



SENATE FISCAL OFFICE

**BALLPARK AT SLATER MILL
SENATE FINANCE HEARINGS**

S-0990 & S-0989

FINAL REPORT

DECEMBER 7, 2017

Senate Committee on Finance

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Acknowledgements

The Committee would like to thank Senators Donna M. Nesselbush and Elizabeth A. Crowley for their participation in the hearing process and for co-sponsoring the legislation.

Special thanks goes to Derek Hayes, Marjorie O'Brien Reed, and all of the staff at Capitol TV for their hard work and time as they crisscrossed the State to broadcast and record the hearings.

To our hosts at Tolman High School, the University of Rhode Island, New England Institute of Technology, Bryant University, and Roger Williams University Law School, thank you for accommodating the Committee, our guests and the public.

Appreciation is also extended to Emily Tumber, Senate Fiscal Office Intern, for her help during the hearing process and for her assistance in writing this report.

Lastly, special thanks to the invited guests and members of the public who took time to discuss the pros and cons of a new ballpark with the Committee.

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Executive Summary

From September 14, 2017, through October 24, 2017, the Senate Finance Committee held hearings on the enabling legislation that would authorize public financing of a new ballpark in downtown Pawtucket. The proposed ballpark would be the home of the Pawtucket Red Sox, the professional Minor League Baseball team that has played at McCoy Stadium since 1970.

The legislation was introduced on June 27, 2017, as the General Assembly was completing its 2017 legislative session. This significance of the proposal and its late introduction led the Senate to postpone hearings until September, at which time a thorough vetting by the Senate Finance Committee could take place.

The Senate Finance Committee committed to an open, transparent, and deliberate process as it approached its consideration of the legislation. The bills were heard over the course of multiple hearings, organized around key aspects of the proposal, with experts invited to provide their insight. The public was crucial to the process and numerous opportunities for in-person and written input were provided.

The outcome of this effort is amended legislation that has been informed and improved by the process.

THE PROCESS

The Senate Finance Committee held seven hearings on bills S-0989 and S-0990. The location of the hearings were chosen for their geographic diversity in an effort to make them accessible to as many people across Rhode Island as possible. Specifically, the venues and dates were:

- The State House, Providence - September 14th and October 24th
- Tolman High School, Pawtucket - September 26th
- University of Rhode Island, Kingston - October 3rd
- New England Institute of Technology, East Greenwich - October 11th
- Roger Williams University, Bristol - October 12th
- Bryant University, Smithfield - October 19th

The hearings consisted of approximately 28 hours of presentations, public input, and Committee inquiry. The Committee received 185 pages of written testimony at the hearings and volumes of supporting material from presenters. Nearly 13 hours, or 46.0 percent of the total duration of hearing time, was dedicated to public comment. At least 324 people signed-in to testify. The following table summarizes the hearing logistics:

Date	Location	Duration		Presenting Organizations	Public Testimony (signed-in)			Total
		Total	Public		Support	Oppose	Neither	
September 14, 2017	Providence	7 hr: 5 min	4 hr: 0 min	3	58	15	2	75
September 26, 2017	Pawtucket	4 hr: 23 min	3 hr: 0 min	1	72	24	12	108
October 3, 2017	Kingston	3 hr: 25 min	1 hr: 25 min	3	28	10	5	43
October 11, 2017	East Greenwich	3 hr: 31 min	: 52 min	6	14	7	2	23
October 12, 2017	Bristol	2 hr: 55 min	1 hr: 20 min	2	26	6	0	32
October 19, 2017	Smithfield	3 hr: 43 min	2 hr: 0 min	2	35	8	0	43
October 24, 2017	Providence	2 hr: 58 min	-	3	-	-	-	-
Total		28 hr: 0 min	12 hr: 45 min	20	233	70	21	324

The agenda was organized with three objectives in mind. The first was to provide the Committee with an in-depth orientation on the key elements of the new ballpark proposal. The second was to hear from the public and understand its perspective. Lastly, the Committee sought to build upon this information through a structured inquiry and follow-up, by inviting experts to answer members' questions. This last step was

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considered crucial in the Committee’s decision-making process. The hearing topics tracked the following framework:

- Overview of the Legislation and Proposal
- Pawtucket – Risks and Benefits
- Economic and Fiscal Impact
- Committee Inquiry – State Experts – Treasury/State Fiscal Advisor, Executive Office of Commerce, DEM, and RIIB
- Committee Inquiry – Ancillary Development Market, Pawtucket Redevelopment Authority
- Committee Inquiry – Economic and Fiscal Benefit follow-up
- Committee Inquiry – City / Team

Transparency

As noted, the Committee prioritized scheduling the hearings around the State. The more accessible the hearings, the more transparent the process would be. To facilitate transparency further, the Senate created of a website dedicated to the hearings. Pawsoxhearings.com has been online since the beginning of the hearings. It serves as way to provide up-to-date information to people on the hearings. It is a repository of over 50 documents, presentations, written testimony, and other supporting materials received by the Committee. Links to the video of each hearing is available.

A key feature of the website is its ability to receive written comments from the public. These comments have been available for senators to review throughout the process. Through December 6, 2017, there have been 369 submissions (187 supporting, 169 opposing, and 13 neither).

THE PROPOSAL

The Pawtucket Red Sox, the City of Pawtucket, and the State of Rhode Island have partnered to jointly finance the construction of a new ballpark in downtown Pawtucket. It is proposed that the \$83.0 million project be paid for through a combination of borrowing on behalf of all three partners and a Team equity contribution. The Team would cover the majority of the costs, contributing \$12.0 million in equity and principal debt of \$33.0 million. The State and City would provide \$23.0 million and \$15.0 million in principal debt, respectively. The terms of the borrowing are estimated to be between 4.0 and 5.0 percent interest for 30 years. Annual debt service payments are estimated to be \$2.3 million, \$1.5 million, and \$963,000 for the Team, State, and City, respectively, based on interest rates as of September 25, 2017.

The debt will be issued in three series of bonds. The Team would be responsible to pay for Series A bonds, with payments are coming from revenue associated with increased attendance and ballpark naming rights. The State would pay for the Series B bonds through revenue generated from ballpark users, visitors, the Team, ancillary development, and a premium ticket surcharge. The City would pay for the Series C bonds with revenues from increased property taxes generated from the new ancillary development.

THE ISSUES

The Committee explored the details of the proposal and stressed-tested the assumptions put forward in support of the financing. In the process a number of important issues arose that led to significant inquiry and in some instances, suggested changes to the legislation. The following are the primary areas of interest to the Committee that emerged out of the hearings.

Eminent Domain / Land Acquisition

The partners do not currently control the proposed ballpark site. Testimony from the City suggests that they are in active negotiations with a “willing partner” regarding the project land. S-0990 includes language

that expands the eminent domain authority of redevelopment agencies across the State to include areas that are not blighted or substandard. It was argued that this expansion was necessary to modernize the redevelopment statute and as a necessary precaution in the event a purchase and sales agreement could not be negotiated.

Team Financial Position

The ability of the Team to meet its debt service obligations is contingent upon the health of its business and the likelihood of new future revenue. The Committee worked with the Team throughout the hearing process to get a clear picture regarding its financial position. Ultimately, the Senate requested, and the Team agreed to, an independent review of the Team’s financial position by the Auditor General (AG). The AG was asked to make a determination regarding the ability of the Team to meet its proposed \$2.3 million annual debt service. The Executive Office of Commerce undertook a similar review.

The AG and the Executive Office of Commerce concluded that the Team’s finances are “stable”; however, it was dependent upon new revenue expected to come from ballpark naming rights and increased attendance.

Mitigating Pawtucket’s Risk

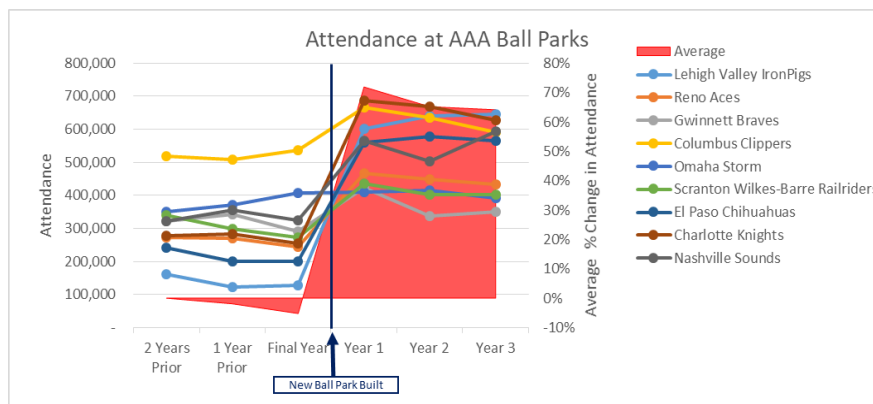
The ability of the City to meet its debt service obligation was of primary interest to the Committee and it was the subject of much inquiry. Under the financing structure, the City assumes \$15.0 million in principal debt. The annual debt service is estimated to be \$963,000 and \$27.0 million in total over 30 years. Should the City not be able to make payment, S-0989 requires that the State withhold state aid. New project-related revenue for Pawtucket is derived solely from property taxes on ancillary development. This development not expected to be sufficiently revenue generating for 8 to 10 years.

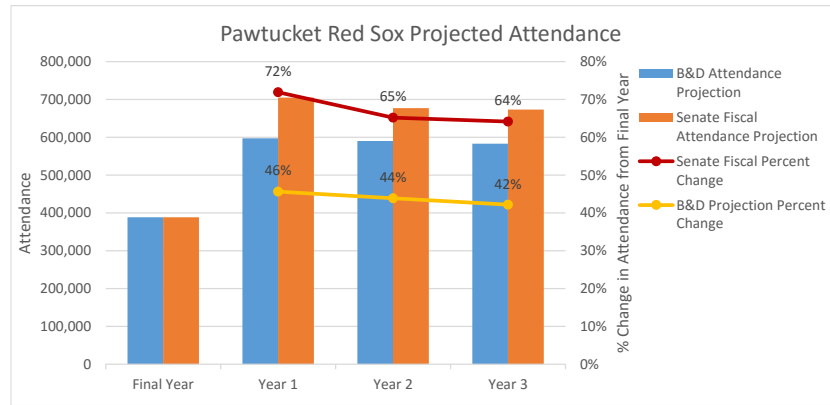
Capital Improvement / Maintenance

The responsibility for capital improvement and maintenance at the ballpark is not clear under the proposal as presented and is not addressed in the original legislation. At McCoy these responsibilities were historically delineated in a lease agreement. Despite this, the facility chronically experienced unfunded capital needs. Testimony from the City, Team, and the State suggested that the details would be part of the lease negotiations.

Attendance

Attendance at the ballpark is the basis for all revenue projections that underlie the likelihood of the partners to meet their debt obligations. The Committee and its staff, working with the Team and the International League, analyzed the history and assumptions impacting attendance projections. This analysis summarized in the following charts and is elaborated on in the report. In summary, the analysis suggests that the attendance projections are not out of line with experience at other AAA ballparks and could be understated.





Revenue / Economic Impact

The Team is currently responsible for an estimated \$1.9 million to \$2.3 million in public revenues. This plus \$37,000 in annual lease rentals would be lost if the Team was to leave. During the hearings multiple economic and fiscal impact models showed a range of revenues from the project that were sufficient to meet the State’s bond payments.

Lease Requirements

S-0989 is enabling legislation that authorizes the financing of the ballpark to move forward. Much of the public impact associated with the project will be the result of what is agreed upon in the lease among the partners. Acknowledging that the executive branch is best equipped to negotiate and administer the Lease and long-term project agreements, the Committee nonetheless sought to outline certain public policy objectives, protections, and conditions to include legislation.

Financing Structure / Backstops

A consistent issue throughout the hearings was the extent and nature of any “backstop” that may exist for the several bond series proposed in the legislation. A backstop is understood to be the mechanism by which payment obligations are met in the event that the principal debtor is no longer able to make payments. Based on testimony from the Treasurer and the State’s financial advisor, the Committee learned that as written the bonding is considered to be a form of appropriation debt. This is necessary to secure the State’s credit rating and make the project financing affordable to all partners.

Environmental Risks

The Committee heard repeated public testimony suggesting significant environmental risks at the proposed ballpark site. Testimony from the Department of Environmental Affairs and expert consultants put these concerns at ease. They indicated that the Apex site consists of “typical urban fill”, is compliant with all DEM regulations, and that future development will be possible with routine environmental precautions.

CHANGE TO THE LEGISLATION

Based on the information considered during the hearing process, the following changes are made to the legislation:

- **Eminent Domain:** S-0990 is amended to eliminate the expansion of eminent domain powers under the Redevelopment Act and to restore the definition of “blighted and substandard” throughout the bill.
- **Naming Rights:** S-0989 is amended to direct 50.0 percent of the ballpark naming rights revenue to the City to assist with its annual debt service payment. This revenue is estimated to be \$250,000.

- **Ticket Pricing:** S-0989 is amended to reflect the transfer of the premium ticket surcharge revenue from the State to the City. The definition of a “ticket” is clarified and general base ticket prices are stabilized five years.
- **50K sq. ft. Ancillary Development:** The legislation requires any future lease to include a provision that Team develop a minimum of 50,000 sq. ft. of real estate contemporaneously with the construction of the ballpark.
- **Maintenance and Capital Improvement:** The Team will be responsible for the daily, operational maintenance of the ballpark; a minimum 50.0 percent of annual capital expenditures; and shall contribute, along with the City and State, a combined minimum of \$150,000 per year into a capital expenditure fund to finance capital expenditures. The parties must adopt a 5-year capital plan for the facility.
- **Construction Costs:** The \$12.0 million of equity pledged by Team owners is required by the legislation to be the first funds expended towards the construction costs of the new ballpark. Any construction cost savings shall be distributed on a pro-rata basis to the Team, City, and State. Cost overruns will be paid by the Team.
- **Public Park:** The lease will require that the facility be operational year-round in and around the ballpark, separate and apart from the ballpark’s baseball-related uses, in order to create public recreational, social, and communal benefits.
- **Green Design & RIIB Financing:** The legislation encourages the use of financing programs available through Rhode Island Infrastructure Bank, including, the State Revolving Funds and the Efficient Buildings Fund.
- **Fair Labor Standards Act Compliance:** The legislation is amended to require adherence to Fair Labor Standards practices and standards preventing employee classification as independent contractors.
- **Compliance with Public Corporation Debt Management Act:** The legislation is amended to better conform to the requirements of the State’s Public Corporation Debt Management Act, or “Kushner Act”. The amended language clearly identifies the borrowing maximums as \$41.0 million, \$26.0 million, and \$18.0 million for the Series A, B, and C bonds respectively.
- **Lease Conditions:** The lease is required to be for a minimum of 30 years and must be reviewed and approved by the State Properties Commission prior to the issuance of bonds.

The Legislation

S-0989

S-0989 is a joint resolution authorizing the State of Rhode Island (State) to enter into a financing lease agreement in connection with the construction of a ballpark in the City of Pawtucket (City).

The legislation is required to authorize a financing lease and is often referred to as a Kushner bill, named after the requirements original sponsor in the House, Linda Kushner. Pursuant to RIGL 35-18-4, the request for approval must include:

- A full description of the facility to which the financing lease is related;
- An explanation as to why the facility is needed and how it will be paid off; and
- The maximum possible obligation of the state or of any public corporation under the financing lease.

Bill Construction

The first portion of the bill consists of “whereas” clauses that generally outline findings and assumptions; the latter portion of the bill includes the sections that begin “resolved” and “enacted.” Those sections outline the actual authorization necessary per statute.

The lease structure is very similar to what exists currently at McCoy. The City owns McCoy Stadium. Pawtucket leases the land to the State (the lessee) and the State sub-leases McCoy to the Pawtucket Red Sox (the sub-lessee, Team). The only difference with the current proposal is that the owner of the new stadium will be the Pawtucket Redevelopment Agency; not the City. The PRA will lease the stadium to the State (the lessee) and the State will sub-lease to the Team (the sub-lessee).

Financing Structure

The legislation proposes a financing structure and sets limits to the borrowing terms. It sets forth the principal amount of borrowing of the involved parties as well as two assumed interest rates. The amounts the parties will borrow to finance their contribution through bonds issued by the PRA are as follows:

- The Team is responsible for the Series A bonds, with a principal amount of \$33.0 million (exclusive of financing costs), which represents 47.0 percent of the total borrowing amount of the project. The \$33.0 million is in addition to the \$12.0 million that the Team owners will pay in cash contributions toward the estimated \$83.0 million project.
- The State is responsible for Series B bonds, with a principal amount of \$23.0 million (exclusive of financing costs), which represents 32.0 percent of the total borrowing amount of the project.
- The City is responsible for Series C bonds, with a principal amount of \$15.0 million (exclusive of financing costs), which represents 21.0 percent of the total borrowing amount of the project.

Terms and Sources of Payments

As originally introduced, the term for repayment of Series A, B, and C bonds is not to exceed 30 years, which corresponds with the 30-year term of the proposed ballpark lease and sub-lease among the three parties. Also, in the original version of the legislation, interest rates for the bonds are capped at 4.0 percent for tax-exempt bonds and 5.0 percent for taxable bonds.

Amendment: S-0989 is amended to better conform to the State’s Public Corporation Debt Management Act, or “Kushner Act”. The statute requires that financing leases to which the State is a party must be authorized by the General Assembly through resolution. The resolution must include the maximum possible obligation of the State. The original language only listed the value of the principal to be borrowed and not the cost of issuance and total debt service. The amended language includes new maximums of \$41.0 million, \$26.0 million, and \$18.0 million for the Series A, B, and C bonds respectively.

S-0989 is further amended so that the \$12.0 million in equity contribution pledged by the Team shall be required to be the first funds expended towards the construction costs of the new ballpark

The legislation further outlines the expected source of revenues for the respective annual bond payments:

- **Series A:** The Team’s Series A bonds are secured by a financing lease. The annual bond payments are expected to be paid from the annual sub-lease payments to the State, ticket sales, and annual naming rights payments.

Amendment: S-0989 is amended to direct 50.0 percent of the ballpark naming rights revenue to the City to assist with its annual debt service payment. This revenue is estimated to be \$250,000.

- **Series B:** The State’s Series B bonds are expected to be paid from revenues generated by ballpark users, visitors, the Team, ancillary development, and premium ticket surcharges. The State’s expected annual debt service is approximately \$1.4 million. If the expected revenues do not materialize as projected, the Series B bond debt becomes an obligation of the State.

Amendment: S-0989 is amended to reflect the transfer of the premium ticket surcharge revenue from the State to the City. The bill clarifies the definition of a “ticket” and is amended to require the lease to include a condition that the Team not to raise base ticket prices for five years.

- **Series C:** The City’s Series C bonds are expected to be paid from incremental property taxes, hotel taxes, and food and beverage taxes from the ancillary development surrounding the ballpark and the Downtown Redevelopment Project, other City revenues, and donations. Pawtucket’s expected annual debt service is approximately \$900,000. If the City cannot or does not make its annual bond payments, its debt service will be paid by the State of Rhode, but will be paid with State Aid that would have been dispensed to the City by the State. The State provides approximately \$6.0 million in State Aid to Pawtucket annually. If the City fails to make its Series C bond payment in any given year, or any portion of it, the State will withhold aid to the City in the amount of the insufficiency and use those funds to cover the bond payment. The legislation specifically sets forth Pawtucket’s pledge of that State Aid in order to cover its Series C bond payments. The legislation specifically excludes the pledge of education aid that Pawtucket receives from the State.

Amendment: S-0989 is amended to direct 50.0 percent of the ballpark naming rights revenue to the City to assist with its annual debt service payment. This revenue is estimated to be \$250,000. It is further amended to reflect the transfer of the premium ticket surcharge revenue from the State to the City. This revenue is estimated to be \$100,000 per year.

S-0990

S-0990 relates to redevelopment agencies within the State. The legislation is required to allow the Pawtucket Redevelopment Agency to purchase and develop land proposed for and surrounding the ballpark.

The Redevelopment Act

S-0990 seeks to amend two existing statutes within the Redevelopment Act of 1956 (Redevelopment Act). The Redevelopment Act is a collection of state laws that direct community redevelopment within cities and towns of blighted and substandard lands in order to promote the health, safety, morals, and general welfare of the people in those communities and of the people in the State of Rhode Island generally. The

Redevelopment Act creates redevelopment agencies in each community. (i.e. the Pawtucket Redevelopment Agency in the City of Pawtucket). The act outlines the purposes of those redevelopment agencies — to redevelop in the interest of promoting health, safety, morals, and the general welfare of people in those communities and in the state in general. The act further specifies the scope of authority that the redevelopment agencies have in order to act and fulfill their purposes under the law.

Definitions of “Blighted” and “Substandard”

The legislation amends RIGL 45-31-8, which is a “Definition” section. In essence, as anyone reads the numerous laws within the three chapters of the Redevelopment Act, he or she should refer to this definition section in order to apply the very specific and legal definitions to the terms used in those laws.

S-0990 proposes to make changes to subsection (14), which is the definition of “redevelopment” and subsection (15), which is the definition of “redevelopment area.” The changes in the two definitional sections, which add the authority to “construct, furnish, and equip” upon land within the redevelopment area and which remove language related to “blighted and substandard” land are designed to allow the Pawtucket Redevelopment Agency to redevelop the specific site that it has identified for the ballpark and the ancillary area.

Amendment: S-0990 is amended to eliminate the expansion of eminent domain powers under the Redevelopment Act and to restore the definition of “blighted and substandard” throughout the bill.

Modernization of Redevelopment Agencies

The legislation amends RIGL 45-32-5 for the purposes of updating the authority of Redevelopment Agencies so that the construction and development of new structures is permitted. That statute sets forth the corporate powers of redevelopment agencies. It expresses the authority of redevelopment agencies to exercise public and essential government functions and sets forth the powers that the redevelopment agencies have that are necessary and convenient to effectuate the purposes of the Redevelopment Act. Within that statute, there are numerous subsections which enumerate those powers.

S-0990 proposes a change to subsection (a)(14), which will allow for construction of new buildings for recreational, institutional, public and other uses. The bill also adds subsection (a)(15), which allows redevelopment agencies (here, the PRA) to grant or loan redevelopment project revenues, or other revenues including bond revenues, in order to finance a redevelopment project (here, the ballpark and ancillary area).

McCoy Stadium

McCoy Stadium was built in 1942 on what was then a marshy section of land east of the Blackstone River in Pawtucket known as Hammond Pond. The stadium began hosting Minor League Baseball as early as 1946 and has been home to the International League Triple AAA Pawtucket Red Sox since 1973. The 75-year old stadium is the oldest ballpark in International League by 46 years. The last significant renovations to McCoy occurred in 1998 and were financed by the State using \$11.8 million in Economic Development Revenue Bonds. Approximately \$1.8 million in Rhode Island Capital Plan (RICAP) funds have been used since for capital asset protection and improvements. The FY2018 Budget includes \$200,000 in RICAP funds for the stadium.

