

RHODE ISLAND COMMERCE CORPORATION
RESOLUTION AUTHORIZING THE ISSUANCE OF TAX CREDITS
UNDER THE TAX INCREMENT FINANCING ACT

May 22, 2017

WHEREAS: The Rhode Island Commerce Corporation (the "Corporation") was created and exists as a public corporation, governmental agency and public instrumentality of the State of Rhode Island and Providence Plantations (the "State") under Chapter 64 of Title 42 of the General Laws of Rhode Island, as amended (the "Act"); and

WHEREAS: Chapter 64.21 of Title 42 of the General Laws of Rhode Island (the "TIF Act"), as amended, authorizes the Corporation to approve the issuance of incentives in relation to certain development projects in the State; and

WHEREAS: The Corporation promulgated rules and regulations (the "Rules") governing the program established by the TIF Act. Capitalized terms used herein but not defined shall have the meaning as set forth in the Rules; and

WHEREAS: The Corporation received an application for a "TIF Incentive" from TPG 100 Sabin Hotel, LLC (the "Recipient") under the TIF Act in relation to a project (the "Project") located at 100 Sabin Street, Providence, which is proposed to consist of a ground-up hotel development that will contain approximately one hundred seventy-six hotel rooms and 6,000 square feet of retail space;

WHEREAS: The Corporation's Investment Committee has reviewed and considered the proposed issuance of the TIF Incentive to the Recipient and has voted to recommend to the Board of Directors (the "Board") of the Corporation the approval of the TIF Incentive; and

WHEREAS: The Board of the Corporation received a presentation inclusive of a term sheet detailing the Project and proposed TIF Incentive together with a recommendation from the staff of the Corporation for approval in accordance with the TIF Act and the Rules.

NOW, THEREFORE, acting by and through its Board, the Corporation hereby resolves as follows:

RESOLVED:

1. To accomplish the purposes of the Act and the TIF Act, the Corporation approves the issuance of a TIF Incentive to the Recipient in an amount not to exceed the Project Financing Gap.
2. The authorization provided herein is further subject to the following conditions:

- a. The execution of a TIF Agreement between the Corporation and the Recipient meeting the requirements of the TIF Act and the Rules in such form as one of the Authorized Officers (hereinafter defined) shall deem appropriate in the sole discretion of such Officer;
 - b. Verification by the Corporation of compliance with the Eligibility Requirements of Rule 6 of the Rules prior to any award of a TIF Incentive to the Recipient; and
 - c. Such additional conditions as any of the Authorized Officers, acting singly, shall deem appropriate in the sole discretion of such Officer.
3. The Board of the Corporation hereby finds and determines that: (i) the approval will prevent, eliminate, or reduce unemployment or underemployment in the State and will generally benefit economic development of the State; (ii) that, to the extent applicable, the provisions of RIGL § 42-64-10(a)(1)(ii) through (v) have been satisfied; (iii) there is a Project Financing Gap for the Project such that after taking into account all available private and public funding sources, the Project is not likely to be accomplished by private enterprise without the incentives described in the TIF Act and the Rules; (iv) the total amount of TIF Incentives awarded for the Project is the lesser of thirty (30%) of the total Project Cost or the amount needed to close the Project Financing Gap; (v) that the Chief Executive Officer of the Corporation has provided written confirmation required by the TIF Act (a copy of which is annexed hereto as Exhibit 1); (vi) the Secretary of Commerce has provided written confirmation required by the TIF Act (a copy of which is annexed hereto as Exhibit 1); (vii) the applicant is a significant taxpayer and Incremental Revenues may be exempted up to the levels permitted by the TIF Act and the Recipient shall make payments in lieu of taxes of such Incremental Revenues to the Corporation pursuant to Rule 18 of the Rules; (viii) the Recipient has demonstrated that it will otherwise satisfy the Eligibility Requirements of Rule 6 of the Rules.
 4. The Department of Revenue has issued a Revenue Increment Base certificate, a copy of which is annexed hereto as Exhibit 2.
 5. Prior to the execution of TIF Agreement with the Recipient, the Corporation shall prepare and publicly release an analysis of the impact that the issuance of the incentives will or may have on the State considering the factors set forth in RIGL § 42-64-10(a)(2) (a copy of which is annexed hereto as Exhibit 3).
 6. The Authorized Officers of the Corporation for purposes of this Resolution are the Chair, the Vice Chair, the Secretary of Commerce, the President & COO, the Chief Financial Officer or the Managing Director, Head of Investments (the "Authorized Officers"). Any one of the Authorized Officers of the Corporation, acting singly, is hereby authorized to execute, acknowledge and deliver and/or cause to be executed, acknowledged or delivered any documents necessary or appropriate to consummate the transactions authorized herein with such changes, insertions, additions, alterations and omissions as may be approved by any such Authorized Officers, and execution

