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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2014

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A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT

Introduced By: Senators Miller, Ruggerio, Goodwin, and Pichardo

Date Introduced: April 10, 2014

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 42 of the General Laws entitled "STATE AFFAIRS AND
2 GOVERNMENT" is hereby amended by adding thereto the following chapter:

3 CHAPTER 64.20

4 THE 111 WESTMINSTER STREET HISTORIC REDEVELOPMENT AND ECONOMIC

5 DEVELOPMENT PROGRAM

6 **42-64.20-1. Declaration of purpose.** – (a) the general assembly finds and declares the
7 building located at 111 Westminster Street, city of Providence, county of Providence, state of
8 Rhode Island (hereinafter referred to as "111 Westminster") is an iconic historic structure that has
9 and will continue to play a crucial role in the vitality of downtown Providence and the historic
10 fabric of the state. 111 Westminster is among the most visible and prominent buildings in the
11 capital city's skyline. 111 Westminster is a certified historic structure as defined under Rhode
12 Island general laws § 44-33.6-2 and its preservation shall foster civic beauty, promote public
13 education, pleasure and welfare and otherwise generally improve and enhance the economic
14 wellbeing of the citizens of the state of Rhode Island. The general assembly recognizes that, like
15 most historic structures in central business districts across the state of Rhode Island, without
16 providing economic incentives or assistance, 111 Westminster is not viable for redevelopment
17 and reuse by modern commercial, residential or manufacturing enterprises. The high cost of
18 redeveloping 111 Westminster is prohibitive to placing the building back into service at its
19 highest and best use for the overall city and state economies and, as such, is at serious risk of

1 further deterioration and continued vacancy, which shall serve to detract from neighboring
2 properties and the capital city's downtown as a whole. The purpose of this chapter is to create an
3 economic investment package by way of a public-private partnership to stimulate the
4 redevelopment of 111 Westminster, stabilize the commercial office market in downtown
5 Providence, preserve and potentially enhance property values in the capital city's downtown, as
6 well as generate positive economic and employment activities that will result from the
7 redevelopment and reuse of the building.

8 (b) The general assembly recognizes that the commercial office space market in
9 downtown Providence has over one million square feet (1,000,000 sq. ft.) of vacant office space.
10 This overwhelming vacancy rate would only be further exacerbated if 111 Westminster flooded
11 the market with more than three hundred fifty thousand square feet (350,000 sq. ft.) of additional
12 vacant space. Conversely, the downtown Providence has one of the highest residential rental
13 apartment occupancy rates in the county of Providence. There is a clear shortage of apartment
14 units that needs to be addressed for the overall economic vitality of the city of Providence and
15 state of Rhode Island.

16 (c) The highest and best use of 111 Westminster is to redevelop the building into a
17 modern mixed use building with commercial, retail and public space on the ground floor and
18 approximately two hundred fifty (250) apartment units on the remaining floors of the building.
19 This will enhance the tax base of the city of Providence, stabilize the property values of the
20 surrounding properties, particularly commercial office buildings, and attract hundreds of new
21 residents to live in downtown Providence. This conversion will create approximately one
22 thousand (1,000) jobs related to redevelopment activities, and generate millions of dollars in
23 economic activity in the struggling construction industry. The establishment of a public-private
24 partnership with the owner of the building will attract over eighty million dollars (\$80,000,000) in
25 private and federal investment in downtown Providence. The redevelopment of 111 Westminster
26 will generate over forty million dollars (\$40,000,000) in wages paid to people working in Rhode
27 Island. The redevelopment of 111 Westminster will generate approximately one hundred million
28 five hundred thousand dollars (\$100,500,000) in qualified rehabilitative expenditures as defined
29 by Rhode Island general law § 44-33.6-2. The presence of hundreds of new residents living in
30 downtown Providence will also benefit the restaurants, stores and other small businesses
31 currently located in downtown Providence, further strengthening commerce in the re-emerging
32 downtown.

33 (d) Furthermore, the general assembly recognizes the need for a public-private
34 partnership with the owner of 111 Westminster. The state has experienced great success in

1 investing in the rehabilitation of historic structures in various forms. In the past, investing in the
2 rehabilitation of historic structures has created thousand of jobs and generated hundreds of
3 millions of dollars in economic activity in the state, as well as preserved and enhanced property
4 values in many communities throughout the state. Due to the universally high costs of such
5 historic rehabilitation projects and the large scale of this particular project, the state of Rhode
6 Island's presently available economic incentive programs for redeveloping historic structures are
7 inadequate in scope. Given the high cost of the redevelopment of 111 Westminster and the
8 current market rental rates, this project cannot be financed without public support. The owner of
9 111 Westminster anticipates being able to secure approximately eighty million five hundred
10 thousand dollars (\$80,500,000) in new equity, debt and the monetization of federal historic tax
11 credits for the anticipated redevelopment project. This leaves a need for state investment in the
12 project of thirty-nine million dollars (\$39,000,000) to make the redevelopment of 111
13 Westminster financially viable. This chapter shall create an economic investment package by way
14 of a public-private partnership to stimulate the redevelopment of 111 Westminster and thereby
15 preserving and enhancing the capital city's downtown, creating needed employment
16 opportunities, and generating substantial direct and indirect positive economic activities/impact
17 that will result from the subject redevelopment project and the resulting use of same as a vibrant
18 mixed use building that preserves its iconic stature.