On January 26, 2017, the Team, the City, and the State’s Department of Administration’s Division of Capital Asset Management and Maintenance (DCAMM) issued a jointly-funded report on McCoy Stadium. The comprehensive analysis provided cost estimates on various options of maintaining the future functionality of the stadium.

BACKGROUND

McCoy Stadium is owned by the City, leased to the State and is in turn sub-leased to the PawSox. The current agreement runs through January 31, 2021. The ballpark has undergone several major renovations over the last several decades.

Capital Improvements – Economic Development Bonds

In 1996 a major assessment of the entire McCoy Stadium complex was conducted. Based on the findings of that report the Team and the City determined that extensive renovations needed to take place.¹ The cost was estimated at approximately \$11.8 million. As the facility owner, the City was not in a position at that time to afford this investment and an appeal was made to the State for assistance. The State provided the financing in an effort to keep the PawSox in Rhode Island. Because of the stadium’s condition, the Team was strongly considering at move to either Worcester or Springfield, Massachusetts.

McCoy Stadium - State Funding	
Economic Development Revenue Bonds	\$11.8
Debt Service	3.8
RICAP Pre-FY2018	1.8
RICAP FY2018	0.2
RICAP FY2018-2023	1.2
Total	\$18.8
<i>\$ in millions</i>	

Economic Development Revenue Bonds through the Rhode Island Economic Development Corporation (RIEDC) were sold to fund the renovations. These included new elevators, the addition of 3,000 seats and expanded grandstand to accommodate greater attendance, wheelchair ramps, expanded concourse, and viewing platforms. In return, the owner of the PawSox signed a lease that kept the Team in Rhode Island. The total principal and interest debt service on the RIEDC Revenue Bonds was \$15.6 million and the last debt service payment on the bonds was made during FY2010.

Capital Improvements – Rhode Island Capital Plan Funds

After completing the initial \$11.8 million in renovations, several areas of concern were either not completed or addressed in 1998. These projects included parking area coating, rubber membrane roof repairs, concrete repairs, concourse and seating deck coating repairs, weatherproofing, elevator and HVAC upgrades. These additional repairs were funded through the Rhode Island Capital Plan (RICAP). Although the State was under no obligation to maintain the stadium, the State agreed to provide appropriations for a McCoy Stadium Capital Project providing that all three parties agree to extend the original lease.

In the FY2018 Supplemental Budget, the Department of Administration requests \$200,000 of capital funding for McCoy Stadium to support expansion joint repairs to mitigate water infiltration. The Department’s capital budget includes a request for further annual capital appropriations of \$200,000 from FY2019 to FY2023.

Capital Improvements - Planned Expenditures through 2021

As part of DCAMM presentation to the Committee on October 24th, the Division addressed the list of projects it considers necessary should the Team continue to play through end of the lease in 2021. Five projects were identified at a total cost of \$575,000²:

Required Repairs through 2021	
Repair	Estimated Cost
Concourse traffic coating	\$75,000
Railings	100,000
Walkways	150,000
HVAC unit repair/replacement	150,000
Fire alarms repairs/upgrades	100,000
Total	\$575,000

MCCOY STADIUM STUDY 2017

On January 26, 2017, the PawSox, the City, and the State’s Department of Administration’s Division of Capital Asset Management and Maintenance (DCAMM) issued the final report of a jointly-funded³ study of McCoy Stadium. The comprehensive analysis provided cost estimates on various options of maintaining the future functionality of the stadium.

Selection Process

In June 2016 the City, DCAMM, and the Team released a Request for Proposals (RFP) to study McCoy Stadium. According to testimony provided by DCAMM, each of the organizations, including DCAMM staff, had “meaningful” participation in the development of the RFP as well as the selections process. DCAMM assured the Committee that that consultant was not “hand-picked” by the Team⁴. The contract was awarded to Pendulum Studio II, LLC, a Kansas City-based architectural and planning consultant with extensive experience in sports-facility design and construction.

Scope of Work

Pendulum was commissioned to provide a detailed report in two parts⁵:

Part One: The first section comprehensively addressed site conditions including:

Scope of Work - Part 1
Overall Site Conditions
Traffic and Parking
General Structural Systems
Mechanical, Electrical, and Plumbing Systems
Fire Alarms and Technology
Architectural Elements and Basic Patron Amenities
Deferred Maintenance
Current State-of-the-Art Facility Comparison
Compliance with MiLB Facility Standards
Preliminary Cost Model to Cure Existing Conditions

Part Two: The second section of the study required Pendulum to make a recommendation on the renovations needed to bring McCoy in line with current state-of-the-art facility standards, including infrastructure and patron amenities without demolishing the existing structure. It also was asked to explore the feasibility of demolishing McCoy Stadium and rebuilding a new facility.

Findings

The 182-page final report was vetted in late 2016 by a committee of representatives from each of the study’s funders, including DCAMM and DOA. The findings centered on the three scenarios:

- **Good Repair & Safety:** The report dedicates 61 pages to assessing and cataloging essential capital projects necessary to get McCoy to a state of good repair that would allow the continuation of baseball operations to take place safely. The report estimates the costs of these projects to be \$35.6 million.

<u>Scenario</u>	<u>Estimated Cost</u>
Good Repair and Safety	\$35.6
Renovation	68.1
Demolition/New Construction	78.4
<i>\$ in millions</i>	

In testimony at the Committee’s first hearing, both the City and the PawSox indicated neither party was interested in this option⁶. The City cited the lack of opportunity in this scenario for ancillary development to take place, a preferred goal in that revenues from such development would be required to pay the City’s share. The Team cited the scenario’s failure to produce a modern ballpark that would meet the standard of modern Minor League Baseball (MiLB).

- **Renovation of McCoy to Current Standards:** The second option would renovate McCoy to current MiLB standards. The report lists numerous positive elements of this option, including the preservation of McCoy’s historical characteristics and the opportunity for year-round events. However, the report notes that like the 1998 renovations, this approach cannot completely address the fundamental flaws of the site, including the lack of ancillary development opportunities. The report estimates that the cost of this scenario would be \$68.1 million.
- **Demolition/New Construction at McCoy:** The report notes that this scenario is the most expensive at an estimated \$78.4 million. Similar to the previous two findings, the lack of ancillary development opportunity and expanded site options reduce opportunities for the City and the Team, limiting their willingness to participate in financing, thereby increasing the burden the State would be asked to take on.

FUTURE OF THE MCCOY SITE

At its September 26th hearing the Committee inquired of City officials about plans for the McCoy site should a new downtown ballpark come to fruition. The City indicated that no formal planning has taken place because it is premature given the uncertainty around the fate of the downtown stadium proposal. In the event that the legislation moves, the City would then finance a proper study as to the highest and best use of the site. That being said, Mayor Grebien suggested that discussions have taken place and preliminary ideas include a relocation and consolidation of city services at the site⁷. This would free up higher value property downtown for tax generating uses.

The Lease

The bills under consideration by the Senate Finance Committee are enabling legislation authorizing various elements of the new ballpark proposal, including its financing structure. They are not meant to be overly prescriptive; the executive branch is best equipped to negotiate and administer the Lease and long-term project agreements. Nonetheless, the legislation reflects the broad principles underpinning the public policy objectives desired by the General Assembly.

Much of the detail and outcomes of the new ballpark proposal are contingent upon how the lease agreements between the City, State and Team are structured. The components and specifics of the lease have been of great concern to the Committee during the hearings.

CURRENT LEASE AND BACKGROUND

McCoy Stadium is owned by the City. In 1998 the Department of Administration (DOA), acting on behalf of the State (the lessee), entered, for the first time, into a lease agreement with the City (the lessor), and the Team (the sub-lessee). The contract was entered into in order to ensure that the Team would stay in Pawtucket for the next 12 years while facilitating the State financing of needed renovations.

In 2005 the same parties executed a subsequent lease that extended the Team's stay in Pawtucket. As part of the deal, DOA agreed to provide annual appropriations through its capital budget for a McCoy Stadium Project. The lease has been extended twice and currently runs through January 31, 2021, with a 5-year optional extension. According to the lease, the Team is to make rent payments semiannually to the State. In FY2018, the lease payments will total \$37,000, with the rent increasing by \$500 each payment period.⁸

Maintenance and Capital Improvement

According to DCAMM the following roles and responsibilities relative to the maintenance of the facility are assigned to the parties under the current lease⁹:

Pawtucket Red Sox

- Maintenance of premises in good condition and repair
- All maintenance and repairs in offices
- Furnishings, fixtures, and equipment
- Maintaining the cleanliness of the premises

City of Pawtucket

- Structural elements
- Roof of the facility and other areas covered by the roof
- Exterior walls of the facility
- Protective coatings, plumbing, ramps, etc.
- All repairs, replacements, and improvements, whether capital or ordinary, needed to preserve the premises

State

- No obligations for the operation, maintenance, and repair of the premises. However, the State has the "right at any time to make ...improvements...structural or otherwise...as (it) deem(s) necessary"¹⁰. The State has exercised this right each year that the lease has been in effect.

FUTURE LEASE CONSIDERATIONS

Maintenance and Capital Improvements at New Ballpark

Maintenance, capital asset protection, and capital improvements at the proposed new ballpark were significant topics of inquiry for the Committee throughout its hearings. The Committee requested information on the annual costs associated with operational maintenance and tried to determine what the budget would be for capital improvements associated with a new, state-of-the-art ballpark. The Committee sought clarity on how the responsibilities for maintenance would be divided among the Team, City, and State.

Roles & Responsibilities: In its October 3rd letter to the Committee, the Team first describes its preference for a shared responsibility for capital expenditures at the proposed new ballpark. The Team agrees in concept that “annual capital expenditures on the Ballpark will be shared equally by the PawSox and the public sector. The public sector’s share will be determined as mutually agreed between the State and the City. The parties will budget no less than \$150,000 in annual capital expenditures.”¹¹

At the October 24th hearing, Team officials clarified that “Commerce has not committed (the State) to any amount towards capital improvements” and that the only parties that have agreed to participate have been the City and the Team.¹² Commerce similarly indicated as much at the October 12th hearing and affirmed that it is imperative that the roles and responsibilities for upkeep be codified in the lease.

Costs Estimates of Maintenance and Capital Improvements: The Team indicated that “facility related expenses” currently represent 9.0 percent of overall annual expense, however no dollar value is provided.¹³ Commerce indicated at the October 11th hearing, that the \$150,000 per year figure proffered by the PawSox is only an estimate, one that remains to be evaluated. To establish a better estimate the Committee requested information on capital expenditures and budgets for minor league ballparks that are between 20-30 years. The Team responded by providing data on five de-identified stadiums. Notable expenses beyond five years appear to include new scoreboards and sound systems. The total cost over the first five years averaged \$2.2 million and ranged from \$100,000 to \$540,000 per year¹⁴.

Amendment: *S-0989 is amended to include a series of principles, protections, and conditions that must be part of any future lease. They reflect certain concerns raised during the hearing process and guidance on how they should be addressed.*

Maintenance and capital improvement issues at the new ballpark are among the Committee’s chief concerns. S-0989 is amended so that any future lease must contain requirement that the Team be responsible for the daily, operational maintenance of the ballpark and its costs. The lease must also explicitly make clear that the State is not responsible for operational maintenance. The lease shall require that the Team be responsible for a minimum 50.0 percent of annual capital expenditures and that the City, State, and Team must contribute a minimum of \$150,000 in total per year into a capital expenditure fund to finance capital expenditures. The parties will be required to develop a multi-year capital improvement plan detailing expected, future capital projects and outlays. No capital expenditure funds shall be used for operational maintenance.

Construction Costs

The Team repeatedly testified, both before the Committee and in writing, that it was committed to covering construction cost overruns.¹⁵ The Team maintained the significance of this commitment given that construction costs typically grow overtime. The longer it took for the project to be authorized and construction to begin the more likely these overruns would be realized.¹⁶

Amendment: *S-0989 is amended to require any future lease to include the Team’s commitment to paying all cost overruns related to the construction of the ballpark. Conversely, the lease will also require that should the construction costs come in below the estimate cost, then savings will be distributed on a pro-rata basis among the parties (46.5 percent, 32.4 percent, and 21.1 percent to the Team, State, and City respectively).*

Concurrent Ancillary Development

An important component of the new ballpark proposal includes the commitment by the Team to develop, concurrently with the ballpark and without public tax subsidies, a minimum of 50,000 sq. ft. of retail or mixed-use real estate. This commitment supports two key objectives highlighted during the hearings. First, the Executive Office of Commerce testified that this early investment would serve as a catalyst for further private ancillary development.¹⁷ Second, by requiring the development to be online with the opening of the ballpark, the City is able to immediately realize new property revenues to assist it in making its annual debt service obligation.

Amendment: S-0989 is amended to require any future lease to include the requirement that the Team develop a minimum of 50,000 sq. ft. of retail real estate simultaneously with the construction of the ballpark. It provides for a \$275 penalty for each day after the ballpark opens that the ancillary development fails to reach substantial completion.

Public Park

During the hearing process City and Team officials described to the Committee how, when not being used for the purposes of professional baseball, the new ballpark would be open year-round for public use. The Team cited Fort Wayne, Indiana as an example of a community whose Minor League ballpark also is used as a civic space and public park¹⁸. The Team formally committed to this type of use in its letter to the Committee on October 3rd.¹⁹

Amendment: S-0989 is amended so that any future lease will require the City to provide “planning and operational assistance” to the “public park aspect” of the ballpark. The lease will also specify that the facility will be operate year-round in and around the ballpark, separate and apart from the ballpark’s baseball-related uses, in order to create public recreational, social, and communal benefits.

Ticket Prices

The Team explained to the Committee the importance of low-cost, affordable ticket prices to its business model. The Team was adamant against raising ticket prices across the board. In its October 3rd letter to the Committee, the Team expressed its commitment to preserving the existing prices on senior citizen, children, and general admission tickets for at least the first five years after the ballpark is built.

Amendment: S-0989 is amended so that any future lease must require the Team not to raise the cost of advance ticket prices for children, senior citizens, and general admission for a minimum of five years.

Review of Lease and Term

Testimony from the State and Team at the October 12th and 24th hearings respectively indicated their shared desire for a deal that kept the Team in the City over the long-term. They separately mentioned a term of 30-years, a timeframe that coincides with the financing structure for the Team’s Series A bonds as delineated in S-0989.

Amendment: S-0989 is amended to require the lease to include a lease period of not fewer than 30 years and prohibits the negotiation of an escape clause on the minimum lease period.

The lease requirements codified in S-0989 Substitute A and identified above reflect the protections and conditions the Committee felt necessary to ensure important public policy objectives relative to the ballpark. As a final protection S-0989 Substitute A requires the lease to be reviewed and approved by the State Properties Committee prior to the issuance of the Series A, B, and C bonds.

Economic and Fiscal Impact Analysis / Ballpark Comparisons

Underlying the proposed financing structure delineated in the legislation are numerous assumptions regarding anticipated revenue derived from activities associated with the new ballpark and its accompanying development. This future income is crucial if the parties are to afford the debt service on the bonding authorized under S-0989. The Committee examined several analyses in an attempt to determine the likelihood and magnitude of this revenue.

Additionally, the Committee looked at comparative analyses of other Minor League Baseball (MiLB) ballparks in relation to the proposal under review.

ATTENDANCE

Attendance is the key driver of most of the ongoing revenue estimates presented to the Committee. The ability to refine the estimate of this important input was the focus of much discussion and testimony. For purposes of each of the analyses outlined below the following attendance assumptions taken from the Brailsford and Dunlavey (B&D) Study were used²⁰:

- Expected paid attendance of 597,000 in the first year of operations, 2020, with actual turnstile attendance near 400,000.
- Expected paid attendance of 569,000 in the stabilized year, 2024, with actual turnstile attendance near 381,000.

Attendance at McCoy

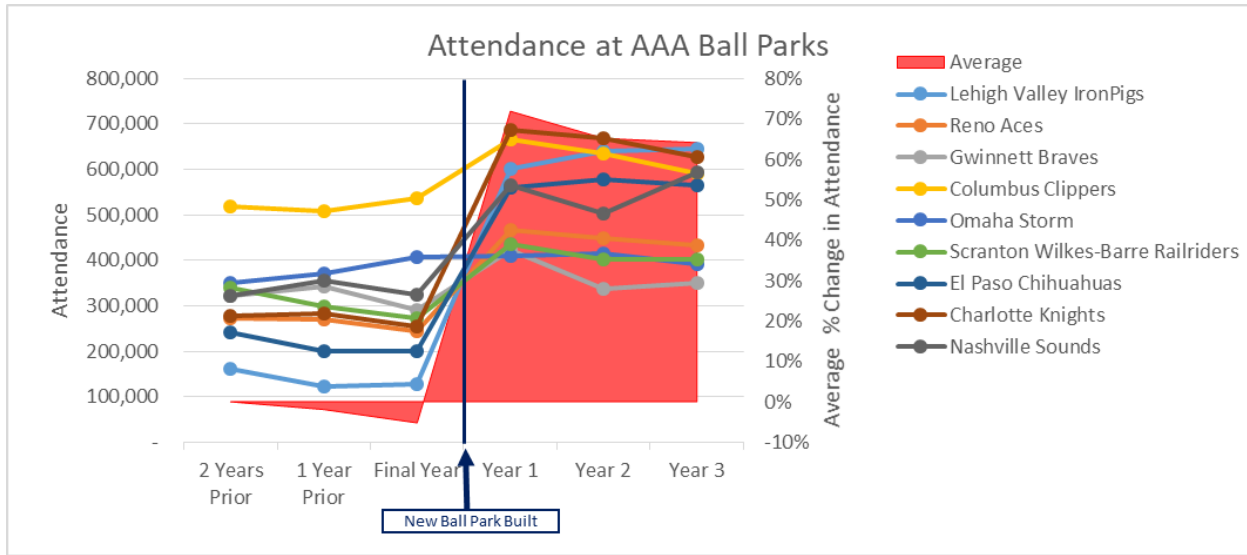
McCoy Stadium opened on July 4, 1942, with the ability to seat 10,031 fans each game. In 2005, the year after the Boston Red Sox won the World Series, McCoy had a record high paid attendance of 688,421 that season. Since 2005 there has been a steady decline in paid attendance at McCoy with 409,960 in 2017, a 40.0 percent decrease from the all-time high in 2005. According to the study published by B&D Venues attendance at McCoy has decreased as a result of the stadium's condition and location.²¹

Attendance Comparisons across Triple A Minor League Baseball

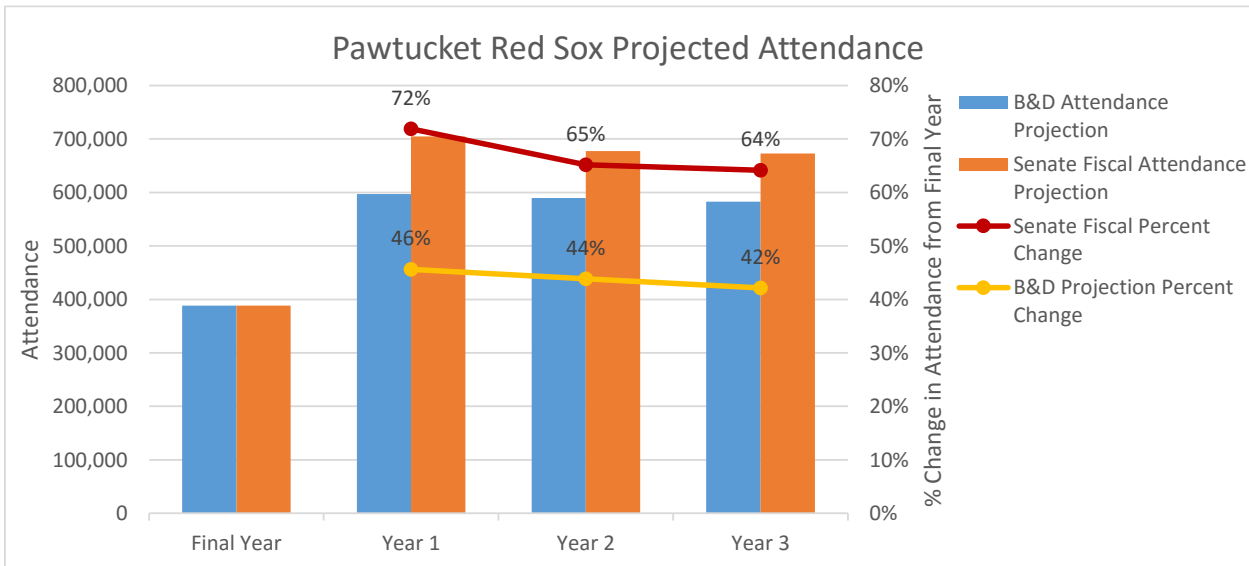
There have been four other International League clubs who have built new stadiums since 2005, the Charlotte Knights in 2014, the Columbus Clippers and Gwinnett Braves in 2009 and the Lehigh Valley IronPigs in 2008. The stadiums for the Lehigh Valley IronPigs and the Gwinnett Braves were both new construction as both teams were new to their respective cities. The Charlotte Knights and Columbus Clippers' stadiums were newly built to accommodate the teams as they were already in their respective cities.

In the case of the Columbus Clippers and Charlotte Knights both teams saw an uptick in attendance after their new stadiums were built, the increase was most notable the year after each stadium opened and has since began a gradual decline. Attendance for the Gwinnett Braves has decreased over 40.0 percent since the stadium opened. Attendance for the Lehigh Valley IronPigs has remained stable. These four examples are only for the International League, but they do show that new stadiums can have a number of different outcomes.

The graph below illustrates the attendance for AAA stadiums three years prior to building a new ballpark and three years after. It can be noted that all teams experienced an increase in attendance after a new stadium was built, and teams averaged an approximately 65.0 percent increase in attendance in year three after a ballpark was built than three years prior to construction.



The following graph illustrates potential attendance projections for the Team, and was created by the Senate Fiscal Office for the purpose of this analysis. These projections were done by taking the Team’s 2017 paid attendance figure of 409,960 and applying the average percent change calculated from the nine teams in the first graph, the numeric values are shown in the table below. This graph illustrates the expected paid attendance in 2020 of 597,000 estimated by Brailsford and Dunlavey (B&D) may be on the lower end of a range.



