

WARWICK STATION DEVELOPMENT DISTRICT

Market Segmentation Analysis

March 2013



Rhode Island Economic Development Corporation
City of Warwick
Rhode Island Department of Transportation



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WARWICK STATION DEVELOPMENT DISTRICT

Section One

SECTION 1: INTRODUCTION AND OVERVIEW

1.1 About the Report

On August 26, 2012 the front page of *The Providence Journal* announced that the Warwick Station District was 'Ripe for Development'. State and city officials boasted that the transit infrastructure was complete and the direct link between airport, bus, train, and car rental facility was in place with the opening of the Sky Bridge Interlink, resulting in a true Transit Oriented Development (TOD). The article also proclaimed that this unique configuration of transportation modes was surrounded by roughly 100 acres of privately owned land that could possibly become Warwick's newest downtown complete with offices, hotels, shops, and urban-style residences. Now questions were raised as to what businesses were needed to create this new development and how they would fold into the urban lifestyle envisioned for the Warwick Station Development District (WSDD).

This report is the next step to answering those questions and to assist the State and City in (1) understanding what businesses want to be in the WSDD, (2) how to attract them, and, (3) most importantly, how to attract the right businesses that will contribute positively to the quality-of-place.

The BETA Group, Inc. (BETA) along with The Williams Group (TWG) and CWS Consulting Group (now known as Investment Consulting Associates, or ICA) were hired by the Rhode Island Economic Development Corporation (RIEDC) to initiate a Market Segmentation Study to answer these questions and guide a marketing campaign that will attract the right businesses and investors. Although RIEDC is the direct client the agency has teamed with the Warwick

Planning Department and the Rhode Island Department of Transportation (RIDOT) for the purpose of this report.

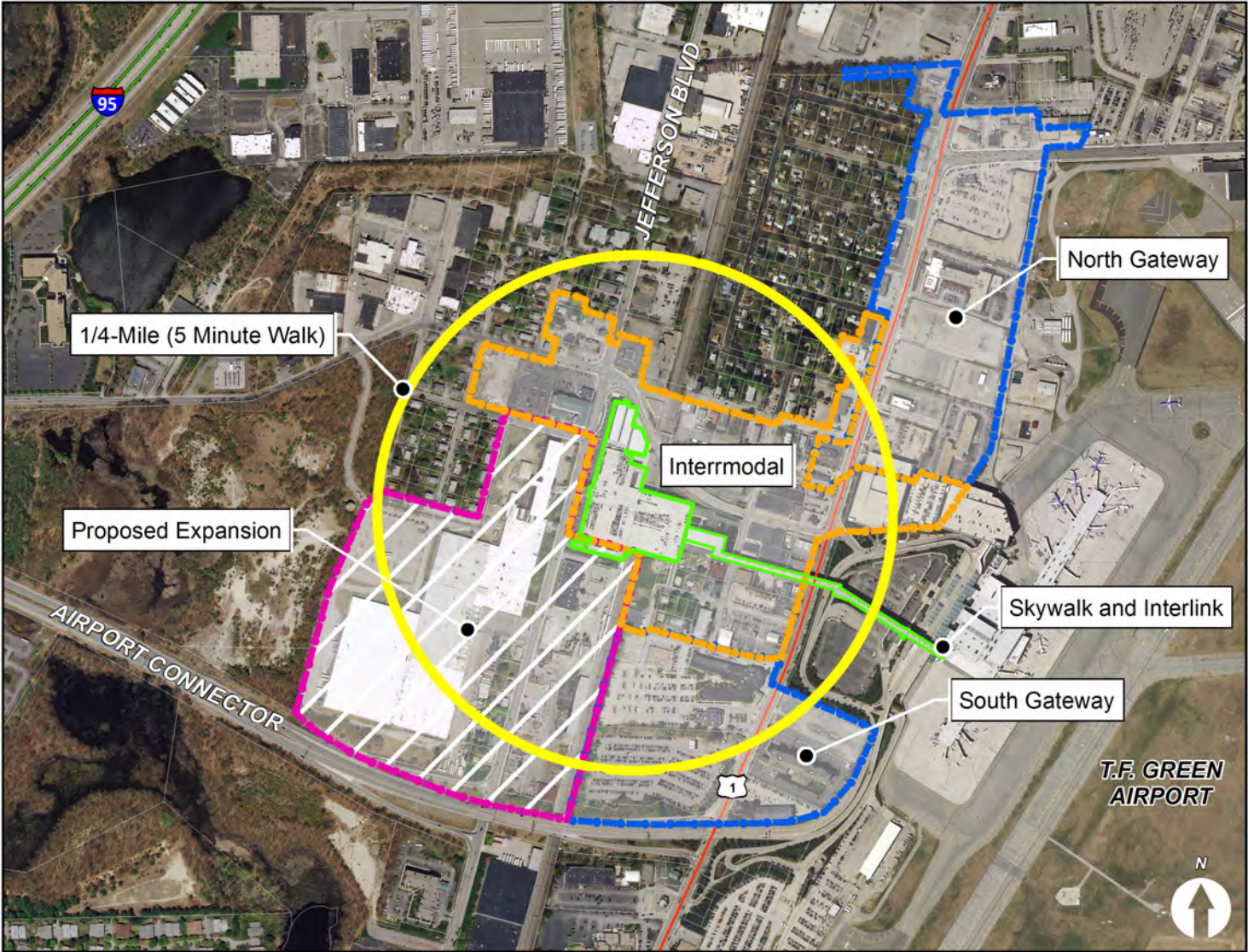
Work for this project began in early January 2013 and is intended to jump start a series of stakeholder interviews that will be conducted by the RIEDC Team and a team of consultants. This report will also allow for a clearer lens to focus on the next steps of the marketing campaign and allow both the State and City to aggressively attract new businesses that create new jobs (Phase one) and then builds the infrastructure that incorporates residential and commercial spaces that are integrated with the Interlink Facility (Phase two). *See the map on page two for the limits of the WSDD.*



The cover of the August 26, 2012 Providence Sunday Journal



This report has targeted the specific core Station District with its two adjacent Gateway Districts, but the City also has great advantage of having the new Interlink located within a half mile of Route 95 and 295, and within two miles of Warwick's unique and diverse shoreline that in itself is 39 miles long. This collective magnet of man-made and natural features is just now being recognized beyond the borders of Rhode Island as a new major growth center in New England that, if developed properly, would feature a lifestyle that is less dependent on the automobile but offering great mobility within the State and entire region.



The map above indicates the project area as defined in the WSDD Master Plan, along with the recommended expansion which would include the D'Ambra and Leviton properties.



1.2 Project Goals

The Project Team's overall goal was to assist the client in capitalizing on the recent investments in multimodal facilities.

The objective of the market analysis is to understand the current economics, demographics and real estate market to support the client in defining a program that will work with the WSDD Master Plan prepared by Goody Clancy, dated January 2012.

A successful outcome would bring new business and resident populations to the WSDD. As such, The Project Team will identify areas of growth opportunity as well as issues and concerns that need to be mitigated in order to attract businesses and new associated services to the WSDD.

A mix of uses including hospitality, residential, office, retail and other commercial businesses including R&D and industrial is necessary within a 0.25 to 0.5 mile radius of the intermodal site to create a vibrant Transit Oriented Development. The various markets would work together to create a synergy that builds off each other and takes full advantage of the investment of the new Interlink facility and future airport expansion.



Elizabeth Mill at Leviton

1.3 Overview of Tasks Performed

The BETA Group, Inc. along with The Williams Group and Investment Consulting Associates (known herein as the Project Team) divided the tasks in this report into three sections:

- 1) Database
- 2) Market Segmentation Analysis
- 3) Regional Competitiveness



BETA Group, Inc. focused on the database which needed to be updated from the 2004 maps. A GIS (Geographical Information System) mapping technique was implemented for the site specific area of the WSDD and control measures were put into place so that the ongoing and/or future updates could be easily made.

GIS Overview and Database Design

The GIS database was the key tool utilized to store, manage, manipulate, analyze, and visualize different types of information for the WSDD site. GIS supports projects driven by group-based decision making by assisting key stakeholders and the public at large with visualizing complex demographic, socioeconomic, environmental, and infrastructure data. BETA designed and deployed the GIS for the WSDD project as a platform for collaborative decision making through the use of intuitive and interactive mapping environments with spatial and temporal query mechanisms.

In order to construct an effective GIS able to meet all of the complex requirements for the WSDD project, BETA worked closely with the Project Team, the City of Warwick and the RIEDC to establish a clear picture of the important factors to be considered as part of the market analyses. BETA obtained a wide variety of existing GIS-compatible information from well-established data repositories including the City of War-



wick Planning Department, Rhode Island GIS (RIGIS), and the Rhode Island Department of Environmental Management (RIDEM) to develop the fundamental GIS environment for the WSDD.

Additional information used in the GIS included data on sites with documented environmental issues available from RIDEM and Environmental Data Resources Inc. (EDR).



The Williams Group (TWG) led the way with the Market Analysis which identified the economics and demographics supporting real estate development as well as the supply and demand for real estate in the WSDD. In addition, other TOD's (Transportation Oriented Developments) that had similar characteristics and nature of WSDD were analyzed. Because of the unique and convenient proximity of the airport to the railroad, examples from around the continental United States were sought as comparisons, that included similar key transit components.

TWG's work included:

- An analysis of ridership and passenger growth to understand the economics of specific retail demand; an analysis of retail spending and supply to understand gaps in retail development
- Real Estate Market Analysis: An analysis of supply and demand for Multi-family residential, hospitality, office, retail and industrial property including R&D and warehousing
- Real Estate Findings and Recommendations: An analysis of real estate opportunities and demand that is linked to job growth and attraction



CWS Consulting Group (now known as Investment Consulting Associates, or ICA) used information used in site selection projects as well as information generated by TWG and BETA's database, and delved into understanding how attractive the Warwick Station District is to both local and national businesses.

ICA's work included:

- Reviewing the region's current economic base
- Interviewing a series of current local businesses and other area institutions
- Comparing the region's location attributes against a variety of industry and use types
- Reviewing available incentive and inducement programs
- Producing a list of industry and use targets for the Warwick Station area

With critical markets identified, the Project Team then worked together on recommendations to better position the WSDD as a critical growth center within the greater New England area. The combined results of all three tasks creates a strategy that builds on the vision of the 2012 Master Plan and balances the targeting of new businesses with the need to promote a new identity for the WSDD; and a new sense of place that embraces the goals of both the City and the State.

WARWICK STATION DEVELOPMENT DISTRICT

Section Two

SECTION 2: EXECUTIVE SUMMARY

2.1 Introduction

The WSDD is clearly at the forefront of TOD (transit oriented development) planning and implementation. There are very few precedents for mixed-use TOD driven by rail, pedestrian (Interlink) and airport as multi-modal components. While there are many precedents for creating airport connections with rail, light rail or Bus Rapid Transit (BRT), few, if any, take airports to their full TOD limits.

TF Green Airport will also add to the potency of this intermodal mixture with its completion of extended runways anticipated for completion by 2017. The longer runways will allow TF Green to become a major arrival/departure point to areas outside the continental United States, and the associated travel industry would most likely follow with increased interest in and around the WSDD.

Because of the national recession, all real estate markets have been stagnant throughout New Eng-

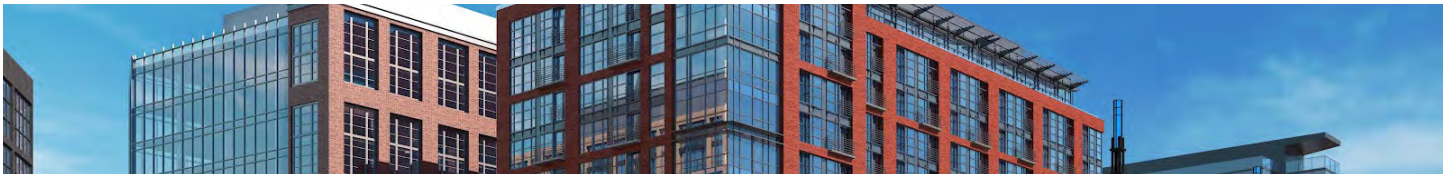
land over the last several years. The expectation, though, is that by May of 2013 the building industry will start to move upward—even in Rhode Island where the recovery has been the slowest. Once the Rhode Island recovery is underway, an element that bodes well for the WSDD is the planning, designing and construction of over \$265 Million of transportation infrastructure and associated improvements.

Along with these well-timed improvements is the work of the City of Warwick, which has created and approved a Master Plan to specifically guide the new development. The WSDD Master Plan, prepared by Goody Clancy in January of 2012, outlines a number of recommendations which include a new zoning ordinance that will expedite the planning and review process and make it business friendly.

Quality of life in the region is exceptional, and there are many assets (such as housing costs) that are more favorable than in Boston, yet Boston grows at a faster rate. The overall real estate market for every product type in Rhode Island has significant vacancies making financing unattractive for lenders. So what can change the game from stagnant to winning?



Photo courtesy of Chuck Aube, Rhode Island Department of Transportation



Comparables

The Project Team explored how T.F. Green Airport and the Interlink compared to other facilities. The Project Team analyzed a number of TOD projects throughout the country. All of the comparables included rail, light rail, pedestrian connections and airport as components.

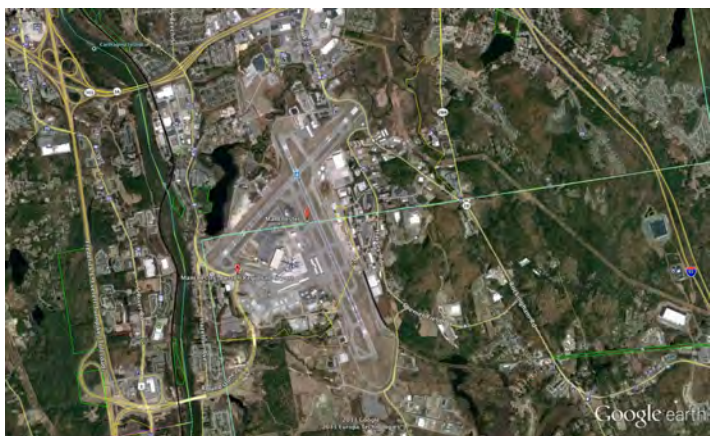
Overall, it was found that many cities are taking steps to provide rail transit directly to an airport terminal, and most have succeeded in obtaining shuttles to fixed transit. Most have buffers between the airport and residential development and some are still buying up proximate residential for future airport growth.

It was also found that the majority of the airports strongly support complementary real estate development such as military, logistics, manufacturing and aeronautics. In addition, many airports allow auto and truck repair to remain as it supports logistics and car rental businesses. Finally, hospitality uses are strongly supported in all comparables. Some comparables supported significant office development, but most tenants have airport-related uses such as offices for carriers. The objective of the exercise was to analyze how the synergy between rail, pedestrians and airport-supported TOD development is created. *A comparables matrix can be found in the Appendix.*

Market Analysis

A real estate and economic market analysis was performed as part of this project scope. The scope included an analysis of the area demographics, economics and all major real estate types. The examination focuses on the demand and supply for the real estate uses from existing as well as potential new demand created by new business attraction and transit. Demand was analyzed from ridership and passenger traffic.

In addition, the Team has developed a score card that qualitatively summarizes the TOD assets and liabilities from lessons learned from the comparables and the market analysis. Overall the WSDD scored in the upper percentile for TOD supported real estate. The strongest assets were for infrastructure and potential to attract new business and the weakest were related to recessionary economics and high vacancies in all real estate sectors as well as the availability of shovel ready sites for development.



Manchester (l) and Denver (r) Airports, just two of the several TOD areas analyzed as “comparables”.



2.2 Key Findings

Economics and Demographics

Generally in the WSDD study area, the demographics indicate a mid-level educated, white-collar workforce with a declining population. There is also characteristically low crime and strong home ownership. Currently, the Airport Corporation is buying up homes, which has led to uncertainty in the market. Also, limited jobs have forced younger professionals to seek employment outside the Warwick sub-market.

Economics and business growth indicate that Rhode Island has been able to attract some fast growing companies that follow future national trends. However, it is not clear what the trend is, as most new companies are diverse in terms of business type and size. There are new opportunities in telecommunications, clean energy, tech and some existing clustering in life sciences—which is reflected by a growing strength in the skilled workforce of that particular industry. However, in order to support this clustering, an educational component is required as part of any business attraction plan.

The WSDD has some specific assets in terms of logistics that differentiate it among any other location in the state and the region. There is clearly an air/vehicular access and intermodal advantage as well as a cost advantage when compared to Boston or Providence. Even compared to the well-established Quonset Business Park and its port access, the WSDD has more people related transportation assets that Quonset lacks.

As such, there is a definite emergence of life science, technology, tech-manufacturing, logistics and distribution as well as bringing people and higher value goods in and out of the region that favors the WSDD.



The Warwick Interlink. (photo source: www.siteselection.com)



Business Growth and Development

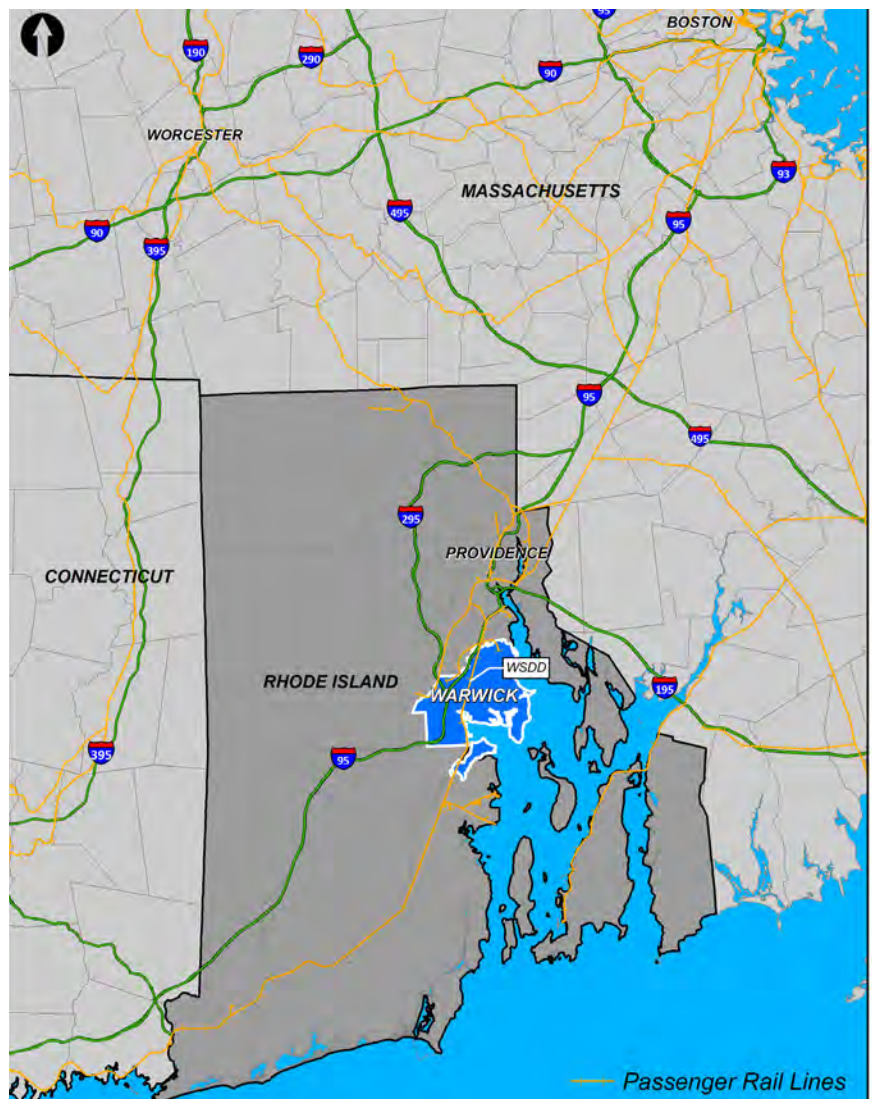
Logistics, existing clusters and lower costs are the assets that can be most strongly marketed. The Amgen presence has created a double the average life science workforce that can be utilized to attract other like kind businesses. Sixteen of *Inc. Magazine's* "fastest growing businesses" are located in the state, which is quite a feat given it is the 8th lowest in population. Moving people and higher value goods as well as more manufacturing specialty high tech or higher-value products is where the WSDD can be most efficient in terms of real estate.

Real Estate Market Analysis

Office, retail, industrial, lodging and multi-family residential real estate were analyzed. For all product types, the market reflected the general slow national growth trends out of the long recession.

The key is to develop strategically and incrementally, as real estate demand increases, so as not to create a glut in the market that will lower rental rates. Of all of the real estate types, multi-family residential has the best vacancy fundamentals but the sub-market demand has no current precedent. Logistically related industrial product has better demand and lower vacancies than office. Also, the associated physical assets make it a stronger product. Office data indicates significant vacancies and very long lease times as well as strong competition from other sub-markets. Hospitality is stable but occupancies and rates do not support speculative development.

The bright spot for hotels is the link between business attraction and events. Currently the only major conference *center* is in Providence and the only major conference *hotel* is the Crowne Plaza (in the TOD sub-market). Once business attraction takes hold, a public/private partnership to develop an event facility could induce more demand.



The map above indicates the City of Warwick within the State of Rhode Island, and also indicates the location of the WSDD region.