19 **42-64.20-2. Definitions. -- As used in this chapter:**

20 (1) "Certified rehabilitation" means any rehabilitation of a certified historic structure
21 consistent with the historic character of such property or the district in which the property is
22 located as determined by the guidelines of the Rhode Island historical preservation and heritage
23 commission created pursuant to § 42-45-2.

24 (2) "Commission" means the Rhode Island historical preservation and heritage
25 commission created pursuant to § 42-45-2.

26 (3) "Owner" means the individual, corporation, partnership or LLC that is the owner of
27 record of 111 Westminster.

28 (4) "Placed in service" means that substantial rehabilitation work has been completed
29 which would allow for occupancy of a substantial portion of the structure, or the owner has
30 commenced depreciation of the qualified rehabilitation expenditures, whichever occurs first.

31 (5) "Qualified Rehabilitative Expenditures" or "QREs" means any amounts expended in
32 the rehabilitation of a certified historic structure properly capitalized to the building and either:

33 (i) Depreciable under the Internal Revenue Code, 26 U.S.C. 1 et seq.; or

34 (ii) Made with respect to property held for sale by the owner.

1 (6) "Remain idle" means that work crews have been reduced by more than twenty-five
2 percent (25%) for reasons unrelated to scheduled completion of work in accordance with the
3 project schedule, reasonably unanticipated physical conditions, shortage or issues related to
4 scheduling of work force, or force majeure; or the project schedule that was originally submitted
5 by the owner to the commission has been extended by more than twelve (12) months for reasons
6 other than reasonably unanticipated physical conditions or an event of force majeure (by way of
7 example, and not in limitation, any delays, work stoppage or work force reduction caused by
8 issues with project funding, finances, disputes or violations of laws shall be deemed to cause the
9 project to remain idle).

10 **42-64.20-3. Historic redevelopment program and revolving fund. --** This chapter shall
11 establish the 111 Westminster historic redevelopment program and revolving fund. The program
12 shall be for an amount not to exceed thirty-nine million dollars (\$39,000,000), provided that the
13 projects total QRE's equal or exceed one hundred million five hundred thousand dollars
14 (\$100,500,000). The amount of the direct allocation to the owner shall be allocated over four (4)
15 consecutive fiscal years in equal amounts of nine million seven hundred fifty dollars
16 (\$9,750,000), commencing with fiscal year 2015, and administered by the Rhode Island
17 department of administration. No funds from the program shall be released until the project is
18 placed in service. As the project's construction phase is expected to take approximately two (2)
19 years, the first fiscal year's payment of the allocated funds shall be held by the state in escrow and
20 not paid until the completion of the project. Thus, the payment of the funds in the second fiscal
21 year shall be nineteen million five hundred thousand dollars (\$19,500,000) and then payments of
22 nine million seven hundred fifty thousand dollars (\$9,750,000) in each of the following fiscal
23 years. Following the funding of the fourth and final payment, upon a capital event resulting from
24 the sale or refinancing of the project, any amount paid to the owner under this program above
25 thirty percent (30%) of QREs shall be repaid to the state of Rhode Island prior to the owner
26 realizing any return over the actual amounts invested in the project (the "refundable investment
27 component"). By way of example, upon such a capital event, the proceeds shall go first to
28 repaying third-party debt, then to repayment of equity invested (without any interest or profit
29 thereon), and then to repay the refundable grant component (with any balance after such
30 repayment going to owner). Capital events involving 111 Westminster shall be subject to the
31 foregoing repayment until such time as the state of Rhode Island has recovered, in the aggregate,
32 the entire refundable grant component. The refundable investment component of the project shall
33 be placed into a revolving fund created and administered by the state of Rhode Island to
34 rehabilitate historic structures in need of assistance across the state. The revolving fund shall be

1 established and administered in accordance with Rhode Island law. The specific payment
2 schedule and funding of the program shall be established by the Rhode Island department of
3 administration. The owner intends to obtain financing in anticipation of the aforementioned
4 funding of the program.

