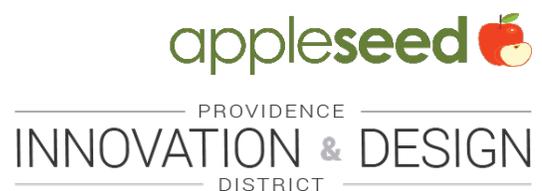


# Development of the Providence Innovation and Design District:

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THE ECONOMIC IMPACT OF PROJECTS COMPLETED OR UNDER  
CONSTRUCTION IN THE FIRST TEN YEARS

MAY 19, 2022



## Executive Summary

During the decade since the Rhode Island General Assembly created the I-195 Redevelopment District, ten projects, both public and private, have been completed or are under construction in the District. RES Group and Appleseed have completed an economic impact study and found that development in and around the District has resulted in significant economic gains for the State of Rhode Island. Some key findings include:

- The total economic output from construction and operations is estimated at over \$1 billion to date, including \$709 million total economic output from construction activities and \$300 million cumulative economic output from operations to date.
- Construction activities are estimated to have generated 4,765 job years. Ongoing operations from completed and under-construction projects are estimated to account for 1,873 net new jobs<sup>1</sup>.
- Construction activities have resulted in an estimated \$420 million in one-time state GDP gains. Ongoing operations contribute an estimated \$167 million annually to the state GDP.
- An estimated \$7.72 million in State personal income, sales and business tax revenue has been generated both directly and indirectly from construction activities. An estimated \$2.59 million in annual State personal income, sales, hotel and business taxes is estimated to be generated from ongoing building and business operations.

In addition to the specific impacts cited above, the redevelopment of the District has had significant spillover effects on the surrounding area, helping to catalyze new investment in adjoining and other nearby properties. Redevelopment of the District has also contributed in other ways to the ongoing revitalization of Rhode Island's economy, notably:

- Providing amenities, space and support services conducive to the growth of industries that are critical to the future of the State's economy, such as life sciences.
- Adding to the supply of housing needed to support the continued growth of the State's population and workforce.
- Making Providence a more attractive place to live, work and do business.

Four additional public and private projects are proposed in the District.<sup>2</sup> As these and other new projects are constructed, these one-time and ongoing economic development benefits are poised to significantly increase.

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<sup>1</sup> This estimate represents jobs that are "net new" to Rhode Island. It excludes jobs (for example, most of Brown's School of Professional Studies, and staff of several other Rhode Island-based organizations working at Point 225) that were already located in Rhode Island prior to the development of the Innovation and Design District. The estimate is based on full lease-up for all projects.

<sup>2</sup> This analysis does not include the Hope Point Tower project proposed by the Fane Organization, as this project remains in litigation at the time of this report.

## Introduction and overview

In 1997, the Federal Highway Administration approved a proposal from the Rhode Island Department of Transportation to demolish and relocate a 1.6-mile stretch of I-195, an elevated highway that cut through Providence's historic Jewelry District and Fox Point neighborhoods. The award-winning \$610 million project, completed in 2009, included the newly-built segment of the highway, a new bridge across the Providence River, a new interchange with I-95, and 4,100 feet of riverside pedestrian walkways. It also reconnected parts of the City of Providence that had been split apart when I-195 was first built in the 1960s – and freed up for redevelopment 26 acres that the old highway had occupied.

In 2011 the Rhode Island Legislature approved the I-195 Redevelopment Act, which set the boundaries of a new I-195 Redevelopment District, defined in broad terms the state's goals for redevelopment of the District, and established a seven-member Commission charged with guiding the redevelopment process. The enabling legislation gave the Commission broad authority to support the redevelopment of the land for "commercial, institutional and residential development and beneficial reuse, including without limitation to support or encourage workforce development, education and training, and the growth of 'knowledge based' jobs and industries such as research and development, life sciences, media technologies, entrepreneurship and business management, design, hospitality, software design and application, and a variety of other uses consistent with a knowledge based economy"<sup>3</sup>.

The first steps toward realization of the state's vision for the District were taken in 2012, with the transfer of two parcels to Johnson & Wales University. In the spring of 2015, Johnson & Wales broke ground on the first building to be constructed in the I-195 Redevelopment District – a new home for the University's College of Engineering and Design.

This report reviews and analyzes the impact of the Providence Innovation and Design District at the ten-year mark. Topics addressed include:

- The impact of project construction and operations on state and local tax revenues.
- The impact on Rhode Island's economy from spending on construction of completed projects, projects under construction and projects planned or proposed.
- The impact of ongoing operations of completed projects, and the future operating impact of projects not yet completed.
- How the redevelopment of the District affects investment in adjoining areas in Providence.
- Other ways in which the District contributes to the ongoing development of Rhode Island's economy, including the retention of current and attraction of new residents, the growth of new businesses, and the creation of a wide range of new jobs.

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<sup>3</sup> RIGL 42-64.14-2

## Projects completed, under construction and planned

In the ten years since it was created, the District – which was rebranded as the Providence Innovation and Design District as part of a 2016 planning effort – has continued to develop. In exchange for a payment of \$38.0 million, the Commission in 2013 acquired from the Rhode Island Department of Transportation all of the remaining undeveloped land in the District (excluding the two parcels that had been sold to Johnson & Wales).<sup>4</sup>

As of December 2021, the following projects – both public and private – have been completed.