Real Estate Findings and Recommendations

Based on the real estate analysis, while there is currently limited market support for new product, an analysis has been made of projected support based on new business attraction to the WSDD and surrounding area. *Please see the table titled Exhibit 1, 1a and 1b on the following page, which highlight th..*

The product type with the most current demand is industrial, with a subcategory of high-tech manufacturing. This market sector is currently the least overbuilt so it will most likely be a prime driver in the next development phase of the WSDD. Multi-family residential is generally the product of highest demand nationally and clearly has an appropriate place in TOD. However, as further presented within this section, the timing of the WSDD residential development will likely be driven in part by office, commercial and industrial development completed in earlier phases providing the necessary critical mass. It is anticipated that the existence of the Interlink and commuter rail service will provide further impetus for future development of a residential cluster within the WSDD. Over time, the anticipated development phasing will result in increased rail service demand and ridership both as an origin and destination location.

The significant public investment made to date associated with the WSDD transportation center clearly creates a solid foundation for the successful future development of the TOD. The \$265 million Interlink project connecting the airport to the new commuter rail station, including accommodation for future commuter service expansion and regional AMTRAK service, provides a significant advantage in implementing the long range plan for the District. In addition, the State, in conjunction with the City of Warwick, is also currently funding the design and construction of roadway, streetscape and walkability improvements throughout the WSDD.

The final recommendation comes in the form of mitigating real estate issues and marketing. Overall, the most important issues for the public sector to mitigate are related to creating shovel ready sites that can efficiently go from concept to permit. While zoning and permitting for the district has been streamlined and well-defined, it needs to be clearly marketed to the development community, brokers, businesses and site selectors. In addition, a competitive tax package would make the real estate more attractive given the large amount of available inventory.

Phasing of the development of real estate at the WSDD and the support area is tied to the ability to attract business. Given the large vacancies in most real estate categories, it is most prudent to market and attract business first then build as they come.

Exhibit 1a (on the following page) attempts to phase the build-out to meet the full recommendations suggested in the WSDD Master Plan (Goody Clancy, January 2012). By incrementally developing the WSDD and support area, then overbuilding, low rental and hotel rates should be mitigated and financing would be more easily obtained by developers and owners.



Exhibit 1 suggests that the key to a successful build out of the Master Plan (Goody Clancy, January 2012) is to incrementally develop the WSDD according to the strength and support of the real estate markets and to the addition of new jobs in the market study area. Not only will new jobs support additional hotel rooms, but also they will encourage more 24-hour activity, support more retail and enhance the WSDD to encourage residential development.

Exhibit 1: REAL ESTATE DEMAND AND PHASING				
Real Estate Category	Inventory	Sq. Footage	Phase	Qualifiers
Hotel	3x 100 room hotels or one 300 room large convention hotel	300 SF/room=90K SF plus 30K+ SF conference	Phase 2 - post new business	Rooms linked to new business*
MF Residential	100 - 150 new units	1 and 2 bedroom units, average 1500 SF/unit=150K+ SF	Phase 2, post new business, or Phase 1, when combined with commercial multiuse development	Targeted at young empty nesters & gen x,y,z professional commuters
Office	20K SF - 30K SF increments	As demand generates	Phase 1	Linked to shovel ready sites, and green/sustainable energy
Industrial	Modern 10K SF - 30K SF buildings	As demand generates — commence with 30K SF public/private	Phase 1	Strongest demand
Retail/Service Uses	14 SF/capita on average supportable	60K SF Grocery/Services, 16K SF of new traveler-related retail	To come online as commercial is developed - Phase 2	Retail on grade, as part of mixed used commercial/residential as well as passenger retail along skywalk and in airport

* When occupancy rates are averaging between 65-70%, it is anticipated there will be real estate market and financing support for new rooms in the Warwick inventory.

Exhibit 1a: Master Plan Phasing for WSDD		
Hotel	30%	450,000
MF Residential	20%	300,000
Office	40%	600,000
Industrial	0%	-
Retail	10%	150,000
TOTALS	100%	1,500,000

* Source: The WSDD Master Plan, Goody Clancy. Note that the originally defined study area does not include industrial uses. However, adjacent areas north of the airport may support industrial uses outlined elsewhere in this report.



Exhibit 1b (below) compares the estimated property tax revenue from the uses based on the current assessed values within the WSDD. If in the future, the full master plan build out was achieved using the January 2012 WSDD Report estimated division by property types, then the future incremental increase in property taxes for the WSDD is about 2 to 3 times current value.

Exhibit 1b: PROPERTY VALUE AND PROPERTY TAX IMPACT OF FULL WSDD BUILD-OUT						
Real Estate Type in WSDD	Current Assessed Property Value (estimated)	Estimated Property Taxes	Future Property Value at Full Build Out	Future Building Value	Future Property Taxes (increase)	Mill Rate
Hotel			180,000,000	\$400	4,775,400	26.53
MF Residential			90,000,000	\$300	1,592,100	17.69
Office			120,000,000	\$200	3,183,600	26.53
Industrial			-	\$170	-	26.53
Retail			30,000,000	\$200	795,900	26.53
	\$172,000,000	\$4,056,333	\$420,000,000		\$10,347,000	\$23.58

Incremental Property Tax Benefit from Full Build-out of WSDD per the January 2012 WSDD Master Plan (note the Project Team market analysis varies with regard to real estate supportable by market indicators). The tax revenue calculated herein was based on assessed values provided by the City of Warwick for the Intermodal district, the north and south gateway districts. Revenue was calculated by assessing an average mill rate to the assessed value.



On March 28, 2012, *The Providence Journal* hailed the WSDD's Hilton Garden Inn as "a top-notch addition to Rhode Island's hospitality industry." The hotel was rated the best out of more than 550 hotels worldwide, earning several top awards from the Hilton chain. With one of the highest occupancy rates in the state, the Hilton Garden Inn is setting the stage for success within the Warwick Station Development District.



The final major piece of work that the Project Team developed for this scope was a TOD scorecard for the WSDD. The score card attempts, on a qualitative basis, to score how well the WSDD scores on key factors that create successful TOD projects based on prior experience and comparable TODs. *See Exhibit 1d, below.* Overall, the best scores were related to the potential for airport and rail creating the TOD as a place of destination and origin. Infrastructure was the strongest demand generator for TOD. Origin-based residential drivers were the weakest but this number may be balanced in the future by higher origin based traffic for other reasons such as corporate or tourism.

Exhibit 1d: WSDD SCORE CARD FOR CREATING TOD DEMAND		
<i>Category Description</i>	<i>Score (5 best, 1 lowest attributes for success)</i>	<i>Commentary</i>
Residential to support ridership	1	Future residential development and rail demand from other sources will create a higher score in the future
Airport induced traffic and passengers	3	Declined since mid-2000's but passenger traffic is on the rise again which can support hotels, retail and other services
Cargo and logistics	4	Complimentary to airport activities, especially high value goods, can support more real estate in this category as internet related buying increases (ex: Amazon looking for more regional distribution)
Office demand	2	Created by adding more new businesses; current inventory has high vacancies, no new development supported; leverage existing clusters and stable workforce with some leverage in life sciences
Hotel demand	2	12 hotels in TOD and slightly beyond; occupancy still too low to support new development but conference centers in RI include only one conference hotel. Possible opportunity niche.
Retail	2	Potential passenger amenity retail has support for substantial square footage. Need more retail as support for residential once new residents in place. Demand for groceries, drugstores and recreational services.
R&D and other industrial	2	Needs new business to support more space
Infrastructure	5	Commuter rail, interstate and airport connected
Quality of life for businesses and residential	4	Low crime, stable environment; some concerns with proximity of residential and airport use; Q of L is strong, taking into account shoreline waterfront, strong sense of place, history and lifestyle.
Origin mode characteristic	3	Potential is here to redirect cars and improve ridership but vehicular traffic to regional and Providence is not bad enough to create substantial demand currently. Long term, this could change.
Total Score	33	
Total Maximum Score Possible	50	



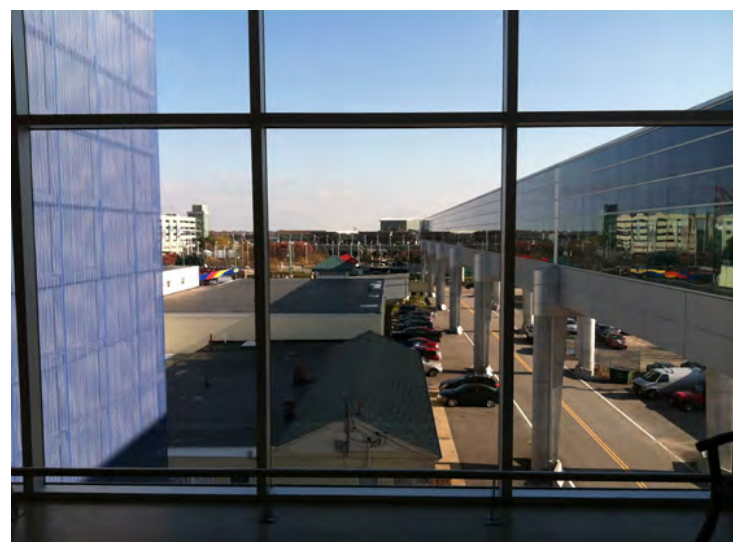
Target Industry and Use Findings and Recommendations

By using the tools available to companies and site selection consultants, it is possible to identify those industries and uses that will be a most likely fit for the location we are trying to create at Warwick Station. These same tools can identify the existing economic networks and workforce, examine the region's competitive strengths and liabilities, and suggest new industry and use targets for growth, career opportunities, and regional economic sustainability.

Through our work examining the Warwick Station area and the surrounding market, our team has made the following observations:

- The Providence MSA, which includes Warwick, ranks highly in occupation specific employment against its peer communities. The area has the highest employment in healthcare support functions as well as production occupations. Providence MSA also provides an attractive concentration of office and administrative occupations as well as computer and mathematical occupations.
- Across all occupations, the region has strong industry workforce advantages in
 - Specialized manufacturing, especially chemicals and fabricated metals
 - General retail
 - Hospitals and Healthcare
 - Air transportation
- Providence MSA has highly competitive occupation specific salaries. Production occupations rank very well while transportation and material moving is nearly as competitive.
- The recession hit the area somewhat harder than its peers. The unemployment rate increased at a higher rate than all peer MSA candidates.

- There are concerns regarding the general education level of the workforce. 18% of the adult population has never obtained a high school diploma. Generally in New England, the rate rarely exceeds 15% and often is below 10%.
- Providence MSA (and specifically the Warwick area) has unmatched transportation and market access. Air, Rail, highway and other network access statistics are as good or better than the selected competitive set.
- The Rhode Island tax environment is currently uncompetitive. Rhode Island state corporate income tax and average state sales tax are both higher than the competitors, and the Tax Foundation ranks the state's overall environment as poor. These factors alone can exclude the region from many corporate site selection projects even before the State is made aware of the opportunity. The State is aware of the problem and the Governor's office has proposals to address the issue.



View of the Interlink, looking east.



Industry and Use Target Opportunities

We believe that Warwick Station may be an appropriate target for the following types of commercial and industrial development:

Educational Services

- Provide satellite or specialty campus facilities for the University of Rhode Island, Johnson & Wales University, or similar institutions
- Provide a locus for continued training and retraining for the Warwick Station business community

Hotel Business Conference Hub

- Annex to corporate headquarters or other corporations that frequently use the Airport

Financial Services (office and data services)

- Call, customer service, processing, & data centers

Health Care

- Satellite and regional care facilities
- Walk-in centers for working populations

Medical Devices and Instruments

- Manufacturing
- Customization of manufactured devices
- Packaging and kitting
- Foreign Trade

Biotechnology and Pharmaceuticals

- Small scale manufacturing
- Full scale manufacturing
- Dosing, packaging and kitting

Foreign Trade

- Multimodal transportation linkage
- Foreign Trade Zone related activities

Logistics and Warehousing

- Distribution for the New England market
- Processing and customization to both domestic and international markets

High-Value Manufacturing and Assembly

- Assembly, final manufacturing, customization, service, and remanufacturing





2.3 General Recommendations

What follows are general recommendations regarding legislature, process and planning to help encourage the development of the Warwick Station District. These recommendations further support the market segment findings included in this report.

- New tax structure (State) to entice new business and build existing business, including historic tax credits which would benefit the Elizabeth Mill Complex.
- Create shovel-ready, pre-permitted site inventory.
- Expand Foreign Trade Zone 105 to support shipping and logistics cluster.
- Market City of Warwick permitting and zoning processes established for the District.
- Coordinate with RIPTA concerning routing, stop locations and potential Kent County Hub,

Newport Hub and most importantly, a direct bus connection to Providence from the Interlink.

- Engage the Interlink parking garage at ground level with retail space (liner building) by first completing site environmental clean-up.
- Coordinate schedule and phasing of infrastructure improvements (such as pedestrian crossings, intersections), as well as implement access management strategies specified in the VHB Conceptual Roadway Improvements Report and Access Management Study (such as one way traffic, sidewalks and circulation, streetscape).
- Explore opportunities in areas adjacent to WSDD to support further development efforts.
- In accordance with the Master Plan, expand district to include existing parcels that could support the WSDD in the future, including D'Ambra and Leviton properties.
- Create Design Guidelines and Architectural Design Manual (City of Warwick).

Tavern raises toast to development in train station area

Owners Joe and Lori Piscopio kept historical detail in their commitment to the district

By BARBARA POLICETTI
JOURNAL STAFF WRITER

WARWICK — Ask city officials for an example of the type of development they'd like to see in the Station District and they'll point to the Iron Works Tavern on Jefferson Boulevard.

Once part of the old Rhode Island Malleable Iron Works, the dignified brick building has been painstakingly restored right down to the flower boxes that are just like the ones used to adorn executives' office windows there.

Owners Joe and Lori Piscopio say they worked to preserve as much historical detail as possible — from the 300-pound, solid oak front door to the small tiles in the foyer.

The popular restaurant is next door to a Hilton Garden Inn that the Piscopios say they own in part-

nership with the Newport Hospitality Group of Williamsburg, Va.

"This is what we want to see in the district," Mayor Scott Avedisian said, pointing out that the old building is right on the sidewalk line and that its attractive exterior, with flowers and striped awnings, brightens the streetscape and makes it enticing to pedestrians.

It is also important, he said, because it shows a private developers' commitment to commercial success in the area around the new train station, which links directly to T.F. Green Airport.

Both the hotel and the tavern opened before the train station complex was complete, but Piscopio said it was the prospect of the new rail connection to the airport that caused him to invest in the area.

For years he owned a restaurant just across the corner from the old Iron Works complex and said he used to look out the window and wonder, "Who's going to buy that?"

He said his curiosity changed to



THE PROVIDENCE JOURNAL/KATHY BORCHERS

The Iron Works Tavern, with its 300-pound, solid oak doors and restored interior, sits across from the train station on Jefferson Boulevard, Warwick.

interest when he heard about the train station and then traveled to other states and priced commercial property there. "This really was a diamond in the rough," he said of

the tavern.

The Piscopios ended up demolishing parts of the old foundry complex, keeping the front building that included the executives' sec-

ond-floor offices. They kept the flavor of that level by carving out small dining rooms and enclosing them with old-fashioned doors that have frosted glass and the names of former iron-works executives.

He declined to say how much he invested in building the hotel and tavern.

Piscopio said the Station District is a good idea, but he does not like the looks of the new train station complex, which is dominated by the concrete parking garage. It has room for about 3,000 vehicles, with the lion's share set aside for the rental-car companies. "I think this should be rated one of the ugliest buildings in the state," Piscopio said.

Still, if all goes as planned, he thinks his hotel and restaurant would be well-situated in a bustling area.

"This is just the start," he said. "It's only going to grow around here."

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Source: The Providence Journal

WARWICK STATION DEVELOPMENT DISTRICT

Section Three

SECTION 3: MARKET ANALYSIS

3.1 Review of Reports and Plans

As the initial step for this study the Project Team first reviewed the January 2012 *WSDD Master Plan* (by Goody Clancy), the *June 2012 Comprehensive Plan for the City of Warwick* and the *Draft Conceptual Roadway Improvements for the WSDD* (by VHB) yet to be released.

Highlights of the WSDD Master Plan

The most critical aspect of our review of the Master Plan was understanding how the various development districts were defined and what land parcels were included at that time. Most notable was the land not included which was the 8 acre D'Ambra site (directly south of the Interlink) and about half of the 86 acre Leviton property, which occupies an important quadrant west of Jefferson Blvd. and north of the Airport Connector Road. It is the Project Team's understanding that at the time of assembling the WSDD Master Plan, discussions between these two property owners and the City were still in progress and therefore the two parcels were not included the Master Plan does, however, recommend (as does this Project Team) that these parcels be included.

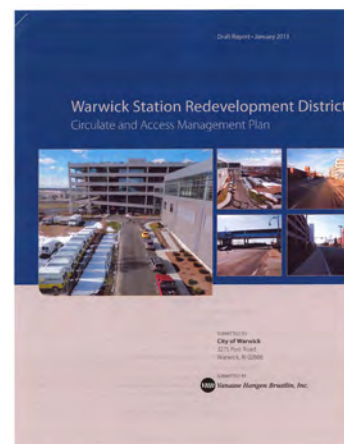
Another point of the Master Plan that can now be more easily envisioned is the potential development of the upper skywalk level. With the completion of the skywalk it is indeed easier to understand how mixed use development can be attached to either side of this pedestrian spine which itself could extend further to other parcels as development grows. This upper level of activity gives the WSDD one more unique aspect that is expanded on later in this study.

Highlights of the June 2012 Draft Comprehensive Plan of Development

The *June 2012 Draft Comprehensive Plan of Development* discusses many planning issues related to the City of Warwick. Of those issues, the "Economic Development Element" is most pertinent to the scope of this project.

The primary goal is to foster business development that is balanced, well integrated and provides a benefit to the community. Policies include:

- 1) Promote a pedestrian and transit friendly urban enclave of mixed-use development related to T.F. Green airport (Warwick Station Redevelopment District) and the train station
- 2) Capitalize on the existence of T.F. Green Airport, rail linkages, Rt. 95 and Rt. 295 to expand related industrial development
- 3) New industrial zones may should be used as buffers zones around T.F. Green Airport
- 4) Create village zoning districts in order to capitalize on Warwick's community of villages
- 5) Foster business (areas/districts) which cater to the needs of residential neighborhoods
- 6) Promote businesses that will provide a service to the community



Covers of the WSDD Master Plan and Draft Comprehensive Plan.



Highlights of the Draft Conceptual Roadway Improvement Report for the WSDD

The *Draft Conceptual Roadway Improvements Report for the WSDD* was reviewed to better understand how existing circulation patterns might be altered for the anticipated development parcels. The report focused on the roadway conditions within the core district area.

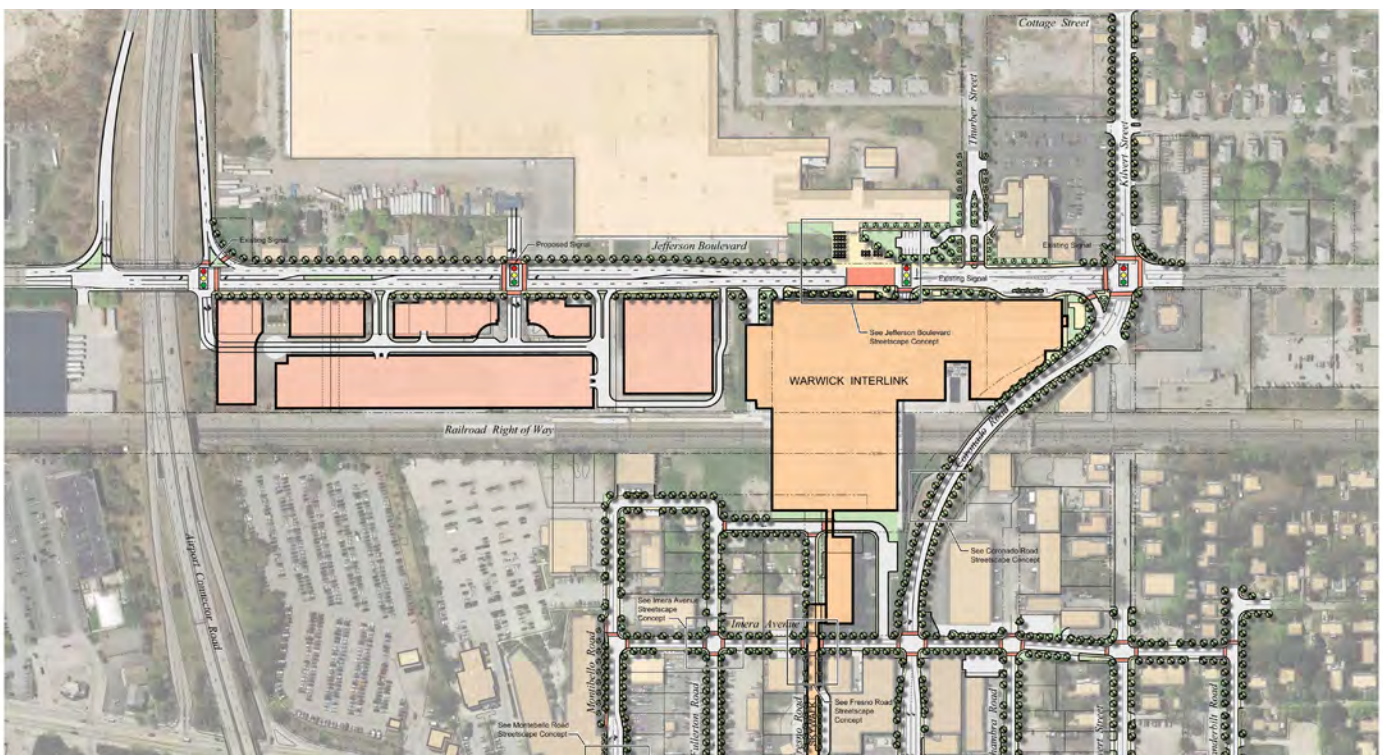
This report strongly supports the VHB study that develops a visually strong street corridor along Jefferson Boulevard with even stronger circulation links, connecting the east and west side, making it easy for cars, pedestrians and bicyclists to cross at grade or at the Interlink level. Other suggestions from the report include:

- Proposed intersection location between properties (on Jefferson Blvd) should be considered ‘flexible’ until development plans are finalized for both properties.