	2 Years Prior	1 Year Prior	Final Year	Year 1	Year 2	Year 3
Average Percent Change	0%	-1.9%	-5.2%	71.9%	65.2%	64.2%
Pawtucket Red Sox Projected Paid Attendance	409,960	402,168	388,547	704,825	677,283	672,950

JOBS

In a letter provided to the Committee by the PawSox on October 3, 2017 the Team states that they intend to use union labor for the construction of the ballpark.²² The effort to build the new ballpark has consistently

been supported by Rhode Island unions and their workers, with the Rhode Island Chapter of Associated General Contractors submitting a letter of support into public testimony urging the General Assembly to support this project and the jobs that will stem from it.

The Economic Progress Institute (EPI) published a report about the new stadium proposal. In the report the EPI states that not only should union jobs be used to build the stadium, but other jobs at the stadium, such as concessions, box office and custodial services should be paid a livable wage, and should be employed "...such that either the stadium or the team would be either solely or jointly responsible for compliance with both federal and state labor standards..."²³ The report continues that given Pawtucket's relatively high overall poverty rate (15.6 percent in 2016²⁴) ensuring that those who are employed at the stadium are paid a fair wage will help to allow more local families to meet their needs, stressing that all jobs created need to be "good jobs".

Amendment: S-0989 is amended to require employers and vendors, associated with the business of the ballpark, including the Team, adhere to the Fair Labor Standards Act. The bill is further amended to ensure that the Team be in compliance with both federal and state labor standards, including provisions that prevent labor misclassification by incorrectly designating workers as "independent contractors".

BRAILS福德 AND DUNLAVEY REPORT

The City of Pawtucket (City) and the Pawtucket Red Sox (Team) jointly contracted with B&D Venues (B&D), a practice group of the national program management firm of Brailsford and Dunlavey, to complete an economic and fiscal benefit analysis of the proposed ballpark project. Their analysis used information from the minor league baseball industry as well as public information to calculate revenue estimates for the ballpark itself as well as the ancillary development. The actual methodology used by B&D for the study was not provided, rather, the firm produced a report that summarized their findings.

The analysis evaluated two potential sites in Pawtucket, Apex and Tidewater. Following the publication of the report the Apex site was chosen as the better of the two sites. The firm calculated both one-time benefits, those being benefits generated during the construction period, and recurring benefits, tax revenues generated over the next thirty years by ballpark operations and sales and activity within the ancillary development.²⁵ The benefits analyzed were broken down into two categories, economic impacts, which are measured in terms of jobs, earnings, and economic activity, and fiscal impacts, are public tax revenues generated by spending.²⁶

Economic Impact - Ballpark Construction (one-time)

According to B&D the ballpark construction should have an immediate, one-time impact on the State's economy, this will be generated from the procurement of labor, the purchase of materials and the tax revenues generated. B&D's study is based on a \$76.0 million budget that was provided by the Team. According to the B&D study, the State is expected to see one-time benefits of just over \$3.0 million from the construction of the stadium alone, the majority coming from sales and use taxes. This estimate is based off of the assumption that the State will retain a certain percentage of the costs incurred—forty percent of wages, twenty percent of materials, and fifteen percent of soft costs. Reasoning behind these rates was not provided.²⁷ The table to the right provides B&D's conclusion of the one-time economic and fiscal benefits that will be generated by the construction of the ballpark. It was noted the State could experience less sales and use tax revenue that B&D estimated. The ballpark will be publicly owned, therefore materials used to build it will not be subject to a sales and use tax.

one-time impact on the State's

One-Time Economic & Fiscal Benefits	
	Ballpark
Estimated Budget	\$76.0
Direct Benefits	
Estimated Economic Activity	\$9.8
Estimated Wages	\$9.6
Estimated Jobs	164
Indirect Benefits	
Estimated Economic Activity	\$7.7
Estimated Wages	\$13.6
Estimated Jobs	274
Total Benefits	
Estimated Economic Activity	\$17.5
Estimated Wages	\$23.2
Estimated Jobs	438

\$ in millions. Totals may vary due to rounding.

The estimate for recurring benefits relies on a number of assumptions, the primary driver being attendance levels. In their testimony on October 3, representatives from B&D asserted that estimates were provided by the Team but also affirmed that these figures were reasonable based on their experience and knowledge of the marketplace. As noted above, B&D used the following estimates as the basis of their analysis:

- Expected paid attendance of 597,000 in the first year of operations, 2020, with actual turnstile attendance near 400,000.
- Expected paid attendance of 569,000 in the stabilized year, 2024, with actual turnstile attendance near 381,000.

Paid attendance indicates the revenue that will be generated from ticket sales, while turnstile attendance helps estimate the amount of tax revenue that will be generated by activity in and around the stadium. Estimates for the first year of operations represent a 35.0 percent increase over current attendance levels at McCoy Stadium. Representatives from B&D argued that this is a realistic, if not slightly conservative, based on the current market if the condition and location of the ballpark are improved. The study did not mention whether these projections were tested for sensitivity, meaning that there is no indication of how revenue estimates could be affected if actual attendance does not align with projections.²⁸ Similarly, impacts could be higher if attendance projections

Annual Economic & Fiscal Benefits	
	Ballpark
Direct Benefits	
Estimated Economic Activity	\$12.7
Estimated Wages	\$5.9
Estimated Jobs	162
Indirect Benefits	
Estimated Economic Activity	\$10.0
Estimated Wages	\$12.7
Estimated Jobs	319
Total Benefits	
Estimated Economic Activity	\$22.7
Estimated Wages	\$18.6
Estimated Jobs	481

\$ in millions. Totals may vary due to rounding.

Economic Impact – Ballpark Operations (ongoing)

B&D also modeled ongoing benefits associated with the ballpark once construction is completed. “For the purpose of this analysis, B&D relied on its professional expertise and current and historical data provided by the PawSox to model the operations of the Pawtucket Red Sox in a new ballpark.”²⁹ The table to the right illustrates B&D’s summary of the annual economic and fiscal benefits associated with the ongoing operation of the ballpark.

Fiscal Impact – Ballpark Construction and Operations

Annual fiscal benefits include tax revenues which are summarized in the table below. B&D modeled these tax revenues based on the individual tax code for the State. Construction Materials Tax modeled in the below table may be overstated. The ballpark will be publicly owned, therefore materials used to build it will not be subject to the materials tax.

Ballpark Tax Revenues	Level	Construction	2020	2021	2022	2023	2024
Business Corporation Tax	State	\$0.06	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Construction Materials Tax	State	2.2	0.0	0.0	0.0	0.0	0.0
State Income Tax	State	0.8	1.5	1.5	1.6	1.6	1.7
In-Ballpark Sales Tax	State	0.0	0.6	0.6	0.6	0.6	0.6
Visitor Sales Tax	State	0.0	0.8	0.8	0.8	0.8	0.9
Transient Occupancy Tax	State	0.0	0.1	0.1	0.1	0.1	0.1
Tangible Property Tax	City	0.0	0.2	0.2	0.1	0.1	0.1
Food & Beverage Tax	City	0.0	0.1	0.1	0.1	0.1	0.1
Transient Occupancy Tax	City	0.0	0.0	0.0	0.0	0.0	0.0
City of Pawtucket		\$0.0	\$0.3	\$0.3	\$0.3	\$0.2	\$0.2
State of Rhode Island		3.1	3.0	3.0	3.1	3.1	3.3
Annual Fiscal Benefit		\$3.1	\$3.2	\$3.2	\$3.4	\$3.4	\$3.5

\$ in millions. Totals may vary due to rounding.

Economic Impact - Ancillary Development Construction

Two sites were considered in B&D’s analysis of ancillary development, the Apex site and the Tidewater site, both sites include the Division St. parcel, which is needed for the additional parking required to support the ballpark and development. The Apex site could potentially consist of a hotel, apartments, and retail space. This site has an estimated total budget of \$110.3 million (excluding the ballpark). The Tidewater site has the potential to consist of office and retail space, with an estimated budget of \$51.4 million (excluding the ballpark). Development that would take place at both sites would be privately financed, only the cost of land acquisition is included in the public financing. The table to the right illustrates the one-time economic and fiscal benefits for both sites as estimated by B&D. B&D estimates that the Apex site would generate considerable larger one-time impact due to the scale of the project.³⁰

One-Time Economic & Fiscal Benefits	Apex Site	Tidewater Site
Estimated Budget	\$147.6	\$51.4
Direct Benefits		
Estimated Economic Activity	\$19.0	\$6.6
Estimated Wages	\$16.6	\$5.8
Estimated Jobs	309	107
Indirect Benefits		
Estimated Economic Activity	\$15.0	\$5.2
Estimated Wages	\$26.4	\$9.2
Estimated Jobs	524	182
Total Benefits		
Estimated Economic Activity	\$34.0	\$11.8
Estimated Wages	\$43.0	\$15.0
Estimated Jobs	832	290

\$ in millions. Totals may vary due to rounding.

Economic Impact - Ancillary Development Ongoing

B&D modeled the ongoing benefits associated with the ancillary development after the initial construction is complete. This model is based on multiple assumptions including, the first year of operation coincides with the opening of the ballpark in 2020 and that reasonable demand exists for destination based entertainment and retail space leasing to new spending in the State. The table to the right illustrates the direct and indirect benefits associated with the ongoing ancillary development. It was estimated that the Tidewater site would generate more annual estimated wages due to the potential for more office space and therefore more jobs in the area.³¹

Annual Economic & Fiscal Benefits	Apex Site	Tidewater Site
Direct Benefits		
Estimated Economic Activity	\$11.6	\$3.5
Estimated Wages	\$7.2	\$12.2
Estimated Jobs	195	291
Indirect Benefits		
Estimated Economic Activity	\$31.0	\$28.8
Estimated Wages	\$9.0	\$11.3
Estimated Jobs	168	153
Total Benefits		
Estimated Economic Activity	\$42.6	\$32.3
Estimated Wages	\$16.2	\$23.5
Estimated Jobs	363	444

\$ in millions. Totals may vary due to rounding.

Fiscal Impact – Ancillary Development

The proposed ancillary development will generate tax revenues, which are summarized in the table below. B&D modeled these tax revenues based on the individual tax code for the State.

Apex Site- Tax Revenues	Level	Construction	2020	2021	2022	2023	2024
Business Corporation Tax	State	\$0.09	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Construction Materials Tax	State	4.3	0.0	0.0	0.0	0.0	0.0
State Income Tax	State	1.6	0.3	0.3	0.3	0.3	0.3
Sales Tax	State	0.0	1.2	1.2	1.2	1.3	1.3
Transient Occupancy Tax	State	0.0	0.4	0.4	0.4	0.4	0.4
Real Estate Conveyance Tax	State	0.1	0.0	0.0	0.0	0.0	0.0
Transient Occupancy Tax	City	0.0	0.1	0.1	0.1	0.1	0.1
Food & Beverage Tax	City	0.0	0.0	0.0	0.0	0.0	0.0
Property Tax	City	0.0	1.4	1.4	1.4	1.5	1.5
City of Pawtucket		\$0.0	\$1.5	\$1.5	\$1.5	\$1.6	\$1.6
State of Rhode Island		6.0	1.8	\$1.9	1.9	2.0	2.0
Annual Fiscal Benefit		\$6.0	\$3.3	\$3.4	\$3.4	\$3.5	\$3.6

\$ in millions. Totals may vary due to rounding.

Tidewater Site- Tax Revenues	Level	Construction	2020	2021	2022	2023	2024
Business Corporation Tax	State	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Construction Materials Tax	State	1.5	0.0	0.0	0.0	0.0	0.0
State Income Tax	State	0.5	0.5	0.5	0.5	0.5	0.5
Sales Tax	State	0.0	0.2	0.2	0.2	0.2	0.2
Real Estate Conveyance Tax	State	0.1	0.0	0.0	0.0	0.0	0.0
Property Tax	City	0.0	0.7	0.7	0.8	0.8	0.8
City of Pawtucket		\$0.0	\$0.7	\$0.7	\$0.8	\$0.8	\$0.8
State of Rhode Island		2.2	0.7	\$0.7	0.7	0.7	0.7
Annual Fiscal Benefit		\$2.2	\$1.4	\$1.4	\$1.4	\$1.5	\$1.5

\$ in millions. Totals may vary due to rounding.

New City revenue projections are largely based on the ancillary development plan. The presence of new hotels, restaurants, and office spaces will generate transient occupancy tax (hotel tax), food and beverage tax, and property tax. B&D estimated that six percent of game attendees would likely stay overnight, which would drop to five percent for off-season events like concerts or other sports games.

The table to the right shows the conclusion of B&D’s analysis. The ballpark is estimated to generate \$58.7 million in benefits over thirty years and is expected to support hundreds of jobs. These benefits are further divided into \$55.3 million to the State and \$3.4 million to the City.

Similarly, the table includes estimates of State and City revenues that would be generated on each of the proposed ancillary development sites. As can be seen, the Apex site is estimated to yield significantly larger returns and is the preferred alternative going forward.

30 Year Net Present Values	Level	Ballpark	Apex Site*	Tidewater Site*
State Income Tax	State	\$28.7	\$9.1	\$12.7
In-Ballpark Sales Tax	State	9.8	0.0	0.0
Visitor Sales Tax	State	14.7	23.7	5.5
Transient Occupancy Tax	State	2.1	7.3	0.0
Tangible Property Tax	City	1.3	30.6	20.2
Food & Beverage Tax	City	1.8	0.2	0.0
Transient Occupancy Tax	City	0.3	1.5	0.0
City of Pawtucket		\$3.4	\$32.3	\$20.2
State of Rhode Island		55.3	40.1	18.2
30 Year Fiscal Benefit		\$58.7	\$72.4	\$38.4

\$ in millions. Totals may vary due to rounding.

** Includes Division St. parcel*

Assumes 3% inflation after year 10 of operations

Discount rate of 6.00%

Indirect benefits excluded

OFFICE OF REVENUE ANALYSIS REPORT

On October 19, 2017, Paul Dion, Chief of the Office of Revenue Analysis (ORA) for the Rhode Island Department of Revenue, came before the Committee. The testimony provided an assessment of the economic impact study completed by Brailsford and Dunlavey (B&D). Mr. Dion produced an estimate using the same inputs at B&D with a different model. B&D used the RIMS-II model and the ORA used the REMI PI+ model.

Economic Model Comparisons

RIMS-II model is a “static model that does not account for price elasticities, changes in household or firm behaviors in response to the direct effect impacts etc.... it is also a single region model that ignores any feedback that may exist among regions.”³² Mr. Dion explained that, “due to these limitations, B&D made adjustments to the ‘operating expenditures and cost component’ used in the analysis prior to applying the RIMS-II multipliers to these inputs.”³³

The ORA used the REMI PI+ model to analyze the economic impact of the new stadium and the surrounding ancillary development. According to Mr. Dion, “the REMI PI+ model ‘is a structural economic forecasting and policy analysis model’ that ‘integrates input-output, computable general equilibrium, econometric, and economic geography methodologies.’... “The model is dynamic, with forecasts and simulations generated on an annual basis and behavioral responses to compensation, price and other economic factors.”³⁴

While both models used similar inputs it should be noted that each model will produce different results. These results can be taken together to create a reasonable range for comparison. All models are dependent on input, and any variation in inputs will impact model results.

Fiscal Impact - Ballpark Construction

B&D and the ORA both modeled the ballpark construction using the same inputs with different models. Both used construction costs based on inputs provided by the Team. The models varied in the amount of tax revenue that would be generated from the ballpark construction. This can be seen in the table below.

Ballpark Construction	B&D	ORA	Variance
Personal Income Tax	\$798,000	\$1,117,258	(\$319,258)
Business Corp. Tax	60,000	122,347	(62,347)
Sales and Use Tax	2,234,000	931,439	1,302,561
Total	\$3,092,000	\$2,171,044	\$920,956

ORA Construction period is 2018 & 2019

The ORA noted in B&D's estimate for business corporation tax revenue they assumed the construction management company would apportion 80.0 percent of their net income to Rhode Island, however if 80.0 percent is not apportioned then the business corporation tax will be less than \$60,000. The ORA's estimate is based on construction being spread over two years, thus leading to the higher business corporation tax. ORA also noted that B&D's sales and use tax estimate is "the maximum amount that could be realized since sales tax paid to other states is included in this figure. This assumes no project based sales tax exemption is granted."³⁵ Ballpark sales tax estimates in both models may be overstated as the project is projected to be sales tax exempt if the park is publically-owned.

Fiscal Impact - Ballpark Operations

B&D and the ORA both modeled ballpark operations based on assumptions about attendance provided by the Team and shown in the table below.

Attendance Assumptions	2020	2024
Paid Attendance	597,000	569,000
Actual Attendance	400,000	381,000

Based on a total of 70 scheduled games, 68 openings (2 rain-outs)

From the attendance and benefit assumptions B&D estimated State tax revenue shown in the table below. It is assumed that attendance will be stabilized by the year 2024 after an initial peak.

B&D Tax Revenue Estimate	2020	2024
Personal Income Tax	\$1,498,000	\$1,681,000
In-Ballpark Sales Tax	\$576,000	\$578,000
Visitor Sales Tax	\$792,000	\$858,000
Transient Occupancy Tax	\$114,000	\$124,000
State of RI Total	\$2,980,000	\$3,241,000

The B&D analysis assumes all revenues would only occur if the ballpark is built. Mr. Dion noted that it is likely that some entertainment expenditures, especially from RI residents, would likely occur whether the stadium were build or not.

Ancillary Development Construction

B&D and the ORA both modeled the ancillary development construction of two sites, the Apex site and the Tidewater site. Both scenarios include the Division Street parcel and its parking. The project budgets used in the models for both sites do not include costs associated with land acquisition, structured or surface parking or infrastructure improvements.

The following tables illustrate the possible state tax revenues associated with the Apex and Tidewater sites construction:

Apex Site Construction			Tidewater Site Construction		
State Revenue Source	B&D	ORA	State Revenue Source	B&D	ORA
Personal Income Tax	\$1,550,000	\$2,294,888	Personal Income Tax	\$540,000	\$895,196
Business Corp. Tax	87,000	241,998	Bus. Corp. Tax	30,000	94,613
Sales and Use Tax	4,341,000	1,869,823	Sales and Use Tax	1,511,000	735,110
Realty Transfer Tax	105,000	-	Realty Transfer Tax	105,000	-
Total State Tax Revenue	\$6,083,000	\$4,406,709	Total State Tax Rev.	\$2,186,000	\$1,724,919
<i>B&D construction period is 1 year</i>			<i>B&D construction period is 1 year</i>		
<i>ORA construction period is 2 years</i>			<i>ORA construction period is 1 year</i>		

The ORA noted that B&D’s business corporation tax may again be overstated in both site estimates as it was in the ballpark construction estimate. B&D assumed a 60.0 percent apportionment factor to the business corporation tax, if a 50.0 percent was applied the business corporation tax associated with the Apex site would decrease by \$14,500 to \$72,500³⁶, and the tax associated with the Tidewater site would decrease by \$5,000 to \$25,000.³⁷ The ORA offered the difference in the business corporation tax apportionment factor as a possibly sensitivity, the final amount businesses will apportion is not yet known. The ORA also pointed out that similar to the ballpark construction estimate, the amount of sales and use tax estimated by B&D at both sites is the maximum amount possible if there are no project based sales tax exemptions.

Ancillary Development Operations

The ORA did not model the ancillary development ongoing operations after construction. Instead, ORA looked at B&D’s estimate and provided opinions on the outcomes generated. The table below illustrates the tax revenue estimated from both sites in the year 2020 and 2024. It is assumed that by 2024 attendance will have stabilized after an initial peak.

Apex Site Operations			Tidewater Site Operations		
Tax Revenue Estimate	2020	2024	Tax Revenue Estimate	2020	2024
Personal Income Tax	\$271,000	\$305,000	Personal Income Tax	\$458,000	\$515,000
Sales Tax	1,145,000	1,290,000	Sales Tax	196,000	222,000
State Hotel Tax	378,000	426,000	State Hotel Tax	-	-
Total State Tax Rev.	\$1,794,000	\$2,021,000	Total State Tax Rev.	\$654,000	\$737,000

The ORA noted that for the Apex site the hotel tax may be overstated as Commerce Rhode Island receives 28.0 percent of this revenue, or \$105,840.³⁸ Personal income tax estimates are higher at the Tidewater site because it is assumed that this site would have more office space and therefore generate more jobs than the Apex site would.

STATE FISCAL NOTE

On September 23, 2017, the Rhode Island Budget Office provided the Senate Fiscal Office with a fiscal note for S-0989.

The following table illustrates the three series of bonds and their associated annual debt service. It also accounts for new State general revenue projections based on an analysis done by the Department of Revenues’ Office of Revenue Analysis, “...new state revenues would be generated in calendar years 2018 and 2019 from construction of the new ballpark. These would include personal income tax, business corporation tax, sales and use tax (assuming no exemption is provided) and other taxes and fees relation to construction projects.”³⁹ For the year 2020 and beyond the revenues are more difficult to estimate, “The lower end of the range assumes there is no new personal income tax from direct employment at the ballpark (i.e. PawSox staff and players) and only incremental sales tax; whereas, the higher end assumes full impact of income and sales tax...”⁴⁰

Interest Rate (per act)	Series A 5.0%	Series B 4.0%	Series C 4.0%	Total
Sources				
Par Amount	\$39,775,000	\$22,505,000	\$14,765,000	\$77,045,000
Premium	-	2,995,472	1,961,362	4,956,834
Total Resources	\$39,775,000	\$25,500,472	\$16,726,362	\$82,001,834
Uses				
Project Fund	\$33,000,000	\$23,000,000	\$15,000,000	\$71,000,000
Capitalized Interest	3,654,757	2,134,112	1,400,140	7,189,009
Debt Service Reserve Fund	2,667,039	-	-	2,667,039
Cost of Issuance	453,205	366,360	326,222	1,145,786
Total Resources	\$39,775,000	\$25,500,472	\$16,726,362	\$82,001,833
Annual Debt Service				
FY2019 (capitalized interest)	\$1,770,000	\$1,030,000	\$679,000	\$3,479,000
FY2020 (capitalized interest)	1,930,000	1,130,000	738,000	3,798,000
FY2021- FY2048	2,670,000	1,510,000	990,000	5,170,000
Total	\$78,300,000	\$44,460,000	\$29,160,000	\$151,920,000
State General Revenue Projections				
Calendar Year 2018	\$1,642,458	new revenue associated with ballpark construction		
Calendar Year 2019	\$1,608,293	new revenue associated with ballpark construction		
Calendar Year 2020 and after	\$800,000-\$3,000,000 estimated revenues from ballpark related activity			

This fiscal note is based on various revenue assumptions modeled by the State's Office of Revenue Analysis, different models have been presented to the Committee and are based on alternative assumptions.

