Rebuild Rhode Island Tax Credit
Application Review and Evaluation Principles

The Rhode Island Commerce Corporation (the “Corporation”), pursuant to the Rebuild Rhode Island Tax Credit Act (the “Act”), R.I. Gen. Laws § 42-64.20 et seq., and the Rules and Regulations for the Rebuild Rhode Island Tax Credit Program (the “Rules,” or “Rule” when reference is made to a specific provision of the Rules), may provide tax credits to applicants meeting the requirements of the Act and the Rules for an eligibility period of five years. The Corporation has established these application review and evaluation principles (the “Principles”) to further the program integrity goals of the Act, namely, to ensure compliance with the terms and conditions of the Act and the Rules, to safeguard the expenditure of public funds, and to ensure that the awarding of tax credits furthers the objectives of the Rebuild Rhode Island Tax Credit program, see R.I. Gen. Laws § 42-64.20-8(a); and to establish accountability standards, risk analysis standards, and program objectives in accordance with the Corporation’s enabling law, see R.I. Gen. Laws § 42-64-36.

These Principles do not create any legal rights, duties, obligations, or defenses, implied or otherwise, for any person or negate the Corporation’s discretion under the Act and Rules. Notwithstanding anything contained in these Principles to the contrary, the Corporation shall have and may exercise all general powers and discretion set forth in the Act and the Rules as necessary or convenient to effect their purposes.

These Principles are effective as of December 21, 2015 and shall remain in effect until such time as the Board of Directors of the Corporation (the “Board”) amends, supersedes, or repeals them.

1. Application Completeness and Consistency

The Corporation will review the application for (a) completeness and (b) consistency. This review consists of the following:

A. Review for Submission Completeness: The Corporation determines if the applicant has submitted all information required by the Rebuild Rhode Island Tax Credit application. In accordance with Rule 10(d), the Corporation will not recommend an application for approval unless it has determined that the application is substantially complete.

B. Review for Consistency of Material Information: The Corporation will assess whether the material information provided in the application is internally consistent.

Pursuant to the Rules, the Corporation, in its sole discretion, has the right to (a) require that an applicant furnish additional information that the Corporation deems relevant to the review of the application; (b) reject any incomplete or deficient application; and (c) may permit the resubmission of an application rejected as being incomplete or deficient.
2. **Program Eligibility**

The Corporation will assess whether, based on the application and any additional information that the Corporation may require the project and applicant, as presented, meet the eligibility requirements of the Act and the Rules. Such assessment will include testing the validity of the applicant’s financial information and assumptions through the use of financial models and, if it chooses, seeking input from third-party consultants.

The Corporation may reject any application deemed to be ineligible for any reason.

3. **Risk Assessment**

The Corporation will perform an analysis and assessment of applicant and project risks. This analysis will include, collectively, the following considerations, among any others deemed relevant by the Corporation:

A. **Execution Risk.** This factor considers:
   i. The qualifications and experience of the applicant and related entities, including an assessment of the developer’s experience, track record, good standing, and general likeliness to effectively complete the project.
   ii. The uses of capital including acquisition, hard and soft development costs.
   iii. The sources of capital for the development, including the amount of applicant equity, financing progress, and overall capital structure.

B. **Achievability.** This factor considers:
   i. The overall size, scope, and complexity of the project, including an assessment of potential market appetite for the particular project.
   ii. A financial analysis of operating (revenue, expense, and debt service) assumptions and projections.

C. **Ability to Return Capital.** This factor considers:
   i. A financial analysis of the return on equity, investment multiple, and/or the internal rate of return of the project.
   ii. The absolute dollar value of the tax credit sought, as well as the dollar value of the tax credit as a percent of the overall project value, including an understanding of the likelihood of the developer’s use of the Act’s redemption option.
   iii. An assessment and analysis of the likelihood for some or all of the Corporation’s capital to be returned.

4. **Portfolio Analysis and Impact**

The Corporation will employ a strategically appropriate portfolio strategy as part of its decision-making process regarding which investments it will make, if any, under the Rebuild Rhode Island Tax Credit program. Key elements to this portfolio strategy may include, but may not be limited to, strategic fit and portfolio balance, catalytic and economic impact, consistency with the State’s overall economic development priorities, and leveraging the Corporation’s strategic initiatives and programs.
An assessment of strategic fit and portfolio balance may include, among other considerations:

A. **Class of Development:** A goal of the Corporation is to help spur economic activity across several development categories that, when combined, support a dynamic economy that is positioned for long term growth. As a result, the Corporation will attempt to allocate resources appropriately to that end across development classes including commercial, industrial, mixed-use, and residential. In determining the allocation, consideration may be given to the volume of applications received in particular classes.

B. **Industry and Sectors:** Consistent with the State’s overall economic development goals, the Corporation will seek to develop a portfolio of investments that support the overall economic priorities of the State in a complementary and appropriate manner, with consideration given to stated targeted industries and balanced growth sectors.

C. **Nature of Development:** Consideration will be given to the mix of non-speculative uses, pre-leased projects, and appropriate speculative projects to the extent such transactions fit with other program goals.

D. **Size of Project:** Giving consideration to the scarcity of taxpayer resources and the desire to achieve a balanced development outcome, the Corporation will seek to develop a portfolio with an appropriate mix of project scales.

E. **Location:** Consideration shall be given to developing an appropriate portfolio strategy with respect to the geographical location of developments, as well as to whether the project maximizes the value of vacant, dilapidated, outmoded, or underutilized property.

F. **Consistency With State And Local Planning:** Consideration may be given to whether the project furthers State or municipal planning and development objectives, or both.

G. **Other Societal Benefits:** Consideration may be given to any other societal benefits that may result from the Project that are not otherwise captured in other factors considered in these Principles.

An assessment of the catalytic and economic impact and consistency with the State’s overall economic development priorities may include, but not be limited to:

H. A review of the impact on and benefits to the Rhode Island economy, and where possible, synergistic development opportunities for economic priority projects such as I-195, Quonset, T.F. Green Airport, Hope Communities, urban residential stock, state of the art facilities, among others.

I. The degree to which the project uses private capital and encourages and enhances further private capital development opportunities.
J. A general assessment of the economic impact to the Corporation, including the potential opportunity to capture equity returns on the project’s growth and success.

K. Other direct and indirect economic benefits to the State, if any, including impact on employment and state and local revenues.

5. Recommendation

Based upon the foregoing review, assessments, and considerations, the Corporation will make a determination, in its sole discretion, whether to award tax credits to an applicant. The Corporation’s staff will make written and verbal presentations of projects recommended for tax credits to the Board’s Investment Committee and the Board. Such presentations will emphasize appropriate risk mitigation including but not limited to: Property Risks such as title, access, approvals and environmental; Sponsor Risk such as experience, team depth, and financial strength; Construction Risk such as cost overruns and safety; Capital Risk such as debt and equity sources and terms; Operating Risk such as leases, tenant quality, and operating expense control. The Corporation will pursue a term sheet and then legal documentation to properly protect the State from these and other risks associated with an investment in a project.

Pursuant to Rule 12(a), the Corporation staff will obtain the written confirmations required under the Act and the Rules from the Corporation’s Chief Executive Officer, the Secretary of Commerce, and the Office of Management and Budget prior to the Board’s final approval of tax credits for an applicant.

Pursuant to Rule 10(e), if the Corporation determines that it will not recommend a complete application to the Board for approval, it shall notify the applicant in writing of such decision.