- Overhead pedestrian bridge crossing(s) could extend the Interlink across Jefferson Blvd and the location(s) should be coordinated with the street level access improvements.

- Pedestrian, bicycle and bus circulation could be enhanced by reprogramming the street level of the Interlink garage and developing a ‘liner’ commercial strip area that facilitates Intermodal connections and associated uses.

The graphic below indicates the location of the proposed infrastructure improvements described above.



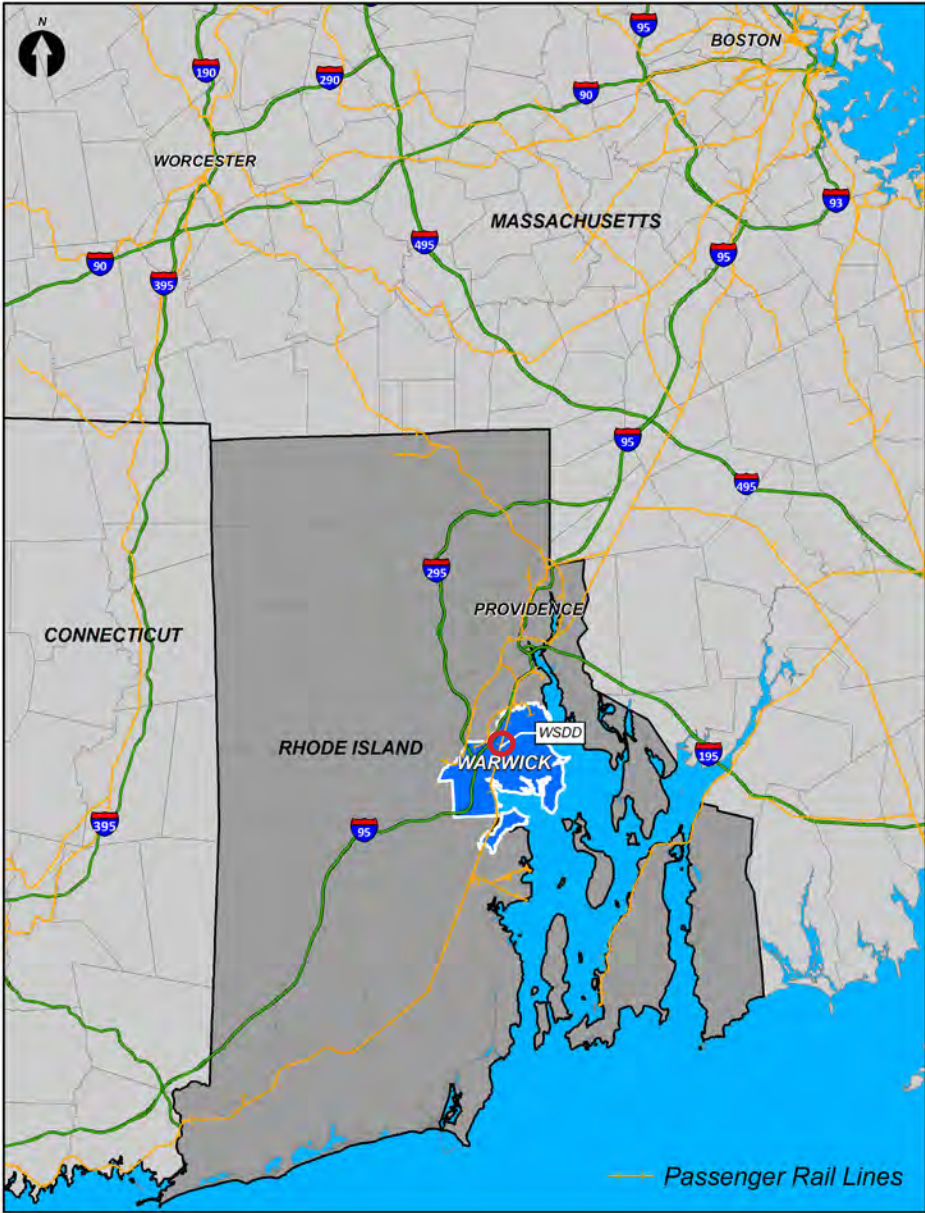
Map from the Draft Conceptual Roadway Improvement Report. (VHB)



3.2 Regional and District Description

Regional Analysis

The WSDD fits into a comprehensive regional transportation network that is accessible to the entire New England region and beyond. *The graphic below* depicts the interstate system and northeast passenger rail corridors.

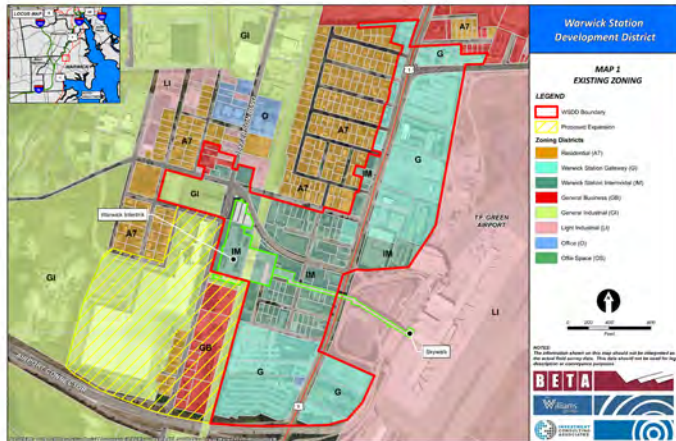


Currently the MBTA extends from Boston to South Kingstown (Kingston Station), with multiple stops including the Warwick Station District. In Rhode Island, Amtrak has two stops at Providence and Kingston Station. Future stops at Warwick Station continue to be studied and evaluated.



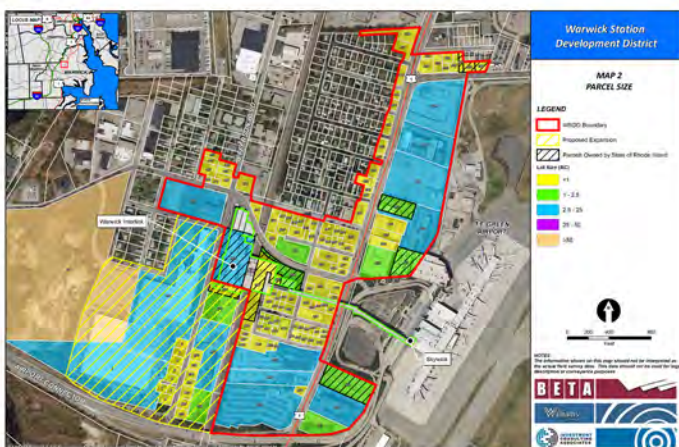
District Attributes and Mapping

The Project Team chose the specific data metrics and attributes to be used in the market analysis, and GIS mapping was utilized to conduct a series of spatial analyses. The final results of those analyses were then used in the development of the final project deliverables. Below are the maps that outline the various regional and statistical information gathered for this report. *They are also available at a larger scale in the Appendix to this document.*



Map 1: Existing Zoning

- Information used to develop Map 1 was obtained from the City of Warwick Rhode Island, Rhode Island GIS (RIGIS), and the Rhode Island Department of Environmental Management (RIDEM).
- Zoning classifications shown represent the most recent (December 2012) information from the City of Warwick for parcels located in the vicinity of the WSDD.
- Zoning classifications obtained from Warwick GIS data and were cross referenced with information from the City of Warwick Zoning Ordinances website.



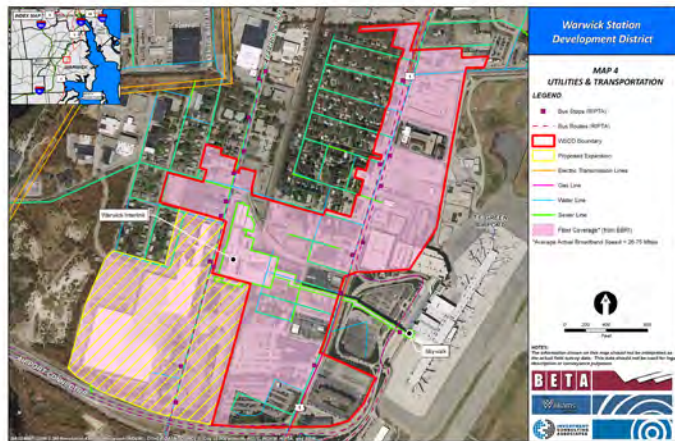
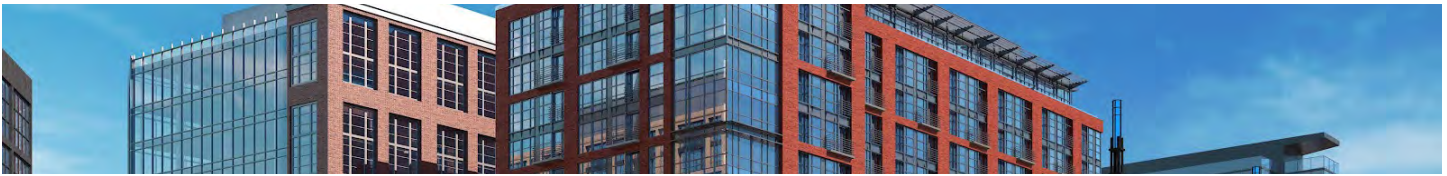
Map 2: Parcel Size

- Information was obtained from the City of Warwick, RIGIS, and RIDEM. Parcel size and ownership information were obtained from the current (Dec 2012) assessors' info from the City of Warwick.
- Map 2 shows the range in area (in acres) for parcels located in the vicinity of the WSDD.
- Parcel locations and boundaries are based on existing parcel information from 2001.
- A best fit analysis and spot updates were performed to bring the current map for this report up to date.



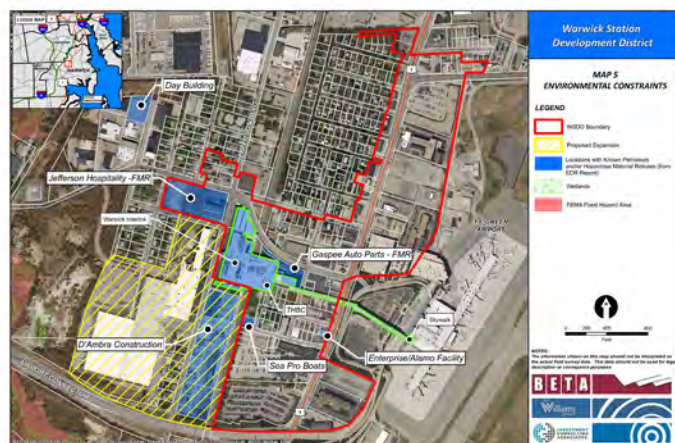
Map 3: Parcel Value

- Information was obtained from the City of Warwick Rhode Island, RIGIS, and RIDEM. Total value and ownership info was derived from the City of Warwick assessors' database (Dec 2012).
- The Project Team coordinated with the City of Warwick planning department to update this information (March 2013) for select parcels located within the current WSDD and proposed expansion area.
- Parcel locations and boundaries are based on existing parcel information from 2001.
- Total value (parcel value plus building value) in US dollars of parcels in the vicinity of the WSDD is indicated.
- A best fit analysis and spot updates were performed to bring the current map for this report up to date.
- Values shown on the map represent those available for 2001 parcel boundaries.



Map 4: Utilities & Facilities Data

- Information shown on this figure was obtained from City of Warwick, RIGIS, RIDEM, and Rhode Island Public Transportation Authority (RIPTA).
- Map 4 shows utility lines, RIPTA bus routes and stops, and broadband technology availability located within the vicinity of the WSDD.
- The notes below summarize the current broadband providers currently available in the WSDD based on census block scale planimetric data from EA Engineering, Science, and Technology, Inc.
- The Average Actual Broadband Speed for the fiber optic coverage within the WSDD is 26.75 Mbps.



Map 5: Environmental Constraints

- Information shown on this figure was obtained from City of Warwick, RIGIS, RIDEM, Federal Emergency Management Agency (FEMA), and Environmental Data Resources, Inc (EDR).
- Map 5 shows the locations of facilities with known releases of petroleum and/or hazardous materials.
- Locations of these facilities were obtained from a report purchased from EDR (EDR Inquiry No. 3511872.1s on February 5, 2012).
- Addresses for facilities listed in the EDR report were linked to addresses within the City of Warwick current (December 2012) GIS database for parcels.
- Also shown are wetland areas and areas of flooding risk.

Broadband Availability

To quantify the availability of broadband technologies available, the project team contacted EA Engineering, Science, and Technology, Inc. (EA) of Hunt Valley, Maryland to obtain GIS information related to the Broadband Rhode Island (BBRI) initiative. Based on information provided by BBRI, 100% of the BBRI is covered by wireline and wireless broadband.

- Within the WSDD:
 - Four wireline technology types are delivered by six providers
 - Two wireless technology types are delivered by nine providers
 - Available technology types include Cable, Copper, DSL, Fiber, Satellite, and Wireless
- Advertised speeds for available technologies include:
 - Wireline Download \geq 1 Gbps
 - Wireline Upload \geq 1 Gbps
 - Wireless Download: 10-25 Mbps
 - Wireless Upload: 3-6 Mbps



EA provided GIS files as well as a description of the attributes included in the underlying database. The project team then constructed a GIS coverage that identified the broadband providers currently in the WSDD. The broadband info developed by EA for BBRI is mapped at the census block scale which is too coarse for a more in-depth parcel by parcel analysis. Broadband carriers have never released customer info (provider by address, etc.) which could be used to quantify the current broadband utilization and availability at the parcel scale. Providers consider this type of data to be proprietary. The current providers available within the WSDD include: AT&T Mobility, CellCo Partnership, Clearwire, Hughes Network Systems, Skycasters, Sprint Nextel Corporation, StarBand Communications, T-Mobile USA, and ViaSat.

Other Recommendations and Details

The project team recommends a full update of the parcel GIS and assessors' information. More information for each parcel can be found in the Appendix. Parcel boundaries and unique identification numbers that facilitate the linking of data have changed between 2001 and 2012 and in turn the boundaries and ID numbers currently in the GIS database provided from the town do not always reflect the current assessors' plats.

3.3 Economic Overview

New England Overview

According to the FRBB (Federal Reserve Bank of Boston) New England Economic Report for 4Q 2012, New England's economic performance trails the nation. The New England economy continues to expand, but the rate of growth appears to have slowed in recent months and, for some indicators, trails the national pace of recovery.

New England's employment declined slightly in November as well. Following two months of job gains, New England's employment was essentially unchanged between October and

November of 2012, down 100 jobs. In comparison, employment increased nationwide over this time period (146,000 jobs), growing 0.1% month-over-month. Vermont experienced the strongest employment gains of all the New England states, increasing employment 0.7% (2,200 jobs) between October and November of 2012. Connecticut was the only other state to gain jobs over this period, adding 300 jobs. Unemployment rates in the other New England states, including Rhode Island, increased during the reporting period.

Regional unemployment rate remains elevated. After reaching a post-recession low of 6.8% in May and June of 2012, New England's unemployment rate increased to 7.4% in October. In November the region's unemployment rate climbed to 7.3%, 0.1 percentage points below the rate in November 2011. The national unemployment rate was 8.4% in November 2012, a full percentage point below its '11 level. The unemployment rates in MA, RI, and VT were down year-over-year, while the rates in CT, ME and NH increased. RI had the highest unemployment rate in the region.

While overall, RI appears to be moving forward and making gains in terms of economic growth since the recession began in 2008, a graph of the unemployment rates indicates the state has dramatically higher unemployment than the already expensive and highly taxed other New England states. Incentives (such as the current tax incentives being considered) should be instituted at the WSDD to counter the State trends.

Exhibit 2: FRBB 2012 Q4 RESULTS		
Unemployment Rates for New England	Dec '11	Dec '12
Vermont	4.9%	4.7%
New Hampshire	5.2%	5.6%
Massachusetts	6.6%	6.6%
Maine	7.4%	7.3%
New England	7.1%	7.0%
United States	8.5%	7.8%
Connecticut	7.8%	7.8%
Rhode Island	10.6%	9.4%

Source: US Bureau of Labor Statistics



Business Growth and Opportunities

The housing sector continues to perform anemically. Overall housing sales and new housing starts are still on the decline in Rhode Island and generally housing is growing at a slower pace than the rest of New England.

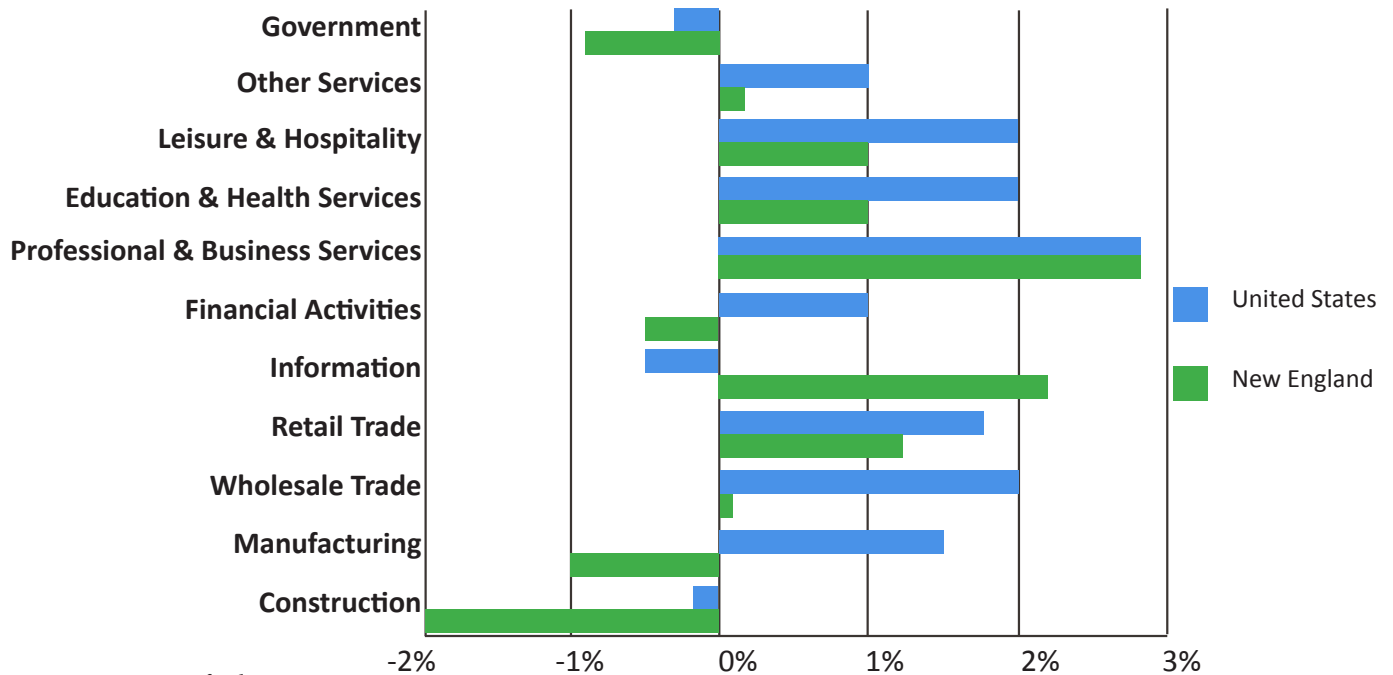
However, there are indicators of optimism outside of the housing sector. An overview of employment by Industry indicates a few sectors of opportunity in New England. For example, while the growth in the information sector is down everywhere in the county, it is up by over 2% in New England. (Data for Rhode Island in isolation was not available.) Sectors where New England did the poorest were hospitality, construction and financial services.

While it would be expected that employment in Education and Health services performed well in Rhode

Island, this sector was actually down 1.5% but up 1% in the rest of the New England. Hospitality was up 1% in Rhode Island but up 1.5% in New England and over 2.5% in the US. Manufacturing was up over 2% in Rhode Island primarily due to the Quonset Business Park. This growth was well above the country and New England as a whole. However, trade and transportation were down by over 1% for Rhode Island while up by over 1% in New England and higher for the rest of the county.

As a result, employment indicators are mixed for Rhode Island. The opportunities center on information and manufacturing. Once again, green and sustainable energy products scored high overall in the country for growth and many companies, such as AMGEN, have a sustainable policy that feeds this growth. We will revisit these concepts in Section 3.6, Economic Development Environment.