Public Corporation Debt Management Act Requirements

S-0989 is intended to serve as the concurrent resolution of approval by the General Assembly for public leases as required under the State's Public Corporation Debt Management Act (R.I.G.L. 35-18). The fiscal note indicates, however, that the bill "as written does not comply with this requirement because it does not identify the total amounts to be borrowed by excluding capitalized interest, debt service reserves and costs of issuance and does not provide a projection of the long-term borrowing costs or annual debt service requirements."⁴¹

Amendment: S-0989 is amended to better conform to the State's Public Corporation Debt Management Act, or "Kushner Act". The statute requires that financing leases to which the State is a party must be authorized by the General Assembly through resolution. The resolution must include the maximum possible obligation of the State. The original language only listed the value of the principal to be borrowed and not the cost of issuance and total debt service. The amended language includes new maximums of \$41.0 million, \$26.0 million, and \$18.0 million for the Series A, B, and C bonds respectively.

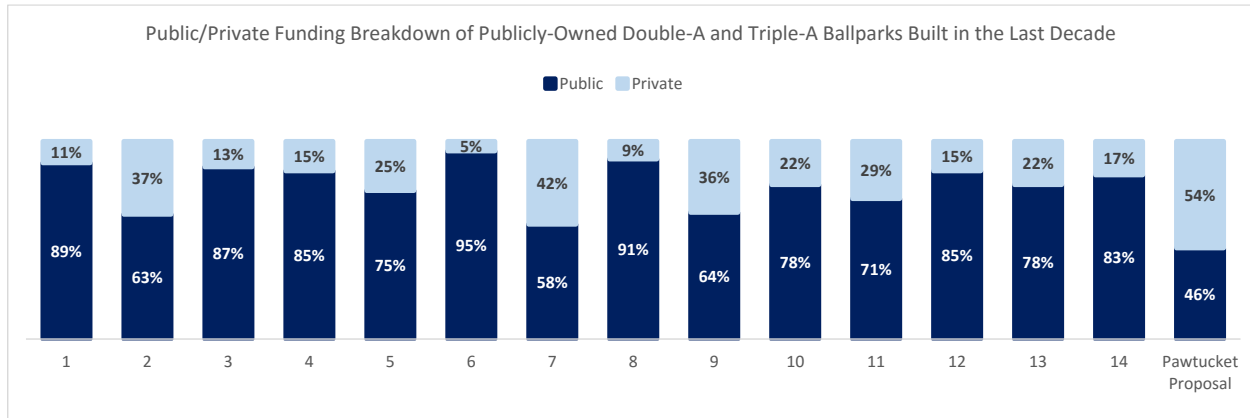
MINOR LEAGUE BALLPARK COMPARISONS

Throughout the hearings, comparisons were drawn between the Pawtucket ballpark financing proposal and others across Minor League Baseball (MiLB)

Public/Private Funding Comparison

A consistent claim by the Team and their supporters is that the private investment represented in the proposal amounts to the largest ever in MiLB for a publicly-owned ballpark. The non-public contribution consists of the \$33.0 million in Series A bonds to be paid by the Team plus a \$12.0 million equity stake on behalf of the Rhode Island-based owners. This \$45.0 million represents 54.0 percent of the total project cost of \$83.0 million. The Team provided the Committee with an analysis of public/private funding of

publicly-owned Double A and Triple-A Ballparks built in the last ten years. This analysis suggests that the average private funding has been 21.0 percent. The following chart provided by the Team, shows the comparison with the other ballparks de-identified⁴²:



The Team indicated that the information was “gathered, at the request of the State, from the PawSox’s leadership, wherever possible, and press reports. It was supplemented by PawSox leases and information from Minor League Baseball officials, International League officials, and Pacific Coast League officials. Information was acquired under the assumption of anonymity as to team identity.”⁴³

The International League also spoke to the private/public financing ratio at the October 3rd hearing. The IL testified “...the Public/Private Partnership aspect of the financing proposal. These days ballparks do not get built without this relationship...I can confirm for you what has been said a number of times, this level of commitment in a minor league baseball facility that will be publicly owned is unprecedented.”⁴⁴

BB&T Ballpark - Charlotte, North Carolina

One ballpark singled out during the hearings was BB&T Ballpark in Charlotte, North Carolina. Home to the Triple-A Charlotte Knights, BB&T Ballpark was cited for comparison in that it was opened just three years ago for a price of \$70.3 million, very similar to the \$71.0 million in the Pawtucket proposal, and saw a 146.5 percent increase in attendance the third year after opening as compared to the final year the Knights previous stadium.

Charlotte Knights	Amount Contributed	% of Total	Pawtucket Red Sox	Amount Contributed	% of Total
Team	\$55.00	78.3%	Team	\$33.00	46.5%
County	\$8.00	11.4%	State	\$23.00	32.4%
City	\$7.25	10.3%	City	\$15.00	21.1%
Total	\$70.25	100.0%	Total	\$71.00	100.0%

\$ in millions. Totals may vary due to rounding.

University of Michigan Report

The University of Michigan Center for Sports and Policy provided a report that analyzed the effects a new ballpark would have on the City. The non-profit Pawtucket Foundation funded the creation of the report. The report states that, “although teams and venues have little to no effect on a regional economy’s growth, these assets have an ability to influence where economic activity occurs *within* a region.”⁴⁵

The report states that if the Team were to relocate, the State would lose \$1.5 million in income taxes. However if a new ballpark was constructed it would produce \$3.5 million in state income taxes, \$1.9 million of which would be new revenue to the State. The ancillary development is anticipated to happen in two Phases, Phase I would open concurrently with the ballpark and would produce \$330,445 in new property

taxes annually for the City. Phase II is anticipated to be completed in five years and would produce a total of \$1.4 million in new City property tax.

The overview section of the report concludes “The findings presented in this report, while conservative, predict positive, fiscal returns to both Rhode Island and Pawtucket, from their respective investments in a new, publicly-owned ballpark.”⁴⁶

The Impact of Sports Venues: The report states “There is an agreement among public policy analysts that teams and respective venues add little to regional economies. Because residents’ discretionary spending remains fixed, a region’s consumers will continue to spend money on leisure activities, even in the absence of a baseball game.”⁴⁷ This point has been brought up at other points in public testimony, the State will still receive some tax revenue regardless of if there is a stadium because consumers will still spend their allotted amount of discretionary funds elsewhere.

While the above point remains, the Team not only serve the State but also the region including parts of Massachusetts and Connecticut. If the Team relocated the State and City would lose income, property, and sales tax. “The crucial point is this: while sport does not determine whether spending occurs, it does impact where consumers will spend their money.”⁴⁸ The report states, “This project is particularly vital to Pawtucket, as the city’s largest revenue source is from its property tax (\$102.1 million, annually)” and that “Sports venues have been successful in elevating property values”.⁴⁹

Comparable Ballparks: The report compared three ballpark projects and their impacts on regional economic development. All three of the ballparks examined showed that a new ballpark combined with new ancillary development can lead to renewed economic growth in the area. “Each of sport-anchored development projects studied were successful in achieving public policy goals, while generating benefits to involved partners.”⁵⁰

Conclusion: The report concluded that the public private partnership being explored to finance a new ballpark in downtown Pawtucket would be a good deal.

“Our professional opinion is that the partnership between Rhode Island, Pawtucket, and the Pawtucket Red Sox will protect the financial interests of taxpayers, city officials, and the PawSox’s owners, with minimal risks to the parties involved. If the partnership’s anticipated 30-year lease by the PawSox and city is signed, fans can rest assured that the PawSox will continue its long-standing tradition in Pawtucket.”⁵¹

Pawtucket – Risk and Benefits

Pawtucket is a city with real and unique assets that suggest the potential for economic growth. It also confronts a legacy of high social and economic costs characteristic of many former industrial, urban communities; low median family income (fourth lowest in RI), high property taxes (30.0 percent higher than in East Providence), and aging buildings and infrastructure.⁵² Testimony from City leadership to the Committee described the attempt to support the right mix of economic development and public services.

The City appears to have improved its finances over the last six years; with budgets transitioning from deficits to surpluses and improved bond ratings. Despite the stronger fiscal position, pressure to address long-standing public service challenges remain, including a \$193.8 million school housing need.

Pawtucket’s economic development strategy focuses on development of a downtown growth center and a cohesive riverfront identity. Developers describe it as having a strong and desirable, sense of place. Coordinated support for the artists has created an arts sector that has attracted real investment to the city. A new commuter rail station will also be part of the mix, opening in 2020.

Risk and Benefit

The proposed financing structure assigns the City \$15.0 million in principal, with an annual debt service payment of \$963,000 that totals \$27.0 million over 30 years. It is assumed that property tax revenue from ancillary development will be sufficient to cover the debt. The legislation provides for the withholding of Pawtucket’s state-aid in the event of a default. The assumptions underlying the City’s ability to meet its obligations represent a key potential risk.

Amendment: S-0989 is amended to better conform to the State’s Public Corporation Debt Management Act, or “Kushner Act”. The statute requires that financing leases to which the State is a party must be authorized by the General Assembly through resolution. The resolution must include the maximum possible obligation of the State. The original language only listed the value of the principal to be borrowed and not the cost of issuance and total debt service. The amended language includes new maximums of \$41.0 million, \$26.0 million, and \$18.0 million for the Series A, B, and C bonds respectively.

Professional baseball has been integral to Pawtucket’s identity since McCoy Stadium opened in 1946 and the PawSox have been part of the community fabric since 1970. Absent a new ballpark, the Team has indicated its willingness to leave the City and it is currently exploring Worcester, Massachusetts and other locations as possible destinations. According to City officials, losing the team would be a blow to the community and therefore represents another risk.

City Council Resolution

With these risks and benefits in mind, the Pawtucket City Council approved a resolution on October 18, 2017, with six yes and two no votes. The Council resolved that it:

“...support(s) the General Assembly doing everything possible to keep the Pawtucket Red Sox in Pawtucket, asks the General Assembly to authorize Pawtucket to bond up to \$15 million, and urges the Pawtucket delegation to the General Assembly, during this Fall 2017 session, to work diligently to reinvest in Pawtucket’s riverfront and downtown, and to keep the PawSox home in Pawtucket.”⁵³

The Senate Finance Committee sought and heard testimony during the hearings from numerous experts to evaluate Pawtucket’s risk exposure and to identify ways to mitigate it. This section reviews that testimony and examines the assumptions behind the risks and benefits.

PAWTUCKET FISCAL HEALTH

The City’s Mayor, Donald Grebien, stated in a letter to the Committee, dated September 26, 2017, “when the Grebien Administration first took office in January 2011, the City was under state observation heading

to state takeover, facing a fourteen-million-dollar structural deficit and our bond ratings were dropping. Today, the City has built its reserves to \$12 million...”⁵⁴

During the hearing the Committee took testimony from City and State officials to better understand the fiscal health of Pawtucket and its capacity to meet the obligations of the proposed ballpark deal.

City Finances

The following table displays the change in unassigned fund balance from the year Mayor Grebien took office, 2011, through year 2016. Unassigned fund balances are funds that are remaining in a given year and, therefore, are available for appropriation in future years.⁵⁵

Pawtucket Unassigned Fund Balance

	2011	2012	2013	2014	2015	2016
Municipal	\$952,951	\$1,820,857	\$5,109,189	\$10,743,862	\$12,376,714	\$12,657,552
School	(2,736,761)	(4,351,809)	(1,534,386)	25,475	-	-
Total Fund Balance	(\$1,783,810)	(\$2,530,952)	\$3,574,803	\$10,769,337	\$12,376,714	\$12,657,552

Source: Division of Municipal Finance

Additionally, over the same span of time, Moody’s Investor Service moved Pawtucket’s bond rating from Baa2 to A3 which, “...primarily reflects the improved and stabilized financial position of the city”.⁵⁶ Moody’s has twenty-one possible ratings on its scale, “obligations rated Baa are subject to moderate credit risk. They are considered medium-grade...” and “obligations rated A are considered upper medium grade and are subject to low credit risk.”⁵⁷ Both ratings are considered “investment grade”; however, A3 is two rating points above Baa2. This bond rating change is an indicator of the City’s fiscal health. The bonds for the new stadium will be issued based on the State’s bond rating.

Five-Year Budget Forecast

The Division of Municipal Finance (DMF) testified at the October 24th hearing, providing an analysis of the City’s finances. DMF presented a “baseline” five-year forecast based on what the City is required to submit to DMF under RIGL 44-35-10. Municipalities’ forecasts are a snapshot in time that become less reliable the further out the forecast goes. The Division uses these forecasts as management tool for municipalities.

The Division highlighted the following assumptions about the “baseline” five-year forecast:

- Level-funding of education aid from the state
- No levy increase
- Totals exclude school revenues and expenditures but include projected school operating deficits as increased appropriation by municipality as an expenditure

Additionally, on December 31, 2017, the City will conduct a full revaluation that will affect FY2019 and a statistical update on December 31, 2020, that will affect FY2022. According to the Division, “the revaluation and statistical update will most likely result in an increase in assessments that could potentially result in an increase in levy without an increase in rates. However, the City has chosen to keep projected levies equal to the base year of FY18”.⁵⁸

DMF projected the five-year forecast for Pawtucket if they were to take on the proposed ballpark debt payments. Comparatively, as seen in the table below, DMF shows the city with a more favorable forecast when the ballpark project is included.

The Division included the baseline assumptions (above) in addition to the following assumptions to create the “ballpark” five-year forecast:

- Levy and state aid increases associated with proposed ballpark are based on B&D Venues Presentation, “Economic & Fiscal Benefits Analysis of a New Downtown Pawtucket Ballpark”
 - Includes Apex ancillary project, Division Street, and ballpark; excludes Tidewater
 - Percent of levy increase from PawSox Project (consistent with B&D property tax revenue projection with a reduction due to loss of Apex site property taxes and tangible taxes from the existing ballpark)
- Additional property tax collections and state aid associated with proposed ballpark, projected to begin in FY2020
- Projected debt service associated with the ballpark, provided by the City
- Total revenue from Apex ancillary project (FY2020: \$1.504 million, FY2021: \$1.521 million, FY2022: \$1.538 million) netted against \$211,000 per year from Apex building.

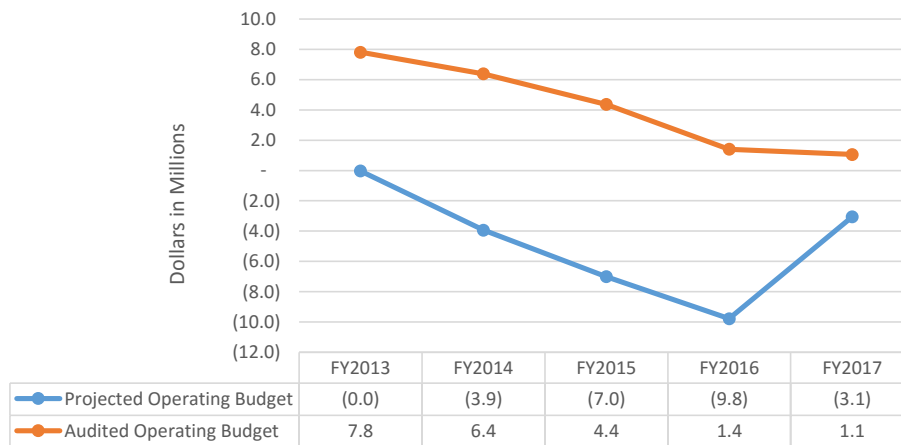
Pawtucket: Baseline Five-Year Forecast vs. Ballpark Five-Year Forecast

	FY2018 Budget	Baseline FY2019 Projection	Ballpark FY2019 Projection	Difference	Baseline FY2020 Projection	Ballpark FY2020 Projection	Difference	Baseline FY2021 Projection	Ballpark FY2021 Projection	Difference	Baseline FY2022 Projection	Ballpark FY2022 Projection	Difference
Revenues	\$123,698	\$125,869	\$125,869	-	\$125,682	\$127,213	\$1,531	\$125,265	\$126,811	\$1,546	\$125,126	\$126,682	\$1,556
Expenditures	(123,936)	(129,807)	(130,413)	(606)	(133,804)	(134,695)	(891)	(136,983)	(137,877)	(894)	(141,075)	(141,967)	(892)
Operating Deficit	(\$238)	(\$3,938)	(\$4,544)	(\$606)	(\$8,122)	(\$7,482)	\$640	(\$11,717)	(\$11,066)	\$651	(\$15,949)	(\$15,285)	\$664
Total Fund Balance	\$14,896	\$10,959	\$10,353	(\$606)	\$2,837	\$2,871	\$34	(\$8,880)	(\$8,194)	\$686	(\$24,829)	(\$23,480)	\$1,349

\$ in thousands. Totals may vary due to rounding.
Source: Division of Municipal Finance

Though Pawtucket’s baseline and ballpark five-year forecast projects an operating deficit, the following graph displays the City’s five-year forecast from FY2013 through FY2017 versus the audited operating budget in the same years. This illustrates that despite the City projecting an operating deficit over the past five years, the audited operating budget has shown a fund surplus.

Projected Operating Deficit vs. Audited Operating Budget



Source: City of Pawtucket

Pledged State Aid

The following table illustrates the categories of authorized State Aid, amounts of each category the City received in FY2018, and amounts projected in FY2022.⁵⁹ Under Senate Joint Resolution 0989, these aid categories are available for State recapture, should the City otherwise be unable to make debt payments.

Pawtucket State Aid*

State Aid	FY2022	
	FY2018	Projection
Payment in Lieu of Taxes (PILOT)	\$554,958	\$554,958
Distressed Community Relief Fund	1,539,903	1,539,903
Motor Vehicle Excise Tax Levy	821,285	821,285
Motor Vehicle Excise Tax Phase-Out Reimbursement	2,410,249	12,331,433
Public Service Corporation Tax	891,950	891,950
Total	\$6,218,345	\$16,139,529

Source: Division of Municipal Finance

*Does not include Education Aid

As can be seen in the table, the Motor Vehicle Excise Tax phase-out reimbursement grows from \$2.4 million in FY2018 to \$12.3 million in FY2022. In accordance with Article 11 under the FY2018 Budget as Enacted, the Motor Vehicle Excise Tax Levy is phased out over a seven-year period. This decreasing levy represents dollar for dollar tax relief to Pawtucket's citizens.

If Pawtucket assumes a true interest cost (TIC) of 3.80 percent (current projected rate), the City's annual net debt service payment will be approximately \$965,000 per year from 2021 through 2048, totaling \$30.0 million in total debt service over the life of the bond.⁶⁰ This annual amount represents 15.5 percent of total state aid received in FY2018 (this example is illustrative, as debt service payments will not have begun yet) and shrinks to approximately 6.0 percent of total projected state aid in FY2022.

Debt and Borrowing Capacity

The Public Resources Advisory Group (PRAG), the State's Financial Advisor, used four measures to analyze the borrowing capacity of Pawtucket: direct debt relative to property value, total debt relative to property value, total debt and pension liability relative to personal income and total debt and pension liabilities relative to property value. At current debt levels, the City is below recommended limits in three out of four of the measures. As can be seen below, this remains to be true after including \$15.0 million in financing for the ballpark.⁶¹

Pawtucket Debt and Pensions Affordability: Including \$15.0 million in Paw Sox Stadium Financing

Fiscal Year	Net Direct Debt to Assessed Value (Target: < 3.0%)	Overall Net Debt Assessed Value (Target < 4.0%)	Overall Debt + Net Pension Liability to Assessed Value (Target < 6.3%)	Overall Debt + Net Pension Liability to Personal Income (Target < 20.0%)
FY2018	2.44%	2.44%	15.78%	20.41%
FY2019	2.29%	2.29%	15.45%	19.29%
FY2020	2.13%	2.13%	15.02%	18.10%
FY2021	2.00%	2.00%	14.37%	16.75%
FY2022	1.85%	1.85%	13.73%	15.47%

Source: Public Resources Advisory Group (PRAG)

The one area where Pawtucket does not meet the recommended target, whether the series C bond is included or not, is in total debt and pension liabilities relative to property value. Rhode Island General Treasurer, Seth Magaziner, testified at the October 11th hearing, "... the answer to a struggling pension plan in a city should be to fix the pension plan, not to freeze all other projects, especially those that could stimulate economic growth [and] provide new revenue to the municipality."⁶² According to the Division of Municipal Finance (DMF), in 2016 approximately 59.0 percent of the State's locally administered pension plans were deemed to be in "critical status", or less than 60.0 percent funded.⁶³ Pawtucket's pension plan is on track to

be out of critical status in 2026 and 100.0 percent funded in 2042. DMF reports that Pawtucket is in compliance with the funding improvement plan, adopted in 2013, and that the city has paid 100.0 percent of its Annual Required Contribution (ARC) each year.⁶⁴

Treasurer Magaziner indicated to the Committee his support for the new stadium in Pawtucket. Upon analysis by the Office of the General Treasurer, the Public Finance Management Board, and the Public Resources Advisory Group (PRAG), he concluded that City is financially able to contribute \$15.0 million by issuance of revenue bonds.

PAWTUCKET ECONOMIC DEVELOPMENT

At the September 26th hearing in Pawtucket, City officials presented the recent economic development history of the City to the Committee and where the ballpark proposal fits into it.

Downtown Growth Center & the Pawtucket Riverfront

The City described a decades-long approach that concentrates and directs resources on the downtown area to encourage and facilitate economic growth and promote a comprehensive riverfront development concept. These strategies have spanned numerous administrations and planning efforts.⁶⁵ The City testified that it had originally “identified downtown Pawtucket and the area around it as a growth center and has taken a comprehensive look at how to change things. This means that this section of the city requires and also deserves heightened attention and investment because of its importance and also because of its challenges.”⁶⁶

This focus contributed to several important successes over the years. For example, the downtown growth center concept led to the designation by the General Assembly in 1998 of 307 acres downtown as an arts district. Since then nearly 500 arts businesses and \$110.0 million in related private investment has taken place.⁶⁷ Similarly, the assembling of the riverfront parcels south of Division Street for development by the City is consistent with the holistic approach to the downtown waterfront (this site has been identified as a component of the ancillary development related to the new ballpark). The same can be said for the effort to develop Festival Pier, a \$2.1 million renovation along the east bank of the Seekonk River south of Division Street. Lastly, a new \$40.0 million Pawtucket-Central Falls commuter rail station is slated to open in 2019 and will be the center of a downtown “transit-oriented development district”.

Pawtucket Redevelopment Agency

The Pawtucket Redevelopment Agency (PRA) has been part of this economic development and plays an important role in the new ballpark proposal. It is the issuer of all three series of bonds and would be the owner of the stadium. As such the Committee invited the PRA to present at its October 12th hearing.