### *Private projects*

- Johnson & Wales's ***Bowen Center for Science and Innovation*** (Parcel 31), a 71,000 square-foot, \$36 million academic building, completed in 2016, where the University offers degree programs in areas that are critical to Rhode Island's future, such as biomedical engineering, computer science, cybersecurity, robotics and product design.
- ***Point 225***, a 191,000 square-foot, \$84 million, building developed by Wexford Science + Technology (Lot 1 of Parcel 22). The new building, completed in 2019, combines educational, office, research and event space. Tenants currently include Brown University's School of Professional Studies, Johnson & Johnson, the Cambridge Innovation Center, District Hall (a community space for the District's and the City's entrepreneurs, managed by the Cambridge-based Venture Café Global Institute) and Bayberry Garden, a 196-seat indoor-outdoor restaurant.
- ***Chestnut Commons*** (Parcel 30), a 109,000 square-foot, 92-unit residential building, completed in 2020 at a cost of \$30.9 million. The building also includes 5,800 square feet of ground-floor commercial space.
- ***Aloft Providence Downtown*** (Lot 2 of former Parcel 22), a 101,000 square-foot, 169-room hotel completed in 2021 at a cost of \$55.2 million.

### *Public projects*

- Construction of ***new streets and other infrastructure*** within the District at a cost of approximately \$22.2 million restoring connections to surrounding neighborhoods that had been disrupted in the 1950s by construction of I-195.
- ***The Michael S. Van Leesten Memorial Bridge***, a new, \$21.9 million pedestrian bridge across the Providence River, completed in 2019.
- ***Providence Innovation District Park***, a seven-acre, \$9.2 million waterfront park spanning both banks of the Providence River, connected by the Van Leesten Memorial Bridge. The Park opened to the public in 2020; its operations and maintenance are funded in part by annual payments from property-owners in the District.

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<sup>4</sup> The Commission's payment to RIDOT was financed with tax-exempt bonds; it was assumed at the time that the bonds could be repaid out of the proceeds of land sales to developers.

- **The Clifford Street Garage**, a 415,000 square-foot, 1,250-space parking structure, which provides parking for people living in, working in and visiting the District, as well as the surrounding area. The garage is owned and operated by the Rhode Island Convention Center Authority; it was completed in 2020 at a cost of \$48.6 million.

Together, these eight completed projects represent a total of approximately 887,000 square feet of new construction, and a total of approximately \$308 million in public and private investment.

Two other projects were under construction as of December 2021:

- **Parcel 6**, a 69,500 square-foot, \$29.3 million mixed-use project with 31 market-rate and 31 workforce apartments, a 13,100 square-foot grocery, 6,400 square feet of other retail, and six “micro-offices” of 800 square feet each. The project is due to be completed in 2022.
- **Emblem 125** (Parcel 28), a 240,690 square-foot, \$78.9 million residential building with 233 market-rate and 12 workforce rental units, scheduled to be completed in 2022.

Together, the two projects under construction total more than 310,000 square feet, 307 new apartments, 24,300 square feet of commercial space and more than \$108 million in construction and related spending.

Four other projects are planned, or have been proposed, in the Innovation and Design District.<sup>5</sup> They include:

- On **Parcel 9**, two buildings totaling more than 151,000 square feet are planned, with 131 residential units, including a mix of market-rate, workforce and affordable units. The project also includes approximately 5,000 square feet of commercial space, which is intended to be used for child care. The total cost for both buildings is estimated to be \$48.0 million.
- Lot 3 of former Parcel 25 is being considered by the State Department of Health and the Rhode Island Commerce Corporation for construction of a new laboratory facility anchored by the **Rhode Island State Health Lab (RISHL)**. The project will include a new, 86,500 square-foot RISHL (estimated to cost approximately \$80 million), to replace an older, outdated State lab building, currently located near the statehouse in Providence. At the end of 2021, Rhode Island Commerce Corporation released a Request for Proposals for a laboratory building including RISHL and at least 25,000 square feet of lab space to be leased to private-sector tenants. We estimate including this space will increase the total cost of the project to approximately \$103.3 million.<sup>6</sup>
- The Commission has accepted a proposal from Urbanica for development of a mixed-use building on **Parcel 2**. The 134,000 square-foot, \$59.4 million project will include 194 rental

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<sup>5</sup> This analysis does not include the impacts associated with the Hope Point Tower project proposed by the Fane Organization, as this project remains in litigation at the time of this report.

<sup>6</sup> Four finalists for the project were announced in April 2022; three finalists are proposing the facility to be placed on the 195 District site and the fourth is proposing for 31-55 Bassett Street, adjacent to Parcel 34 of the District. Given that all the potential locations are in or next to the 195 District, the project is included here as a proposed project. The four finalist proposals include different amounts of private lab space. To be conservative, the minimum space required in the RFP, 25,000 SF, was used to determine economic impacts.