Exhibit 3: EMPLOYMENT SOURCE FRBB & BUREAU OF LABOR STATISTICS



Source: US Bureau of Labor Statistics



Exhibit 4: TOP COMPANIES IN RI ON THE 2012 INC. 5000 LIST			
<i>Rank</i>	<i>Company Name</i>	<i>3 Year Growth</i>	<i>Revenue (millions)</i>
246	Alex and Ani	1,454%	\$17.4 million
266	Drupal Connect	1,351%	\$3.5 million
267	Astonish Results	1,350%	\$11.4 million
371	American Partners	1,001%	\$25.6 million
526	Versatile Marketing Solutions	731%	\$19.5 million
585	Gurnet Consulting	622%	\$3 million
1204	Semper Home Loans	260%	\$5.4 million
1319	Narragansett Brewing	235%	\$5.9 million
1458	AmazingCharts.com	206%	\$6.3 million
1613	Bridge Technical Solutions	182%	\$9 million
2086	Carousel Industries	126%	\$326 million
2628	Embrace Home Loans	91%	\$106.1 million
2984	Atrion	73%	\$65 million
3169	ADI Energy	66%	\$3.3 million
4127	FuelBelt	32%	\$3.7 million
4400	(Add)ventures	24%	\$6.1 million

Source: Inc. 5000 Magazine

Business Clusters and fast growing Industries in the state:

Rhode Island has just over a dozen companies that made *Inc. Magazine's* 5000 fastest growing companies list. Alex and Ani, who designs and manufactures accessories and jewelry, topped the list. The largest in the group is Carousel Industries, which offers telecommunications and teleconferencing services. ADI offers services for energy efficiency and clean energy. Another larger business, American Partners, offers Oracle based tech services. Overall, however, the industries are all over the map and cover everything from apparel to finance and tech. Rhode Island is more a small business state rather than a big business state and may be able to culture small and entrepreneurial businesses more readily, with the assumption that incentives and easy to develop sites are available.

Retail Economics:

A specific analysis was performed of area retail as part of the economic review. When demand for products exceeds supply in an area then the market has pent up demand for certain retail stores. This is a positive factor when analyzing whether additional retail stores could be supported in a given area. This analysis was performed using data obtained for 2013 expenditures by Nielsen. The data was analyzed for 1,3 and 5 miles around the WSDD. In addition, data was analyzed for a more applicable 5 and 15-minute drive time around the TF Green Airport.

Generally, for both 5 and 15 drive times, there was overall a \$347 Million and \$794 Million oversupply in retail respectively. These oversupply figures indicate that the only way to support that volume of sales is through a large-scale retail destination centers. The customers must be coming to the retail from outside of the sector.



The two major retail centers within this sector are the Warwick Mall and the Rhode Island Mall. The Warwick Mall is a combination traditional regional mall and big box center (power center) which is predominant in the local retail corridor. It is located conveniently at the interaction off I-95 and I 295. Warwick Mall would be considered a Super-Regional Mall/Power Center

The Rhode Island Mall includes Sears, Walmart and Kohl's. It was built in 1968 and is located across I-295 from the Warwick Mall. There are some other stand-alone groceries and others retailers in the same corridor.

With these 2 malls and other smaller shopping centers the most oversupplied retail categories are food service/restaurants and motor vehicles and parts (which are mostly located near the airport). The categories that are most under-supplied are grocery stores and convenience/drug stores as well as clothing, despite the department stores in the malls. Of the opportunity niches, grocery stands out as important. Given the goal to create a mixed-use gateway community at WSDD, grocery and services are essential to support new residents.

A simple analysis of the \$18 million in unmet demand just from a 5-mile drives time divided by \$300/SF in average sales yields a demand for 60,000 SF of grocery in the WSDD. This is a significant amount of space. New residents would further support this demand for grocery. While local restaurant owners have noted this as potential competition in this area, not everyone in the WSDD stays in a hotel and eats daily at a restaurant. Groceries and convenience stores are a much-needed amenity. Additionally, availability of groceries is imperative to support a permanent indigenous resident population in the WSDD.

Warwick Mall



Interior of the Warwick Mall



Exterior of the Rhode Island Mall



Exhibit 5a: RETAIL SPENDING GAP ANALYSIS: 5 MINUTE DRIVE TIME			
<i>Retail Stores</i>	<i>2013 Consumer Demand</i>	<i>2013 Supply (Retail Sales)</i>	<i>Opportunity Gap/Surplus</i>
Total Retail Sales Including Eating & Drinking Places	194,510,830	542,435,196	(347,924,366)
Opportunity Niches			
Grocery Stores-4451	22,714,232	4,444,669	18,269,563
Supermarkets, Grocery (Ex Conv Stores)	21,562,179	4,367,968	17,194,211
Convenience Stores-44512	1,152,053	76,701	1,075,352
Clothing and Clothing Accessories Stores-448	8,746,123	3,364,291	5,381,832
Book, Periodical and Music Stores-4512	804,789	0	804,789
Most Over Supplied			
Foodservice and Drinking Places-722	20,786,663	42,687,481	(21,900,818)
Motor Vehicle and Parts Dealers-441	29,861,597	99,384,618	(69,523,021)
Building Material and Supply Dealers-4441	17,351,103	137,540,918	(120,189,815)

Source: Claritas Neilson 2013

Exhibit 5b: RETAIL SPENDING GAP ANALYSIS: 15 MINUTE DRIVE TIME			
<i>Retail Stores</i>	<i>2013 Consumer Demand</i>	<i>2013 Supply (Retail Sales)</i>	<i>Opportunity Gap/Surplus</i>
Total Retail Sales Including Eating & Drinking Places	6,171,261,326	6,965,596,514	(794,335,188)
Opportunity Niches			
Electronics and Appliance Stores-443	122,229,260	69,471,075	52,758,185
Clothing and Clothing Accessories Stores-448	300,312,404	280,669,668	19,642,736
Sporting Goods, Hobby, Book, Music Stores-45	126,057,988	101,101,288	24,956,700
Most Over Supplied			
Motor Vehicle and Parts Dealers-441	1,016,565,398	1,264,813,634	(248,248,236)
Building Material and Supply Dealers-4441	509,327,417	739,208,045	(229,880,628)

Source: Claritas Neilson 2013

Areas in blue on the above charts indicate retail opportunities in the WSDD region, based on existing retail within 5 and 15 minutes driving distance from the Warwick Station District, by assuming that the areas in blue must be destinations as more retail dollars are spent than the market area can support. Retail services, including food, beverage, convenience and grocery, are all essential elements of a successful mixed-use plan. To create a successful retail program to support hotel guests, travellers, office workers, etc., the retail needs to be incrementally built to meet the growing demand and new build-out of residents and office buildings. As a rule of thumb, 12 to 14 SF of retail is supported per person. So while food and beverage may be oversupplied at the moment, as airport traffic increases and new residential projects are built, more retail can be developed in conjunction with the accompanying build-out of other demand generators.



Economics of Train Ridership and Airline Passengers, and Retail Development

Another retail opportunity can be calculated by analyzing the amount of travelers coming through a specific destination and to estimate the amount of spending that may be captured from the travelers and to develop retail that services these traveler demands along the pathway of travel or within very easy access. The Project Team can estimate passenger spending by obtaining data on the number of travelers or riders per year and estimating the amount they may spend per trip and how much capture may be reasonable to assume.

Based on the following chart, while the retail supportable from rail ridership is very small, 236 square feet, the retail supported from current air passengers is approximately 50,000 square feet. According to airport documentation there are currently 64,000 square feet of retail concessions at the airport. Therefore, an additional net 16,000 square feet of retail in the terminal, on the Interlink or along the travel paths or near the hotels is supportable.

Note that these retail supportable estimates are based on current ridership and air passengers. While passenger travel is currently 3.8 million per year, in 2005 it was almost 50% higher, at 5.9 million passengers per year. Therefore, it is possible with changes in runway length, new carriers and access to larger aircraft that cargo and passenger traffic may increase significantly.



Exhibit 6: RIDERSHIP AND PASSENGER RETAIL SUPPORTABLE

	<i>Retail Capture Per Day</i>	<i>Retail Capture Per Year</i>	<i>Average Spending Per Trip</i>	<i>Capture</i>	<i>Retail Sales Supportable</i>	<i>Total Retail SF</i>	<i>Sales per SF</i>
Ridership	175	63,000	\$3.00	40%	\$75,600	216	350
Air Passengers	N/A	5,900,000	\$12.00	40%	\$28,300,000	80,900	350

Source: The Williams Group



3.4 Demographic Overview

In order to better understand the demographics of the population in and around the WSDD, detailed demographics were analyzed for a 1, 3 and 5 mile radius around the study area and the data was compared to the demographics to the USA as a whole.

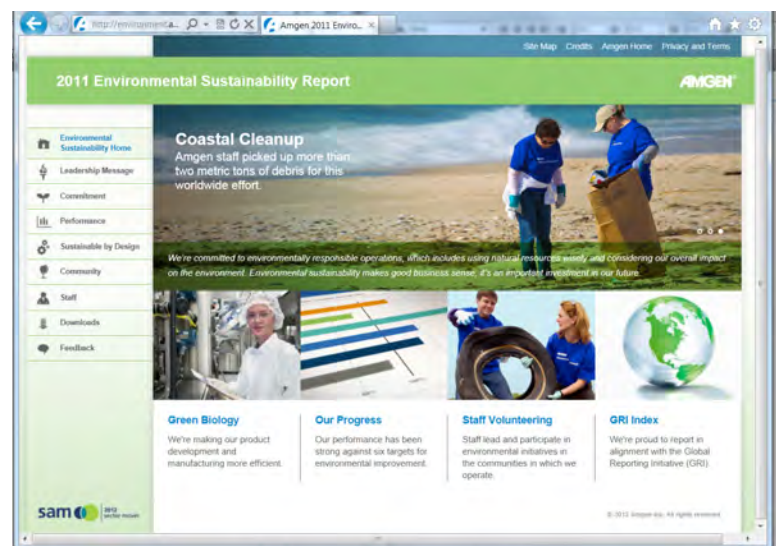
Overall, within 5 miles of the site the demographics indicate an older population, mostly families, who own their own home. Most households earn almost \$15,000 below the national average, but at the same time, most people work in white collar (but low paying) jobs. Most occupations are office and administrative and low level management positions. A much higher than average portion of the workforce works in food preparation indicating a preponderance of restaurants, many associated with the local hotels. There is also a significantly high number of people working in protective services, 10 times higher than the national average, which is due to the location of a prison within 5 miles of the WSDD.

While an average number of people in the workforce are employed in the health sector, a double the average number of people are involved in the life sciences. This is probably due to the presence of AMGEN in West Greenwich.

While household income is not high, there is a lower than average number of people below the poverty line and most people drive to work and own 2 cars per household. Overall, all of the demographic data indicates an older population, with most people not having a college degree, which is not uncommon for the average age (45 years. vs. national at 38). However, the younger population is leaving the area. The growth of residents not only near the airport, where the federal government is buying up homes adjacent to the runways, but within 5 miles, is declining and overall the decline is between 1.5% to almost 6% below the national average for growth.

In conclusion, a stable older population is seen with relatively low crime. But the number of residents will continue to decline without some significant change in economics. Typically, younger people leave when good jobs are scarce. This is the case here, near the WSDD. College graduates are choosing to live in other urban areas where opportunity and a conducive lifestyle exist. Broker interviews told us the Brown graduates prefer Providence as a cultural urban hub to anywhere else in Rhode Island.

Even with the strong presence of AMGEN, more like-kind businesses are needed to stop the decline in population in Warwick. Upon examining AMGEN's website (see below), they are clearly in the market for recent graduates and young professionals and also promote sustainability. As such, this small but vital opportunity may be able to be expanded using life sciences linked to education as way to link business to new residents. By including education as an early-on target business to the WSDD, more residents and businesses may see this as access to employees.



Source: www.amgen.com



Exhibit 7: DEMOGRAPHICS SUMMARY (source: Claritas Neilson 2013)				
<i>Population</i>	<i>1 Mile Radius</i>	<i>3 Mile Radius</i>	<i>5 Mile Radius</i>	<i>USA</i>
2012	4,172	72,614	184,672	NAP
2018	4,078	71,744	182,661	NAP
Growth from 2013 to 2018	-2.25%	-1.2%	-1.09%	3.5%
Speak Spanish only at home	3%	3.8%	5%	10%
Speak English only at home	92%	90%	85%	80%
% Female Population	53%	49%	51%	51%
Average age	45	42	42	38.5
Education				
Bachelors or higher	14%	17%	18%	18%
Some college	24%	21%	20%	nav
High school graduate	32%	33%	31%	nav
Less than high school	9%	9%	9%	nav
Master's Degree	5%	6%	7%	7.3%
Professional or doctorate degree	1.6%	1.9%	2.8%	3.2%
Income				
Average HHI	\$55,652	\$62,177	\$64,770	\$69,637
HH < \$15K per year - poverty	11%	13%	14%	nav
Household Families				
Family Households	61%	61%	61%	nav
Average HH size	2.29	2.32	2.34	nav
Vehicles				
2 vehicles	38%	37%	37%	nav
3 vehicles	11%	12%	11.5%	nav
Workers				
For profit workers	70%	68%	68%	
Government Workers	13%	14%	13%	
Self employed	7%	6%	7%	
Occupation Classification				
Blue Collar	15%	20%	19%	20%
White Collar	68%	64%	62%	60%
Housing				
Owner Occupied Housing	79%	73%	66%	65%
1 Unit Detached	58%	69%	61%	62%
Year Built	1970	1870	1970	1970
Race				
Hispanic	5%	5%	8%	17%
White Alone	92%	89%	86%	71%
African American	2%	4%	4%	12%
Asian	2%	2.5%	5%	3%



3.5 Real Estate Market Analysis

Hospitality

The hospitality component of the WSDD supports area businesses, travelers, transients and restaurants. It also provides a 24/7 component to the mix of uses. While this is not a full-fledged hospitality market analysis, the Project Team analyzed the WSDD sub-market, as well as the National, State and the regional hospitality market and performed an analysis to ascertain how the sub-market trended in the larger hospitality economy.

National Hospitality Trends

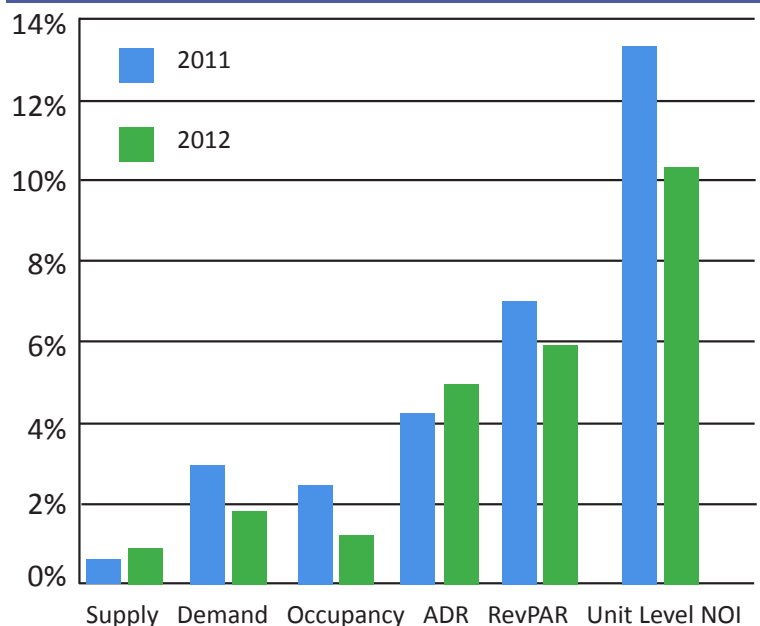
According to PKF Consulting in their December 2012 report, the US lodging industry continues a healthy upward trend that it began 2 ½ years earlier with gains in demand, occupancy, ADR (average daily rate) and RevPAR (revenue per available room). It is forecasted that this will continue through 2016. Overall, national RevPAR is expected to grow at a compound annual rate of 7.2% for the next 4 years, double the historical long run average. However, many sources noted that uncertainty in Federal budgeting is creating a pall on the lodging industry. As such, banks and financial institutions are slow to finance new supply. Until the budget is settled, there will be somewhat of a financing freeze that will slow growth in many sectors that in turn will affect the lodging industry.

By year-end 2013, PKF forecasts a national occupancy rate of 62.1%, which is below pre-recession average of 63% but moving in the right direction. Once hotels get to the milestone 62% occupancy, they have more leverage increasing the room rates. It is expected that RevPAR will grow at 5.4% compounded for the next 4 years. Much of this growth is expected in the luxury and upper upscale chain segments. (Warwick is dominated by mostly mid-scale chains and some upscale). Occupancies in the luxury/upscale national market are expected to go above 70% and stay there until 2016. Upscale and luxury properties have led the recovery and tend to survive the best during a

downturn because they can lower rates but offer more amenities and services than their mid-scale counterparts. As the upper stratosphere improves, historically demand for more moderate priced hotel will pick up. Overall employment increase stimulates a greater level of demand for lower priced accommodations. NOI (net operating income) is expected to grow by 10% given that 85% of RevPAR is driven by increased in ADR.

PKF forecasts gains in ADR in 30 of 50 markets in 2013, but 20 major markets are expected to decline. In addition, 2013 RevPAR is expected to increase in all 50 markets tracked. Cities that are increasing their numbers of rooms or supply will see far less RevPAR growth. Fortunately, Warwick/Providence is not one of the markets where there is a significant decline in demand. The Top 7 declining market are all West Coast and Hawaii.

Exhibit 8: US LODGING FORECAST



Source: PKF Consulting Dec. 2012



The National Conference Center segment of the hospitality market is of interest given that conference centers can assist with business and economic development but they are often sponsored by the public and can be loss leaders. Nevertheless, in many cases, major conference centers are linked to hotels. Given this, PKF reported that the conference center industry continues to benefit from the overall recovery of the lodging industry in general. The average revenue for US Center increased by 5.5% in 2011 and the NOI grew by 8% for the same year. While growth in revenues is welcome news, the conference center segment of the industry continues to be challenged by on-going factors, which limits a full recovery. As with hotels, the scarce availability of financing and investment capital for new development slows recovery of the group meeting market relative to the transient market (transient meaning the typical individual traveler who books for one or several nights but is not part of a group booking or meeting).

Since most guests of a conference center hotel stay as part of a package plan, total conference center revenue is typically measured on a dollar per occupied room basis (POR). In 2011 there was a 1.2% increase in total POR. Revenue grew by 5.5% while rooms occupied increase by 4%. Corporate centers enjoyed the greatest gain in POR with a 3.3% gain.

What is noteworthy is that the conference centers market tends to rely heavily on transient guests to fill in the gaps and nearly 40% of all occupied rooms were to transients. This is poor for operating efficiencies but indicates the need to occupy rooms at any cost. Given this need to occupy rooms, revenue increased but expenses increased by 4.9% which is double inflation and indicates the revenue was obtained at the expense of NOI. Fortunately the 5.5% increase in revenue outpaced the expense giving the center a little edge on NOI. Looking at the upcoming years, occupancies are expected to continue to improve with an expected increase of 8% or more. Overall, optimism continues for recovery.



The Crowne Plaza Hotel
Photo Source: www.tripadvisor.com



The Crowne Plaza Hotel conference room.
Photo Source: www.quikbook.com

The big question in the market is whether the meetings market will continue to recover. According to STR Global, group demand began to grow in 2010. Since then the group occupancy rate has increased but has yet to reach pre-recession levels of 2007. Indications are that planners still have significant leverage to negotiate very user-friendly meeting packages. While meetings are on the rise, there appears to be a plateau. Also, while most owners expected meetings to increase pricing, it continues to be very competitive.



On the positive side, the number of times cancellation clauses had to be enforced is dropping. In terms of expenditures, meeting planners have indicated that they forecast an increase in the budgets of the coming years. The projected increase can be attributed to inflation, rising corporate profits and rising hotel occupancy rates and the dwindling of the effect of the banking/financial services industry credits. However, despite the overall rise in meeting expenditures, planners are very cost conscious. Food and beverage as well as off site events are the targets for cost cutting.

In a PKF survey asking planners if they expected conditions to improve, most said the environment would remain the same. This is good for hotel owner and operators who have meeting space and means the group room revenue will continue to rise, but at modest rates. It must be understood that corporations and associations are still cost conscious and stiff negotiations will continue for some time.

Food and Beverage is the second largest source of revenue of full service and conference hotel. This includes revenue from restaurants, lounges, room service and catering. A survey was performed by PKF for 5 years from 2007 through 2011 for almost 700 facilities. As with room revenue, unit level food and beverage department revenues are still below pre-recession levels. Properties average \$22.9K per available room in F&B revenue. While guests are spending less at restaurants, there is increased spending at bar sales, which are up 35% over the same 5-year period.

In regards to **Expense and Profits**, F&B profits have declined by 24%, with the average profit at \$4,919 PAR down from over \$6K in 2007. As such, innovation is the key to success, cutting costs, creating food attractions, bringing in local residents through celebrity chefs and more.



Iron Works Tavern, located in the WSDD.



Rhode Island Lodging Market

The **supply** consists of product in the luxury, upper scale, mid-scale, economy and independent hotel categories in the state. Overall there are 131 hotels in the state as of December 2012, which is up by 8 hotels since Dec 2007. Most of the rooms fall into the upscale category. Overall, there are 10,983 rooms in the State sample, up approximately 700 rooms since 2007. See the *Inventory of Hotel Rooms* chart.