5 **42-64.20-4. Procedure and oversight. --** The owner shall, within nine (9) months from
6 passage of this chapter, submit a redevelopment proposal to the commission and the department
7 of administration for review. The owner shall be allowed two (2) ninety (90) day extensions if the
8 delay in providing the report is caused by forced outside of the reasonable control of the owner.
9 Said proposal shall include detailed redevelopment plans, a detailed project budget and all
10 relevant financial information and documentation, including, but not limited to, the project's
11 equity sources, anticipated debt sources, expected federal tax credits, and anticipated QREs. The
12 owner shall also include a construction timeline demonstrating a time frame during which work
13 shall begin and be completed. Upon receipt of the proposal, the commission shall review the
14 proposed redevelopment of the building for the purpose of certifying the rehabilitation as
15 compliant with the historic character of the building and the surrounding district pursuant to the
16 commission's current guidelines for rehabilitation of historic structures. The commission shall
17 complete its review and issue its certification (or a detailed report setting forth the elements of
18 non-compliance) within thirty (30) days of its receipt of such proposal or any resubmission
19 thereof. Upon substantial completion of the rehabilitation and the project being placed in service,
20 the commission shall, within thirty (30) days of the owner notifying the commission of
21 substantial completion, certify that the rehabilitation has been completed in accordance with its
22 guidelines (or issue a detailed report setting forth the elements of non-compliance). Upon
23 substantial completion of the rehabilitation, the owner shall provide the department of
24 administration a schedule of the actual QREs, a list of contractors and subcontractors that worked
25 on the project, the number of tradespersons employed on the project, the name, state of residence,
26 occupation, number of hours worked, and actual wages and fringe benefits paid to each worker
27 employed by the owner and/or any of its contractors or subcontractors and verification of
28 apprenticeship programs and the number of hours of work completed by apprentices on the
29 QREs. The department of administration shall work with the department of labor and training to
30 certify the accuracy of the information provided by the owner. Provided that owner has
31 substantially complied with the commission guidelines and the terms and conditions of this
32 chapter, the applicable portion of the grant shall be funded within sixty (60) days of the project
33 being placed in service.

34 During the construction phase of the rehabilitation of 111 Westminster, the owner shall

1 provide quarterly updates on the progress and financial status of the project to the department of
2 administration. These reports shall include an approximate schedule of the QREs, a list of
3 contractors and subcontractors that worked on the project, the number of tradespersons employed
4 on the project, the name, state of residence, occupation, number of hours worked, and actual
5 wages and fringe benefits paid to each worker employed by the owner and/or any of its
6 contractors or subcontractors and verification of apprenticeship programs and the number of
7 hours of work completed by apprentices on the QREs. Furthermore, the department of
8 administration, for the purpose of ascertaining the correctness of any claim made by the owner
9 under the provisions of this chapter, may examine any books, papers, records or memoranda
10 bearing upon the matters required to be included in the reports or any other statement.

11 **42-64.20-5. Completion and economic benefit bond guaranty.** -- The owner shall
12 contract for and or purchase a private bond from an institution mutually agreed upon by the
13 owner and the department of administration. This bond shall be for an amount sufficient to
14 guaranty the completion of the project thus ensuring that all the economic and employment
15 benefits to the state of Rhode Island are realized in the event that the owner is financially unable
16 to complete the project or the project should remain idle as defined in this chapter. The bond
17 company shall have no recourse against the state of Rhode Island and the cost of said completion
18 bond shall be borne entirely by the owner. The terms of the bond must ensure that the work of
19 rehabilitating 111 Westminster in accordance with the terms of this chapter and the proposal
20 approved by the commission is completed and all of the wages owed and materials costs are paid
21 as anticipated.

22 **42-64.20-6. Workforce development.** -- All contractors and subcontractors who perform
23 work on the 111 Westminster rehabilitation shall have an apprenticeship program for all
24 apprenticeable crafts that will be employed on the project at the time of bid, and that no less than
25 ten percent (10%) of the labor hours worked on the project shall be performed by apprentices in
26 these programs unless there is a demonstration of a lack of availability of apprentices or a written
27 determination by the department of administration that compliance with the apprenticeship
28 requirements are unduly cost prohibitive. The provisions of this section shall apply only to
29 contractors and subcontractors with five (5) or more employees. To the extent that any of the
30 provisions contained herein conflict with the requirements for federal historic tax credits, federal
31 law and regulations shall govern.

32 **42-64.20-7. Payment of wages.** -- The owner and/or all contractors and subcontractors
33 working on the 111 Westminster project pursuant to this chapter shall comply with the
34 requirements of § 37-13-7.

1 **42-64.20-8. Kennedy Plaza revitalization fund.** -- In recognition of the critical relation
2 between the success of a clean, safe and active Kennedy Plaza and the success of 111
3 Westminster, the owner shall establish an endowment fund for the maintenance, enhancement and
4 programming of Kennedy Plaza, or otherwise fund an organization charged with maintaining,
5 enhancing and programming Kennedy Plaza, and shall contribute fifty thousand dollars (\$50,000)
6 annually to said fund or organization, as applicable. The owner shall make said contributions for
7 a period of ten (10) years or until the owner has paid back the refundable grant component.

8 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO STATE AFFAIRS AND GOVERNMENT

- 1 This act would provide economic incentives and assistance for the redevelopment of 111
- 2 Westminster Street using a public-private partnership.
- 3 This act would take effect upon passage.

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