**Part One: Providence Innovation and Design District: impact of construction and operations on state and local tax revenues**

Development and construction of the fourteen Innovation and Design District projects completed, under construction or proposed as of December 2021 have already made a significant contribution to state and local government revenues – a contribution that will continue into the future as projects are completed and become operational.

As shown below in Table 1, we estimate that state tax revenues directly and indirectly derived from spending on development and construction of the fourteen projects will total approximately \$17.2 million.

For the eight completed projects, state personal income taxes paid by workers directly or indirectly employed on the project account for the largest share of state and local tax revenues generated by construction. Typically, state sales and use taxes paid on purchases of materials used in construction might equal or exceed this amount. However, of these eight projects, five were not subject to sales and use taxes because they are owned by government or non-profit entities; and three were exempted from sales and use taxes on construction through the Rhode Island Commerce Corporation’s Rebuild Rhode Island program.

**Table 1: Preliminary estimates of State and local taxes paid during the development and construction of Innovation and Design District projects, by status of project**

Type of tax	Completed	Under construction	Proposed	Total
<b>State taxes</b>				
Personal income tax	\$4,105,000	\$1,560,000	\$3,465,000	\$9,130,000
Construction sales tax	–	\$1,365,000	\$5,549,000	\$6,914,000
Business taxes	\$519,000	\$173,000	\$471,000	\$1,163,000
<i>Total State taxes</i>	<i>\$4,624,000</i>	<i>\$3,098,000</i>	<i>\$9,485,000</i>	<i>\$17,207,000</i>

After projects are completed and occupied, they will continue to generate state tax revenues. As Table 2 shows, Appleseed estimates that when all fourteen projects are completed, building and tenant business operations will generate approximately \$3.26 million annually in state personal income, sales, hotel and business taxes.

As was the case during construction, some of the properties described in the Introduction are or will be exempted from local real property taxes (including the Clifford Street Garage, the Park, the Van Leesten Memorial Bridge, the Health Department’s portion of proposed lab building and the proposed Food and Beverage Pavilion) because they are owned by public agencies. The Bowen Center is also tax-exempt because it is owned and operated by a not-for-profit university.

Owners of several other properties (including Point 225, the Aloft Hotel, Chestnut Commons, and Emblem 125) have entered into “tax stabilization agreements” (TSAs) with the City under which property taxes are sharply reduced (in some cases to zero) during a project’s first few years. Tax

payments are then increased annually until the project is paying full taxes (typically after 15 or 20 years).

Given the way TSAs are structured, it makes sense to gauge these projects' impact on real property tax revenues on a multi-year basis. The bottom line of Table 2 estimates the cumulative total of real property taxes that would be paid over an 11-year period by projects completed under construction or proposed as of December 2021 – a cumulative total of \$13.35 million.

**Table 2: Preliminary estimates of state and local taxes paid annually during the ongoing operations of Innovation and Design District projects, by status of project**

Type of tax	Completed	Under Construction	Proposed	Total
<b>State taxes</b>				
Personal income tax	\$1,049,000	\$160,000	\$322,000	\$1,531,000
Retail/restaurant sales taxes	\$480,000	\$251,000	\$303,000	\$1,034,000
Hotel taxes <sup>7</sup>	\$528,000	–	–	\$528,000
Business taxes	\$106,000	\$20,000	\$41,000	\$167,000
<i>State taxes subtotal</i>	<i>\$2,163,000</i>	<i>\$431,000</i>	<i>\$666,000</i>	<i>\$3,260,000</i>
<b>Local taxes</b>				
Cumulative real property taxes (11 yrs.)	\$7,449,000	\$1,543,000	\$4,350,000	\$13,350,000

Since Tables 1 and 2 do not take into account State tax revenues that may in the future be attributable to projects other than those described in the Introduction – or any scheduled increases in real property taxes under the City's tax stabilization agreements – they are likely to understate the long-term impact of redevelopment on State and City tax revenues.

<sup>7</sup> Hotels in Rhode Island collect the state's 7 percent sales tax on room rentals, along with an additional 5 percent tax levied on hotel room rentals. In the case of the Aloft Providence Downtown and several other hotels, however, a portion of the proceeds of these taxes are dedicated to repayment of a tax increment financing (TIF) loan through which the Rhode Island Commerce Corporation assisted in financing the development of the hotel. The \$528,000 cited in Table 2 is the estimated value of the share of hotel room taxes that is retained by the state. More than half of this amount is then distributed by the state to local agencies and organizations to support local tourism development and marketing programs.

## Part Two: Providence Innovation and Design District – impact of construction

As noted in the Introduction, public and private investments in the Innovation and Design District projects that had been completed as of December 2021 totaled approximately \$308 million. Using IMPLAN – a modeling tool commonly used in economic impact studies – Appleseed estimates that direct expenditures of \$308 million have directly and indirectly generated:

- 3,428 job-years<sup>8</sup> of work in Rhode Island, with nearly \$211.0 million in earnings (in 2021 dollars);
- \$527.8 million in statewide economic output<sup>9</sup>; and
- A one-time increase of \$302.2 million in Rhode Island’s GDP.

These impacts are summarized below in Table 3.