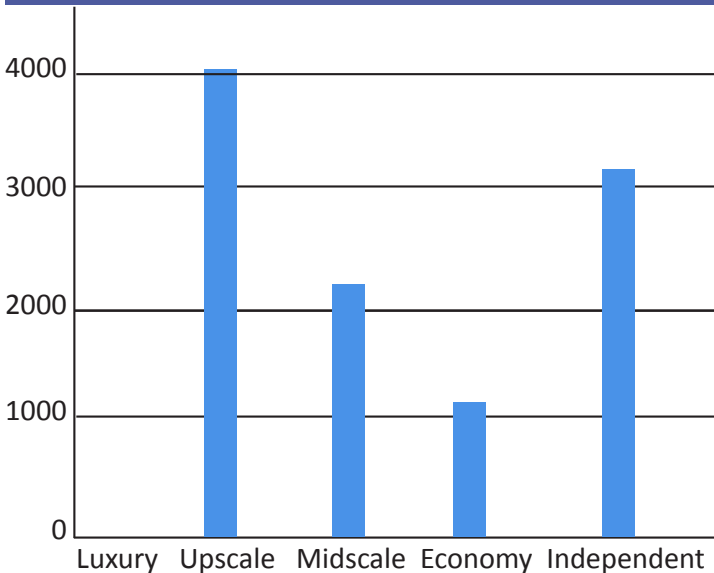
In terms of new projects projected for the Rhode Island Market, one (92 rooms) is in construction; two (237 rooms) are in final planning; three (163 rooms) are in early planning; and one (154 rooms) is in pre-planning. Total new rooms expected are 646 new rooms in the pipeline.

This new product in the pipeline is rather significant and adds about 6% to the existing inventory. What is unclear is whether any of these projects will indeed

obtain financing. The project that is under construction is in Middletown, Rhode Island as a Homewood Suites. The projects in planning are predominantly not under a chain brand at this point. The number of rooms and chain are not disclosed at this point in time. Of the hotels in the State inventory, the Crowne Plaza in Warwick on Greenwich Ave has the largest amount of meeting space at over 34,000 SF. The only other 2 large venues are in Newport and Providence with 22,000 SF each.

The overall **demand** for rooms in the state somewhat mimics the US trends. Average occupancy is about 65% and rising and the ADR (average daily rate) is \$158 and rising and is very close to the US average. RevPAR is also just slightly lower than the national average. So while the national lodging market is slowly improving, the RI market appears to be on track to do just the same.

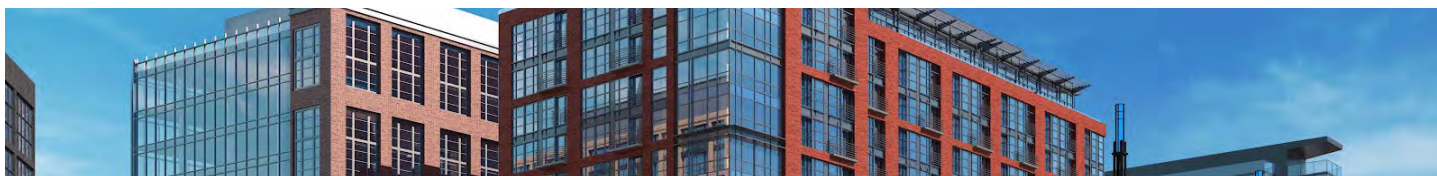
Exhibit 9: STATE LODGING INVENTORY



Source: STR Global



NYLO Hotel, located in Warwick.



Warwick Lodging Sub-market

Overall the WSDD Warwick sub-market **supply** consists of 12 hotels mostly in the upscale and mid-scale markets. In order to understand this market, the Project Team asked STR (Smith Travel Research) to provide group data for the 12 hotels to understand how the sub-market is performed compared to the national and regional lodging markets. The data sample including key indicators form the following:

- Holiday Inn Express and Suites Warwick
- Hampton Inn Warwick Airport
- Homestead Airport Warwick
- NYLO Hotel Warwick
- Hilton Garden Inn Airport
- Homewood Suites Warwick
- Comfort Inn Warwick
- Sheraton Hotel Warwick
- Radisson Hotel Airport
- Best Western Airport
- Residence Inn Warwick
- Crowne Plaza Warwick Airport

Of this supply, there is one conference hotel (the Crowne Plaza, while Providence has a convention center of 150,000 SF) and 3 long-term-suites style hotels that cater to corporate visitors spending typically a week to 6 months in the area. The sample includes 1794 rooms. The largest property is the Crowne Plaza with 266 rooms and the smallest is the Homewood suites with 82 rooms.

Warwick represents 17% of the total RI State room inventory. With no new construction in sight, and just one hotel under planning, the market sees no expansion on the horizon.

In terms of **demand**, no new inventory is good for lodging market stability in Warwick at the current time. An analysis of the key indicators suggests that despite Rhode Island trending with national markets, the Warwick sub-market falls behind in all major indicators. For example, while occupancy for the US is

66%, Warwick is just under 64%. While this does not appear to be significant on its own, it is easy to increase occupancies by lowering rates.

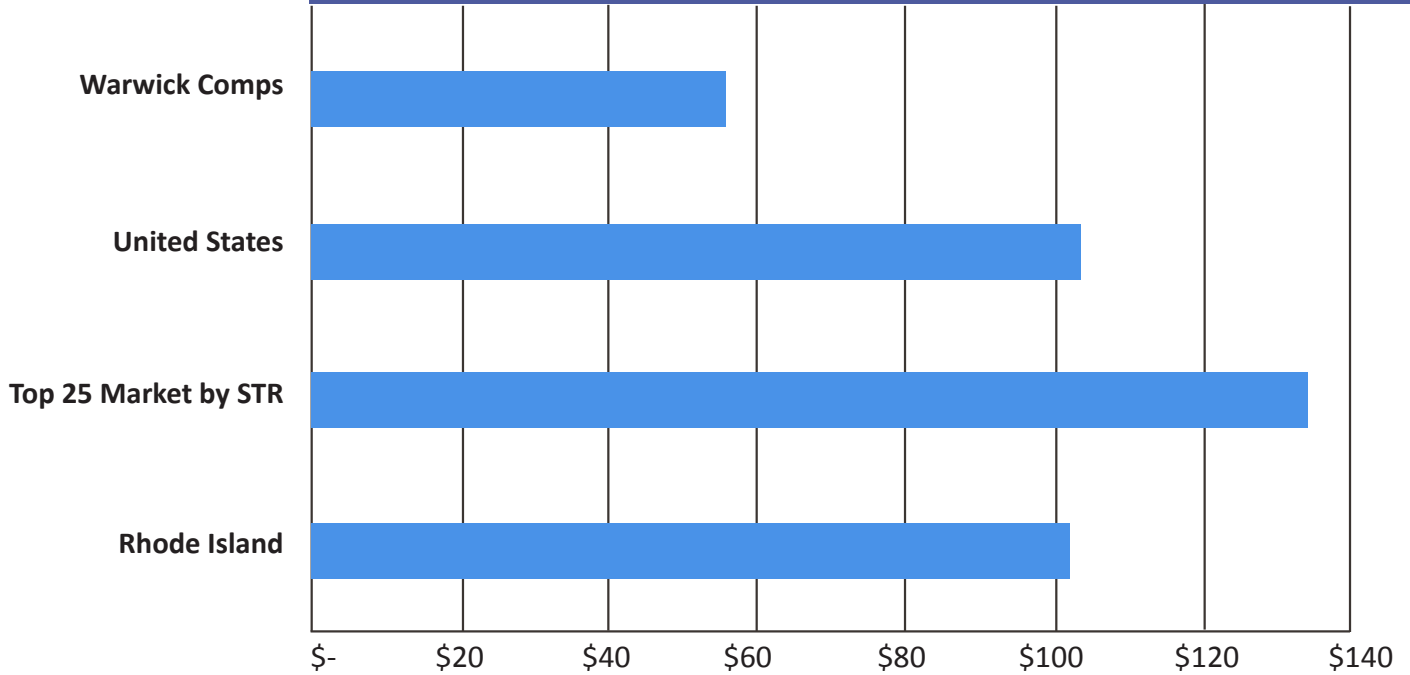
As such, the ADR for the sub-market is \$88 while the Rhode Island ADR is \$158. This is a dramatic difference and suggests that rates are being sacrificed to fill rooms. This dramatically impacts profits and limits the ability of new developers to obtain financing. Lastly, RevPAR is at the national and state averages and is declining. **In conclusion, and in-sync with local operators, supply in the sub-markets may not be necessary. However, unique opportunities may exist for hotel development within the WSDD that is directly connected to the Interlink facility providing seamless connectivity with this transportation hub, which is unique in this marketplace.**

Exhibit 10: WARWICK MARKET HOTELS SAMPLED

Warwick Hotel	Date Built	Rooms
Holiday Inn Express & Suites Warwick Providence	Nov 2000	147
Hampton Inn Suites Providence Warwick Airport	Jul 2000	173
Homestead Providence Airport Warwick	Jun 2003	94
NYLO Hotel Warwick	Aug 2011	155
Hilton Garden Inn Providence Airport Warwick	Apr 2005	160
Homewood Suites Warwick	May 2003	82
Comfort Inn Airport Warwick	Apr 1985	201
Sheraton Hotel Providence Airport	Jan 2001	206
Radisson Hotel Providence Airport	Sep 1994	111
Best Western Airport Inn	Jun 2006	103
Residence Inn Providence Warwick	Aug 1989	96
Crowne Plaza Providence Warwick Airport	Sep 1998	266
Totals	12	1794



Exhibit 11: REVPAR OF WARWICK COMPARED TO LARGER TRENDING MARKETS



Source: STR Global

Exhibit 12: RHODE ISLAND MARKET COMPARISON

<i>Occupancy</i>	<i>2012</i>	<i>% Change from 2011</i>
Rhode Island	65.2%	2.5%
Top 25 Market by STR	72%	2.8%
United States	66%	2.6%
Warwick Comps.	63.9%	-3.5%
<i>ADR</i>	<i>2012</i>	<i>% Change from 2011</i>
Rhode Island	\$158.00	4%
Top 25 Market by STR	\$184.00	4%
United States	\$159.00	4%
Warwick Comps.	\$88.18	1.5%
<i>RevPAR</i>	<i>2012</i>	<i>% Change from 2011</i>
Rhode Island	\$103.00	6.9%
Top 25 Market by STR	\$132.00	6.9%
United States	\$105.00	6.5%
Warwick Comps.	\$56.33	-3.7%

Source: STR Global



The details further confirm a market that is stable but no pent up demand for rooms or convention/conference space. Since 2006, occupancy declined to a low of 58% — but still the current rates have not recovered to pre-recession occupancy levels, despite lowering the asking rates for rooms. ADR is similar and is still \$12 below 2006 levels. RevPAR is lower than 2011 levels, a sign of a lagging market. For the first time in six years, room demand is up above pre-recession level. However, as discussed earlier, occupancy is at the expense of profits as revenue is still 10% below 2006 levels.

To understand what drives demand, an analysis of monthly, weekly and daily rooms demand is examined. Occupancy is highest in the summer months (over 75%) but ADR is highest in May (\$96), which is a high travel month due to college graduations. RevPAR is highest in August (\$74), which accounts for more Food and Beverage spending and overall room demand. As expected with most corporate driven markets, January and December are slow months with occupancy dropping below 50%.

Days of the week indicators suggest a combination of corporate and tourist business as Wednesday and Saturday are the most occupied days. RevPAR indicates that Saturday is highest which typically means that the transient visitors are spending more on bar, food and other services.

What drives that transient/tourist market? Clearly there are travelers passing through for the New England Patriots football games, visits to children in nearby colleges and universities, and the destination of Providence while using the local hotels as a more moderately priced place to overnight.

Lodging Market Summary

As more business is attracted to the WSDD, more hotel rooms and meeting space will be required. Since the Crowne Plaza is the only conference hotel and it is not within the WSDD TOD, the first new hotel to

come in should include at least 20,000 to 30,000 SF of meeting space and be supportive in terms of on-site rooms for large events.

What are demand generators?

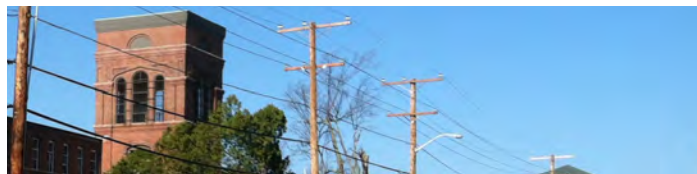
- The Airport
- Businesses
- College and universities
- Convention centers
- Office and industrial parks
- Tourist attraction
- Sport Stadiums

Demand, per HVS in their 2011 Forecasting Lodging Demand Reports, is created by changes in the following:

- Population
- Employment
- Cost
- GDP

After analyzing the lodging market at many levels, it is clear that there is no demand for new rooms in Warwick at this time. The market is stable and recovering, but more rooms would not be financable and would simply cause further erosion of revenue and profits. Demand can be induced by development agencies, hotel managers, marketing agencies, conventions centers and local hotel associations. However, new hotel rooms will only be added to the market area inventory when the financial institutions perceive from independent sources that there is adequate room rates and high enough occupancies to support profits. As such, the analysis suggests that when occupancy rates in the sub-market are between 65% to 70% annually and ADR recovers to well above the 2006 highs, then the market will be ready to successfully absorb additional rooms.

Exhibit 13: WARWICK SUBMARKET KEY DATA (STR)	
<i>Occupancy</i>	<i>Total Year</i>
2006	69.4
2007	67.2
2008	62.4
2009	58.1
2010	67.3
2011	67.4
2012	63.9
<i>Average</i>	<i>65.0</i>
<i>ADR</i>	<i>Total Year</i>
2006	100.26
2007	102.74
2008	98.21
2009	85.25
2010	83.63
2011	86.79
2012	88.18
<i>Average</i>	<i>92.12</i>
<i>RevPAR</i>	<i>Total Year</i>
2006	69.57
2007	69.02
2008	61.27
2009	49.54
2010	56.30
2011	58.47
2012	56.33
<i>Average</i>	<i>569.86</i>
<i>Demand</i>	<i>Total Year</i>
2006	415,135
2007	401,885
2008	385,639
2009	382,188
2010	412,581
2011	415,958
2012	418,282
<i>Average</i>	<i>404,524</i>
<i>Revenue</i>	<i>Total Year</i>
2006	41,621,595
2007	41,290,155
2008	37,872,195
2009	32,582,026
2010	34,504,963
2011	36,100,968
2012	36,884,277
<i>Average</i>	<i>37,265,168</i>



Multi Family

National Multi-family TOD Trends

Starving developers chomp at the bit for any action after a debilitating four-year hiatus, while property owners humbly realize that the dearth of new building has been their saving grace and reluctant lenders perfunctorily ignore most construction loan requests—except in apartment markets. In fact, multi-family developers and their equity partners can obtain low cost financing from a host of sources, including Fannie Mae, Freddie Mac, Federal Home Loan Bank of Boston, and even insurance companies.

Overall, the apartment market is experiencing single digit vacancies. Developers will race to get out of the ground early before lenders start questioning the demand for all the new units. Early apartment developments almost cannot miss. Eventually, oversupply becomes an issue after a comfortable two- to three-year window. Eventually raising rents will be more difficult for old product competing against just-completed units, especially in low-barrier-to-entry markets. Per the ULI: “Retail will be terrible for years”; “no need for more office”; and “hotel is overbuilt, especially outside the major tourist and business cities.” It appears that the rental multi-family apartment market is the only sector where there is any demand or action.

Generally, there is an existing apartment stock in many markets that cannot meet demand for units from surging numbers of the gen-Y population, housing-bust refugees, and immigrants. If the economy picks up, renter interest could intensify further from people doubling up or young adults living at home but looking for their own space. Developers have little trouble convincing construction lenders, given the demographic evidence, and they can negotiate favorable deals with builders and contractors, who need the work. Commercial sectors offer very few opportunities, like occasional build-to-suits, the odd Class A office building or hotel in a 24-hour market,



and possibly shopping centers in burgeoning Hispanic areas adapted to attract retailers who specialize in serving Latin American populations.

Go Green Demand

Tenants want energy-saving technologies simply to reduce costs. “It’s not about tree hugging; it’s about bottom lines,” says a developer interviewed by ULI. The modest extra up front project costs can produce long-term operating savings, which help improve building values and ensure competitiveness over time.

Multifamily Demand

It almost doesn’t matter what part of the country is concerned, interviewees are excited about apartments: buy Class A, value-enhance Class B, develop from scratch, purchase in infill areas, acquire in gateway cities, or hold in lower-growth markets. “Even buy Class C and upgrade, spend a little more, hold a little longer—demand will be there.”

Changing Multi-family Demand Trends—TOD

During the past decade there has been a dramatic shift in consumer preferences, employer location strategies, and transportation planning, and at the convergence of these trends is a new style of development called Transit-Oriented Development (TOD). A new organization is needed to bring this product to scale in a way that increases housing affordability and choice, revitalizes downtowns and urban and suburban neighborhoods, and generates lasting public and private returns.

Demand is changing dramatically because of profound demographic shifts, including the aging of baby boomers, the number of new immigrants, and the fact that younger adults prefer urban, mixed-use environments. While two-thirds of demand is still for large single-family dwellings, a third is for smaller housing choices, including apartments, town homes, live-work, and bungalows. The market isn’t meeting this demand, and the increasing competition for units

in denser, mixed-use neighborhoods has caused a cycle of price increases, displacement and gentrification. There is an urgent need to increase this housing stock in order to meet market demand and protect and grow the affordable housing inventory.

Workers and Firms Prefer “24 Hour Neighborhoods”

In the past companies have preferred suburban campus environments near freeways, and regions have lured employers without regard to bigger picture development goals. But other issues are coming into play, including the rise of the “creative class,” and the increasing importance of talent, technology and tolerance in a region’s economic development strategy. Because firms are chasing talent, which is choosing to locate in diverse, lively urban regions, firms now prefer these locations. A recent Jones Lang LaSalle survey found access to mass transit is very important to 70 percent of New Economy companies. And, according to Price Waterhouse Cooper’s respected Emerging Trends publication, 24-Hour places are the best real estate investment locations.

Rail and Bus Systems are in a Building Boom Trend

More regions are developing mass transit and more consumers are choosing mass transit over driving on congested roadways. Whereas in most parts of the country, transportation is 9% of income, in many parts of the Northeast, it is over 30%. As such, young graduates and empty nesters are looking for housing alternatives that will lower overall transportation costs.



At the convergence of these three trends is an opportunity to create the armature for a new growth and development strategy that meets the demand for location-efficient mixed-use places, supports regional economic growth strategies, and increases housing affordability – by increasing supply in neighborhoods with lower transportation costs. TOD occurs within a quarter to a half mile radius of rail or rapid bus stations, encourages walking and cycling, has a mix of retail, commercial and residential uses, and a diversity of housing types suited to a mix of generations and incomes. It is the one strategy that promises to simultaneously meet these seemingly disparate goals.

The Warwick Supply

The multi-family market is a very mixed sub-market in Warwick. The WSDD includes a supply inventory of long standing residential, but generally, the population is declining in and around the WSDD, as discussed in the demographics section of this report. However, changes in housing trends supporting smaller units that appeal to differing demographics may support urban living. **Young graduates who have yet to start a family and are the needed ingredient to business expansion, would likely be more amenable to a WSDD urban housing option.**

Another factor to consider is temporary housing or long-term stay hotels. While this is traditionally housing, many corporations will utilize this type of hospitality product for long term stays, even upwards of 6 months.





The last housing component to consider is housing for pilots and crew who are stationed at TF Green Airport but have a home in another part of the county as well. At this point there are reported to be 71 aircraft based at TF Green. If 3 to 4 crew per aircraft were stationed here then that would be approximately a market of 200 to 300 people. If WSDD were able to capture 30% or more, that figure could support perhaps 100 new units or 150 new bedrooms in an otherwise declining housing market. If the full WSDD residential component is developed, it will support (at 1.3 residents per unit, TOD average) approximately 250-300 new residents that could be rail users within 0.25 mile of Warwick Station.

An important component of housing is amenities and support services. It has been reported that the local church and schools are leaving due to declining enrollment in both. This vacate will not support families. However empty nesters and young professionals are not necessarily looking for places of worship, community and schools. They are however seeking nightlife, sports, entertainment, groceries, banking and other services. This is supported in the national trends. As such, it is recommended, as part of any addition to local business and residential, that “play” amenities are necessary to support both corporations and residents. Bars, restaurants, banks, gas stations and even a theater are already in existence. However, gyms, multi- sports facilities catering to year round activities and groceries are a necessary component of the package.



Competitive Supply

In terms of the local inventory, there are a number of developments in the Warwick /TF Green sub-market. Inventory ranges from studio apartments to 3 bedrooms, but most units are 2 bedroom units. The affordability for an average 2-bedroom unit is \$60,000 per year income. This income threshold is approximately the average for the market.

Findings and Recommendations

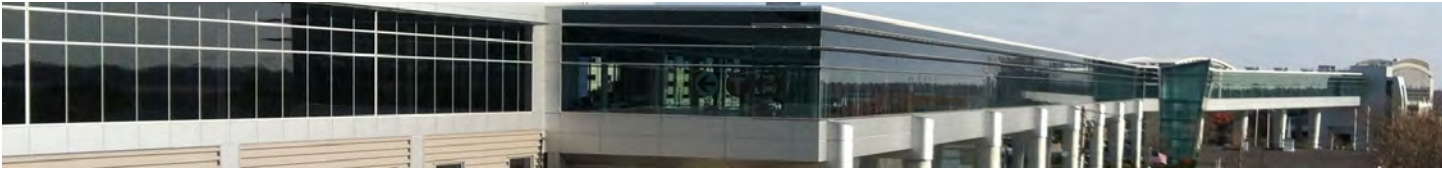
While the national apartment housing market appears to be the most opportunistic of all real estate sectors and TOD is clearly an appealing concept to young urban professionals, and some empty nesters who value a mixed-use community and value multi-modal transportation.

This TOD's residential component would be highly levered to commuter rail to and from the Boston ring, allowing residents who choose to live in the district to retain their higher income derived in Boston while also providing improved access to coastal assets (lower housing and transportation costs, and improved livability).