thereof by any of the Authorized Officers shall be conclusive as to the authority of such Authorized Officers to act on behalf of the Corporation. The Authorized Officers of the Corporation shall have no obligation to take any action with respect to the authorization granted hereunder and the Corporation shall in no way be obligated in any manner to the Recipient by virtue of having adopted this Resolution. The Secretary or the Assistant Secretary of the Corporation, and each, acting singly, is hereby authorized to affix a seal of the Corporation on any of the documents authorized herein and to attest to the same.

7. All covenants, stipulations, and obligations and agreements of the Corporation contained in this Resolution and the documents authorized herein shall be deemed to be covenants, stipulations, obligations and agreements of the Corporation to the full extent authorized and permitted by law and such covenants, stipulations, obligations and agreements shall be binding upon any board or party to which any powers and duties affecting such covenants, stipulations, obligations and agreements shall be transferred by and in accordance with the law. Except as otherwise provided in this Resolution, all rights, powers and privileges conferred and duties and liabilities imposed upon the Corporation or the members thereof, by the provisions of this Resolution and the documents authorized herein shall be exercised and performed by the Corporation, or by such members, officers, board or body as may be required by law to exercise such powers and perform such duties.
8. From and after the execution and delivery of the documents hereinabove authorized, any one of the Authorized Officers, acting singly, are hereby authorized, empowered and directed to do any and all such acts and things and to execute and deliver any and all such documents, including, but not limited to, any and all amendments to the documents, certificates, instruments and agreements hereinabove authorized, as may be necessary or convenient in connection with the transaction authorized herein.
9. All acts of the Authorized Officers which are in conformity with the purposes and intents of this Resolution and the execution, delivery and approval and performance of such documents authorized hereby and all prior actions taken in connection herewith are, ratified, approved and confirmed.

EXHIBIT 1

From: Stefan Pryor, Secretary of Commerce and Chief Executive Officer of the Rhode Island Commerce Corporation
Darin Early, President and Chief Operating Officer of the Rhode Island Commerce Corporation
To: Board of Directors, Rhode Island Commerce Corporation
Re: Tax Increment Financing Credit Application
Date: May 22, 2017

The staff of the Rhode Island Commerce Corporation (the "Corporation") is recommending to the Board of Directors that it approve the application of TPG 100 Sabin Hotel, LLC (the "Application") for an incentive pursuant to the Tax Increment Financing ("TIF") program. This memo serves as the written confirmation, pursuant to Rhode Island General Laws § 46-64.21-6 and Rule 13 of the Rules and Regulations for the Rhode Island Tax Increment Financing Act of 2015 (the "Rules"), of the following:

1. The Corporation's staff has reviewed the application submitted and the impact analysis for this project (the impact analysis is provided to the Board as an exhibit to the approving resolution for the project).
2. The proposed boundaries of the Qualifying TIF Area (as that term is defined in the Rules) shall be limited to that portion of the real property located at 100 Sabin Street, Providence, upon which the Project will be constructed.
3. The length of the TIF agreement shall be 20 years or fewer.
4. The project is consistent with the purpose of the Tax Increment Financing Act, R.I. Gen. Laws § 42-64.21-1 *et seq.*

EXHIBIT 2

DOR Rhode Island Department of Revenue
Division of Taxation

From: Michael Canole, Chief of Examinations *MC*
Rhode Island Division of Taxation

To: Board of Directors, Rhode Island Commerce Corporation

Re: Revenue Increment Base Certification for TPG 100 Sabin Hotel, LLC TIF Application

Date: May 16, 2017

The staff of the Rhode Island Commerce Corporation (the "Corporation") has informed the Division of Taxation (the "Division") that it intends to recommend to the Corporation's Board of Directors the application of TPG 100 Sabin Hotel, LLC (the "Applicant") for incentives under the Rhode Island Tax Increment Financing Act of 2015, R.I. Gen. Laws § 42-64.21-1 *et seq.* (the "Act"). The Corporation proposes to enter into a TIF agreement with the Applicant in which the relevant tax streams will be the sales and hotel taxes assessed and collected under Chapters 18 and 19 of Title 44 of the General Laws.