**Table 3: Economic impact of I-195 District construction projects completed as of December 2021 (thousands of 2021 dollars)<sup>10</sup>**

	Jobs	Earnings	Value added <sup>11</sup>	Output
Direct Effect	2,084	\$137,853.9	\$172,562.1	\$304,929.8
Indirect Effect	444	\$27,522.5	\$45,929.2	\$83,220.5
Induced Effect	900	\$45,596.7	\$83,727.8	\$139,663.4
<b>Total Effect</b>	<b>3,428</b>	<b>\$210,973.1</b>	<b>\$302,219.1</b>	<b>\$527,813.7</b>

The *direct effect* of construction is the impact of direct spending on design, construction, financing, etc. on employment, earnings, value-added and output in Rhode Island. Its *indirect effect* is the effect of spending by contractors and subcontractors on goods and services (insurance, construction materials, etc.) purchased from other businesses in the State. Its *induced* impact is the impact of household spending by Rhode Island residents directly or indirectly employed on the project.

Through June 2022, spending on two projects that were still under construction as of December 2021 (Parcel 6 and Emblem 125) is expected to total approximately \$108 million. Using IMPLAN, we estimate that this spending will directly and indirectly support:

<sup>8</sup> A job-year is equivalent to the time worked by one person who is employed full-time for a year. It could represent the work of two people who are each employed full-time for six months; or the work of one person who is employed half-time for two years.

<sup>9</sup> Output is a measure of the total sales by Rhode Island companies (including the “sale” of labor by Rhode Island households) generated by the project.

<sup>10</sup> Includes Bowen Center, Point 225, local street construction, Michael S. Van Leesten Memorial Bridge, Providence Innovation District Park, Chestnut Commons, the Clifford Street Garage and the Aloft Hotel.

<sup>11</sup> Value added is equal to a company’s total sales, minus the value of purchased inputs; when aggregated across all participating companies, it represents in effect the project’s contribution to the state’s GDP.

- 1,337 job-years of work in Rhode Island, with \$81.4 million in earnings (in 2021 dollars);
- Approximately \$180.8 million in statewide economic output; and
- A one-time increase of \$118.5 million in Rhode Island’s GDP.

**Table 4: Economic impact of I-195 District projects under construction as of December 2021 (thousands of 2021 dollars)<sup>12</sup>**

	Jobs	Earnings	Value added	Output
Direct Effect	853	\$55,977.0	\$73,513.1	\$104,164.6
Indirect Effect	137	\$7,680.0	\$12,701.3	\$22,775.5
Induced Effect	347	\$17,587.5	\$32,286.4	\$53,857.5
<b>Total Effect</b>	<b>1,337</b>	<b>\$81,244.5</b>	<b>\$118,500.8</b>	<b>\$180,797.6</b>

During the next several years, construction spending on projects planned or that have been proposed in the Innovation and Design District but are not yet under way could (as noted in the Introduction) result in the development of approximately 400,000 square feet of new development, at a cost of \$213 million. Using IMPLAN, we estimate that through 2024, these projects would directly and indirectly account for:

- 2,361 job-years of work in Rhode Island, with \$150.8 million in earnings (in 2024 dollars);
- Approximately \$363.1 million in statewide economic output; and
- A one-time increase of nearly \$223.0 million in Rhode Island’s GDP.

These impacts are summarized below in Table 5.

**Table 5: Economic impact of I-195 construction projects planned or proposed as of December 2021<sup>13</sup> (in thousands of 2024 dollars)**

	Jobs	Earnings	Value added	Output
Direct Effect	1,467	\$101,486.9	\$135,549.2	\$213,383.4
Indirect Effect	273	\$16,721.5	\$27,534.8	\$49,633.8
Induced Effect	621	\$32,633.7	\$59,914.6	\$100,071.0
<b>Total Effect</b>	<b>2,361</b>	<b>\$150,852.2</b>	<b>\$222,998.6</b>	<b>\$363,088.2</b>

Combining the impacts of projects completed, under construction, and planned (as shown in Tables 3 through 5), Appleseed estimates that through approximately 2026, spending on

<sup>12</sup> Includes Parcel 6 and Emblem 125.

<sup>13</sup> Includes Parcel 9, Food and Beverage Pavilion, Parcel 2, and RIDOH lab with 25,000 square feet of commercial research space.

construction of the projects described in the Introduction to this report will directly and indirectly account for:

- 7,126 job-years of work in Rhode Island, with nearly \$448.1 million in earnings (in 2022 dollars);
- \$1.086 billion in statewide economic output; and
- A cumulative addition of \$651.1 million to Rhode Island’s GDP.

These impacts are summarized below in Table 6.

**Table 6: Economic impact of I-195 construction projects – completed, under construction and planned (in thousands of 2022<sup>14</sup> dollars)**

	<b>Jobs</b>	<b>Earnings</b>	<b>Value Added</b>	<b>Output</b>
Direct Effect	4,404	\$298,744.0	\$386,216.8	\$631,846.0
Indirect Effect	854	\$52,425.9	\$86,979.4	\$157,066.6
Induced Effect	1,868	\$96,899.5	\$177,914.5	\$297,023.2
<b>Total Effect</b>	<b>7,126</b>	<b>\$448,069.4</b>	<b>\$651,110.7</b>	<b>\$1,085,935.8</b>

While the analysis summarized in Table 6 takes into account the impact of spending on Innovation and Design District projects already completed, under construction and planned or proposed as of December 2021, it does not take into account the impact of spending on projects that might be undertaken on sites within the District for which plans have not yet been set, and developers have not been selected. As work on these sites moves ahead, the total impact of construction spending in the District is likely to increase substantially.