Overall, residential development near airports has mixed reviews. Comparables for TOD next to airports have focused more on linking residential to the airport with fixed transit. Given that young people are willing to take risks, it is presumed that there is some component of the market that will be willing to live in the WSDD given the convenience, transportation cost savings and potential new amenities that could make it attractive for living.

Exhibit 14: COMPETITIVE RESIDENTIAL IN WARWICK SUB-MARKET FOR MULTI-FAMILY

<i>Name</i>	<i>Location</i>	<i>Unit Size</i>	<i>Rent</i>	<i>Occupancy</i>	<i>Amenities</i>
Forest Pond	South of airport, Warwick	2 and 3 beds	\$1,428	Over 95%	New, built as condos
Royal Crest	Warwick, near shopping centers, west of I-95	1 bed	\$967 - \$1,636	Of 492 units, only 12 available. Just over 2% vacancy	Included washers/dryers, on 80 rolling acres, 10 minutes from TF Green, clubhouse and fitness center as above
Royal Crest	Warwick, near shopping centers, west of I-95	2 to 3 bed	\$1,207 - \$2,190	Of 492 units, only 12 available. Just over 2% vacancy	Included washers/dryers, on 80 rolling acres, 10 minutes from TF Green, clubhouse and fitness center as above
Wetherfield Commons	Warwick, south of airport connector on Williamsburg Drive	1 and 2 bed-rooms	\$900 - \$1,300	Over 90%	Closest comp. to airport



As such, the airport related demand for 70 units appears to be conservative. If MBTA service was increased, it could be budgeted that ridership could be increased to over 300 passengers per day, given that 50% of the WSDD planned residents from the new residential units use the rail. Overall, it could be perceived with the current demographics, economics and national trends that 100 to 150 units (targeted at empty nesters with amenities) could be supported.

Industry experts point out that job growth plays a huge role in creating demand for the apartment sector and multifamily investors are keen to put their money into markets that have a strong and expanding employment base. Recent data from Axionmetric, Inc. show the apartment markets with the highest rental rate growth and occupancy are in areas that have generated above-average employment growth. The data clearly indicates that the business attraction must precede the apartment phase development for the WSDD.





Office

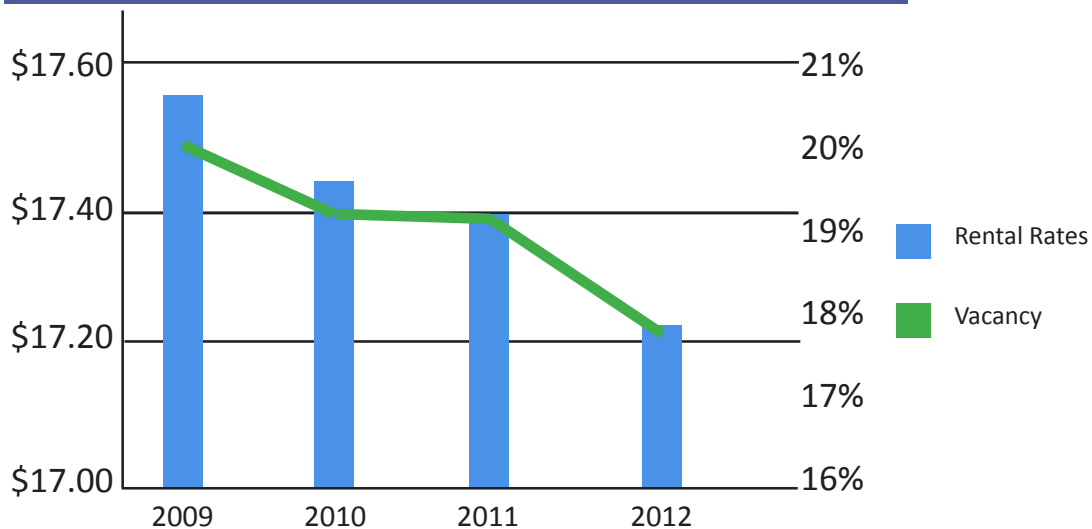
New England makes up almost 5% of the US population and, as the market continues to rebound from the recession with slow growth and recovery since 2008/09. The NEEP (New England Economic Partnership) forecasted the 2012 employment growth would remain slow and will not gain momentum until mid-2013. Pre-recession employment is not projected until 2015.

Although New England has weathered the recession better than most of the country, the region will be strongly affected by the aging population and the workforce. The younger population in the region is declining (25 to 44 workforce) while this region consistently ranks highest with adults with college degrees, the new graduates are going elsewhere for employment and this hinders the expansion of the New England economy. Despite all of this, the Boston Office market (the largest in New England) saw an uptick in leasing activity.

The unemployment rate in **Rhode Island** as of the end of 2012 is still double digits (10%), according to Cushman and Wakefield/Hayes & Sherry and CBRE Research. This is making businesses reluctant to expand. Fortunately, the State government has dealt with the State deficit and this is creating a better sense of market security. The Providence Office market has declining vacancy rates, estimated by CBRE at around 15% to 16% but improving. Concessions are expected to be reduced as space is absorbed.

The **Warwick** sub-market is part of the Providence suburban market but generally is included in the Providence regional office market. In Providence, the absence of new construction has slowly started to eat away at the vacancy rates as space is absorbed. Several projects planned by leading institutions will jump start the Knowledge District where 20 acres of land is available along I-195. However Class B space is expected to increase in vacancy as over 300,000 SF of space is vacated at the Industrial Bank Tower. Overall, the demand generators are quoted to be higher education, health care and related life sciences.

Exhibit 15: OFFICE RENTAL RATES VS. VACANCY



Source: Cushman & Wakefield



The Rhode Island suburban market has seen some activity with the stimulation via landlord concessions. According to CBRE, the suburban Rhode Island office market has seen a decrease in vacancy rates since 2011. Warwick would be in the West Bay sub-market that has seen some activity in recent quarters. Quonset Point/Metro Center/Blvd. and the East Greenwich market all experienced an increase in leasing activity and vacancy rates declined slightly. However, generally, there is plenty of available space and not many new tenants. MG Commercial considered the market to be simply churning the existing tenants from one site to another with better deals and concessions. CBRE estimated the West Bay vacancy levels still around 20%.

Supply and Demand in Warwick

The market had seen significant growth through 2008 expanding by 20%. The addition of 1.1 Million SF caused the vacancy rates to increase from 5% to 30%. Most development occupies areas along I-95 on Jefferson Blvd, the Metro Center, The Crossings and on South County Trail in East Greenwich. At least 20% vacancy moving in the right direction, from the high of 30%.

The Warwick sub-market continues to grind its way through the soft economy with only muted signs of recovery. Local developers, such as Michael Integlia, understand the market and continue to move slowly. Well-developed properties such as 300 Jefferson have taken 10 years to fully lease. While Class A space may have an asking price of \$23/SF, the net rent after utilities is around \$14/SF. Even at The Crossings, a Carpionato property near Route 5 and route 113, a recent transaction was made at \$22/SF less taxes and insurance plus \$40 in tenant improvements. While the airport clearly attracted Homeland Security in a 30,000 SF deal a few years ago, there is so much available land south of Warwick it is hard to make a case to build office space in the WSDD or nearby, unless it is critical to tie to the intermodal convenience of the Interlink or presents a location advantage for a business operation.

Site specific data indicates the prime sites for visibility are along the Airport Connector and would be a clear “Phase One” for office or industrial development. However the sites to the south appears to have a significant portion of the property in low lying wet ground and the owner has been marketing it for over 15 years at prices well above what the market can support. Recent offers were at \$4/SF for land, well below asking. The site on the north side of the Connector may require some environmental cleanup but interviews with local brokers indicate that the Mill and the industrial building (the site south of the Leviton property and connector) have been divided up in a local deal which may or may not be linked to a larger WSDD vision.

Exhibit 16: STATE OFFICE MARKET LEASING ACTIVITY		
<i>Rhode Island Stats</i>	2011	2012
Vacancy	19.1%	17.8%
Asking Rents	\$17.50	\$17.23
Leasing Activity	266,000	306,000

Source: Cushman & Wakefield

Exhibit 17: OFFICE MARKET SUMMARY			
<i>\$/SF/Year</i>	<i>Low</i>	<i>High</i>	<i>Vacancy</i>
Providence Class A	\$25	\$35	16%
Providence Class B	\$19	\$23	23%
Providence Class C	\$12	\$18	27%
Warwick Class A	\$20	\$24	20%
Warwick Class B	\$16	\$19	22%
Warwick Class C	\$10	\$15	24%

Source: MG Commercial



Office Real Estate Findings

As the market is so weak, the most prudent approach is to develop a public private partnership that targets Phase One and Phase Two parcels for development which could include an incentive package that coincides with the business and business targeting. In addition, site selectors nationwide have indicated that shovel ready sites with a strong utility component are the way to differentiate in a soft market. Private investment in the Leviton site to make ready for development and addressing the wetland issues to the south of the Connector would free 2 large sites with superior access and visibility for development.

Demand for space indicates that leases are in the range for 20,000 to 30,000 SF. However, green energy can be directly linked to demand. The Project Team encourages owners to pursue LEED certification and municipalities to support business attraction through green energy. CBRE noted that despite numerous studies showing the benefits of enhanced productivity, increased rent premiums and lower energy costs, higher valuation for green buildings often goes unrealized when it comes to lenders, appraisers and investors.

As such, CBRE performed an analysis and show energy efficiency capitalized precisely:

- \$1.00 in energy costs savings is associated with an increase in effective rent of \$0.95
- \$1.00 savings in energy costs is associated with a 4.9% premium in market capitalization, which is equivalent to \$13.00/square foot (this implies a cap rate of about 8.0%)
- The commercial property market is efficient (direct capitalization of energy efficiency is important information for investments in building retrofits) Note: USGBC LEED certification and U.S. EPA's Energy Star programs are complementary
- Green Buildings: Rents +3%, effective rents +8%, transaction price +13%
- Reduced greenhouse gas emissions and carbon footprint

- Stronger rent roll (reflection of lower service costs, reputation and corporate preferences) In addition to the direct savings benefits, continued pressure from federal, state and local governments will push owners and managers of commercial real estate toward sustainable practices.

Therefore, office market findings would strongly link new development to a public private partnership that creates shovel ready sites linked to a WSSD green energy production and enhancement zone. Phase the development and start with the viable sites first.

Specific findings for office-based targets may be found in Section 3.6 of this report, Economic Development and Business Attraction.

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Shovel ready sites are a key marketing strategy in other cities.



Industrial Real Estate Including Flex and R&D

National Trends

The US Industrial market continued to show steady improvement through 2012 illustrated by a 40 basis point (BPS) decrease in the national availability rate. The overall US industrial property availability rates finished 2012 at 12.8%. As with other sectors, the economic uncertainties related to the federal budget and European markets put a damper on growth.

The Manufacturing sector continued to experience steady improvement in 2012 adding 180,000 new jobs, mostly in December. The automotive sector led the way, which should assist with the growth of the Quonset Business Park in Rhode Island. The perceived cost advantage of outsourcing is slowly narrowing with the increase in worker wages in Asia and the higher shipping costs to the US. While this is not true for all manufacturing, it does apply to some higher value-added goods that are mainly sold and used in the Americas such as electronics and auto related parts.

Generally in the warehouse and distribution category, cost cut is important in this money tight economy. The sector has historically been one of the fastest growing and largest with regards to new locations and expansion of any real estate sector nationally. However, this sector suffered during the recession as locations and expansion were slowed by lower consumer demand for product.

E-commerce, as a percentage of total retail spending, increased 5.2% in the 2012. This trend is expected to continue to grow and should result in further demand for distribution space. The high growth of

online buying or e-commerce (such as Amazon) has spurred new activity recently. This sector includes distribution, transportation, transportation support and services, couriers and warehouse/distribution. The following are significant factors that assist with distribution optimization and should be considered when thinking site assets and liabilities:

- Freight costs drive site selection—along with labor costs, they are first or second in importance;
- Access to customer—very specific site modeling is used to optimize shipping costs and time;
- Projects are very fuel cost sensitive and need to optimize shipping distance;
- Regionalization is happening—meaning the development of smaller boxes serving regional markets verses massive boxes serving national markets;
- Rail integration is an important shipping alternative due to cost factor over non-rail such as trucking;
- Direct highway access is important—less than 5 minutes access to interstate is essential for prime locations;
- Shovel ready sites are best. Professional site selection firms are being hired more often to assist in this area;
- Distribution centers are attracted to port sites especially with the expansion of the Panama Canal. Ports, such as Quonset/Davisville are deepening their access to accommodate larger container ships;
- Distribution centers are also attracted to intermodal centers especially on the high traffic East Coast;
- Lastly, access to labor and electric power that is both cost effective and reliable.

For a listing of area office and industrial parks, see the Exhibit in the Appendix to this report.



Rhode Island Industrial Real Estate Market

The overall industrial market is still lacking any speculative development or build-to-suit construction due to relative low lease rates. With rental rates between \$2 and \$5/SF, net of all expenses, speculative development is not viable. MG Commercial indicates that the vacancy rate for modern, well located industrial buildings, which include R&D and flex, with available space between 10,000 SF to 100,000 SF is approximately 6%, superior to all other industrial sub-sectors. However the vacancies can go as high as 15% in certain sub markets. With buildings or space over 100,000 SF, the overall vacancy level is 7% to 15%. Sale prices have dropped since 2008 but there continues to be a constant, but slow, growth in activity. Low interest rates have continued the support for building ownership, especially for prospective businesses that have good credit.

West Bay Sub-market

CBRE noted that the West Bay market (Warwick included) is the largest sub-market in the State with a total of 21.5 million SF of space tracked. The availability in this sub-market is 13.2% on average, which is up from 12% in 2010. This indicates challenges ahead. The main reason for the negative absorption was the vacating of Stanley Black & Decker of 569,000 SF in East Greenwich.

As with office space, aggressive deals are being made with modern facilities in the range of 10,000 to 30,000 SF selling in the range of \$35 to \$75/SF. *Below is a table indicating the general lease and vacancies rates of the Warwick sub-market.* As opposed to the office market, where there is little to no activity and a general churning of existing tenants, the industrial market supports much stronger real estate indicators. With vacancies of 6% for good flex space, there may suggest the demand for modern space will soon support new development.

Looking ahead, CBRE anticipates some upward pressure on vacancy rates as companies shed space. However, overall, the State lacks quality buildings and this could lead to new development as companies look to upgrade and become more efficient.

Exhibit 18: MG COMMERCIAL INDUSTRIAL AND FLEX MARKET SUMMARY			
<i>Suburban including Warwick</i>	<i>Low</i>	<i>High</i>	<i>Vacancy</i>
Warehouse	\$2	\$3.50	9%
General Purpose	\$3	\$5.50	10%
Flex	\$5.50	\$7.50	6%

Source: MG Commercial



Findings for Industrial

This is a sector which appears to have some opportunity for Warwick in terms of new modern distribution and flex space primarily related to its prime logistical location attributes. The quandary is that while this is the strongest of the commercial real estate sectors, and occupied space adds more to property taxes coffers than empty space or undeveloped land, this use has limited impact in terms of new jobs and support for other sectors. Distribution and related space typically is product heavy and personnel light.

There need to be sites that form a cohesive zone that should be dedicated to this sector. Past positive leas-

ing to UPS and Fed-Ex indicates there is a strong link between the transportation assets and business in logistics. Finally, while Rhode Island did not make the top 30 largest industrial distribution markets, it is a strong player in a regional market and data indicates e-commerce focusing on regional distribution. **Modern space in the 10,000 SF to 30,000 SF size range, with 5 minute access to the interstate and 5 minute distance to the airport is a future market.**

As with office, specific targets for industrial business attraction may be found in Section 3.6, Economic Development and Business Attraction.



View looking northwest from the top of the Interlink garage. Elizabeth Mill/Leviton in the foreground, Hilton Garden Inn towards the back.



Retail Real Estate

Rhode Island Retail Market Supply and Demand: Rhode Island has a population of approximately 1.05 Million and is the 8th least populated state. However its small geographic area makes it the second most densely populated of all 50 states. This density is attractive to retailers looking to expand. The City of Providence is the major urban center and serves as the cultural and economic hub of the State. According to Hayes Northeast, The Providence Place Mall is one of the most successful urban region malls in the country and continues to serve as a strong retail anchor downtown and is a destination for suburban customers. Chain restaurants are also dominant in downtown Providence as with the rest of the State. Additionally, local restaurants are providing Providence more diverse and cultural “flavor.”

In Cranston, Carpionato Properties recently completed Chapel View, an \$180 Million mixed-use development located on the former Sockanosset Reform School site. The 650,000 SF development contains 285,000 SF of retail including a new grocery, REI and chain restaurants. Customers like the creative mix of new and old buildings and the mix includes 25 luxury residential condominiums and 250,000 SF of office.

Across from this new development is Garden City Center, which was redeveloped 20 years ago and is still considered to be a prime example of lifestyle retail and includes such destinations as Whole Foods and others to replace big boxes that went into demise such as Border Books.

The Route 2 Bald Hill Road Corridor, which runs through Warwick, has been home to almost every big box retailer and is the most dominant regional retail corridor in the State. However, economic downtown has created some vacancies similar to the rest of the State.

The Warwick sub market includes the dominant retail corridor for the state and includes the Warwick Mall at the intersection of I-95 and I-295, which is a super-regional mall. Across the intersection is the Rhode Island Mall, a smaller yet important mall.

Warwick Mall includes:

- Macy’s
- JC Penney
- Jordan’s
- Nordstrom Rack
- Target
- Sport’s Authority
- Cinemas
- Longhorn and Red Robin Restaurant chains
- Firestone Auto repair
- H&M
- A food court and 80 in line stores

Rhode Island Mall includes:

- Kohl’s
- Sears
- Walmart

The owners of the Rhode Island Mall intend to redevelop the space into three to four larger units. Winstanley Enterprises, LLC and Surrey Equities, LLC bought the 450,000 SF mall from GLL Real Estate Partners. A small portion of the property (225,000 SF) has been closed since April 2011, but the stand-alone retail space on-site houses Sears, Walmart and Kohl’s. The new owners plan to renovate the mall to create larger tenant spaces that cater to anchor tenants, according to spokesman Matthew Watkins, president of Watkins Strategies of Quincy, MA.

Space in the corridor previously occupied by Shaw’s, Bed Bath & Beyond and Linens ‘n’ Things remains vacant. According to MG Commercial, despite retail closings through the state, there are pockets of opportunities in Rhode Island.



Opportunities include health clubs, banking retail centers, cellular centers, dollar retail stores and local restaurants that continue to grow their concepts. New chain restaurants that have opened in the state include:

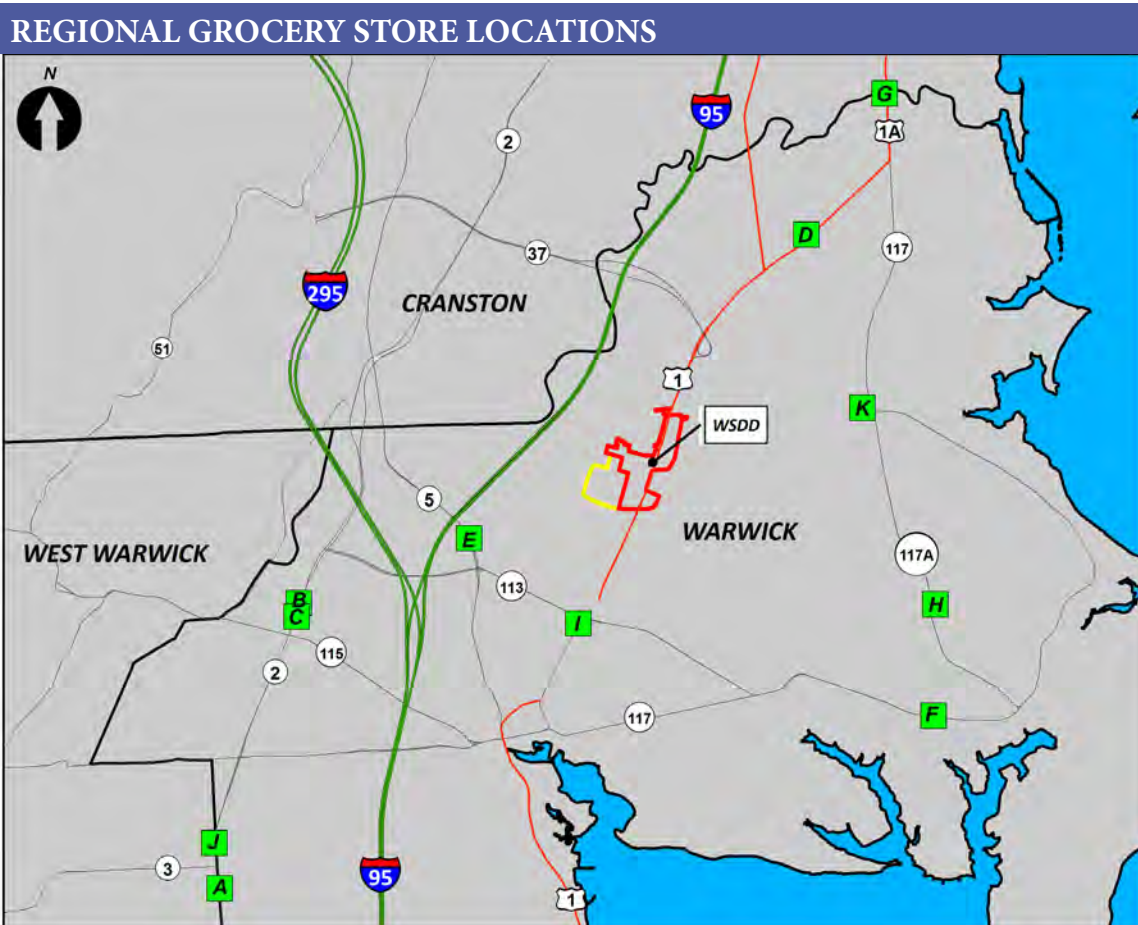
- Ruth Chris Steakhouse
- Shulas 347
- Fleming’s Steak House
- PF Chang’s
- Jacky’s Waterplace

Other retailers expanding in the state include Tiffany’s, Trader Joe’s and Whole Foods, who target educated or health-conscious consumers. Aldi’s, who typically targets families, is expanding — but with a more upscale version of their store, currently being tested in markets. In terms of local grocery offerings, closest to the WSDD is a local marketplace to the south of the airport.