Expertise and Past Projects: In order to coordinate resources and take action to improve blighted, depressed, deteriorated, or otherwise economically depressed areas, cities have historically created redevelopment agencies. These governmental subsidiaries assist property owners with loans, issue bonds, and otherwise support the coordination of redevelopment. The Pawtucket Redevelopment Agency (PRA) was established in the 1960’s and has been active throughout the decades advancing projects and infrastructure across the City. Since 2000, for example, the PRA has been involved with:

- Neighborhood redevelopment, by providing low interest loans for the rehabilitation of the housing stock. The PRA has a loan portfolio of over \$500,000.
- Working with the City and the Pawtucket Foundation on the Commuter Rail Planning and the Riverfront Development planning.
- Acquiring and assembling a number of parcels along the City’s Riverfront and beginning to work on the reuse of these parcels with the City.

- Partnering with the City’s Business Development Corporation in providing gap financing to facilitate the Isle Brewers Guild’s development of a new brewery in the City’s downtown. This \$7.5 million project is located one block from the site of the new Commuter Rail Station and is expected to be key component of downtown redevelopment.⁶⁸

According to testimony from the City’s Commerce Director Jeanne Boyle, the PRA has demonstrated its effectiveness in coordinating redevelopment in Pawtucket and is well situated to lead on the ballpark project. Ms. Boyle also indicated that the PRA has secured additional resources to assist it in its role, including Municap LLC and the City’s bond council, particularly as it relates to how best to structure the bond financing.

Modernization of Redevelopment Act: The PRA receives its authority under the State’s Redevelopment Act. The act is a series of statutes delineating the nature and scope of redevelopment activity. At the October 12th hearing Ms. Boyle discussed the need to modernize and improve this law. She noted that “from a planning and redevelopment standpoint (the Redevelopment Act) is a 1950’s piece of legislation and when it was first created the idea of redevelopment authority was really (about) looking at redevelopment in a very narrow construct”. Ms. Boyle remarked that the redevelopment of cities today is much more “multi-faceted” and that “recreational uses and mixed uses”⁶⁹ as well as new construction need to be considered legitimate redevelopment objectives. She noted S-0990 addresses these issues and makes changes that consider “how redevelopment occurs in a modern setting”⁷⁰.

APEX SITE

The proposed location for the new ballpark is known as the Apex site. Bounded by Main Street to the North, Route 95 to the South, School Street to the East, the 10-plus acre parcel located on the Seekonk River is the former site of the Apex department store. The store’s well know ziggurat structure was once the flagship operation of the local retailer. It has not, however, been an active retail business in 20 years. The building was once leased to the State’s Department of Motor Vehicles to house the motor vehicle and license registry.



The site has been a focal point of the City’s redevelopment strategies for decades. According to officials the City has “recognized this (site) as the lynchpin of the City’s revitalization strategy for the downtown... (sitting) at a very strategic entrance to the downtown...right on the river’s edge and prominently visible from Route 95.”⁷¹ Despite this focus, the site has proven challenging to attract lasting development through the years.

Property Taxes

The City provided the Committee the following breakdown of the current property values and tax levies associated with the Apex site parcels⁷²:

Existing Property Values and Taxes Generated		
Property	Taxable Values	Taxes Levied
100 Main Street	\$4,293,700	\$149,764
101 Main Street	1,089,300	37,995
46 Main Street	141,800	4,946
33 Main Street	371,500	12,958
10 School Street	176,800	6,167
Total	\$6,073,100	\$211,830

Source: City of Pawtucket

Land Acquisition

The site is currently under the control of the Apex Companies and its owner Andrew Gates. Apex originally purchased the site at discount from the City's redevelopment agency in 1969⁷³. The City, through the PRA, acquired the site through eminent domain earlier that year⁷⁴ as part that era's redevelopment efforts.

Status and Budget: During the hearings City officials explained that they are in negotiations with Mr. Gates regarding the purchase and sale of the parcels comprising the proposed ballpark site. As part of these discussions it was suggested that Mr. Gates may be interested in participating in the planned ancillary development around the ballpark. Officials noted however that these negotiations are contingent upon the enactment of the authorizing legislation and that any deal is necessarily on hold pending General Assembly action⁷⁵. The funds to purchase the land are supposed to come out of the \$15.0 million in Series C bonds. The \$83.0 million overall estimated project cost includes a budget of \$10.0 million for land purchase.

Eminent Domain: Much concern was raised during the hearings regarding the expansion of the use eminent domain power for redevelopment purposes relative to this project and beyond. Under current law redevelopment authorities such as the Pawtucket Redevelopment Agency (PRA) may only exercise eminent domain if a targeted parcel is determined to be "blighted and substandard" pursuant to specific criteria. S-0990 was introduced in part to provide the PRA the option of eminent domain, should it be necessary, to redevelop all of the parcels constituting the project area, whether they met this criteria or not. As written, however, this expansion would apply statewide, far beyond the specific site identified for the ballpark.

Amendment: *Based on the concerns expressed during public testimony and a subsequent determination that the need for this expansion was overstated, S-0990 is amended to eliminate the expansion of eminent domain powers under the Redevelopment Act and to restore the definition of "blighted and substandard" throughout the bill.*

Environmental Condition

Concerns were raised during the hearings by members of the public regarding the environmental condition of the proposed ballpark site. To better understand the issue and any safety or financial risk associated with it, the Committee invited the Department of Environmental Management (DEM) and representatives of the environmental consulting firm SAGE Environmental to its October 24th hearing.

Background: The consultants provided detailed information on the regulatory and compliance background related to the site. They explained that in 2013 the owner of the parcels performed a voluntary analysis of the sites environmental condition. This analysis, performed by environmental consultants, was extensive, consisting of "robust samplings of the soil throughout the...parcels...(and) upwards of fifty samples were taken". It was noted that this was an unusually large amount for this type of property."⁷⁶

The analysis showed the presence of soil contamination; however, at levels described as "typical vanilla urban fill". It was noted that the exact same type would be found in any urban parcel in any city in Rhode Island.⁷⁷ Furthermore, no ground water contamination concerns were found on the property. Nonetheless, the results initiated a standard regulatory review by the DEM.

Compliance Process/Future Development: DEM provided an overview on its multi-step review process as it applied to the site. The owner prepared and submitted a remediation plan to DEM. The plan kept existing parking lot/pavement (and repair if needed) and building footprints as a barrier from contact with the contaminants. Landscaping was used as a cap in other locations. A deed restriction was filed, ensuring that no one would dig below the cap without a DEM-approved soil management plan. Similarly, the plan required that no one would use the land for residential purposes unless they went back to the DEM for a site plan and approval.⁷⁸ DEM accepted the plan and once remediation was complete DEM issued a formal Letter of Compliance.

Development can take place at the site as long as a standard DEM-approved soil management plan is in place. This requirement is not considered extraordinary, nor burdensome. It was reemphasized to the

Committee that “what was located underfoot in the soil was under every building in the city and under every residential area in the city.”⁷⁹

Ballpark as a Public Space

The Committee heard testimony that the ballpark would not just be for professional baseball but would also function as a unique civic space. Team officials described a multi-purpose facility that would be a “public park with year round uses for regular Rhode Islanders.”⁸⁰ The Team formally indicated its commitment to this vision in a letter to the Committee on October 3rd. City officials also commented on this public use, suggesting that the ballpark would be a civic gathering space with positive spillover impacts for economic development.

ANCILLARY DEVELOPMENT

Integral to the new stadium deal is the expectation that significant real estate development, both new construction and rehabilitation, will take place as a direct result of the new ballpark. It is this expectation that compels City officials to participate given the promise of economic development and new property tax revenues. Ancillary development underlies the financing structure of the proposal; providing a major source of incremental tax revenues for the State. More importantly for the City, which does not receive any fiscal benefit from the ballpark, the incremental property taxes are required to meet its debt obligations under the proposal.

The Committee considered the ancillary development from these perspectives and sought testimony that Street Property. A third area directly west across the river known as the Tidewater Property was also analyzed.

Proposed Development

Ancillary development as conceived by the parties focuses on two locations, the non-ballpark parcels at the Apex site and the City-owned riverfront property just south of I-95 known as the Division Street Project. It was these locations that the Team/City’s consultants, Brailsford and Dunlavey, considered when estimating the economic and fiscal impacts of the overall project.

Apex Site: For purposes of the B&D analysis the Apex site is envisioned to include a 125,000 net square foot hotel, 200 apartment units, and 50,000 square feet of retail space. The suggested project budget is \$110.3 million, excluding the ballpark.

Division Street: The proposal models 40,000 net square feet of office space, 70 condominium units, and 10,000 net square feet of retail space at the Division Street property. The budget for this program is estimated at \$37.3 million. In March 2015 the City selected Peregrine Group, LLC as its preferred developer for the site.

As envisioned the proposal represents a combined \$147.0 million in construction and is estimated to yield \$3.2 million in total public fiscal benefits and to generate \$1.4 million annually in new property taxes.⁸¹ City officials argued that this is more than enough to cover the \$890,000 annual debt service that the City would incur under the proposal. This however assumed that the entire ancillary development program would be in place the day the ballpark opens and that the revenues would be fully absorbed day one.

The Pawtucket Market – Peregrine Group, LLC

A formal market study has not been done to assess development demand. Absent this, the Committee invited Colin Kane to discuss his impression of the market conditions in Pawtucket. Mr. Kane is a principal at the Rhode Island-based real estate development firm Peregrine Group, LLC. Over the last 15 years



Peregrine has developed properties from Boston to Westerly and currently has a portfolio of \$1.2 million square feet of property, the bulk of which is in Rhode Island.

Market Conditions⁸²: Mr. Kane explained that Pawtucket has all the components for successful real estate development. These include:

- Extraordinary Location – “its location just north of Providence is...an advantageous in our opinion, particularly given the fact that it is cheek by jowl to Route 95 North and South and the fact that the State and the City are committed to bringing enhanced train service to downtown”
- Outstanding Government – “what we look for wherever we invest is predictable, stable, capable leadership...we know we have that...in Pawtucket...and it has been consistently that way.”
- Beauty/Sense of Place – “if you walk down by the river, if you look at the bridge recently built to a high-architectural standard...if you walk downtown...the bones are spectacular and they’re concentrated...a (strong) sense of place exists to a very large extent in Pawtucket”.

Mr. Kane acknowledged that Pawtucket suffers, however, from the same challenges that many old industrial centers in the northeast have. Legacy costs in the form of high property taxes and aging building stock stifle development and create a “death spiral”. Without development the “high legacy costs continue...there is no new investment...(and) no relief to this high property tax burden, no ability to continue to beautify downtown and improve the infrastructure and make it look ready for investment”. Mr. Kane noted however that the components for success outline above can help reverse the death spiral.

He noted that Peregrine’s Rumford Center development in East Providence represents the kind of mixed used development - 280,000 square foot mixed-use campus with 193 apartments, 35,000 square feet of office space, and 12,000 square feet of neighborhood retail – that “will happen, not can happen, but will happen”⁸³ at the sites around the ballpark. He suggested however that without a catalytic project such as a ballpark or Amazon’s headquarters, speculative capital will remain hesitant to invest in the City.

Market Costs⁸⁴: The costs of commercial real estate development in Rhode Island must be considered in context of the northeast region. Mr. Kane explained that when weighing investments in Rhode Island, a developer must consider that the “rents in Boston are “higher by two, (and) property taxes are lower by a third” but that “it costs exactly the same to build a building” in Pawtucket as in Boston and the “operating expenses are exactly the same”.⁸⁵ Mr. Kane noted that this relative cost differential is, however, predictable and that economic development tools exist in “State’s inventory that could very easily be applied and should be applied in Pawtucket” that can mitigate this competitive gap.

Market Capacity⁸⁶: The Peregrine Group modeled and “test-fitted” what it though Division Street and Tidewater, the City’s other riverfront parcel across the Seekonk, could yield. Mr. Kane indicated that the sites “offer a spectacular opportunity for meaningful density”, 200,000 to 400,000 square feet of eventual mixed-use projects⁸⁷.

Separate from the ballpark construction, the Apex site could ultimately support 400,000 to 500,000 square feet of additional development. He predicted a minimum of another 50,000 to 100,000 square feet of rehabbed buildings downtown. Combined this represents between 650,000 to 1.0 million square feet of future ancillary development related to the ballpark proposal.

Market Timing⁸⁸: Mr. Kane described how he believed the market would respond once the ballpark “was a go”. He was “confident that private capital will flow” with the spark of a new ballpark. He thought that the first projects would happen in downtown. Whether “ground up or significant rehab...the first projects...will happen quickly (and) will be in downtown Pawtucket. He supposed 100,000 square feet of development would begin immediately as a direct result of the General Assembly authorizing the project. “There are buildings there that are vacant that offer spectacular opportunities to accelerate a timeframe of rehab and new property taxes”. He explained that developers would try to “get ahead and option those buildings and start their investment there”.

He described a typical development timetable. “To conceive it (a project), to get to out of ground, takes 18 months. To build it and to absorb it is another 18 to 24 months”.

Property Tax Revenue / Debt Service Gap⁸⁹

Determining an accurate timeframe as to when the ancillary development will be revenue-producing is a high priority given the importance of property tax revenue to Pawtucket’s ability to afford its debt service.

Mr. Kane indicated that it “will take significant private investment to generate meaningful property tax.” He suggested \$2.00 per square foot as an estimate of Pawtucket property taxes. Based on this, it would take nearly 500,000 square feet of online and revenue-producing development to meet Pawtucket’s \$963,000 annual debt service on the Series C bonds. The amount of square feet necessary could vary depending on the mix of retail, office, or residential property developed (each are taxed at different rates). It could also be impacted by tax incentives should the development require gap-financing.

$$\$963,000 \div \$2.00 \text{ per sq. ft.} = \mathbf{480,500 \text{ sq. ft.}}$$

Mr. Kane explained that a building’s owner begins paying property taxes upon receiving a certificate of occupancy and that the tax is owed whether a building is empty or occupied. It takes approximately 2.5 to 3 years from a project’s inception until it receives a certificate.

Based on these factors, the Committee ask Mr. Kane for his professional opinion as to when sufficient development might exist to produce enough property tax revenue to cover the annual debt payments. He reiterated that some new property taxes would be available early, based on initial projects coming online around the time the ballpark opens. After that he thought that the City “would chip away on an annual basis” until the City gets to the full increment between 8 and 10 years.

OPTIONS TO MITIGATE PAWTUCKET’S REVENUE / DEBT SERVICE GAP

Although it appears that the new ballpark proposal very likely will yield ancillary development, the testimony of Mr. Kane confirmed the Committee’s concern that there would not be sufficient new property tax revenues for Pawtucket to be able to meet its debt obligation, at least for a significant period of time. Although City officials testified that total annual debt payment represented less than 1.0 percent of its budget, this represents a real burden to the City and a potential risk.

Year	Development*	Revenue / Debt Service Gap		
		Revenue	Annual Debt Payment	Gap
2020	50,000	\$100,000	\$963,000	(\$863,000)
2021	100,000	200,000	963,000	(763,000)
2022	150,000	300,000	963,000	(663,000)
2023	200,000	400,000	963,000	(563,000)
2024	250,000	500,000	963,000	(463,000)
2025	300,000	600,000	963,000	(363,000)
2026	350,000	700,000	963,000	(263,000)
2027	400,000	800,000	963,000	(163,000)
2028	450,000	900,000	963,000	(63,000)
2029	500,000	1,000,000	963,000	37,000

**square feet
Assumes growth of 50,000 sq.ft. /year until estimated year of full increment (10th year).*

As part of the hearings, the Committee explored how this risk might be mitigated. It considered numerous options including TIF financing, alternative debt structuring, and redistribution of certain ballpark-related revenues,

Financial Advisory Committee

In testimony, Mayor Grebien sought to assure the Committee that the City would be able to make its debt payments in the first few years while development was getting underway⁹⁰. The Mayor indicated that an advisory committee had been established to identify ways to afford the debt. The committee includes members from the banking, financial, insurance, and real estate industries. It is been reviewing best practices including the timing and placement of the bonds, capitalizing interest, and employing tax incremental financing (TIF).

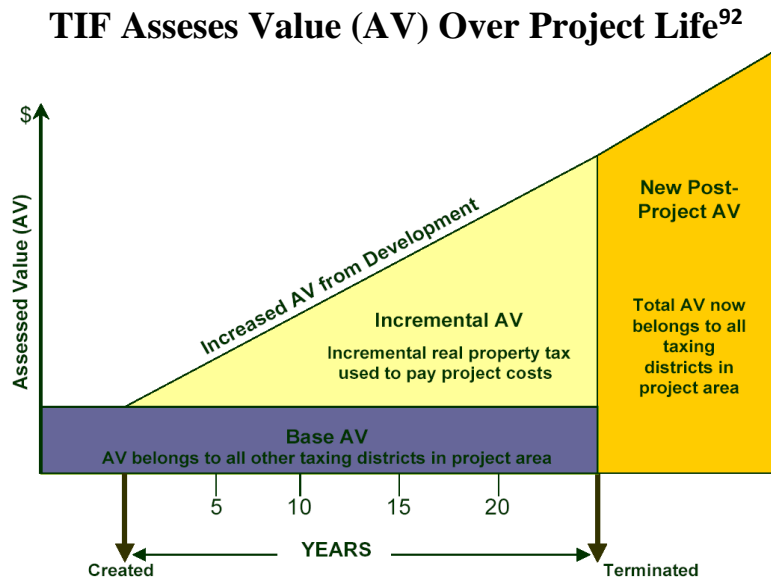
Tax Incremental Financing

Tax Incremental Financing is a well-established method of funding used for redevelopment projects that pledges anticipated future real estate tax increases that occur within a specific impact area (the TIF district). The City plans to utilize this method for the new ballpark project and has contracted with MuniCap, a specialized financial advisor, to assist with its implementation.

MuniCap: MuniCap was invited to testify at the Committee’s October 3rd hearing. MuniCap specializes in working with public private partnerships that focus on real estate development and has worked on a number of sports stadiums projects. MuniCap presented on tax increment financing (TIF), which is a local government self-financing tool used to redevelop urban areas and encourage economic development. The advisor explained that under a TIF:

- A base property tax value is established and is equal to the current assessed value
- Improvement from the redevelopment project increases assessed value
- Higher assessed value results in additional real property tax revenues, which are the tax increment revenues

Local government then commits to reinvest a portion of the increase in property tax revenue in order to spur redevelopment.⁹¹ The following graph demonstrates the TIF mechanism:



The City indicated to the Committee that it would look to maximize the TIF region. It is expected that the assessed property value increases related to the new development would be widespread. It is not clear however the exact impact this strategy would have on revenue.⁹³

Alternative Debt Structure

The State’s financial advisor calculated the debt service on the \$15.0 million Series C bonds based on two different debt structuring options. The following table illustrates the two debt run options generated by Public Resources Advisory Group (PRAG). The first option, “level debt service”, has a true interest cost (TIC) of 3.8 percent and is about \$965,000 per year from 2021 through 2048. This option will cost the City approximately \$27.0 million in net debt service payments. The second option, “deferred amortization”, has a slower ramp-up period in net debt service payments; interest only is paid from years 2021 through 2024.

Payments do not exceed \$900,000 until 2027. This option has a slightly higher TIC of 3.9 percent and will cost approximately \$28.5 million; \$1.5 million more in total net debt service payments as compared to the “level debt service” option.

Pawtucket Alternative Debt Run Options

Year	Level Debt Service:	Deferred Amortization:	Difference
	Net Debt Service Payment TIC: 3.7982%	Net Debt Service Payment TIC: 3.8737%	
2021	\$962,500	\$367,250	(\$595,250)
2022	965,250	734,500	(230,750)
2023	962,250	734,500	(227,750)
2024	963,750	734,500	(229,250)
2025	964,500	879,500	(85,000)
2026	964,500	957,250	(7,250)
2027	963,750	995,750	32,000
2028	962,250	1,046,750	84,500
2029	965,000	1,099,500	134,500
2030	961,750	1,098,750	137,000
2031	962,750	1,097,000	134,250
2032	962,750	1,099,250	136,500
2033	961,750	1,100,250	138,500
2034	964,750	1,100,000	135,250
2035	961,500	1,098,500	137,000
2036	962,250	1,095,750	133,500
2037	961,750	1,096,750	135,000
2038	965,000	1,096,250	131,250
2039	961,750	1,099,250	137,500
2040	962,250	1,100,500	138,250
2041	961,250	1,100,000	138,750
2042	963,750	1,097,750	134,000
2043	964,500	1,098,750	134,250
2044	963,500	1,097,750	134,250
2045	965,750	1,099,750	134,000
2046	961,000	1,099,500	138,500
2047	964,500	1,097,000	132,500
2048	960,750	1,097,250	136,500
Total	\$26,967,000	\$28,419,500	\$1,452,500

The City has the flexibility to pursue different methods of structuring its debt. It should be noted that by opting for the deferred amortization model, the City would reduce its annual debt service payment by an average of \$273,600 in the first five years (average annual payment of \$689,400 vs. \$963,000 with level debt service).

Amendment: S-0989 is amended so that the City may structure the debt service in such a way that it results in annual cost savings, even if the overall borrowing costs are increased. The bill is also amended to prohibit the debt structuring to produce balloon payments.

50,000 sq. ft. of Concurrent, Non-Incentive, Ancillary Development

The new ballpark “deal” includes a commitment by the PawSox to guarantee the development of at least 50,000 square feet of retail real estate on the Apex, Division, and/or other parcels surrounding the ballpark.

This development will take place without the use of “public tax subsidy offsets” and will be completed by the opening of the ballpark.

At the October 11th hearing, the Executive Office of Commerce explained that it had sought this commitment for several reasons including the desire to catalyze additional development around the ballpark. The reiterated its commitment to this development at the October 24th hearing. The Team had previously announced in April 2017 that it had created a development subsidiary called Prospect Development Group.

Assuming \$2.00 per square foot as a measure of Pawtucket property tax, this concurrent ancillary development would produce \$100,000 in incremental property taxes immediately in 2020.

Amendment: S-0989 is amended to require any future lease to include a requirement that the Team develop a minimum of 50,000 sq. ft. of real estate simultaneously with the construction of the ballpark. It provides for a \$275 penalty for each day after the ballpark opens that the ancillary development fails to reach substantial completion.

Premium Ticket Surcharge

At the October 24th hearing, the Committee discussed the role that ticket pricing might play in offsetting the revenue gap that Pawtucket faces until the ancillary development was fully online. A premium ticket surcharge, to be assessed on luxury boxes and suites, had already been proposed as a source of revenue from which the State’s Series B bonds would be partially paid. When calculating the annual incremental revenue associated with the new ballpark proposal, the Executive Office of Commerce estimated the surcharge at \$100,000 per year.