The Act requires the Division to certify the "revenue increment base" for this proposed TIF agreement. *See* R.I. Gen. Laws § 42-64.21-3(11). This memo constitutes the Division's certification under the Act. The Act defines the "revenue increment base" as "the amounts of all eligible revenues from sources within the qualifying TIF area in the calendar year preceding the year in which the TIF agreement is executed, as certified by the division of taxation." *Id.* The Corporation has informed the Division of the following:

- The Application is for a hotel project in the City of Providence.
- The proposed qualifying TIF area for the Application is a parcel of land in the City of Providence, RI located at 100 Sabin Street and known as Lots 422 and 444 of Assessor's Plat 25, as depicted in the map attached in Exhibit A.
- The Corporation has determined, in its discretion, the eligible revenues for purposes of this Application would not exceed the sales and hotel taxes assessed and collected under Chapters 18 and 19 of Title 44 of the General Laws.
- The TIF Agreement is anticipated to be entered into in the 2017 calendar year.

The Division of Taxation has determined that no Rhode Island hotel or sales taxes were collected or assessed in the proposed qualifying TIF area for the calendar year 2016. Accordingly, on the basis of the foregoing information provided by the Corporation, the Division hereby certifies that the revenue increment base for the proposed TIF agreement is zero (\$0.00).

EXHIBIT A
Location of Proposed Qualifying TIF Area (shown in blue)
Plat 25, Lots 422 and 444