Following this, there is a Stop & Shop near the Warwick Mall and a Price Rite and Traders Joe’s slightly further to the south, but within 15 minute drive time of the WSDD. Overall, the supply side of retail appears to offer a wide range of retail services with limited room for new development.

Grocery stores indicated on the map below are:

- A. Aldi’s
- B. Price Rite
- C. Trader Joe’s
- D. Walmart
- E. Stop & Shop Supermarket
- F. 7-Eleven
- G. Shaw’s Supermarket
- H. Sandy Lane Meat Market
- I. Dan’s Convenience Store
- J. Super Stop & Shop
- K. Dave’s Marketplace





Warwick Retail Demand

Based on local broker interviews and data provided by MG Commercial in the Retail leases table, while vacancy rates are not available, clearly there is a re-positioning of retail in the marketplace. The type of retail that would be in demand in the WSDD based on demographics and retail Sales GAP include grocery and some specialty services such as drug stores, sports supply office supply and services catering to office workers and residents.

The rates quoted by MG Commercial indicated rents in the range of a community or neighborhood centers between \$10/SF to \$27/SF triple net, meaning utilizes and common charges over base rent. With this in mind, it is estimated that with the influx of new visitors, and traveler and the existing clientele that potentially approximately 60,000 square feet of targeted retail could find demand from the 5 miles drive time analysis

Exhibit 19: RETAIL RENTAL RATES FOR THE WARWICK MARKET			
Retail Leases 2012	Low	High	Vacancy
Downtown	\$12	\$28	NAV
Neighborhood Service Centers	\$8	\$16	NAV
Community Power Centers	\$10	\$27	NAV
Regional Malls	\$18	\$75	NAV

Source: MG Commercial

Findings for Retail

While some limited passenger retail showed support from the demographic analysis, it is also forecasted that no retail will be developed until additional demand generators, in terms of office, hotel and residential, continue to develop in the form of a Phase I TOD oriented mixed use development.

To further estimate retail supportable, TWG performed calculations based on current household incomes in the area as well as estimated capture by residents and potential future workers at hotel/office or industrial. Based on these estimates for every new resident, 14.2 SF of retail can be supported. For a budgeted 10,000 new residents, 142,000 SF retail is supported. For 500 new workers, 1780 SF of retail is supported based on a spending of \$5/day and for 5000 workers a slightly higher spending then 35,700 SF of retail is supported. In conclusion, the more day population and more 24/7 population into the WSDD, the more you can support in terms of retail and the retail itself adds to the services amenities and total economy output. Needless to say, customers first, retail to follow.

Exhibit 20: RETAIL DEMAND GENERATION		
	3 Mile Radius	
Household	\$62,177,00	
EFF HHI	\$49,741,60	
Buying Income	\$24,870.80	
Estimated Capture	20%	
Actual Capture	\$4,974.16	
Retail Supported @ \$350/SF	14.2	
Retail Supportable by 10,000 New Residents	142,119	
Workforce	Low	High
New Workers	500	5000
Spending per day per worker	5	10
Annual Spending	\$1,250	\$2,500
Total Annual Spending	\$625,000	\$12,500,000
Retail Supportable @ \$350/SF	1,786	35,714

Source: The Williams Group

Exhibit 21: SUMMARY OF MARKET ASSETS

	<i>Criterion</i>	<i>Statistic</i>	<i>Comparison</i>
Demographics			
Income	Ave HHI	\$55.6K	\$14K less than US average, cost of labor
Education	Bachelor degree +	18%	Within 5 mile radius - workforce availability
Workforce	For-profit workers, White collar workers	70% 68%	Workforce ethics higher than US average (68%) 8% higher than US average
Occupational Workforce	Life Sciences	2%	Double US average
Housing	Owner occupied	79%	14% higher than US average, very stable population
Economics			
Employment	Info services growth	2.2%	US average -0.5%
Business Attraction			
	Clustering of life sciences. Fastest growing businesses in the State	Amgen is major player; telecommunications and teleconferencing; energy services; technology	16 of Inc.'s Fastest Growing Companies are in RI
Real Estate			
Logistics	Airport & interstate & commuter rail access	Less than 1 mile	Superior logistics for main business types including carriers; prime focus on moving people and higher value goods
MF Residential	Limited urban empty nester product	5% vacancy nationally	Substantial government financing available
Office	Rental rates	\$20/sf	Class A space at low cost; lots of inexpensive space and land available for development; \$5/SF less than Providence
Industrial	Rental rates	\$20/sf	Low cost land and space available
Hospitality	No supply in luxury or upper upscale segments	Few new rooms projected	Warwick ADR up 1.5% over 2011
Retail	Undersupply in groceries, clothing, drug and convenience stores	\$37 million in supply gap	Opportunity for targeted retail for travelers as well; potentially 200,000 SF in current conditions
Mitigating Elements			
Education	Masters degrees	5%	More than 2% below US average
Shovel ready sites	Major sites need attention	Leviton and large parcel south of airport connector	Wetland and environmental issues; public needs to address as these are the most visible sites
Costs			
Utilities	Lower costs can outweigh higher biz costs	Real estate values are higher with green component	Public to support and nurture sustainable energy for WSDD
Property Taxes	Lower costs can outweigh higher biz costs	Substantial available land in corridor	Incentives
Business taxes	Lower costs can outweigh higher biz costs	Substantial available land in corridor	Incentives
Housing	Cost	\$179K average	Well below New England averages
Qualitative Assets			
	Env. & Amenities	39 miles shoreline & nearby beaches; plentiful golf	Beach & waterfront access is strong coastal asset
	Safety & Crime	Relatively low crime	Important perception factor for residents
	Culture	Car & transit connections to PV/BOS	Access to urban culture/nightlife (important to younger empty nester workforce); backbone of new employment
	Climate	Mild and relatively temperate coastal climate	Attractive to businesses as well as residents; winter and summer are not as harsh as interior cities



3.6 Economic Development and Business Attraction

By using the tools available to companies and site selection consultants, it is possible to identify those industries and uses that will be a most likely fit for the location we are trying to create at Warwick Station. These same tools can identify the existing economic networks and workforce, examine the region's competitive strengths and liabilities, and suggest new industry and use targets for growth, career opportunities, and regional economic sustainability.

Existing Economic Base - Location Quotient

Location Quotients are a method of identifying basic (domestic) and exported (non-domestic) employment in a region – basic industries are those exporting from the region and bringing wealth from outside; non-basic (or service) industries support basic industries.

Location Quotients can be used to examine a community's particular employment strengths, and how a community's economic base is changing over time.

The table on the following page lists those industry groups for which Kent County (in which Warwick is the largest municipality) has a Location Quotient above 1.0 and therefore has an existing export advantage or nexus of activity. Also shown are the 2011 employment in each of these groups and the overall change in Location Quotient from 2001-2011.

In total, these industry groupings represent roughly 62% of the total County employment. The County has export advantages (high location quotient) in:

- Specialized manufacturing, especially chemicals and fabricated metals
- General retail
- Hospitals and Healthcare
- Air transportation

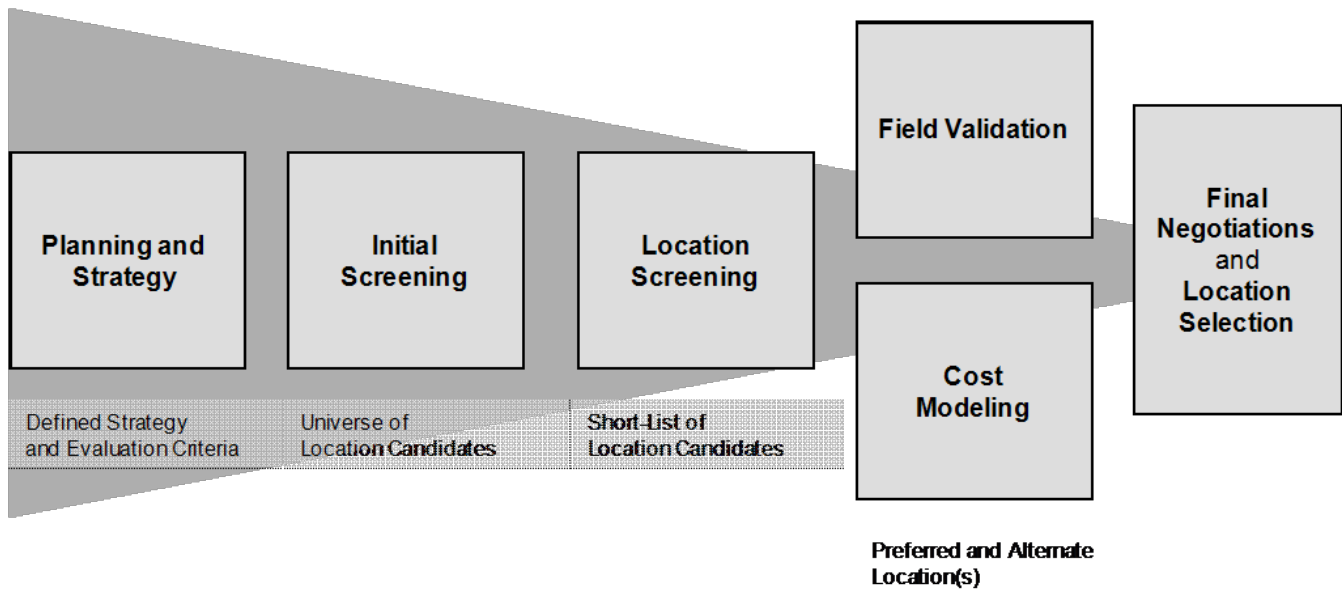
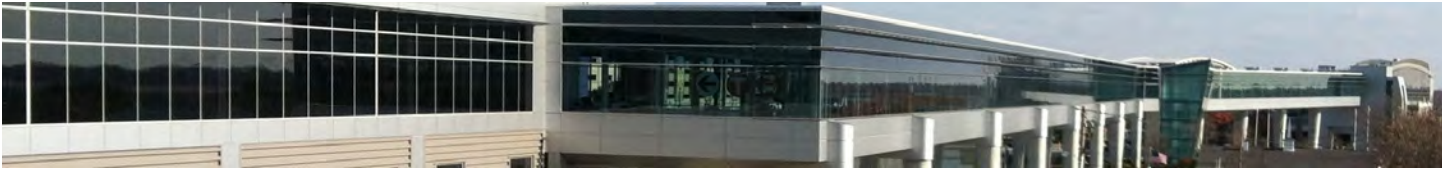
Overall, the County lost 2,915 jobs between 2001 and 2011, a net loss of 4.3%. The greatest areas of loss were in manufacturing (4,732 positions); trade, transportation and utilities (1,657); and professional and business services (1,014).

The County gained significantly in health care, with 2,573 positions having been created (over 25% growth). The information and leisure & hospitality also experienced growth, but at a smaller total level of employment.

See the graph on the following page to review Location Quotients studied for this report. Location Quotients (LQs) are ratios that allow an area's distribution of employment by industry to be compared to a reference or base area's distribution. An LQ greater than 1 indicates an industry with a greater share of the local area employment than is the case in the reference area and, therefore, likely a greater nexus of activity for that industry.



Exhibit 22: LOCATION QUOTIENT	Kent County, Rhode Island			
Industry	Location Quotient	Change in LQ	Total Employment 2011	Change in Employment
NAICS 31-33 Manufacturing				
NAICS 323 Printing and related support activities	1.3	0	367	-251
NAICS 325 Chemical manufacturing	3.17	0.9	1,487	141
NAICS 331 Primary metal manufacturing	1.45	0.44	337	-20
NAICS 332 Fabricated metal product manufacturing	2.02	-0.48	1,625	-960
NAICS 337 Furniture and related product manufacturing	1.69	0.58	354	-90
NAICS 339 Miscellaneous manufacturing	2.54	-0.66	874	-543
NAICS 44-45 Retail trade				
NAICS 441 Motor vehicle and parts dealers	1.65	0.29	1,672	103
NAICS 442 Furniture and home furnishings stores	1.28	0.2	337	-24
NAICS 443 Electronics and appliance stores	1.18	-0.19	374	-100
NAICS 444 Building material and garden supply stores	1.34	0.24	924	148
NAICS 445 Food and beverage stores	1.19	0.47	2,022	713
NAICS 446 Health and personal care stores	1.45	-0.15	856	-78
NAICS 451 Sports, hobby, music instrument, book stores	1.36	-0.54	474	-330
NAICS 452 General merchandise stores	1.37	-0.47	2,554	-665
NAICS 453 Miscellaneous store retailers	1.12	-0.24	525	-309
NAICS 48-49 Transportation and warehousing				
NAICS 481 Air transportation	1.12	-0.08	305	-154
NAICS 485 Transit and ground passenger transportation	1.79	0.09	463	72
NAICS 51 Information				
NAICS 517 Telecommunications	1.82	1.6	963	788
NAICS 52 Finance and insurance				
NAICS 522 Credit intermediation and related activities	1.15	-0.05	1,756	-178
NAICS 524 Insurance carriers and related activities	1.94	0.49	2,374	481
NAICS 53 Real estate and rental and leasing	1.14	-0.11	1,312	-263
NAICS 55 Management of companies and enterprises				
NAICS 551 Management of companies and enterprises	1.37	0.02	1,574	139
NAICS 62 Health care and social assistance				
NAICS 621 Ambulatory health care services	1.16	0.18	4,277	1567
NAICS 623 Nursing and residential care facilities	1.66	0.36	3,146	1006
NAICS 72 Accommodation and food services				
NAICS 722 Food services and drinking places	1.25	-0.05	7,185	491
NAICS 81 Other services, except public administration				
NAICS 811 Repair and maintenance	1.01	-0.07	707	-128
NAICS 813 Membership associations and organizations	1.25	0.14	986	110



Regional Competitiveness – Reverse Site Selection Screening Model

Companies making expansion and relocation decisions typically go through a process similar to that which is shown on this page. This process begins with the company identifying their business opportunities, constraints and needs for the new facility, and then progresses through an evaluation of location options. This evaluation process continues to narrow the list of options until the company is prepared to negotiate with the last (and best-fit) handful of communities and sites remaining on the list.

Importantly, this process usually starts with a regional, national, or even international long list of location options. Metropolitan areas are the units of geography being evaluated at this point, not towns or sites. Accordingly, our Reverse Site Selection Screening Model compares Providence Metropolitan Statistical Area (MSA) with other New England MSA’s with similar attributes which are likely to be considered when making a location decision.

Local economic development agencies are typically contacted at the completion of these first screening rounds of collected data. This then gives them the

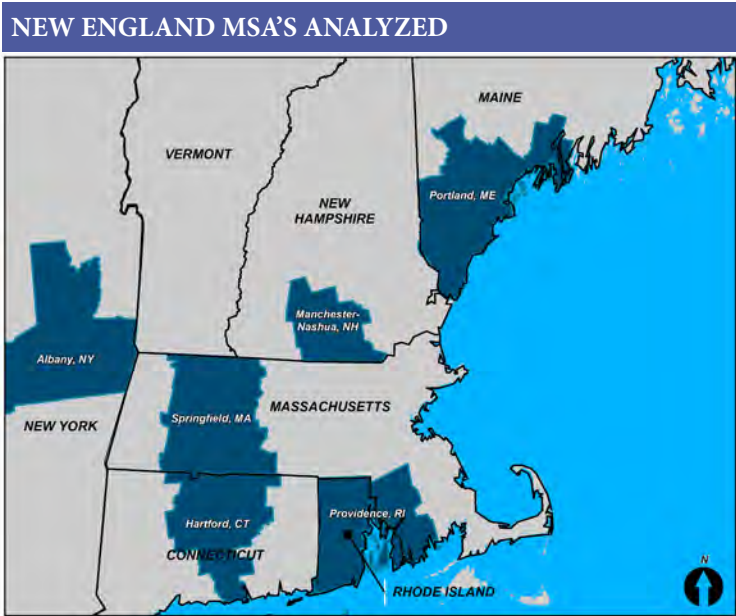
opportunity to present specific sites and communities within the broader region.

Competitive Set

The Providence RI MSA Reverse Model competitive set was chosen specifically because they have similar characteristics to our key area: Warwick, RI. All competitors are in New England and have rail connections (Commuter Rail, Amtrak, Freight, or a combination of the three), nearby medium sized airports, and similar road and truck access. However, even though the candidates are a close match at the MSA level, the screening model accommodates all factors typically examined in a location decision. As such, Warwick’s particular strength in the one area of air, road, and rail access is blended with other critical location factors.

The following MSAs are included in the Reverse Model:

- Providence, RI MSA
- Hartford, CT MSA
- Springfield, MA MSA
- Albany, NY MSA
- Manchester, NH MSA
- Portland, ME MSA



The level-weighted model below does not show the particular requirements of any particular end-user type. Instead, it gives an overall assessment of the region’s strengths and weaknesses. Providence MSA excelled with transportation access, affordable salaries, and climate. Providence had more difficulty with negative population growth and labor force availability, education, cost of living, and cost of healthcare. The region’s performance is mixed, and examining the Providence MSA may not show all the specific positives available. This screening model will help us identify the areas that Warwick can actively offset to encourage economic development. Understanding an MSA’s weakness allows the municipality to strategically offset them with strengths. Importantly, it also views the region in the same way that site selection consultants and larger corporations will, providing important lessons on priority issues and opportunities. The chart below showcases the relative rankings for each of the selected peer communities across a variety of data categories. This analysis has not been tailored or weighted for any specific industry or use type, but is intended to identify areas of strength or risk.

Exhibit 23: REVERSE SCREENING MODEL						
<i>Categories</i>	<i>Providence RI MAS</i>	<i>Hartford CT MSA</i>	<i>Springfield MA MSA</i>	<i>Albany NY MSA</i>	<i>Manchester NH MSA</i>	<i>Portland ME MSA</i>
Population and Demographics	6	2	4	1	5	3
Household Statistics	4	1	6	3	2	4
Labor Force Availability	6	3	5	4	1	2
Industry-Specific Employment	4	2	6	5	1	3
Occupation-Specific Employment	1	2	4	6	3	5
Occupation-Specific Salaries	2	6	3	4	5	1
Education 2010	6	4	5	1	2	2
Transportation and Market Access	1	3	5	2	6	4
Tax Regime	5	5	2	2	1	4
Climate and Natural Hazards	1	2	2	6	5	4
Crime and Quality of Life	6	1	4	3	5	2
Overall Rank	6	1	5	4	3	2



Population and Demographics

Source: ESRI Business Analyst Online (BAO) by MSA

Population dynamics give an overall indication of a community's overall "health," or whether it is growing at a sustainable pace. Negative growth can indicate a failing economy or an obsolete community. Explosive growth can be a warning sign for strain on infrastructure or on community finances. This analysis, which typically examines growth of working age population over a specified time period, typically favors young or newer communities.

Population and working age population growth numbers are fairly close among all the candidates. Providence MSA has the largest population of all areas compared. However, the projected growth is the lowest at -0.3%. Providence MSA also suffers in working age population growth with the rate sitting at -2.8%. Albany has the highest population growth at 1.4% and the highest working age population growth at -1.1%.

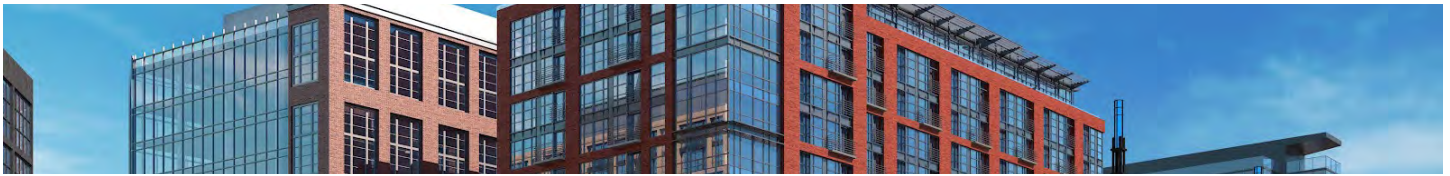
Kent County population statistics are less favorable than all MSA candidates. Warwick city population stands at -1.37% better than all MSAs but Albany. However, the working age population is projected to decline rapidly at -4.13%. Most areas in New England are experiencing slow total population growth and slightly negative working age population growth. The numbers for the Warwick area are lower than the New England average and special attention should be placed on retaining the working age population.

Household Statistics

Communities with a high number of owner occupied units are more likely to have involved and supportive residents and families. Those with low owner occupied units are more likely to house an apathetic population. Those with low vacancy rates show a healthy community while those with large vacancy rates show the community is struggling. Household growth shows trending for the area over the last 10 years. Median home value, median household income, and median disposable income all indicate the affordability of the area and touch on quality of life.

Overall, Providence MSA is tied with Portland MSA and come in just ahead of Springfield. Providence MSA has a high number of vacant units which hurts the owner occupied and renter occupied unit scores. Accordingly, the growth of housing units is lower than many competitors. Home values are comparable to other locations while household income and disposable income are lower than many candidates. Hartford comes best for household statistics.