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<sup>14</sup> We assume for purposes of this analysis that 2022 will represent the midpoint of spending on projects completed, under construction or planned as of December 2021; the values in Table 6 are therefore expressed in 2022 dollars.

### Part Three: Providence Innovation and Design District – impact of ongoing operations

After construction has been completed, the fourteen projects described in the Introduction will have an ongoing impact on Rhode Island’s economy. The eight projects completed as of December 2021 are already supporting jobs in industries as diverse as higher education, life sciences, clean energy, hospitality, restaurants, retail, and residential building operations and maintenance. Appleaseed estimates that as of December 2021, these enterprises directly employed approximately 550 workers<sup>15</sup> in the Innovation and Design District.

Not all of the space completed to date in the Innovation and Design District is fully occupied. Most notably, two floors in Point 225 (a total of 62,000 square feet) have not yet been leased. We expect, however, that this space will gradually be filled over the next several years. For purposes of this analysis, we assume that tenants in this space will employ 248 additional workers in the life sciences and other areas of scientific and technical research and development.

Taking into account direct, indirect and induced effects, we estimate that when this space is fully occupied, enterprises operating in spaces completed as of December 2021 will account for approximately:

- 1,660 jobs in Rhode Island, with \$99.83 million in annual earnings (in 2022 dollars);
- Approximately \$287.05 million in statewide economic output; and
- An increase of \$154.62 million in the state’s annual GDP.

This analysis, summarized below in Table 7, is in one important sense provisional. Given the economic volatility that characterizes the age of COVID, employment estimates are inevitably somewhat fluid. As a result, the numbers presented in Table 7 should be treated as reasonable estimates, but subject to some variation as circumstances change.

**Table 7: Annual operating impact of operations of projects completed as of December 2021 (in thousands of 2022 dollars)**

	<b>Jobs</b>	<b>Earnings</b>	<b>Value added</b>	<b>Output</b>
Direct Effect	798	\$52,793.7	\$75,148.1	\$147,025.5
Indirect Effect	442	\$25,836.9	\$40,138.4	\$74,401.2
Induced Effect	420	\$21,197.8	\$39,338.4	\$65,621.5
<b>Total Effect</b>	<b>1,660</b>	<b>\$99,828.4</b>	<b>\$154,624.9</b>	<b>\$287,048.2</b>

<sup>15</sup> This estimate represents jobs that are “net new” to Rhode Island. It excludes jobs (for example, most of the Brown University School of Professional Studies, and staff of several other Rhode Island-based organizations working at Point 225) that were already located in Rhode Island prior to the development of the Innovation and Design District. The estimates presented in Table 9 similarly represent only “net new” impacts.

Keeping the preceding caveat in mind, we estimate that the two projects under construction as of December 2021 will when completed directly and indirectly account for the following upon completion:

- 213 jobs in Rhode Island, with \$8.93 million in annual earnings (in 2022 dollars);
- Approximately \$21.99 million in statewide economic output; and
- An increase of \$12.89 million in the state’s annual GDP.

This analysis is summarized below in Table 8.

**Table 8: Annual operating impact of projects under construction as of December 2021 (in thousands of 2022 dollars)**

	<b>Jobs</b>	<b>Earnings</b>	<b>Value Added</b>	<b>Output</b>
Direct Effect	148	\$5,482.5	\$6,831.2	\$11,371.5
Indirect Effect	28	\$1,523.1	\$2,523.6	\$4,723.4
Induced Effect	37	\$1,922.6	\$3,532.7	\$5,897.2
<b>Total Effect</b>	<b>213</b>	<b>\$8,928.2</b>	<b>\$12,887.5</b>	<b>\$21,992.1</b>

When (and if) they are completed and become operational, the four projects that have been proposed in the Providence Innovation and Design District but had not yet started as of December 2021 would directly and indirectly account for:

- 372 jobs in Rhode Island, with nearly \$18.9 million in annual earnings (in 2022 dollars);
- Approximately \$56.5 million in statewide economic output; and
- An increase of \$29.4 million in the state’s annual GDP.

This analysis is summarized below in Table 9.

**Table 9: Annual operating impact of projects planned or proposed as of December 2021  
(in thousands of 2022 dollars)**

	<b>Jobs</b>	<b>Earnings</b>	<b>Value Added</b>	<b>Output</b>
Direct Effect <sup>16</sup>	210	\$9,687.5	\$13,720.1	\$28,818.3
Indirect Effect	85	\$5,217.2	\$8,198.7	\$15,169.6
Induced Effect	77	\$4,068.1	\$7,480.4	\$12,495.8
<b>Total Effect</b>	<b>372</b>	<b>\$18,972.8</b>	<b>\$29,399.2</b>	<b>\$56,483.7</b>

Combining the impacts of projects completed, under construction or planned (as shown in Tables 7, 8 and 9), as well the potential impact of two floors of space at Point 225 that are not yet occupied, Appleseed estimates that when all of the projects described in the Introduction are completed and occupied, tenant business and residential building operations will directly and indirectly account for:

- 2,245 jobs in Rhode Island, with nearly \$127.77 million in annual earnings (in 2022 dollars);
- Approximately \$365.52 million in statewide economic output; and
- An increase of \$196.91 million in the state’s annual GDP.