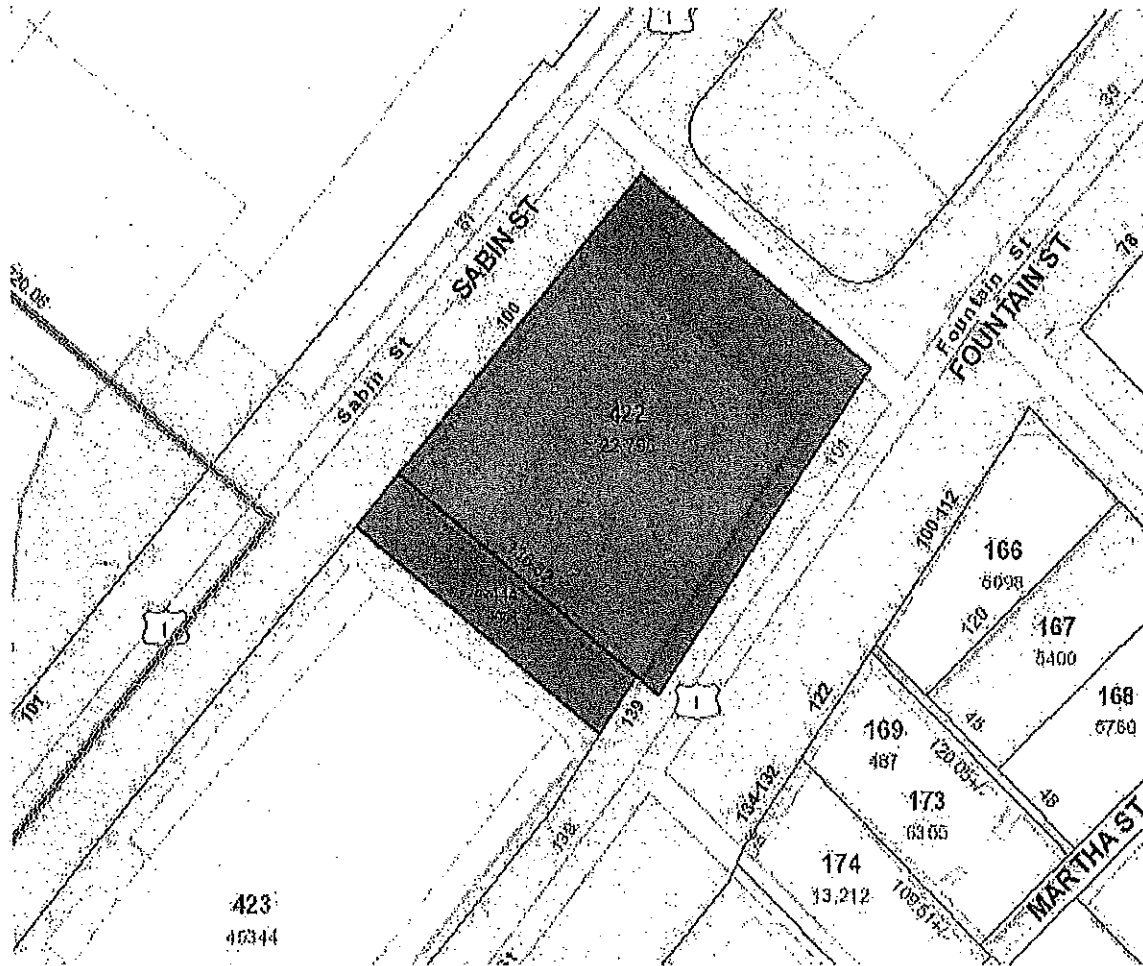


EXHIBIT 3

Rhode Island Commerce Corporation Rebuild Rhode Island Tax Credits – Economic Impact Analysis *TPG 100 Sabin Hotel LLC Application*

Introduction

The Rhode Island Commerce Corporation (the "Corporation") may issue Rebuild Rhode Island tax credits to TPG 100 Sabin Hotel LLC (the "Sponsor"), an entity owned by the Procaccianti Companies. The credits would be issued in connection with the Sponsor's decision to invest in the development of a new, 176-room Residence Inn by Marriott extended-stay hotel. The project would also include the development of 6,000 square feet of third-party retail space. The total cost of the proposed project is estimated to be nearly \$59.8 million.

The Sponsor is requesting:

- A Rebuild Rhode Island tax credit with a gross value of \$100,000;
- A sales and use tax exemption on eligible construction and fit-out costs, valued at nearly \$1.3 million; and
- \$6,000,000 in tax increment financing (TIF).

This analysis was prepared by Appleseed, a consulting firm with more than twenty years of experience in economic impact analysis.

Jobs Analysis

Construction

As shown in Table 1, the Sponsor's estimate of total project costs is nearly \$59.8 million.

Table 1: Estimated total project cost (in \$ millions)

Component	Estimated cost
Property cost	\$2.5
Construction (hard cost)	\$43.7
Soft costs	\$13.6
Total	\$59.8

After excluding certain costs that for purposes of this analysis do not have a direct, current impact on Rhode Island's economy (such as site acquisition and interest payments), the remaining hard and soft costs total \$55.9 million. Using the IMPLAN input-output modeling system (a modeling tool commonly used in economic impact studies), Appleseed estimates that direct expenditures of \$55.9 million will directly and indirectly generate:

- 383 person-years¹ of work in Rhode Island;
- \$23.0 million in earnings (in 2018 dollars);
- Approximately \$66.1 million in statewide economic output²; and
- A one-time increase of more than \$35.3 million in Rhode Island's GDP.

¹ A person-year is equivalent to the time worked by one person who is employed full-time for a year. For example, 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.

² 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.

These impacts are summarized below in Table 2. The project's *direct impact* is the impact of the company's direct spending on design and construction. Its *indirect impact* is the effect of spending by contractors for goods and services (insurance, construction materials, etc) purchased from other Rhode Island businesses.

Table 2: Direct and indirect impact of construction spending (employment in person-years; income, value-added and output in millions of 2018 dollars)

	Employment	Earnings	Value added	Output
Direct Effect	290	\$17.8	\$27.0	\$52.2
Indirect Effect	93	5.2	8.3	13.9
Total Effect	383	\$23.0	\$35.3	\$66.1

In addition to the impacts cited in Table 2, direct expenditures of \$55.9 million would directly and indirectly generate a projected one-time increase of approximately \$1.35 million in taxes paid to the State during construction (a total that excludes approximately \$1.3 million in state sales and use taxes on construction materials for which the Sponsor has requested an exemption). This increase of \$1.35 million would include approximately:

- \$863,000 in state personal income taxes paid by Rhode Island workers employed on the project, or whose jobs are indirectly attributable to the project;
- \$377,000 in state sales taxes paid on those workers' taxable household spending; and
- \$109,000 in state business corporation taxes paid by companies directly or indirectly working on the project.