The Team explained to the Committee the importance of low-cost, affordable ticket prices to the business model of the PawSox. The Team’s Vice-Chairman Michael Tamburro was adamant against an across the board surcharge, “The \$6.00 to \$9.00 ticket is the secret to PawSox baseball”.⁹⁴ The Team reminded the Committee of its commitment to preserving the existing prices on senior citizen, children, and general admission tickets for at least the first five years after the ballpark is built. The Team noted that a surcharge is currently part of the deal and that during negotiations, the question was not whether they would agree to one, but rather who would be the recipient of the revenue, the City or the State.

Amendment: S-0989 is amended to reflect the transfer of the premium ticket surcharge revenue from the State to the City. The bill clarifies the definition of a “ticket” and is amended to require the lease to include a condition that the Team not to raise base ticket prices for five years.

Naming Rights at the Ballpark

In testimony at the October 24th hearing Team officials described the market for naming rights of a Minor League stadium and their goal of identifying a well-known corporate sponsor for the proposed ballpark.⁹⁵ Based on comparisons to other ballpark sponsorships in the International League, the Team thought it reasonable to believe that the naming rights would be worth \$400,000 to \$500,000 per year.⁹⁶

Naming rights are identified as a source of funds from which the Team will pay its debt service obligation on the \$33.0 million in Series A bonds. Because the City’s redevelopment agency would be the owner of the ballpark, consideration was given by the Committee to whether the PRA or City should receive some portion of the naming rights.

Amendment: S-0989 is amended to direct 50.0 percent of the ballpark naming rights revenue to the City to assist with its annual debt service payment. This revenue is estimated to be \$250,000.

All told, the Committee identified approximately \$723,000 in revenue initiatives that could be used to reduce the \$963,000 debt service burden⁹⁷ associated with the new ballpark financing structure.

Options to Mitigate Pawtucket Risk		
Initiative	Method	Annual Revenue
50K Concurrent Development	Lease/Sub A	\$100,000
Premium Ticket Surcharge Shift	Sub A	100,000
Half of Naming Rights Revenue	Sub A	250,000
5 Year Avg. Savings - Alt. Debt	Existing	273,600
Expanded TIF Area*	Existing	
Total		\$723,600

**Revenue from TIF is unknown at this time.*

State - Risks and Benefits

Over the course of the hearings, the Senate Finance Committee sought and heard testimony from numerous experts to evaluate the State's risk exposure under the ballpark financing proposal and to identify mitigation opportunities. Likewise, the Committee were presented with detailed aspects as to the potential benefits to the State.

DEBT AFFORDABILITY

As part of the October 11th hearing the Committee invited General Treasurer Seth Magaziner and the State's financial advisor, Public Resources Advisory Group (PRAG), to provide an assessment of the financing elements of the ballpark proposal and in particular the affordability of the \$23.0 million and \$15.0 million in bonding for the State and City of Pawtucket, respectively.

In June of 2017 the Office of the General Treasurer, in conjunction with the Public Finance Management Board (PFMB) and PRAG, published its first statutorily-required public debt affordability study. This study examined the levels of indebtedness of the state, its quasi-public agencies, municipalities, and various local entities such as fire districts and recommended debt affordability targets for each. Debt affordability as defined by the study is the issuer's ability to repay all of its obligations based on the strength of its revenue streams and the capacity of the underlying population to afford the cost of borrowing⁹⁸. The stated purpose of the study is to provide guidance on how much debt issuers can prudently issue at any given time.

The PFMB adopted a series of ratio levels that function as metrics for long-term liability affordability. Because no one measure is perfect, the PFMB chose six ratios that compare tax-supported debt to revenues, income and pension funding conditions. These measures and their recommended targets are summarized here:

Recommended Long-Term Liability Affordability Measures for the State

Ratio	Recommended Target	Current Level
Debt service on tax-supported debt to general revenues	Not to exceed 7.5% within the next five years and 7.0% thereafter	6.1%
Net tax-supported debt as a % of personal income	Not to exceed 4.0%	3.4%
Rapidity of repayment over 10 years	Amount of debt to be retired over the next ten years targeted at no less than 50.0%	76.1%
Net tax-supported debt service + pension ARC as a % of general revenue	Not to exceed 16.0%	13.1%
Net tax-supported debt + pension liability (UAAL) as a % of personal income	Not to exceed 8.0% beginning in 2021	8.5%
Pension ARC and OPEB ARC funding level	100%	100%

Source: PRAG testimony, Senate Finance Committee, October 11, 2017.

As of June 2016 the State has \$1.87 billion of tax-supported outstanding debt, \$1.05 billion of outstanding general obligation bonds and \$144.8 million of outstanding moral obligation bonds.⁹⁹ Applying the affordability measures to these current conditions, PRAG determined that the State has approximately \$1.15 billion in capacity to issue new debt over the next 10 years. Based on this the Treasurer indicated to the Committee that the \$23.0 million in Series B bonds that constitute the State's component of the project financing represents only 2.0 percent of this capacity and is therefore well within the affordability guidelines for the State.

State of Rhode Island Alternative Debt Run Options

The following table illustrates two debt run options generated by Public Resources Advisory Group (PRAG). The first option, "30-Year Level Debt Service", has a true interest cost (TIC) of 3.8 percent and

is about \$1.5 million per year from 2021 through 2048. This option will cost the State approximately \$41.1 million in net debt service payments. The second option, “20-Year Level Debt Service”, had a TIC of 3.3 percent and is about \$1.8 million each year from 2021 through 2048. The “20-Year Level Debt Service” option cost approximately \$8.0 million less in total net debt service payments as compared to the “30-Year Level Debt” option, but costs approximately \$370,000 more from 2021 through 2038. The State currently has the flexibility to do either of these options.

State Alternative Debt Run Options

Year	30-Year Level Debt	20-Year Level Debt	Difference
	Service: Net Debt Service Payment TIC: 3.7985%	Service: Net Debt Service Payment TIC: 3.2511%	
2021	\$1,468,750	\$1,840,250	\$371,500
2022	1,470,000	1,837,000	\$367,000
2023	1,470,250	1,842,000	\$371,750
2024	1,469,500	1,839,750	\$370,250
2025	1,467,750	1,840,500	\$372,750
2026	1,470,000	1,839,000	\$369,000
2027	1,466,000	1,840,250	\$374,250
2028	1,466,000	1,839,000	\$373,000
2029	1,469,750	1,840,250	\$370,500
2030	1,467,000	1,838,750	\$371,750
2031	1,468,000	1,839,500	\$371,500
2032	1,467,500	1,837,250	\$369,750
2033	1,465,500	1,842,000	\$376,500
2034	1,467,000	1,838,250	\$371,250
2035	1,466,750	1,841,250	\$374,500
2036	1,469,750	1,840,500	\$370,750
2037	1,465,750	1,841,000	\$375,250
2038	1,470,000	1,837,500	\$367,500
2039	1,467,000	-	(1,467,000)
2040	1,467,000	-	(1,467,000)
2041	1,469,750	-	(1,469,750)
2042	1,470,000	-	(1,470,000)
2043	1,467,750	-	(1,467,750)
2044	1,468,000	-	(1,468,000)
2045	1,470,500	-	(1,470,500)
2046	1,470,000	-	(1,470,000)
2047	1,466,500	-	(1,466,500)
2048	1,470,000	-	(1,470,000)
Total	\$41,111,750	\$33,114,000	(\$7,997,750)

BACKSTOPS

A consistent issue explored throughout the hearings was the extent and nature of any “backstop” that may exist for the several bond series proposed in the legislation. A backstop is understood to be the mechanism by which payment obligations are met in the event that the principal debtor is no longer able to make payments. At its October 11th hearing the Committee heard from the Treasurer and PRAG regarding both the risk and benefit to the State associated with backstopping the bonding for the project.

The Treasurer explained to the Committee that the decision to include a state backstop on the series A and C bonds is a matter of policy rather than a requirement of bond markets. He elaborated that the presence of

a State backstop would reduce the overall cost of the borrowing. A backstop would likely provide for a higher credit rating (1-2 notches below the State’s General Obligation rating) and lower interest rates. The table below summarizes the portion of his presentation evaluating the financial impact of a backstop. It shows that in addition to lower interest rates, there would be a savings of about \$7.9 million from 2021-2048.¹⁰⁰ The State financial advisor PRAG also noted at the hearing that “if credit spreads widen, the debt service savings with a State backstop will be greater.”¹⁰¹

Rates as of September 2017	No State Backstop		With State Backstop		Variance	
	TIC	Net Debt Service from 2021-2048	TIC	Net Debt Service from 2021-2048	TIC	Net Debt Service from 2021-2048
Series A	4.9%	\$69,595,597	4.1%	\$62,688,619	0.7%	\$6,906,978
Series B	3.8%	41,111,750	3.8%	41,111,750	0.0%	0
Series C	4.1%	27,938,000	3.8%	26,967,000	0.3%	971,000
Total		\$138,645,347		\$130,767,369		\$7,877,978

TIC: True Interest Cost

Net Debt Service: (Net of DSFR Earnings and Capitalized Interest)

Concerns have been brought up by both Committee members and the public with regards to the State’s obligation to take on debt if the Team or the City were to default. The State’s obligation depends on a number of factors, including how a potential backstop is structured. There are varying levels of risk depending on the type of backstop employed.

The Treasurer and PRAG outlined for the Committee three types of backstop mechanisms and their impact. The three types of backstops discussed were:

- **Contingent Debt:** According to PRAG, a contingent debt backstop exists when alternative sources of funds are able to be captured from the borrower to cover debt service in the event that the borrower’s primary source of payment is insufficient.
- **Appropriation Debt:** Debt secured by a requirement that the borrower make an annual request of the Governor to include debt service in her or his annual budget proposal to the General Assembly is considered to be appropriation debt. The underlying risk for bond holders of this type of debt is that the General Assembly cannot be bound to appropriate the debt service. Similar to moral obligation bonds, appropriation debt as a backstop lowers the cost of bonding and creates higher debt ratios for the State.
- **Moral Obligation Debt:** A moral obligation debt is one that is secured by a fund established specifically for purposes of building reserves out of which the debt service is paid. This fund is capitalized by revenues deposited by the borrower. If at any point there are insufficient funds in the reserve, there exists an explicit pledge by the State to replenish the fund to cover the current debt service.

According to PRAG, moral obligation debt is treated as tax-supported debt if the obligation is called upon. As such moral obligation bonds are likely to have a higher credit rating and lower interest costs. They also produce higher debt ratios for the State.

Series A

As written, S-0989 provides an appropriation debt backstop for the \$45.0 million in Series A bonds in that it requires that the Pawtucket Redevelopment Agency to request that the Governor include any outstanding amounts for all Series A bonds equal to the projected annual rentals due or debt service in the State Budget for that fiscal year. As part of its presentation to the Committee, PRAG estimated that if the Series A bonds did not have a state backstop they would have a credit rating 6 levels lower than if they did (Moody’s Baa3 as compared to Aa3). This reflects the understandable greater inherent risk of a business as compared to a

governmental agency. As noted above this backstop is estimated by PRAG to be worth \$6.9 million in savings over the term of the bonds.

At its October 3rd hearing the Committee heard invited testimony from Minor League Baseball's International League (IL), of which the Pawtucket Red Sox are a member franchise. The IL emphasized the long-standing financial stability of the League and its franchises. However, when pressed by Committee members as to whether the IL would cover the Pawtucket Red Sox's debt service obligations in the event of a default, the League indicated that it provides "no guarantees". It was further stated "...there is nothing that the League or PawSox can offer as a lien or encumbrance on this franchise, the membership or franchise rights."¹⁰²

At its October 24th hearing, the Committee asked representatives of the Pawtucket Red Sox if the ball club would consider backstopping the Series B and C bonds in the event that the revenues identified for debt service failed to materialize. The PawSox responded that they do not feel that this was fair given the amount of private sector contribution already present in the deal. The PawSox also responded to the question by noting that during negotiations the parties sought to balance the risk across each of the three parties – the PawSox, State, and City and that each should have "skin in the game".

Series B

S-0989 says that the State's \$23.0 million Series B bonds are "expected to be paid from state revenues generated by Ballpark users, visitors, the PawSox, and ancillary development, as well as a premium ticket surcharge". S-0989 provides an appropriation debt backstop for the Series B bonds as well in that there is a required request of the Governor to include an appropriation of the debt service in the annual budget submission.

Series C

Under S-0989, the \$15.0 million in Series C bonds to be issued by the Pawtucket Redevelopment Authority would have a contingent debt backstop. According to the bill, if the City was unable to make their debt payments the State would be authorized to redirect a portion of the state aid that is annually given to the City Pawtucket to its debt obligation.

The state-aid categories pledged under S-0989 include (1) Payment In Lieu of Taxes (PILOT), (2) pass-thru funds from the public service corporation tax, (3) Distressed Communities aid, and (4) Motor Vehicles Excise Tax Phase-Out funds. The bill explicitly does not include educational aid. This "state-aid intercept" constitutes the additional security or backstop for bond holders. In addition to this contingent debt mechanism, S-0989 also provides for an appropriation security for the Series C bonds in that it requires that the PRA to request that the Governor include any outstanding amounts for all bonds equal to the projected annual rentals due or debt service in the State Budget for that fiscal year.

At the October 11th hearing the Treasurer explained that the decision to include a state backstop on the series A and C bonds would be a matter of policy rather than a requirement of bond markets. He further outlined that if a State backstop was desired, than he would recommend amendments to the legislation that clarify the backstop mechanism in language that meets the technical expectations of bond markets.¹⁰³

Amendment: S-0989 is amended to clarify the State's role and obligation in the issuance of the three bond series. The amendment is based on the Treasurer input on how best to effectuate the State's role.

ROLE OF THE EXECUTIVE OFFICE OF COMMERCE

As part of the overview of the ballpark project proposal that took place at the opening hearing on September 14th, the Executive Office of Commerce (Commerce) explained the position that the Administration took during negotiations. At the Committee's October 14th hearing, the Director of Commerce testified "Commerce's intent in the deal was to push the parties (the City and State) to advocate for the best arrangement possible for the taxpayers of Rhode Island, to serve as an assertive participant in the

process...and to serve as a constructive critic...”¹⁰⁴. Commerce did not appear to vet the economic assumptions within the deal but rather worked to negotiate the best possible policy principles. Commerce noted that the proposal had to be “revenue neutral and must be a good deal for RI taxpayers”¹⁰⁵ and that the proposal before the Committee meets these conditions; Commerce also noted that the ballpark will ultimately be paid for by users through “ballpark related sales and nearby development”.¹⁰⁶

At the Committee’s October 3rd hearing, Commerce described how the State was invited into an existing negotiation underway between the City and PawSox. The agency’s role was described as “an assertive participant in the process; (but) it was not our own process” and that they “were invited to shape the product and serve as a constructive critic”.¹⁰⁷ It was reiterated that the State’s two main objectives in the negotiations - to promote economic prosperity and protect the taxpayers. In pursuing these objectives, Commerce followed a framework of seven guiding principles¹⁰⁸

Executive Office of Commerce Negotiation Principles

- State share of the cost < cost of renovating McCoy.
- Ballpark pays for itself.
- Long-term commitment to play at ballpark.
- Team to pay majority of the costs, incl. cost overruns.
- City pays its fair share.
- Team commits to ancillary development w/o subsidy.
- Pledge profits to charity for 5 years.

State Share Less Than Cost of Renovating McCoy

Commerce referenced the conclusions of the final report of the January 26, 2017, McCoy Stadium Study when presenting evidence that the State share of the cost of the ballpark project was less than the cost of renovating the existing McCoy Stadium. That study looked at the costs associated with three levels of improvements at McCoy – basic improvements to get the facility in a “state of good repair” for safety and continued operations, renovation of the ballpark to minor league standards, and demolition/construction of a new ballpark on site. The study found these costs to be \$35.0 million, \$68.0 million, and \$78.0 million respectively¹⁰⁹. The Team and the City have indicated that they are not willing to support these scenarios and therefore, it would fall to the State to finance these options. Commerce pointed out that all of the scenarios are more than the \$23.0 million in Series B bonds that comprise the State’s share of the ballpark project.

Ballpark Project Pays for Itself

Commerce suggested that based on an analysis of incremental revenue alone, the State would receive enough new revenue from stadium related activities to cover the estimated \$1.4 million debt service payment from the State. This new revenue, estimated by Commerce to be \$1.7 million¹¹⁰, would result from increased collections of sales and other taxes. Commerce estimated the revenue the State currently receives to be about \$1.9 million in personal income and other taxes each year. Secretary Pryor noted that this too is sufficient to cover the debt service on the Series B bonds (It should be noted that this revenue would already be in the State’s tax base and therefore currently in the General Fund).

Long-term Commitment by the Team

Commerce explained to the Committee that during preliminary negotiations the Team agreed to sign a 30 year sub-lease to play at the new ballpark. The Team corroborated this testimony at both the September 14th and October 24th hearings.

Amendment: S-0989 is amended so that the lease is required to be for a 30-year period.

Team to Pay Majority of the Costs

Under the proposed \$83.0 million project, the \$45.0 million in Series A bonds represent 54.0 percent, or a majority, of the total costs. Additionally, the Team testified to the Committee in a letter on October 24th that the PawSox would be responsible for construction costs overruns related to the new ballpark.¹¹¹

Ancillary Development without State Subsidy.

Commerce sought a commitment from the Team to invest in the development around the ballpark as a way to catalyze and attract private capital to the overall ancillary development project. This investment would take place without the use of any of the State’s economic development incentives or other subsidies.

This commitment was affirmed by the Team in its October 3rd letter to the Committee wherein, it stated that “independently and/or in conjunction with its development arm or other interested developers, select members of the PawSox ownership group aim to develop at least 50,000 square feet of retail real estate on the Apex, Division Street, and/or other parcels surrounding the Ballpark...”. The commitment to the Team developing 50,000 square feet of retail space was also confirmed at the October 24, 2017 hearing with verbal testimony by Dylan Zelazo, the Chief of Staff for the Pawtucket Mayor. Mr. Zelazo stated ““We (Pawtucket) have secured an agreement through negotiations with the team, in a worst case scenario they would be doing about 50,000 square feet of retail development at a minimum.”¹¹² The Team further confirmed that it is its “intention not to seek public tax subsidy offsets”.¹¹³ The PawSox announced in April 2017 the creation of the Prospect Development Group to act as this development arm for the project.¹¹⁴

Amendment: S-0989 is amended to require any future lease to include the requirement that the Team develop a minimum of 50,000 sq. ft. of real estate simultaneously with the construction of the ballpark. It provides for a \$275 penalty for each day after the ballpark opens that the ancillary development fails to reach substantial completion.

Profits to Charity

In its testimony before the Committee on September 14th and October 3rd Commerce described an “extraordinary” aspect of the negotiated proposal – that Rhode Island-based ownership has pledged their profits from the Team’s business for the first five years after the new ballpark is in operation to local charity. According to its October 3rd commitment letter, the Team identified the charities as either the PawSox Foundation, the Pawtucket Foundation, and /or the Rhode Island Foundation.

ADDITIONAL ECONOMIC DEVELOPMENT INCENTIVES

As indicated above, the Team and its development arm, Prospect Development Group, committed to develop 50,000 square feet of retail to be built concurrently with the ballpark. Presented as an anchor and catalyst, this first phase of ancillary development would be undertaken without “public tax subsidy offsets”. The Committee, however, heard testimony at its October 12th hearing that suggested that the full build out of the proposed ancillary development would likely require economic development incentives.

The Need for Gap Financing

Colin Kane, principal of the real estate development firm Peregrine Group, LLC was invited by the Committee to provide a market perspective on the ancillary development aspects of the project. Mr. Kane described a development environment in Pawtucket full of potential but one with significant specific challenges. He spoke of an existing, concentrated sense of place that does not need to be created, an aspect developers find highly desirable. He described a city with a strong arts and cultural scene. He contrasted this with the high legacy costs typical of northeastern, industrial urban centers – high property taxes (Pawtucket’s property taxes are 30 percent higher than East Providence) and aging buildings and infrastructure (no new construction of significance in at least 30 years).

On balance Mr. Kane presented a development market in Pawtucket that has real potential but confronts two primary challenges. The first is the relative development costs in Pawtucket as compared to Boston. He stated that the rents in Boston are “higher by two, (and) property taxes are lower by a third” but that “it costs exactly the same to build a building” in Pawtucket as in Boston and the “operating expenses are exactly the same”.¹¹⁵ This relative cost differential is, however, predictable and that economic development tools exist in “State’s inventory that could very easily be applied and should be applied in Pawtucket” that can mitigate this competitive gap. The incentive most applicable to the ancillary development is Commerce RI’s Rebuild RI Program which provide tax credits up to \$15.0 million based on the lesser of 30.0 percent

of the project costs or the amount needed to close demonstrated financing gaps. The program has helped finance over 23 projects since FY2016 for a total of \$68.8 million.

RHODE ISLAND INFRASTRUCTURE BANK

In an effort to better understand the possibilities around incorporating environmentally-friendly elements into the design of the proposed ballpark, as well as exploring opportunities for saving in overall costs, the Committee invited the Rhode Island Infrastructure Bank (“RIIB”) to present at its October 11th hearing.

RIIB Programs

The Rhode Island Infrastructure Bank (RIIB) testimony consisted of two primary points. The first related to the use of RIIB financing programs to save money on certain aspects of the project. The second focus was on incorporating renewable energy standards in design and development.

The RIIB is a quasi-state agency responsible for managing and lending to local infrastructure projects.¹¹⁶ The RIIB runs on a leveraged business model, they are able to borrow money in private, capital markets and combine that with the capital the bank has. All of their transactions are rated AAA and there are no State backstops on any of their transactions or funding.¹¹⁷

The RIIB identified seven areas that it may be able to provide financing:

- Wastewater and sewer
- Storm water management
- Drinking water
- Water conservation
- Energy efficiency and renewable energy
- Road improvements
- Environmental remediation

In all of these area the RIIB is able to provide a reduction in local financing costs of 15.0 to 33.0 percent. RIIB described potential cost savings, “By utilizing the Infrastructure Bank to finance certain parts of this and having the green components within the stadium and surrounding development, we can lower the cost to both the City and the State of financing their portion of this project.”¹¹⁸ RIIB provided a general example, if there were \$10.0 million worth of projects that could be financed by the Infrastructure Bank, they could save the City of Pawtucket and the State between \$1.0 to -2.0 million in total interest costs.

The RIIB introduced three key areas that it recommends should be thought of during construction and development - the site’s proximity to water, storm water runoff, and the management of the storm water to protect the environment and area surrounding the development.

The United States Green Building Council (USGBC), a non-profit organization that promotes sustainability in building design, has the ability to issue LEED (Leadership, Energy, Environmental, and Design) ratings to structures that are built using environmental practices. There are currently 30 plus LEED certified sport stadiums open or in development.¹¹⁹ LEED buildings cost on average about 2.0 to 6.0 percent more during initial construction, however they use 25.0 percent less energy and have a 19.0 percent reduction in aggregate operational costs as compared to a non LEED certified building.¹²⁰ The lower operational costs and reduction in energy over the long run outweigh the slight increase in initial building cost.