This analysis is summarized below in Table 10.

**Table 10: Combined annual operating impact of projects completed, under construction, planned or proposed as of December 2021 (in thousands of 2022 dollars)<sup>17</sup>**

	<b>Jobs</b>	<b>Earnings</b>	<b>Value Added</b>	<b>Output</b>
Direct Effect	1,156	\$67,999.7	\$95,699.4	\$187,215.3
Indirect Effect	555	\$32,577.2	\$50,860.7	\$94,294.2
Induced Effect	534	\$27,189.2	\$50,351.5	\$84,014.5
<b>Total Effect</b>	<b>2,245</b>	<b>\$127,766.1</b>	<b>\$196,911.6</b>	<b>\$365,524.0</b>

<sup>16</sup> While the analysis of construction impacts presented in Part One included the impacts of constructing both the Rhode Island Department of Health and commercial components of the proposed lab building, the analysis of operating impacts summarized in Table 9 includes only the commercial component. This is because we assume that (at least initially) all of the RIDOH employees working in the new building will have transferred from the Rhode Island State Health Lab’s existing location in Providence. While they would no doubt add to the vitality of the Innovation and Design District (as do the Brown University employees working at Point 225), they would not represent a net increase in employment in Rhode Island.

<sup>17</sup> Includes the projected impact of future occupancy of 62,000 square feet of currently-vacant research and office space at Point 225.

## Part Four: Impacts beyond the boundaries of the District

The boundaries of the Providence Innovation and Design District are defined by the land freed up as a result of the relocation of I-195. The District's impact on the City's economy, however, goes beyond those boundaries. These spillover effects are particularly evident in areas just outside the District. For example:

- While the creation of the Innovation and Design District provided the impetus for construction of the Clifford Street Garage, the Garage also serves residents, workers and visitors to adjoining areas.
- Investments in public spaces and facilities in the District – including the Park, the Van Leesten Memorial Bridge, City Walk and RIPTA's new bus rapid transit route are important quality-of-life improvements that have enhanced adjoining and nearby areas as places to live and work.

The Park in particular is more than just a public space; it has become a center of activity for the community. During the summer of 2021 the Park hosted nearly 40 events on a variety of themes – music, art, food and drink, fitness, and family activities. Attendance at these events totaled more than 9,000 people. Space in the Park is also available for permitted private events.

In the summer of 2021, the Park also featured a beer garden open five afternoons and evenings each week and an ice cream vendor, both small Rhode Island businesses. And just across Dyer Street is Dune Brothers, a highly popular seafood shack that received initial funding from the District as an interim placemaking activity prior to its site being redeveloped.

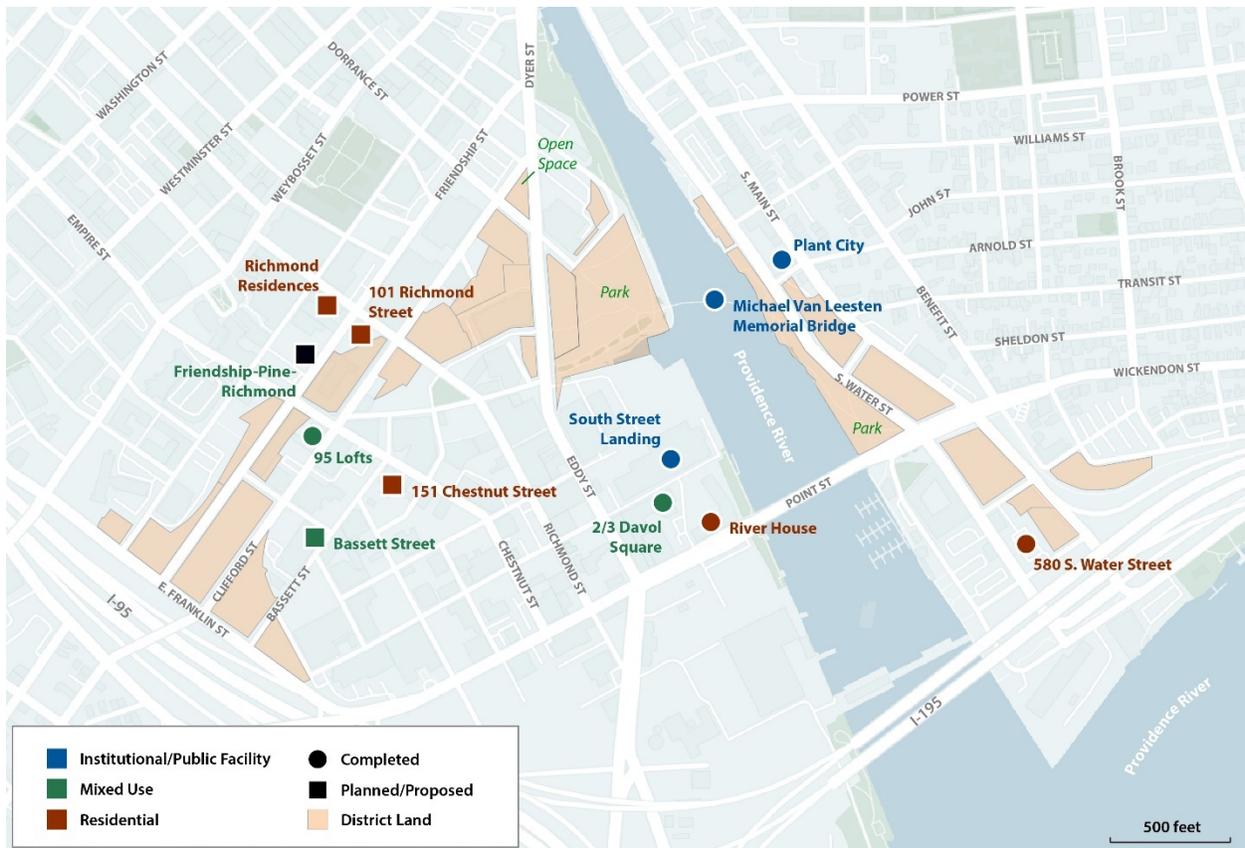
- Innovation and Design District commercial and residential projects completed, under construction or proposed as of December 2021 include 70,000 square feet of retail and restaurant space, providing new shopping and dining options to those who live and work in nearby areas.