Most of the activity reflected in Table 2 is expected to occur between the spring of 2017 and the end of 2018. The anticipated wage rates for construction jobs are shown below in Table 3. Anticipated wage rates are the median hourly wage for these occupations in Rhode Island.

Table 3: Anticipated wages during construction

Occupation	RI median hourly wage ³
Architect	\$42.50
Construction manager	\$50.86
Carpenter	\$22.42
Electrician	\$25.26
Plumber	\$24.84
Painter	\$18.69
Laborer	\$18.68

Fringe benefits associated with these jobs are expected to be in accordance with industry norms, with the cost of such benefits generally ranging between 22 and 28 percent of wages. Workers who fill these jobs are expected to be drawn primarily from the Providence-Warwick RI-MA New England City and Town Area (NECTA).

Annual operations

The Sponsor has stated that after the project is completed (expected to occur in 2018), the proposed Residence Inn would employ 30 to 40 people. For purposes of this analysis, Appleseed assumes that the hotel will employ 35.

³ Rhode Island Department of Labor and Training, Occupational Employment Statistics, 2016

The Sponsor expects that the proposed 6,000 square feet of ground-floor retail space would be occupied by a restaurant employing 30 people.

Using IMPLAN, Applesseed estimates that the ongoing operations of the proposed hotel and restaurant together would directly and indirectly account for:

- 76 FTE jobs in Rhode Island;
- Nearly \$2.9 million in annual earnings (in 2019 dollars);
- Nearly \$8.4 million in annual statewide economic output; and
- An increase of approximately \$5.2 million in Rhode Island's annual GDP.

Table 4: Direct and indirect annual impact of ongoing operations (employment in FTE; income, value-added and output in millions of 2019 dollars)

	Employment	Earnings	Value added	Output
Direct Effect	65	\$2.2	\$4.2	\$6.6
Indirect Effect	11	0.7	1.0	1.8
Total Effect	76	\$2.9	\$5.2	\$8.4

Workers who fill new hotel and restaurant jobs are expected to be drawn primarily from Providence and from other nearby communities.

In addition to the impacts cited in Table 4, ongoing operations at the new Residence Inn would directly and indirectly generate a projected increase of approximately \$937,000 in taxes paid annually to the state. These taxes would include approximately:

- \$769,000 in state sales and hotel taxes paid on room rents and restaurant bills
- \$108,000 in state personal income taxes paid by Rhode Island workers employed directly by the Residence Inn or by the restaurant, or whose jobs are indirectly attributable to those businesses;
- \$47,000 in state sales taxes paid on those workers' taxable household spending; and
- \$13,000 in state business corporation taxes directly or indirectly attributable to hotel and restaurant operations.

Impact

The state fiscal impact of the requested tax credits and sales tax exemption is up to \$7.4 million in foregone state revenues. Direct and indirect economic and fiscal benefits of the proposed project include the estimated increase of \$5.2 million in annual state GDP, the estimated associated job creation, and a gross increase of approximately \$12.6 million in personal income, sales, hotel and business corporation tax revenues during the construction phase and during the twelve years following the completion of the project. These benefits are detailed in the foregoing analysis. In addition to the economic and tax revenue impacts cited above, the proposed project would benefit Rhode Island in several other ways.

- Add new hotel capacity in a segment of the market that is not now well-served in the DOWNCITY area
- Support the Convention Center and the arena by providing a new dining option immediately across the street
- Increase local property tax and hotel tax revenues

Beyond the fiscal impact noted above, there is no anticipated financial exposure to the state. In addition, various features of the program mitigate risk to the state. In particular, the completion risk (i.e., the risk that the project is not completed) is mitigated by the fact that the tax credits will be payable only upon completion of the development. The risk of project cost overruns is mitigated by the fact that the tax credits and sales and use tax exemption are capped at the amounts set forth above. In addition, if project costs come in lower than anticipated, the tax credits to be paid will be reduced accordingly.