth industry, and provide an overview of how Rhode Island can support the industry for broader economic gain. In these recommendations, we understand state government as facilitator of the private sector, which has historically innovated new technologies and local business models. These private sector efforts have made Rhode Island an exciting area for the development of composite materials, and suggest a promising future. Government can assist by removing barriers to private sector growth in the form of onerous financial and regulatory burdens. Yet government also plays a vital and active role in marketing the state’s strengths, promoting technical innovation, and connecting the opportunities found in the composites industry to a wider population of Rhode Islanders through workforce development programs. In short, new initiatives should be business led, but government supported.

This report seeks to provide strategic guidance to the state in the composites industry. Rhode Island already recognizes the significance of this industry, and is currently supporting a number of initiatives to grow the sector. This report offers a comprehensive strategic vision to guide these initiatives, define important goals, and facilitate continued growth of the industry.

Finally, it is important to recognize Rhode Island’s small size as an asset upon which to build. In the course of our research, we discovered a tight community of businesses involved in the state’s composites industry. These firms provide a wide variety of services, complementing one another, but also competing in a way that makes drives innovation. The relative size of the field may make it easier for state planning agencies to win broad industry backing of state-led initiatives, but it also makes it imperative that the state engages with the private sector to establish open and continuous communication with key players in the field. Accordingly, we encourage the state to establish regular industry-government meetings to formalize knowledge exchange, gauge industry concerns, and develop strong working relationships between the public and private sectors.

Additionally, we offer the following potential next steps:

- Perform an industry assessment of key players, existing markets and opportunities.
- Investigate opportunities for federal funding through the Office of Economic Adjustment (OEA).
- Establish a “composites concierge” to assist with regulatory hurdles, infrastructural needs, and market RI’s strengths in the composites industry to potential customers.
- Invest in pilot apprenticeship and other development programs to grow a trained workforce in composite manufacturing.
- Investigate funding sources for joint research center partnerships.
REPORT CONCLUSION

The preceding report provides analysis and recommendations for how the State Division of Planning and Commerce RI can more effectively use property tax incentives, strengthen the entrepreneurial development system for minorities and immigrants, and diversify the ship and boat building industry, to support Rhode Island’s broader economic development goals.

These recommendations require both short and long-term commitments from the state in order to achieve the scale of change that is both needed and desired by stakeholders. The following groups of bulleted priorities represent the next steps the State Division of Planning and Commerce RI need to take in order to build momentum and achieve “quick wins” for catalyzing broader change in the respective economic development initiatives.

Minority, Immigrant, and Low-Income Entrepreneurial Development

- Work with URI SBDC leadership to gain commitment to hiring bilingual counselors.
- Work with the RI business plan competition organizers to add a category for minority/immigrant/low-income entrepreneurs, and provide an outreach platform for non-winning entrepreneurs with strong business plans.
- Hold a meeting with key funders of entrepreneurial development in Rhode Island (including RI Foundation, SBA, banks, municipalities, and legislators) to discuss hosting or partnering with Commerce RI to develop a microlloan fund, funding commitments to scale training/technical assistance, and ways to better coordinate efforts and maintain communication over time.
- Visit case example organizations to gain additional insights into implementation of an improved entrepreneurial development system.
- Focus on pitching the scaled entrepreneurial development initiative to the legislature and new Governor to obtain additional funding support.

Diversification in the Ship and Boat Building Industry

- Perform an industry assessment of key players, existing markets and opportunities.
- Investigate opportunities for federal funding through Office of Economic Adjustment (OEA).
- Establish a “composites concierge” to assist with regulatory hurdles, infrastructural needs, and market RI’s strengths in composites industries to potential customers.
- Invest in pilot apprenticeship and other development programs to grow a trained workforce in composites.
- Investigate funding sources for a joint research center partnership.
Property Tax Incentives

• Assess whether the state wants to take a more active role by legislating restrictions and requirements, or advisory role by recommending best practices to local governments through incentives.

• This decision, and the recommendations the state will pursue to realize such goals as a result, are dependent on the client organizations answering for themselves:
  o Will the plan allow Rhode Island to achieve its objectives in the long-term?
  o Will the plan achieve short-term wins that can build momentum to reach long-term goals?
  o Will the plan allow Rhode Island to adapt as it learns more information about its property tax incentive effectiveness and make informed decisions along the way?
  o Does the plan allow Rhode Island to balance growth with equity?
  o Does the plan provide the necessary support to localities and state offices for implementation?

• As a result, a combination of recommendations proposed should be pursued that enable the state to target property tax incentives and advise and support local governments more effectively.

This report offers a strategic vision to guide these initiatives, define important goals and opportunities, and support continued economic development for the state of Rhode Island. The state’s commitment to these initiatives represents an important step towards a strengthened “RhodeMap” for future economic vitality and cultural prosperity.
Works Cited

Property Tax Incentive References


Swenson, David; Eathington, Liesl (2002). Do Tax Increment Finance Districts in Iowa Spur Regional Economic and Demographic Growth? Ames: Iowa State University.