These and other aspects of the District have in the past few years helped to attract new investment to adjoining and nearby sites. Several examples are shown on the map on the following page, including:

- 95 Lofts, a historic early-20<sup>th</sup>-century factory building at 95 Chestnut Street that was converted into 59 loft-style apartments in 2017
- South Street Landing (350 Eddy Street), a 265,000 square-foot former power station, renovation of which was completed in 2017. It is now home to the Rhode Island Nursing Education Center, with degree programs offered by both the University of Rhode Island and Rhode Island College; and administrative offices for Brown University. The project also includes a 740-car parking garage, also completed in 2017.
- River House, a 174-unit building that opened in 2019.
- Plant City, opened in 2019 – a plant-based restaurant and food market at 334 Water Street in a renovated historic building, located directly across from the east side of the Park and the eastern terminus of the Michael S. Van Leesten Memorial Pedestrian Bridge

- 2/3 Davol Square, two commercial buildings totaling 118,000 square feet acquired by Wexford and Ventas in 2017 and (following completion of a \$13 million renovation project) reopened in 2020. The owners' marketing brochure highlights the buildings' proximity to the Innovation and Design District.
- 580 South Water Street, a 63-unit residential building completed in 2021
- 151 Chestnut Street, the site of a proposed 95-unit residential building
- 71 Richmond Street, the site of a proposed six-story addition to an existing building
- 101 Richmond Street, a site bought by a developer in 2021; the seller's marketing material for the site strongly emphasized its immediate adjacency to the Innovation and Design District
- 33 Bassett Street, a historic building immediately adjacent to Parcel 34 that a developer has proposed to convert to a mixed-use residential-retail-restaurant-research and office building. This site is also a finalist for the new RISHL facility.
- A parking lot bordered by Friendship, Pine and Richmond Streets, bought by a developer who is proposing to construct a 12-story, 225-unit residential building

**Figure 2: Map of recently completed or proposed projects adjoining or near the Providence Innovation and Design District**



Like the projects that have been or are being developed within the District, nearby and adjoining projects have had a significant impact on Rhode Island's economy. Together, South Street Landing, River House and the garage at 330 Eddy Street, for example, represent a combined investment of \$220 million, which directly and indirectly accounted for approximately 1,800 jobs in construction and related industries.

The spillover effects from redevelopment of the District, however, go beyond the more readily quantifiable impacts cited above. Proximity to the District, for example, has been cited as a factor in developers' increased interest in the preservation and reuse of adjoining or nearby historic buildings, such as 95 Chestnut Street and 33 Bassett Street.

Similarly, redevelopment of the District has helped spur new development of parcels that had previously been vacant or used only for surface parking, thus helping enhance and enliven the surrounding area.

As shown by the extent to which local property-owners and developers have made proximity to the Innovation and Design District a central element in their marketing strategies, redevelopment of the District is clearly helping to catalyze the revitalization of the surrounding area. That revitalization in turn reinforces the attractiveness of the District itself.

## Part Five: Other contributions to Providence and the Rhode Island economy

Beyond the economic and tax revenue impacts highlighted in Parts One through Three, and the more qualitative aspects of its local impact cited in Part Four, the Providence Innovation and Design District is contributing in a variety of ways to the revitalization of the City's and the State's economy.