Amendment: S-0989 is amended to encourage the use of energy efficient and sustainable design, construction, and operations at the new ballpark. It encourages the use of financing programs available through Rhode Island Infrastructure Bank, including, to the extent practicable, the State Revolving Funds and the Efficient Buildings Fund, which provide low cost financing for eligible renewable and energy efficiency, stormwater abatement, water conservation, and other sustainable infrastructure projects.

Examples of LEED Certified Sports Facilities

RIIB provided two examples of LEED certified stadiums, the first being First Tennessee Park, a publicly owned and financed stadium which opened in 2015. First Tennessee Park experienced a 15.0 percent cost

overrun due to site remediation work and a labor shortage, it cost a total of \$74.0 million. Although there were cost overruns in the initial construction, the stadium has since experienced a number of savings in operational costs including:

- 41.0 percent reduction in potable water use
- 58.0 percent reduction in irrigation consumption
- 19.0 percent reduction in energy use through lighting, heating and other efficiency investments

In addition to these operation cost savings it can be noted that 90.0 percent of construction waste was diverted from a landfill, 22.0 percent of building materials were recycled content and 31.0 percent of the building materials were locally sourced.¹²¹

The second example of a LEED certified stadium provided was the Audi Stadium, a major league soccer stadium in Washington D.C. This stadium is privately owned and financed, using \$25.0 million of commercial C-PACE financing. Green investments done at this stadium included onsite solar panels, LED lighting, a green roof and onsite storm water capture. Through these investments the stadium has noticed a 25.0 percent reduction in energy. The stadium also has the ability to retain 55,000 cubic feet of storm water, which is utilized to water the field and the surrounding grounds, further reducing operational costs.¹²²

Pawtucket Red Sox – Financial Position

The Pawtucket Red Sox have been operating in Rhode Island as a Triple-A Minor League franchise since 1973. The Team has had several owners over those 44 years, the longest being the Mondor family, who ran the Team from 1977 to 2015. The current ownership group includes Larry Lucchino, Michael Tamburo, and other Rhode Island-based partners.

During its tenure in Pawtucket, the Team has been part of several public-private, financial agreements with the State and City. These agreements primarily centered on financial responsibilities at McCoy Stadium. Under the new ballpark proposal, the parties are once again considering a major partnership that would have the Team playing here for the next 30 years.

The proposed financing structure for the new ballpark requires all three parties – the City, State, and Team – to share in the borrowing that will pay for the project. Because of the significant public investment at stake and the fact that the State is backstopping all of the debt, including the Team's, the Senate Finance Committee felt it necessary to understand the financial position of the Pawtucket Red Sox and to assess the long-term health of the Team and Minor League Baseball overall.

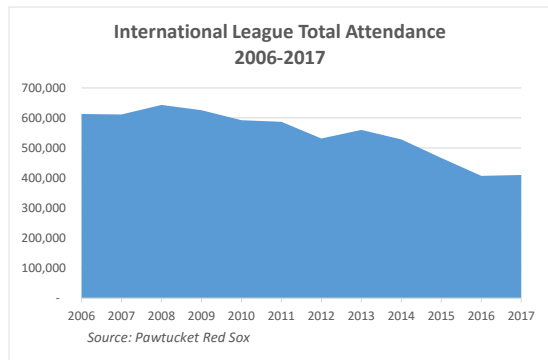
MINOR LEAGUE BASEBALL AND THE INTERNATIONAL LEAGUE

At its October 3rd hearing, the Committee invited officials from the International League and Minor League Baseball to discuss the business of Minor League Baseball (MiLB) and the PawSox position in it.

Minor League Baseball

The industry of minor league baseball is large. It is comprised of 19 professional baseball leagues made up of 256 teams and has been in operation for 116 years.¹²³ According to League officials total attendance in 2017 was 41.8 million; the 13th straight year over 41.0 million. It employs nearly 10,000 full-time employees and another 90,000-100,000 seasonal staff.¹²⁴

The International League, of which the Pawtucket Red Sox are members, consists of 14 teams across 9 states. The League has expanded twice, in 1993 and 1998, and 11 ballparks have been built since 1990. Team annual attendance has averaged 547,979 since 2006 but has shown a 41.0 percent decline since its all-time high of 688,421 in 2005.



The Professional Baseball Agreement: Minor League Baseball is highly regulated and has a tightly-integrated business relationship with Major League Baseball (MLB), a \$9.0 billion sports league. This relationship is governed by the Professional Baseball Agreement (PBA). Under the PBA, MLB commits to supply the MiLB with players, coaches, and equipment. In return the MiLB must follow a “complex set of rules” and provide a portion of ticket revenue to the MLB.”¹²⁵

Major League Rule 54: Of the rules that the PBA requires MiLB to follow is Major League Rule 54 (MLR 54). The rule has two sections. The first (MLR 54a) provides oversight of franchise ownership and requires a review and determination of the “financial wherewithal” of the ownership groups and how they will operate the club. Leases, loan agreements, media contracts, naming rights, etc. are all reviewed as part of the compliance process. The second section (MLR54b) provides oversight of the ongoing viability of the ballclub and requires annual reporting of financial information by teams to MiLB and MLB.

PAWSOX FINANCIAL POSITION

Minor League Baseball is a very competitive industry and the Team has been cautious about disclosing financial information to the public. The Senate Finance Committee worked with the Team extensively throughout the hearing process to get a picture of its financial position in a reasonable way.

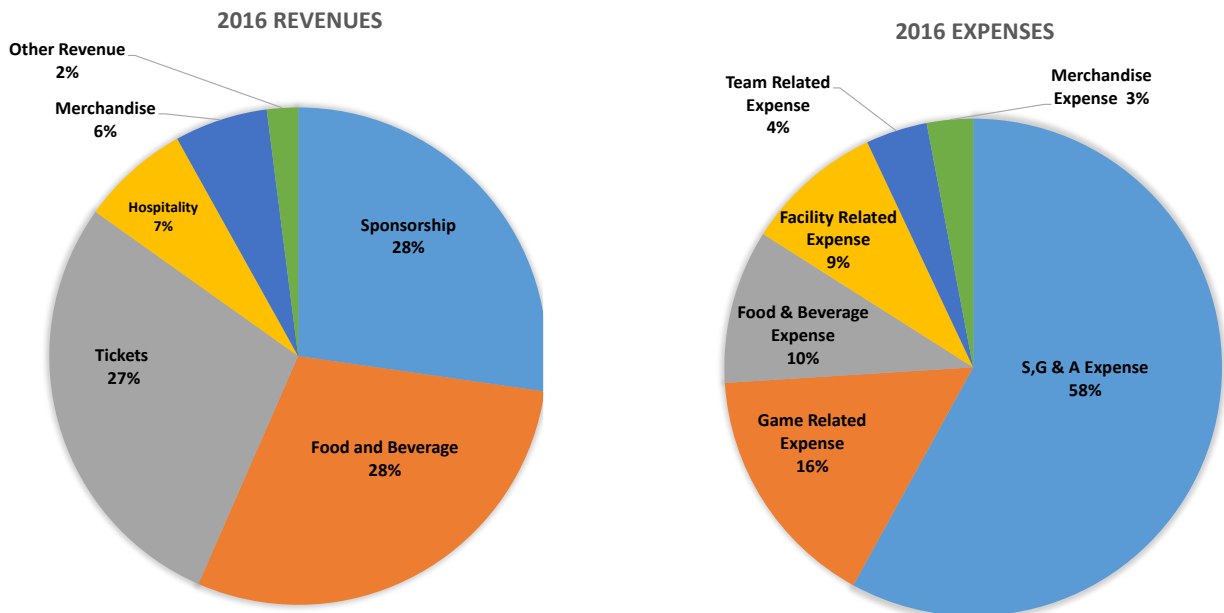
Audits and Compliance Documentation

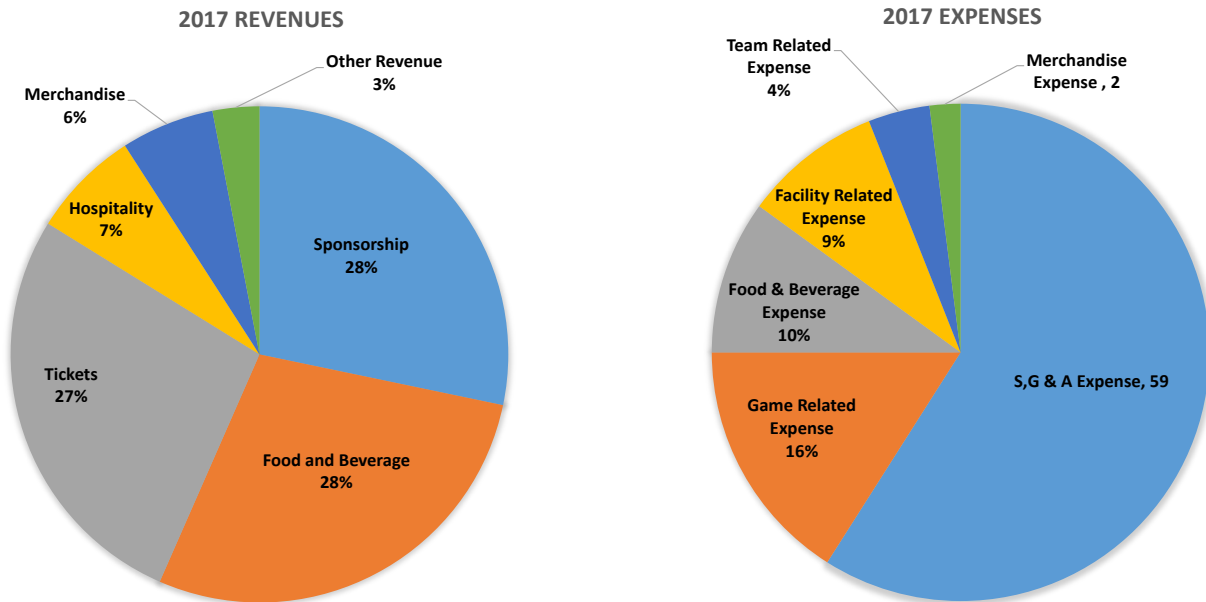
The Committee was provided with a letter from the auditing firm of Sansiveri, Kimall & Co., LLP attesting to the financial stability of the Team and the information contained in its consolidated balance sheet. The balance sheet ending December 31, 2016 showed assets valued at just over \$18.0 million. Liabilities total \$7.0 million¹²⁶.

The Team provided the Committee with documentation from the President of Minor League Baseball that it is in “good standing under applicable baseball rules, including...the financial and other requirements of Major League Rule 54. This certification demonstrates that the Team’s equity to liability ratios, operation plans, and financial position meet League expectations.¹²⁷

Team Revenue and Expense Data

The Team submitted revenue and expense percentages for 2016 and 2017. This data is reflected in the following charts¹²⁸:





Auditor General Review

During the hearings the Team shared much information regarding the financial data, projections, and assumptions that went into the new ballpark proposal. On October 26, 2017 the Governor indicated that the ballpark proposal would not move forward without additional disclosures.¹²⁹

On November 1, 2017, the Senate President formally asked the Office of the Auditor General (AG) to review the finances of the Team. He requested that the AG “make a determination, based on...(the) review of the Team’s past financial audits and future operational projections, as to whether the Team would likely have sufficient operating income and cash flow capacity to support its portions of the projected debt service from the Ballpark...as well as fund its share of proposed construction costs for the stadium.”¹³⁰

The AG was selected to accommodate the Team’s concerns of the widespread public disclosure of sensitive proprietary information yet also ensure the State had access to the full financial condition of its private partner. A non-disclosure agreement was signed by the AG. The Auditor General was limited to reviewing the financial data only and the review does not represent an audit. The report summarize the review and determination and would not constitute a guarantee or predictor of any “financial operating results or financial measures”.

The review took place on November 1, 2017, and the Auditor General issued his report on December 4, 2017. The report found:

- The financial status of the Team is stable and that current operating revenues and expenditures are consistent in 2015, 2016, and 2017.
- The Team’s 2016 Independent Auditor’s report was unmodified.
- Since February 2015 when the Team’s current ownership began through December 2015 and Fiscal 2016 operations resulted in net losses. The significant expense contributed to the losses is the amortization of goodwill. This amortization is required by generally accepted accounting principles.
- The fiscal 2017 cash position was by the admission of a new equity partner.

- The Team has certain long-term debt due in fiscal 2020 which it expects to restructure rather than retire.
- The Team’s audited financial statements for year ending 2016 include disclosure of non-compliance with certain debt coverage ratios which was remedied in 2017.
- The 2016 audited financial statements do not show significant liabilities or uncertainties affecting the statements.
- The Team represented that their share of the proposed ballpark costs (currently estimated at \$12.0 million plus construction overruns, if any) may be funded through borrowing, partner equity contributions, or a combination of both.
- The Team ability to meet additional lease payments as proposed under the legislation and any borrowing costs incurred to finance the Team’s share of the ballpark construction costs would largely be dependent upon the generation of additional revenues from increased attendance at games and the potential sale of “naming rights” under a multi-year agreement.

The Auditor General’s review was subsequently followed up with a separate review by the Executive Office of Commerce (EOC) in November 2017. The EOC made similar findings as the AG. EOC noted the same characteristics regarding the financial statements as delineated above and similarly noted the need for new revenue, particularly from naming rights at a new ballpark, to meet the Team’s debt obligations on the Series A bonds.

Changes to the Legislation

Public input, expert testimony, and engaged Committee inquiry revealed the strengths and weaknesses of the new ballpark legislation. The hearing process identified numerous ways to improve the legislation and lower public fiscal risks while enhancing the likelihood of the possible benefits. With this in mind, the following amendments have been made to S-0989 and S-0990:

S-0989

- **Naming Rights:** Based on the fact that the City’s redevelopment agency will be the owner of the new ballpark and the determination that Pawtucket will experience a gap between new revenue and its annual debt obligation until sufficient ancillary development has taken place, S-0989 is amended to direct 50.0 percent of the ballpark naming rights revenue to the City to assist with its annual debt service payment. This revenue is estimated to be \$250,000.
- **Ticket Pricing:** Based on the determination that Pawtucket will experience a gap between new revenue and its annual debt obligation until sufficient ancillary development has taken place, S-0989 is amended to reflect the transfer of the premium ticket surcharge revenue from the State to the City. The bill clarifies the definition of a “ticket” and is amended to include language memorializing the Team’s commitment not to raise ticket prices for five years.
- **50K sq. ft. Ancillary Development:** The legislation requires any future lease to include a provision that Team develop a minimum of 50,000 sq. ft. of real estate contemporaneously with the construction of the ballpark. It provides for a \$275 penalty for each day after the ballpark opens that the ancillary development fails to reach substantial completion.
- **Maintenance and Capital Improvement:** S-0989 is amended so that any future lease must contain requirement that the Team be responsible for the daily, operational maintenance of the ballpark and its costs. The lease must also explicitly make clear that the State is not responsible for operational maintenance. The lease shall require that the Team be responsible for a minimum 50.0 percent of annual capital expenditures and that the City, State, and Team must contribute a minimum of \$150,000 in total per year into a capital expenditure fund to finance capital expenditures. The parties will be required to development a multi-year capital improvement plan detailing expected, future capital projects and outlays. No capital expenditure funds shall be used for operational maintenance.
- **Construction Costs:** The \$12.0 million of equity pledged by Team owners is required by the legislation to be the first funds expended towards the construction costs of the new ballpark. In the event that the ballpark construction comes in less than the \$83.0 million, the savings shall be distributed on a pro-rata basis to the Team, City, and State. 46.5 percent, 32.4 percent, and 21.1 percent respectively. Lastly, any construction cost overruns that exist will be paid by the Team.
- **Public Park:** The bill memorializes the commitment by the parties of making the new ballpark available as a public park facility. The bill requires the lease to contain a provision directing the City to provide planning and operational assistance on public park aspects of the park. The lease must also specify that the facility will be operate year-round in and around the ballpark, separate and apart from the ballpark’s baseball-related uses, in order to create public recreational, social, and communal benefits.
- **Green Design & RIIB Financing:** S-0989 is amended to encourage the use of energy efficient and sustainable design, construction, and operations at the new ballpark. It encourages the use of financing programs available through Rhode Island Infrastructure Bank, including, to the extent practicable, the State Revolving Funds and the Efficient Buildings Fund, which provide low cost financing for eligible renewable and energy efficiency, stormwater abatement, water conservation, and other sustainable infrastructure projects

- **Fair Labor Standards Act Compliance:** The legislation is amended to affirm the requirement that the Team comply with fair labor standards. Employers associated with the business of the ballpark, including the Team, are required to adhere to State and Federal Fair Labor Standards practices, including provisions that prevent labor misclassification by incorrectly designating workers as “independent contractors”.
- **Compliance with Public Corporation Debt Management Act:** The legislation is amended to better conform to the requirements of the State’s Public Corporation Debt Management Act, or “Kushner Act”. The Budget Office’s fiscal note indicated that the bill as originally written did not meet these requirements. The statute requires that financing leases to which the State is a party must be authorized by the General Assembly through resolution. The resolution must include the maximum possible obligation of the State. The original language only listed the value of the principal to be borrowed and not the cost of issuance and total debt service. The amended language more clearly identifies the maximums as \$41.0 million, \$26.0 million, and \$18.0 million for the Series A, B, and C bonds respectively.

The bill also requires that the bonds must be spent on qualifying purposes within five years of the date of issue, and that binding commitment shall be made to spend at least 10.0 percent of the proceeds within ten months of issuance. If project proceeds are not spent within five years, then unused proceeds must be used to pay back bonds within 90 days.

- **Lease Conditions:** The lease is required to be for 30 years and must be reviewed and approved by the State Properties Commission prior to the issuance of bonds.

S-0990

- **Eminent Domain:** Based on the concerns expressed during public testimony and a subsequent determination that the need for this expansion was overstated, S-0990 is amended to eliminate the expansion of eminent domain powers under the Redevelopment Act and to restore the definition of “Blighted and substandard” throughout the bill.

Senate Finance Hearings Summaries

The Senate Finance Committee held seven hearings between September 14, 2017 and October 24, 2017. The hearing dates and summaries are as follows:

SEPTEMBER 14, 2017 – STATE HOUSE, PROVIDENCE

The first Senate Finance Committee hearing on the legislation that would authorize the financing of a new downtown Pawtucket baseball stadium and surrounding development was held in Room 313 at the State House, with an additional viewing room in the Senate Lounge to support the overflow of people in attendance.

The proceedings began with an overview of the hearings by Chairman Conley, highlighting that the goal of the Senate Finance Committee is to have a very transparent, accessible, and deliberative process. He reviewed the remainder of the schedule and what to expect at each of the future hearings, including a yet to be scheduled hearing at which findings will be presented.

The members of the Senate Finance Committee in attendance were Senators Conley, Seveney, Sosnowski, Kettle, Ciccone, DaPonte, and Felag. Also in attendance were non-committee members Senators Nesselbush and Crowley, each of whom represent portions of Pawtucket and helped introduce the legislation.

Chairman Conley's opening remarks were followed by a brief presentation by Stephen Whitney, Senate Fiscal Advisor, and Kelly McElroy, Committee Legal Counsel. Their joint presentation outlined the two pieces of legislation, 2017-S-0989 and 2017-S-0990, which provide the framework for the project.

Next, the committee heard supportive testimony from a number of elected officials in the state, including: Mayor Joe Polisena of Johnston, Mayor Lisa Baldelli-Hunt of Woonsocket, Chief of Staff Dick Fossa of North Providence, Mayor Jorge Elorza of Providence, Mayor William Murray of Cumberland, Mayor James Diossa of Central Falls, and Lieutenant Governor Daniel McKee.

The committee then heard a presentation by important stakeholders in this project. Representatives from the City of Pawtucket included Mayor Donald Grebien, City Council President David Moran, and the Mayor's Chief of Staff Dylan Zelazo. Pawtucket officials asked the General Assembly to support the catalyzation of development in their downtown area, highlighting the importance of the PawSox to the City. Representatives from the Pawtucket Red Sox—including Chairman Larry Lucchino, Vice-Chairman Mike Tamburro, and President Charles Steinberg—assured that the project would not be a drain on the state, that the stadium would be a tourist attraction with year-round uses, and made an unwritten promise to cover any overrun construction or maintenance costs. Other key presenters during this part of the agenda included: RI Secretary of Commerce Stefan Pryor, who argued that a new stadium would ultimately cost less and have a greater return on investment than simply repairing or upgrading the current ballpark, McCoy Stadium; Jonathan Cole of Pendulum Studios, who conducted a study of McCoy and whose findings were used widely throughout the presentation; and renowned ballpark architect Janet Marie Smith, who attested to the proposal's potential for economic development in the city of Pawtucket.

In the third hour, the Senate Finance Committee began taking public testimony. Nearly seventy people signed up to testify, with forty-eight in support of the legislation and sixteen in opposition. About half of those who signed up came before the committee over a span of four hours. Nineteen individuals spoke in support of the legislation, primarily arguing that the project would be a catalyst for economic development by spurring new job growth and increased revenues, meanwhile keeping the legacy and charity of the PawSox alive in Rhode Island. Twelve people spoke against the legislation. These opponents largely expressed skepticism about cost and revenue estimates, argued against a public-private partnership in a stadium deal, urged for voter approval, and suggested that the money be invested elsewhere in the wake of a budget deficit.

In addition to the public testimony heard in front of the Senate Finance Committee, over one hundred people submitted written testimony through the PawSox Hearings website. About one-third of these testimonies opposed the deal, a few posed questions and did not take a stance, and the remainder supported the endeavor.

SEPTEMBER 26, 2017 – TOLMAN HIGH SCHOOL, PAWTUCKET

The Second Senate Finance Committee hearing on the legislation that would authorize the financing of a new downtown Pawtucket baseball stadium and surrounding development was held in the auditorium of William E. Tolman High School in Pawtucket. The primary goal of the hearing was to host a detailed discussion regarding the economic and financial impacts that the stadium and its ancillary development would have on the City of Pawtucket. Senators Conley, DiPalma, Seveney, Pearson, Felag, and Crowley were in attendance.

Chairman Conley began promptly at 6pm by providing opening comments, emphasizing the hearing's time constraint of four hours. As a result, stakeholders were limited to a one-hour presentation. The remaining time was divided for public testimony and each speaker was allotted three minutes.