Entrepreneurial Development References


APPENDIX

Appendix A  Additional Property Tax Resources

Stabilization Reimbursement Link

• Lincoln Land Institute Report

Technical Support and Toolkit Example

• Massachusetts Office of Local Services
  http://www.mass.gov/dor/local-officials/

Curriculum Examples

• Lincoln Land Institute
  https://www.lincolninst.edu/education/courses.asp

• Grow Smart RI
  http://www.growsmartri.org/training/land-use-training-collaborative/

• American Planning Association
  http://www.planning.org/education/training/

• National Development Council
  http://www.nationaldevelopmentcouncil.org/index.php/site/training/

Advisory Council Example

• Idaho
  http://commerce.idaho.gov/communities/economic-advisory-council

• Michigan
  http://www.michiganbusiness.org/community/development-assistance/#partners

• New Hampshire
### Appendix B  Entrepreneurial Development Ecosystem

#### Mapping the Entrepreneurial Development Ecosystem

<table>
<thead>
<tr>
<th>Organization Name</th>
<th>Services Provided</th>
<th>Target Demographic</th>
<th>Sector</th>
<th>Local Partners</th>
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<tr>
<td><strong>Finance</strong></td>
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<td></td>
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<tr>
<td><strong>Commerce RI</strong></td>
<td>Creation of healthy business conditions</td>
<td>All sectors</td>
<td>Public</td>
<td>URI, CWE, OIC, SCORE, SEED</td>
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<tr>
<td><strong>SBDC</strong></td>
<td>Small business-management and</td>
<td>All sectors</td>
<td>Public</td>
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<td><strong>Slater Tech Fund</strong></td>
<td>Venture capital financing, networking</td>
<td>High tech and life sciences</td>
<td>Public-Private</td>
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<td>Cherrystone Angel Group</td>
<td>Angel investment</td>
<td>Medical and Software</td>
<td>Private</td>
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<td>The Development Company</td>
<td>Flexible loan structures</td>
<td>Small and medium sized businesses</td>
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<td><strong>Capital Good Fund</strong></td>
<td>Financial and health coaching; small loans tax preparation</td>
<td>Low-income individuals</td>
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<td><strong>SEED</strong></td>
<td>Small business lending/assistance</td>
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<td><strong>Incubator Space</strong></td>
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<tr>
<td><strong>Beta Spring</strong></td>
<td>Mentorship driven startup accelerator program</td>
<td>Technology and design entrepreneurs ready to launch companies</td>
<td>Private</td>
<td>Founders League; URI</td>
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<tr>
<td><strong>Social Enterprise Greenhouse</strong></td>
<td>Skills workshops: financial management, youth programs, university partnerships</td>
<td>Start-ups and existing businesses</td>
<td>Private</td>
<td>Brown, Bryant, Providence College, Johnson and Whales, Roger Williams, RISD, Salve Regina, URI</td>
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<tr>
<td><strong>Hope &amp; Main Kitchen Incubator</strong></td>
<td>Low-cost, low-risk access to shared-use commercial kitchens and other technical resources.</td>
<td>Food/restaurant entrepreneurs</td>
<td>Private</td>
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<td><strong>Founders League</strong></td>
<td>Members attend programs, receive mentorship, access to</td>
<td>Entrepreneurs</td>
<td>Private</td>
<td>Beta spring, URI, Providence</td>
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<td>Training and Tech Support</td>
<td>Chamber of Commerce, Brown</td>
<td>RI EDC, SBA, SBDC, Center for Women &amp; Enterprise</td>
<td>SBDC</td>
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<tr>
<td>Hatch Entrepreneurial Center Facilities, mentorship, financing Early-state start ups</td>
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<td>Rhode Island Science &amp; Technology Advisory Council Research grants; loans; annual recommendations to state legislature</td>
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<td>Providence Economic Development Partnership Loans and grants to high tech start-ups; workforce training and technical assistance programs</td>
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<td>Broad Street Regeneration Initiative Directory of resources for small business financing and technical assistance</td>
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<td>Ocean State Angels Seed and early stage funding and mentoring for life science companies</td>
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<td>SBDC</td>
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<tr>
<td>Rhode Island SCORE Free counseling and business development workshops for small businesses</td>
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<td>Universities</td>
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<td>Brown University Student-run Entrepreneurship Center; Idea Lab Speaker series and hack-a-thons; Venture Lab student incubation program; West Coast Accelerator Students</td>
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<td>Social Enterprise Greenhouse, Founders League, Beta Spring, URI</td>
<td>SBDC</td>
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<td>Bryant University Export enterprise Students</td>
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<td>Johnson and Wales University Freeman Center entrepreneurial studies, alumni mentors, venture Students</td>
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<td>Students</td>
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<td>Salve Regina University</td>
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<td>University of Rhode Island</td>
<td>Access to talent / research / facilities, networking through Business Engagement Center</td>
<td>Existing companies, but will refer start-ups elsewhere</td>
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<td>Center for Women and Enterprise</td>
<td>Education; Training; Technical assistance; Certification</td>
<td>Target woman-owned small business, but open to all genders</td>
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<td>Progreso Latino</td>
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<td>Leadership RI</td>
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