- Development projects in the Innovation and Design District already offer high-quality, technologically sophisticated space that can support the growth of some of Rhode Island's most promising industries, such as the life sciences and renewable energy, and are well positioned to support the growth of these industries. The District is particularly well suited to support the state's growing life science sector given its proximity to existing institutions such as Brown's Warren Alpert School of Medicine and the state's research hospitals.
  - Cambridge Innovation Center (CIC) located in Point 225 is now home to an "innovation hub" established by Orsted (one of the world's leading developers and operators of offshore wind farms). CIC is providing space for several other offshore wind firms as well, such as GEV Wind Power – a UK-based firm turbine maintenance firm that chose CIC Providence as the site of its U.S. headquarters. CIC is thus helping to achieve the State's goal of making Rhode Island one of the leading centers of the U.S. offshore wind industry.
  - CIC also hosts an emerging cluster of life science start-ups and aspiring entrepreneurs, such as Bolden Therapeutics, a Brown University start-up that is seeking to treat several diseases of the central nervous system by stimulating the growth of new neurons.
- The Venture Café, also located in Point 225, has developed an array of programs and services for both experienced and aspiring entrepreneurs throughout Rhode Island. After the arrival of the COVID-19 pandemic, the organization quickly pivoted from in-person to virtual programs and events. As a result of this shift, the total number of participants in Venture Café activities increased in 2020 by 400 percent, to 145 online events, with 6,000 people attending. The organization also introduced ReLAUNCH – an eight-part virtual workshop program aimed at guiding small business owners through the process of digital transformation.
- Several other entrepreneurial education and development programs are also operating from the Cambridge Innovation Center.
  - RI Hub is a not-for-profit organization committed to "driving economic transformation by helping entrepreneurs and start-ups more efficiently focus and apply their ingenuity and innovation to reach their goals."
  - MassChallenge, a Massachusetts-based organization dedicated to promoting and supporting innovation and entrepreneurship, offers an "Early-Stage Accelerator" for promising start-ups.
- Point 225 currently has 62,000 square feet of research and office space available. And if ultimately sited in the District, the proposed Rhode Island State Health Lab project will

provide at least 25,000 square feet (and possibly more) of private-sector life sciences research space.

Beyond these existing and proposed spaces, the District currently has 13 sites available, totaling approximately 8 acres, that could support several million square feet of additional development. Many of the remaining sites are well-suited for commercial office, research and lab space, providing additional room for growth.

- The Innovation and Design District reinforces a pattern (already evident in Providence) of creating spaces that facilitate contact and collaboration among university-based researchers and innovators, and local businesses and entrepreneurs, and create opportunities for students. The District is home to JWU's College of Engineering and Design and Brown's School of Professional Studies; and Brown's Warren Alpert Medical School lies just out the District at 222 Richmond Street – a 3-minute walk from Point 225. The Rhode Island School of Design and the Brown School of Public Health are both less than a half-mile from Point 225, and Brown's main campus less than a mile. Adding the Rhode Island State Health Lab (and the accompanying private-sector lab space) to the District would further strengthen these connections.
- In the years ahead, Rhode Island's success in charting a path to a more sustainably prosperous economy will depend in part on its ability to develop, attract and retain a pool of highly skilled workers. That will in turn require the continued development of a range of attractive housing options for both current and prospective residents.

Several studies<sup>18</sup> have in recent years highlighted some of the pressures on the State's housing markets – renewed population growth (especially in Providence), a decline in average household size (which translates into a need for more housing units), and an aging housing stock. Rhode Island thus needs to increase its production of new housing, at a variety of price points.

Adding housing in city neighborhoods also supports the growth of local retail, food and consumer service businesses, helping to create the vibrant urban environment that today's knowledge-economy companies and workers seek. Adding housing in the District thus helps the State achieve its broader economic development goals around developing, attracting and retaining companies and jobs.

By the summer of 2022, 403 new residential units will have been completed in the District; and if all of the residential projects proposed as of December 2021 were to be completed by 2025, the District could add as many as 325 new units to this total. The District is thus helping Rhode Island develop the supply of housing it will need to sustain its growth.

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<sup>18</sup> See, for example, Housing Works RI, *Projecting Future Housing Needs*, April 2016.

## Part Six: Conclusion

Projects completed or under construction in the first ten years of the Providence Innovation and Design District have already had a significant impact on the state's economy, with a total economic output from construction and operations estimated at over \$1 billion to date. By mid-2022, construction of more than \$400 million will have generated approximately 4,250 construction-related jobs, with a statewide economic impact of more than \$700 million. These investments will have led to the creation of more than 1,200 net new operating jobs across a wide range of industries, with an annual economic impact of more than \$180 million.

When planned or proposed projects are added, approximately \$630 million in total construction spending will have generated approximately 7,125 construction-related jobs with a statewide economic impact of more than \$1.085 billion from construction activities alone. After construction is completed, these investments will have resulted in the creation of approximately 2,400 net new operating jobs, with an annual economic impact of more than \$380 million.

Beyond the impacts cited above, the District's uncommitted parcels can in the years ahead accommodate millions of square feet of additional development. Many of these remaining sites are well positioned to capitalize on the District's growing innovation economy and life science cluster.

The progress that Rhode Island has made in redeveloping the Innovation and Design District has not gone unnoticed elsewhere. In Buffalo, where local officials are considering a similar project, the *Buffalo News* in September 2020 ran a feature article<sup>19</sup> titled "Is Tearing Down an Elevated Highway a Good Idea? Just Ask Providence?"

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<sup>19</sup> Mark Sommer, *Buffalo News*, September 20, 2020