Next, the committee heard supportive testimony from Attorney General Peter Kilmartin, followed by a presentation from representatives of the City of Pawtucket. These officials included Mayor Donald Grebien, City Council President David Moran, Director of Administration Tony Pires, and City Commerce Director Jean Boyle. With ancillary development as a focal point, these stakeholders identified a developer—Peregrine Group, LLC—and discussed the potential for the space around the park to support residential apartments, retail outlets, restaurants, or even a hotel. Presenters emphasized their desire to preserve the PawSox's connection with the City and State and to continue the momentum of improved economic development in Pawtucket. Chairman Conley then allowed the opportunity for questions. Senators inquired of the panel about their risk mitigation plans and intentions for the current infrastructure at McCoy, and voiced a number of other concerns.

The Senate Finance Committee began taking public testimony on schedule. Over one hundred people signed up to testify, with about eighty in support of the legislation and twenty-five in opposition. Sixty-five came before the committee. Forty-eight individuals spoke in support of the legislation. Many aimed to quell opponents' fears of a repeated 38 Studios deal, and others stressed the importance of giving Pawtucket a chance to thrive. Seventeen people spoke against the legislation and expressed concerns about the State's priorities, urging lawmakers to invest taxpayer dollars in schools, healthcare, and infrastructure instead.

In addition to the public testimony heard in front of the Senate Finance Committee, nearly two hundred people submitted written testimony, either in person or through the PawSox Hearings website. Of these, about sixty percent wrote in opposition and forty percent in favor. A small percentage provided written comments that did not indicate a particular stance.

OCTOBER 3, 2017 – UNIVERSITY OF RHODE ISLAND, KINGSTON

The third PawSox hearing was held at the University of Rhode Island. This meeting was held primarily to discuss the financing plan for the stadium and surrounding development. Senators Conley, Seveney, Pearson, Kettle, Sosnowski, and Crowley were in attendance.

The hearing began with scheduled presentations by several key players who were invited specifically to provide insight into the economics of the deal.

The first presenters were representatives from Brailsford and Dunlavey (B&D), a program management firm which completed an economic and fiscal benefits analysis of the plan in April 2017. They provided a summary of findings, highlighting their revenue estimates at both the City and State level. They estimated revenues from the construction period (one-time benefits) as well as from ongoing ballpark and ancillary development operations (recurring benefits). Ballpark attendance was the key driver in their estimates.

The committee also invited Keenan Rice, founder and CEO of the municipal financial advisor MuniCap, to provide a detailed explanation of tax increment financing. Tax increment financing is a tool available to municipalities to aid in redeveloping land in strategic locations. This financing structure promotes redevelopment and generates new tax revenue. As such, tax increment financing is a viable option for the new stadium. Mr. Rice also included some mitigation options in his presentation, ways in which the City can alleviate their debt service during the construction period and initial years of operation when they are not expected to see significant revenue.

The final presenters represented the International League, which was the subject of discussion in some prior hearings. Mike Tamburro introduced Randy Mobley, President of the International League, and Scott Poley, President of Minor League Baseball. Together, the two discussed the nature of the fiscal relationship between the International League and the PawSox. They identified that, because visitors' expectations were different when McCoy was built, the current stadium's flaws are not merely structural and the need for a new stadium in a new location is dire. The committee inquired heavily, primarily concerned with whether the League would step in if the PawSox does not meet their financial obligation. Neither Randy nor Scott addressed the issue directly, saying that "there are no guarantees", but asserted that there are a number of safety nets in place to support Minor League teams.

Finally, the Senate Finance Committee heard public testimony. In total, thirty-nine people signed up to testify—twenty-five identified their support, eleven opposed the deal, and three were undecided. Thirty-one actually testified, with twenty in support, nine in opposition, and two undecided. The hearing lasted about three and a half hours.

OCTOBER 11, 2017 –NEW ENGLAND INSTITUTE OF TECHNOLOGY, EAST GREENWICH

The fourth PawSox hearing was held at the New England Institute of Technology. Several people were invited to testify before the committee to provide insight into the inner workings of the stadium deal. Senators Conley, Kettle, Seveney, DiPalma, Felag, Ciccone, Pearson, and Conley were in attendance. Senators Nesselbush and Sheehan were also present, but observed from the audience.

The committee first heard testimony from General Treasurer Seth Magaziner, who identified his concerns about the legislation, admitting that it "needs some changes". His primary concern was the possibility of a differential in the City's debt service payments depending on whether the State acts as a backstop. However, he still identified the Treasury Office's willingness to work together to craft the best legislation possible to keep the PawSox in Pawtucket. The Treasurer's comments were immediately followed by Janet Lee from the Public Resources Advisory Group (PRAG), the state's financial advisor, who provided an analysis of both the City and State's debt affordability. The analysis asserted that both parties can afford to take on the debt proposed in the legislation.

Next, Secretary of Commerce Stefan Pryor returned to Senate Finance. His opening remarks attested to his belief in the merit of the proposal. He offered his own "guiding principles of an exceptional deal", which outlined his expectations should the proposal come to fruition. Essentially, he approves so long as a new stadium costs less than renovating McCoy, pays for itself, and keeps the PawSox in Pawtucket long term. Furthermore, he supports the plan if the PawSox covers cost overruns, commits to ancillary development, and donates a portion of profits to charity for the first five years.

The final presenters—representatives from the Department of Environmental Management, Sage Environmental, and the Rhode Island Infrastructure Bank—focused on the environmental aspects of the proposal. This included an analysis of the Apex site, which was deemed suitable for construction, as well as a recommendation for a cost-effective, sustainable stadium design.

Finally, the Senate Finance Committee heard public testimony. In total, twenty-five people signed up to testify—eighteen signed up in support, of which eleven came before the committee, and seven signed up in opposition, all of whom spoke before Senate Finance. The hearing lasted three and a half hours. Furthermore, eleven new comments were submitted to the web portal, seven in support and four in opposition.

OCTOBER 12, 2017- ROGER WILLIAMS UNIVERSITY, BRISTOL

The fifth PawSox hearing was held at the Roger Williams University School of Law. Senators Conley, Felag, DiPalma, Seveney, DaPonte, Crowley, and Nesselbush were in attendance. Senator Coyne observed from the audience.

The hearing began with the two parties that were invited to testify, Peregrine Group and the Pawtucket Redevelopment Agency.

Peregrine Group, LLC is an experienced real estate developer which was identified by the City to participate in the project. A representative, Colin Kane, discussed the redevelopment potential of Pawtucket, which has not seen substantial construction in about forty years. He voiced his confidence that private capital will flow to the city if development is kick started by the proposed investment from the City, State, and the PawSox.

Next, the committee heard from Roger Lamoie, chairman of the Pawtucket Redevelopment Agency, and Jeanne Boyle, Commerce Director for the city of Pawtucket. It was important for the committee to hear testimony from the Pawtucket Redevelopment Agency, the body which will issue the bonds to finance the proposal. Mr. Lamoie asserted that the agency is confident in Pawtucket's potential and is eager to move forward with this deal. Jeanne Boyle provided insight into the City's intent to update their current Redevelopment Plan to include a financing plan and mitigation options specific to the project. Inspired by the transparency of the Senate Finance Committee, she mentioned that the City will hold hearings to keep the adoption process open and to assure that the plan is the best it can be.

Finally, the committee took public testimony. Thirty-two people signed up to testify, with twenty-six in support and six in opposition. Thirty actually testified, with twenty-four in support and six in opposition. The hearing lasted three hours.

OCTOBER 19, 2017 – BRYANT UNIVERSITY, SMITHFIELD

The sixth PawSox hearing was held at Bryant University. Senators Conley, DiPalma, Felag, Pearson, Seveney, Crowley, and Nesselbush were in attendance.

The hearing began with a presentation by Paul Dion, the Chief of Revenue Analysis at the Department of Revenue. Paul provided an assessment of Brailsford and Dunlavey's economic impact study, which was presented at the hearing on October 3. Using similar assumptions but different methodologies, the Office of Revenue Analysis (ORA) arrived at different conclusions than B&D. Most importantly, ORA's estimates fell short of those calculated by B&D. Chief Dion sought to explain the source of some of these differences, attributing them to differences in effective tax rates or the realistic possibility of tax exemptions.

Next, representatives from B&D were allowed the opportunity to respond to Paul's presentation as well as further inquiry by the committee. They were asked again to provide a breakdown of the methodology used in their original study, including the assumptions they made in their calculations. Representatives were respectful of the committee's request as well as ORA's assessment, adding that they anticipated their work being vetted by other entities.

Finally, the committee took public testimony. Forty-three people signed up to testify, and all but one came before the committee. Thirty-four signed up in support of the proposal, with nine in opposition. The hearing lasted three hours. There were also twenty new comments submitted through the website—thirteen in support and seven in opposition.

OCTOBER 24, 2017 – STATE HOUSE, PROVIDENCE

The Senate Finance Committee returned to the State House for the seventh PawSox hearing. Senators Conley, DiPalma, Felag, Pearson, Seveney, Sosnowski, and Nesselbush were in attendance.

The seventh hearing was conducted a bit differently than the previous six, designed as an opportunity for committee inquiry. A number of parties who had previously presented were invited back to testify and address some of the Senators' most pressing questions. The committee did not take public testimony at this meeting.

The first witnesses were Carole Cornelison and Marco Schiappa from the Division of Capital Asset Management (DCAM). The two provided an overview of McCoy Stadium as an asset to the State and how it is protected. The main focal point was the lease agreement crafted in 1998 which provided a plan to upgrade the stadium to bring it up to Triple A standards. The lease outlined the responsibilities of the City and team to complete and maintain upgrades of certain facets of the park.

Next, the committee invited Susanne Greschner and Stephen Coleman from the Division of Municipal Finance to provide an analysis of the City's finances. Their presentation was broken into five major components: demographics, property tax analysis, and state aid as well as current and projected financial situations. The analysis concluded that commercial real estate proportionately generates the most tax revenue for the City, and that the City's net direct debt is well below the recommended target.

The committee also welcomed the return of Paul Dion from the Office of Revenue Analysis, who had seen substantial inquiry during his testimony on October 19. The questions asked of Chief Dion were primarily concerned with the concept of tax exemptions and their ability to influence revenue projections.

Then, the committee questioned representatives from the City of Pawtucket—Mayor Donald Grebien, Chief of Staff Dylan Zelazo, and Commerce Director Jeanne Boyle. Prior to coming before the committee, the City also submitted several documents, including a list of frequently asked questions with answers as well as the City's most recent audit. Senators asked about their plans to meet the debt service requirement, mainly what will happen in the first few years of operation when the City is not projected to gain a significant amount of revenue. The Mayor insisted that there are options besides increasing the ticket price.

The final witnesses to come before the committee represented the PawSox Ball Club—Mike Tamburro, Larry Lucchino, Dan Rea, and legal counsel Kim Miner. They echoed Mayor Grebien's view of a ticket surcharge as a last resort—the goal is to keep the experience affordable because the team's low prices are part of its brand. Representatives respectfully addressed Senators' concerns and urged them to move passage in order to progress towards constructing a lease agreement.

Finally, the Senate Finance Committee accepted written testimony. Senator Crowley, a co-sponsor of the bill who was present at the other hearings, wrote to her colleagues to recommend approval. Testimony was also provided by the Rhode Island Chapter of Associated General Contractors of America (RIAGC) in support of the short- and long-term jobs that will stem from the project as well as the transformation Pawtucket will see in its downtown area. Overall, the hearing lasted three hours.

¹ McCoy Stadium Study Final Report, January 26, 2017.

² October 24th Hearing, McCoy Stadium Facilities Presentation, DCAMM.

³ October 24th Hearing, McCoy Stadium Facilities Presentation, DCAMM, \$144,870 in FY2017 RICAP funds represents the amount the State contributed to the study.

⁴ October 24th Hearing, Marco Schiappa.

⁵ McCoy Stadium Study Final Report, January 26, 2017.

⁶ September 14th Hearing, Donald Grebien and Larry Lucchino.

⁷ September 14th Hearing, Donald Grebien.

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- ⁸ October 24th Hearing, McCoy Stadium Facilities Presentation, DCAMM.
- ⁹ October 24th Hearing, McCoy Stadium Facilities Presentation, DCAMM.
- ¹⁰ Lease and Agreement (McCoy Stadium Project), 2005
- ¹¹ Letter to Senate Finance Committee from PawSox, October 3, 2017
- ¹² October 24th Hearing, Larry Lucchino
- ¹³ Additional Financial and Attendance Information from PawSox, October 18, 2017
- ¹⁴ Capital Improvement Arrangements for Privately-Owned International League Teams Playing in Publically-Owned Facilities, Letter from the PawSox to the Senate Finance Committee, November 8, 2017.
- ¹⁵ September 14th Hearing, Michael Tamburro
- ¹⁶ October 24th Hearing, Larry Lucchino
- ¹⁷ October 12th Hearing, Stephan Pryor
- ¹⁸ September 14th Hearing, Janet Marie Smith
- ¹⁹ Letter to Senate Finance Committee from PawSox, October 3, 2017
- ²⁰ Economic & Fiscal Benefits Analysis of a New Downtown Pawtucket Ballpark, October 3, 2017
- ²¹ Economic & Fiscal Benefits Analysis of a New Downtown Pawtucket Ballpark, October 3, 2017
- ²² Letter to Senate Finance Committee from Pawtucket Red Sox, October 3, 2017.
- ²³ Understanding the Proposed “Ballpark at Slater Mill” for the Pawtucket Red Sox, Economic Progress Institute
- ²⁴ Understanding the Proposed “Ballpark at Slater Mill” for the Pawtucket Red Sox, Economic Progress Institute.
- ²⁵ Economic & Fiscal Benefits Analysis of a New Downtown Pawtucket Ballpark, October 3, 2017
- ²⁶ Economic & Fiscal Benefits Analysis of a New Downtown Pawtucket Ballpark, October 3, 2017
- ²⁷ Economic & Fiscal Benefits Analysis of a New Downtown Pawtucket Ballpark, October 3, 2017
- ²⁸ Economic & Fiscal Benefits Analysis of a New Downtown Pawtucket Ballpark, October 3, 2017
- ²⁹ Economic & Fiscal Benefits Analysis of a New Downtown Pawtucket Ballpark, October 3, 2017
- ³⁰ Economic & Fiscal Benefits Analysis of a New Downtown Pawtucket Ballpark, October 3, 2017
- ³¹ “Economic & Fiscal Benefits Analysis of a New Downtown Pawtucket Ballpark” , October 3, 2017.
- ³² Assessing the Analysis of the Economic Impact of a New Downtown Pawtucket Ballpark, October 19, 2017.
- ³³ Assessing the Analysis of the Economic Impact of a New Downtown Pawtucket Ballpark, October 19, 2017.
- ³⁴ Assessing the Analysis of the Economic Impact of a New Downtown Pawtucket Ballpark, October 19, 2017.
- ³⁵ Assessing the Analysis of the Economic Impact of a New Downtown Pawtucket Ballpark, October 19, 2017.
- ³⁶ Assessing the Analysis of the Economic Impact of a New Downtown Pawtucket Ballpark, October 19, 2017.
- ³⁷ Assessing the Analysis of the Economic Impact of a New Downtown Pawtucket Ballpark, October 19, 2017.
- ³⁸ Assessing the Analysis of the Economic Impact of a New Downtown Pawtucket Ballpark, October 19, 2017.
- ³⁹ Assessing the Analysis of the Economic Impact of a New Downtown Pawtucket Ballpark, October 19, 2017.
- ⁴⁰ Assessing the Analysis of the Economic Impact of a New Downtown Pawtucket Ballpark, October 19, 2017.
- ⁴¹ Fiscal Note on Bill 2017-S--0989, October 19, 2017
- ⁴² The Ballpark at Slater Mill, Information from the City of Pawtucket
- ⁴³ The Ballpark at Slater Mill, Information from the City of Pawtucket
- ⁴⁴ October 3rd Hearing, Randy A. Mobley
- ⁴⁵ The Economic, Fiscal, and Developmental Impacts of a Ballpark at Slater Mill, October 19, 2017
- ⁴⁶ The Economic, Fiscal, and Developmental Impacts of a Ballpark at Slater Mill, October 19, 2017
- ⁴⁷ The Economic, Fiscal, and Developmental Impacts of a Ballpark at Slater Mill, October 19, 2017

- ⁴⁸ The Economic, Fiscal, and Developmental Impacts of a Ballpark at Slater Mill, October 19, 2017
- ⁴⁹ The Economic, Fiscal, and Developmental Impacts of a Ballpark at Slater Mill, October 19, 2017
- ⁵⁰ The Economic, Fiscal, and Developmental Impacts of a Ballpark at Slater Mill, October 19, 2017
- ⁵¹ The Economic, Fiscal, and Developmental Impacts of a Ballpark at Slater Mill, October 19, 2017
- ⁵² Department of Revenue: Analysis of Pawtucket’s Finances Presentation, October 24, 2017
- ⁵³ Pawtucket City Council Resolution, October 18, 2017
- ⁵⁴ Letter to the Senate Finance Committee from Mayor Grebien, September 26, 2017.
- ⁵⁵ Department of Revenue: An Analysis of the City of Pawtucket’s Finances”, October 24, 2017
- ⁵⁶ Memo to Pawtucket City Council from Joanna l’Heureux, May17, 2017.
- ⁵⁷ Moody’s Rating Scale and Definitions
- ⁵⁸ Department of Revenue: An Analysis of the City of Pawtucket’s Finances”, October 24, 2017
- ⁵⁹ Department of Revenue: An Analysis of the City of Pawtucket’s Finances”, October 24, 2017
- ⁶⁰ Proposed Financing of New Downtown Pawtucket Ballpark, Public Resources Advisory Group (PRAG), October 11, 2017.
- ⁶¹ Proposed Financing of New Downtown Pawtucket Ballpark, Public Resources Advisory Group (PRAG), October 11, 2017.
- ⁶² October 11th Hearing, Seth Magaziner.
- ⁶³ Division of Municipal Finance website, <http://www.municipalfinance.ri.gov/pension-plans/>
- ⁶⁴ Department of Revenue: An Analysis of the City of Pawtucket’s Finances, October 24, 2017.
- ⁶⁵ Tidewater Site Master Plan, September 26, 2017
- ⁶⁶ September 26th Hearing, Jeanne Boyle and Donald Grebien
- ⁶⁷ September 26th Hearing, Jeanne Boyle
- ⁶⁸ October 12th Hearing, Jeanne Boyle
- ⁶⁹ October 12th Hearing, Jeanne Boyle
- ⁷⁰ October 12th Hearing, Jeanne Boyle
- ⁷¹ October 12th Hearing, Jeanne Boyle
- ⁷² City of Pawtucket and Pawtucket Red Sox Questions from Committee and Public, October 24, 2017
- ⁷³ October 12th Hearing, Jeanne Boyle
- ⁷⁴ October 12th Hearing, Jeanne Boyle
- ⁷⁵ September 26th Hearing, Jeanne Boyle
- ⁷⁶ October 11th Hearing, Michael Donegan
- ⁷⁷ October 11th Hearing, Michael Donegan
- ⁷⁸ October 11th Hearing, Michael Donegan
- ⁷⁹ October 11th Hearing, Michael Donegan
- ⁸⁰ September 14th Hearing, Larry Lucchino
- ⁸¹ Presentation from the PawSox and the City of Pawtucket, September 26, 2017
- ⁸² October 12th Hearing, Colin Kane
- ⁸³ October 12th Hearing, Colin Kane
- ⁸⁴ October 12th Hearing, Colin Kane
- ⁸⁵ October 12th Hearing, Colin Kane

⁸⁶ October 12th Hearing, Colin Kane

⁸⁷ October 12th Hearing, Colin Kane

⁸⁸ October 12th Hearing, Colin Kane

⁸⁹ October 12th Hearing, Colin Kane

⁹⁰ Letter to Senate Finance Committee from Mayor Donald Grebien, September 26, 2017

⁹² MuniCap Presentation, October 3, 2017

⁹³ October 12th Hearing, Jeanne Boyle

⁹⁴ October 24th Hearing, Michael Tamburro

⁹⁵ October 24th Hearing, Dan Rea

⁹⁶ October 24th Hearing, Dan Rea

⁹⁷ PRAG Proposed Financing Presentation, October 11, 2017

⁹⁸ State of Rhode Island and Providence Plantations Public Finance Management Board Debt Affordability Study, May 2017

⁹⁹ State of Rhode Island and Providence Plantations Public Finance Management Board Debt Affordability Study, May 2017

¹⁰⁰ PRAG Proposed Financing Presentation, October 11, 2017

¹⁰¹ PRAG Proposed Financing Presentation, October 11, 2017

¹⁰² October 3rd Hearing, Randy A. Mobley

¹⁰³ October 11th Hearing, Seth Magaziner

¹⁰⁴ October 11th Hearing, Stefan Pryor.

¹⁰⁵ September 14th Hearing, Stephan Pryor

¹⁰⁶ September 14th Hearing, Stephan Pryor

¹⁰⁷ October 11th Hearing, Stefan Pryor.

¹⁰⁸ RI Executive Office of Commerce Guiding Principles Presentation, October 11, 2017

¹⁰⁹ McCoy Stadium Study Final Report, January 26, 2017.

¹¹⁰ Memo re: Senate Finance PawSox hearings, Executive Office of Commerce to Senate Finance Committee, October 31, 2017.

¹¹¹ October 24th Hearing, Larry Lucchino

¹¹² October 24th Hearing, Dylan Zelazo

¹¹³ October 24th Hearing, Dylan Zelazo

¹¹⁴ City of Pawtucket and Pawtucket Red Sox Questions from Committee and Public, October 24, 2017

¹¹⁵ October 12th Hearing, Colin Kane.

¹¹⁶ Sustainable Stadiums & Infrastructure Financing Opportunities, October 31, 2017.

¹¹⁷ October 11th Hearing, Jeff Diehl.

¹¹⁸ October 11th Hearing, Jeff Diehl.

¹¹⁹ Sustainable Stadiums & Infrastructure Financing Opportunities, October 31, 2017.

¹²⁰ October 11th Hearing, Jeff Diehl.

¹²¹ Sustainable Stadiums & Infrastructure Financing Opportunities, October 31, 2017.

¹²² Sustainable Stadiums & Infrastructure Financing Opportunities, October 31, 2017.

¹²³ Additional Financial and Attendance Information from the PawSox, October 18, 2017.

¹²⁴ Figure is derived from PawSox staffing levels.

¹²⁵ October 3rd Hearing, Scott Poley.

¹²⁶ Additional Financial and Attendance Information from the PawSox, October 18, 2017.

¹²⁷ Additional Financial and Attendance Information from the PawSox, October 18, 2017.

¹²⁸ Additional Financial and Attendance Information from the PawSox, October 18, 2017.

¹²⁹ WPRO website.

¹³⁰ Letter from Auditor General following review of Team financials, December 4, 2017

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