Kent County owner occupied units is at 66.55% and is considerably better than all MSA candidates. Owner occupied units is favorable and better than all MSA candidates with the exception of Portland. Vacant units is lower most and even with Manchester MSA. Median home value is lower than all MSA candidates. Median household income and median disposable income are considerably higher than for Providence MSA and compares favorably with MSA candidates. Warwick is better than the MSA candidates for owner occupied units at 67.52%. The rate of vacant units is also very favorable at 6.86%, better than Kent County and all MSA candidates except Manchester. Median home value is lower than Kent County and the MSA Candidates at \$155,301.00. Median household income and median disposable incomes are better than Kent County, Providence MSA, and most of the model candidates.



Labor Force and Availability

Source: <http://data.bls.gov/cgi-bin/dsrv?la> by MSA

Given as a measure of Civilian Labor Force growth and an area's unemployment dynamics, this section measures the very general strength of the workforce as a whole, without regard for specific skills. Areas with moderate unemployment and stable labor force growth perform well.

Manchester MSA comes in first due to low unemployment across the factors and most notably, low unemployment rate in 2011. Providence MSA ranks lowest with a negative labor force growth rate and high unemployment rate. The change in unemployment rate was also very high. While 2011 unemployment for Providence MSA was at 11.2%, Warwick City was a little better at 10.3%. Additionally, the preliminary December unemployment has gradually dropped through 2012 to 8.3%.

Kent County growth was negative and lower than all MSA candidates except for Albany MSA. The unemployment rate increased at a higher rate than all MSA candidates and was even with Providence MSA. Warwick had a higher negative working age growth rate than all candidates examined and Kent County. The unemployment rate changed from 4.7% to 10.3% which is more favorable than both Providence MSA and Kent County, but still less favorable than the rest of the candidates. As noted above, special attention should be directed to reversing these growth patterns.





Industry Specific Employment

Source: ESRI Business Analyst Online (BAO) by MSA

This section contains information on the availability of workers within selected industries. Employment in Utilities, Construction, Manufacturing, Finance, Services, and Professional/Technical/Scientific functions are analyzed as a percentage of overall employment identifying critical masses of industry partners and workforce. These are selected as they provide an indicator of the presence of basic skills and networks that may be useful across a broad array of new industry and use types the City may target.

Providence MSA has a higher percentage of employees in the manufacturing industry. The region falls in the middle of the other candidates for wholesale trade and retail trade employment as well as in the service industries. Providence MSA has low employment in finance/insurance/real estate.

Occupation Specific Employment

Source: <http://stats.bls.gov/oes/current/oesrcma.htm> by MSA

In addition to understanding industry trends, the modern economy requires workers with specific talents. This category examines the availability of some in-demand skills, such as Business and Financial Operations, Computer & Mathematical, Healthcare Support Functions, and Production skills. As with the statements for industry employment, the availability of these broad occupation types is indicative of the strength of the local skills base for a variety of uses.

Providence MSA ranks first in occupation specific employment. The area has the highest employment in healthcare support functions as well as production occupations. Providence MSA does better than average for office and administrative occupations as well as computer and mathematical occupations. The area has lower than average employment in business and financial occupations and transportation and material moving occupations.

Note: Occupation specific employment is only available through BLS at the MSA level. We are unable to present county level and city level data in this report.





Occupation Specific Salaries (Annual)

Source: <http://stats.bls.gov/oes/current/oesrcma.htm> by MSA

Salaries and benefits often make up companies' largest or second largest cost category overall. Hence, costs for specific occupations in each community show the relative cost of doing business for the assembled entity.

Providence MSA ranks second for occupation specific salaries behind Portland MSA. Production occupation has the best competitive salary while transportation and material moving is nearly as competitive. Healthcare support functions, office and administrative, computer and mathematical, and business and financial operations all come in near the middle of all locations salaries.

Note: Occupation specific employment is only available through BLS at the MSA level. We are unable to present county level and city level data in this report.

Education

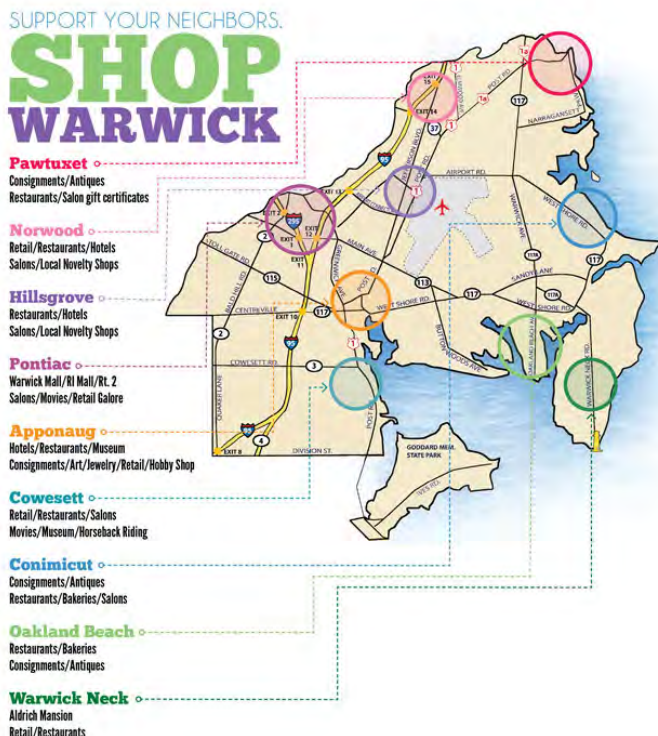
Source: ESRI Business Analyst Online (BAO) by MSA

The education levels of a community's population (from high school to professional school graduates) indicate both the capabilities of the workforce and can also be an indication of the regional school system as a quality-of-life measurement. An educated workforce can also help attract talented people to relocate to the region.

Due to changes in available data, the Education statistics provided are an average of the years 2005 through 2009. They have a high level of accuracy for the MSA geography according to ESRI who is our data provider. The Census (including the 2010 census) no longer includes questions about education achievement. ACS is the only source for the data and the sample size is smaller than for the census long form. As a result, the data at smaller geographies such as county level and city level suffers from too small a sample size for accurate results.

Providence MSA ranks as the least educated candidate compared. Albany MSA comes in as the most educated. Providence MSA education rate is particularly troubling because of the 18% of the population that has never obtained a high school diploma. Generally in New England, this rate rarely exceeds 15% and often is below 10%. Rate for population with at least an Associate's Degree is 35.7% which is close to the Springfield MSA rate.

Note: Accurate and current data is no longer available at the county level or city levels. Please see note above in the education section explaining data availability.



Source: www.visitwarwickri.com



Transportation and Market Access

Sources:

- *ESRI Business Analyst Online (BAO) by MSA*
- *Google Maps for distance to Airport*
- *CWS determination of airport type based on number and length of runways and commercial flight status*
- *Google Maps for Interstate Highways*

Acting both as a measure of traffic within the community (and therefore workforce attraction) as well as the ability to move goods and personnel into and out of the community, transit and infrastructure measures the availability of air and road capability and its capacity of that capability.

As noted above, Providence MSA (and specifically the Warwick area) has unmatched transportation and market access. Warwick has the shortest distance to the airport and is right next door to TF Green. The airport size is comparable to all other competitors. Providence MSA has the best connectivity with the highest number of divided highways. Providence MSA is also the only location with commuter rail access to a major city and Amtrak train connections. Albany ranked a distant second and Manchester came in last.

It comes as no surprise that Warwick City has phenomenal transportation and market access. By road, Warwick is right off of a major divided highway. TF Green (Providence Regional Airport) is right in the community and has very easy access from the highway to the terminals. The commuter rail stops right in the community and provides access to Providence and Boston. Amtrak travels right through Warwick and can be accessed by taking the commuter rail from Warwick to Providence station. None of the other candidates boasted this rail, road, and air accessibility.

Tax Regime

Source: [http://taxfoundation.org/document "bp60.pdf"](http://taxfoundation.org/document/bp60.pdf)

Tax structures can – intentionally or otherwise – be used as a regulatory tool to encourage or discourage corporate investments of various types. Property, income, and sales taxes all impact companies in different ways and should be examined on an institution by institution basis. The property tax comparison noted below is not modeled since we were not able to get the information for one key Canadian area. The tax regime ranking is mainly at the state/province level.

Manchester MSA ranks as the most tax friendly location. Providence MSA is tied for lowest ranking along with Hartford MSA. While the Providence MSA corporate tax climate is better than many of the candidates, the highest state corporate income tax bracket and the average state sales tax are both higher than the competitors. Property tax rates as a percentage of income is middle of the ranking.

The tax regime is measured at the state level for each MSA candidate. However, this measure does not take into account any incentives which may be in place to offset some of the negative influences for location decisions. Please see the taxation and incentives section for a full review of the tax and incentive environment and an explanation of what they mean for a company as well as for Warwick.



Climate and Natural Hazards

Source: *Cities Ranked and Rated by MSA - 2007 Edition*

Climate is both a quality of life indicator and can also be a measure of business interruption risk. Similarly, no location is without some form of natural hazard risk. Businesses will typically look to establish locations in such a way as to minimize their exposure to any one risk.

Providence MSA comes in as the best candidate on climate with the lowest snow and rain precipitation per year. The precipitation is spread over more days so the location does not rank as well for days of precipitation per year. Hartford MSA and Springfield MSA are tied for second place in climate and Albany NY comes in last. Climate and natural hazards are basically the same for MSA, county and city level geographies.



The Interlink Sky Bridge

Crime and Quality of Life

Crime is a good indicator for how safe a community may feel and businesses use this information to help judge the safety of their personal and real property within a community. Quality of life is a subjective measure and the criteria to measure the concept vary from individual to individual. However, such subjects as cost of living, crime, and health care system capacity carry universal appeal and can have direct business impact.

Manchester ranks as the best for crime rates. Providence MSA comes in middle for violent crime and property crime. It is important to note that crime dynamics vary from specific locality to locality. While historic crime data reports indicate a relative weakness for crime in the Providence MSA, the 2013 edition of *City Crime Rankings: Crime in Metropolitan America* ranked the City of Warwick as the safest city in Rhode Island and the 46th safest city in the country. This presents a marketing challenge for the city, as many national or regional corporate location projects will examine the Metropolitan Area statistics first.

Hartford MSA ranks the best for quality of life. Providence MSA struggles with the quality of life category with cost of utility index being the only high ranking category. Average commute time to work, physicians and hospital beds all ranked middle of the candidate list. Cost of living index and cost of healthcare ranked the worst with the highest costs of the competitors.

While Warwick appears to be a good candidate on paper for raising a family, it does not appear to have much to offer the young working professional. College graduate retention starts with having fun ways and places for that demographic to spend its disposable income.



Taxation and Incentives

Key in making a case for any location is the incentives available to assist a company to decide to locate within its borders. While these must be viewed within the total tax burden, a well-packaged combination of incentives selected for specific target companies and/or industries can be a powerful tool in corporate decision making.

Currently, Rhode Island receives an unfavorable rating from objective organizations such as the Tax Foundation (which ranks the state 46th out of 50 for total tax burden), ranking only in front of Vermont, California, New Jersey, and New York. This is mainly due to the following:

- Unemployment Insurance Tax – Ranks last among the 50 states
- Property Tax - 46th
- Corporate Tax - 42nd

Sales tax is rated somewhat more favorably (25th), at least partially due to exemptions on:

- Manufacturing Fuels & Raw Materials
- Manufacturing Machinery & Equipment
- Scientific Equipment
- Pollution Control Equipment
- Aircraft, Boats and Aircraft Fuel
- Professional and Occupational Services
- Intangible Personal Property

The state has consistently ranked poorly in the Tax Foundation's studies over the past three years due to the same mix of tax exposure. The Governor's office has recently announced an initiative to reduce basic corporate tax rates across the board, which is likely to enhance the State's general attractiveness. Specific details of the program are still in the works.

The State's incentive program is designed to increase the attractiveness of the overall tax regime for selected industry and use categories. However, as the Tax Foundation notes:

"Policy makers create these deals under the banner of job creation and economic development, but the truth is that if a state needs to offer such packages, it is most likely covering for a bad business tax climate. Economic development and job creation tax credits complicate the tax system, narrow the tax base, drive up tax rates for companies that do not qualify, distort the free market, and often fail to achieve economic growth."

The Governor's initiative to reduce tax rates overall will likely do more to improve perceptions of the overall tax and business climate in Rhode Island. Following is a description of the incentive and credit programs currently available in the state and which might specifically be applicable tools for spurring development at Warwick Station.

The following descriptions note where certain of these programs will be removed or curtailed as part of the Governor's program to reduce overall tax load.





Innovation Tax Credit

Rhode Island offers a tax credit to encourage investment in high-growth, high-wage innovation industries (Biotechnology and Life Sciences; Communication and Information Technology; Financial Services; Marine and Defense Manufacturing; Professional, Technical and Educational Services; Industrial and Consumer Product Manufacturing and Design). The credit offers up to a 50% credit on eligible investments, with a maximum tax credit of \$100,000. To be eligible to apply for the credit, a company must produce traded goods or services and have annual gross revenues of less than \$1 million in the prior two calendar years.

Jobs Development Act

The Jobs Development Act currently provides an incremental reduction in the corporate income tax rate (which currently stands at 9%) to companies creating new employment in Rhode Island. Provided that the companies achieve their employment thresholds over a three-year period, the program allows:

- Employment below 100: 0.25% reduction in corporate tax for every 10 new jobs created
- Employment over 100: 0.25% reduction in corporate tax for every 50 new jobs created

This reduction is cumulative with an absolute minimum corporate income tax rate of 3%. The rate reduction is permanent as long as the company maintains the same level of employment that it had at the end of the third year following the company.

New employees must be paid at least 250% of the state minimum wage (which translates to \$18.50/hour). The program is discretionary, subject to RIEDC board vote.

It is likely that this program will be curtailed significantly as a result of the Governor's efforts to reduce tax rates and burdens overall. Depending upon the Legislative outcome, the JDA may or may not be a tool used to promote the WSDD.



Source: www.projo.com



Foreign Trade Zone 105

Foreign Trade zones allow for goods to be shipped in from outside of the US, utilized, included in assemblies, and shipped back out of the US without being subject to customs duties. This may be useful and highly cost effective if the goods are intended for international distribution or where the import duties on the consumable or component products are higher than the finished goods.

FTZ 105 includes a 43-acre area at the Airport Business Park adjacent to TF Green Airport adjacent to the Warwick Station development.

Job Training Tax Credits

Several programs are available to assist companies as they build their pools of available talent. These include:

- *Job Training Tax Credit* – Credit against the corporate income tax (or the insurance premium tax) equal to 50% of eligible training expenditures for new or existing employees, in accordance with an approved training plan. Employees must be full-time, and after training, the employee must earn at least 150% of the Rhode Island minimum wage (or \$11.10 currently). Credits are capped at \$5,000 over a three-year period
- *Adult Education Tax Credit* – Tax credit of 50% of the direct costs for work site and non-work-site-based vocational training or basic education, up to a maximum of \$300 per employee. The maximum overall credit is \$5,000 per employer per calendar year.
- *Job Training Grants* – Additional training funds made available through an assessment of .21% on each firm’s taxable payroll.

While the overall impact of the Governor’s tax plans on these programs is uncertain, the Job Training Tax Credit will apparently remain intact and may even be enhanced.

Manufacturing Programs

The state has identified manufacturing of various kinds as desirable targets – particularly in medical devices, defense, and maritime.

- *Manufacturing Investment Tax Credit* – A manufacturer is allowed a 4% tax credit against the state corporate income tax on buildings and structural components, as well as machinery and equipment so long as they are principally used in the production process (including storage). Carry forward is permitted for up to 7 years.
- *High Performance Manufacturing Investment Tax Credit* – The credit increases to 10% if the manufacturer in question is classified in SIC codes 28 (Chemicals), 30 (Rubber & Plastic), 34 (Fabricated Metal Products), 35 (Industrial & Commercial Machinery), 36 (Electronic & Other Electric Equipment), or 38 (Measuring & Analyzing Instruments)
- *Business Income Apportionment for Manufacturers* – The alternate apportionment formula for corporate income tax purposes allows for a 25% property factor, a 25% payroll factor and a 50% receipts factor. Note that this formula may be changing in favor of life sciences manufacturers under the Governor’s new tax plan





Apportionment Exclusion for Medical & Pharmaceutical Manufacturers

Any US FDA registered Rhode Island manufacturer of medical devices, pharmaceuticals, or associates supplies can further modify the Rhode Island income apportionment formula to their advantage. All changes affect the numerator as follows (denominator remains the same in all cases):

- As additional equipment purchases are made, the property portion in the numerator may be reduced by the increase in book value of tangible personal property in Rhode Island in the current taxable year over the previous year
- Likewise, as head count is increased, the wage portion in the numerator may be reduced by the increase in total qualified payroll in Rhode Island in the current taxable year over the previous year

Investment Tax Credit

Firms in selected non-manufacturing industries may also qualify to take a 10% investment tax credit on owned or leased tangible personal property. More than half of the firms sales must come from out of state, from the federal government, or a combination of the two. This credit may not be used on buildings, structural components, motor vehicles, and furniture, and is limited to the following industry groups (by SIC code):

- 50-51 – Wholesale Trade
- 60 – Depository Institutions
- 61 – Non-Depository Credit Institutions
- 62 – Security & Commodity Brokers, Dealers & Exchangers
- 63 – Insurance Carriers
- 64 – Insurance Agents, Brokers, and Services
- 65 – Real Estate
- 67 – Holding and Other Investment Offices
- 73 – Business Services
- 76 – Miscellaneous Repair Services
- 781 – Motion Picture Production & Allied Services (Special requirements apply)
- 80 – Health Services
- 81 – Legal Services
- 82 – Education Services
- 87 – Engineering, Accounting, Research, and Management Services
- 89 – Miscellaneous Services



Source: www.warwickri.gov



Research and Development Programs

Somewhat coupled with the Innovation credit noted above, Rhode Island offers a variety of programs to incentivize research and development, including:

- *Research & Development Expense Credit* - a 22.5% tax credit for increases in qualified research expenses. If the increase above base period expenditures exceeds \$111,111, the credit equals 16.9% of the excess
- *Research & Development Property Credit* - a 10% tax credit for expenditures paid or incurred for the construction, reconstruction or acquisition of any property which is principally used or to be used for research and development in the experimental or laboratory sense (purchased only)

Programs Specific to the Financial Services Industry

The State of Rhode Island has an existing base in financial services and has sought to build this over time. Several programs are in place that specifically tailor to the needs of this sector, including:

- *Alien Insurance Companies* – Allows non-US insurance companies to be treated as if domiciled a Rhode Island company for purposes of obtaining licenses in other states
- *Income Apportionment* – Allows selected financial institutions (certain depository, credit card, investment, and retirement institutions) to apportion their income along a more favorable three-part formula for corporate income tax purposes
- *Telecommunication Sales Tax Exemption* – Regulated investment companies with at least 500 full-time equivalent employees are exempt from the sales and use tax imposed on toll-free terminating telecommunication service

The state also provides other regulatory relief for financial services companies which make it easier to operate internationally and across state lines.

Distressed Areas Economic Revitalization Act - Enterprise Zones

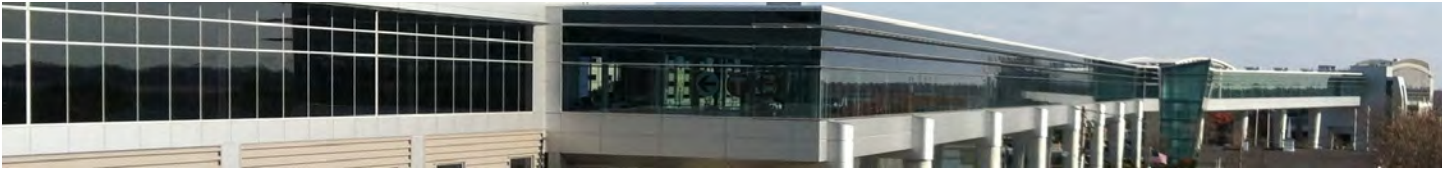
Rhode Island currently operates an Enterprise Zone program in areas experiencing significant economic distress. Any business located in a state enterprise zone that grows its employment base by 5% with full-time Rhode Island residents may be eligible for the Rhode Island Enterprise Zone Business Tax Credit equal to 50% of the annual wages paid to new employees. This credit may rise to 75% if new employees also reside in an enterprise zone to a maximum credit of \$5,000 per employee. Restrictions include:

- The Establishment must be located in an enterprise zone
- The new employee must be hired during the application year, a Rhode Island resident, employed full time (30 hours per week or more), and employed on December 31 of the application year
- The employee must begin and end each work day in the zone
- The establishment must meet the 5% growth requirements

There are no areas of Warwick currently included in the State's Enterprise Zone program, however this may not matter much. As with the JDA above, it is likely that this program will be curtailed significantly as a result of the Governor's efforts to reduce tax rates and burdens overall. Hence, it should not be included in the collection of tools to be used for the Warwick Station project.

Rhode Island Historic Tax Credit Program

Rhode Island is currently debating a plan to restart the state's historic tax credit program. The State's previous Historic Preservation Investment Tax Credit program provided 30% of the cost of approved rehabilitation work in tax credits back to the investor. Projects had to cost at least as much as half the value of the building (adjusted basis). The bill being currently being considered would be a critical incentive in preserving the historic landmark Elizabeth Mill building. Without the tax credit the Mill may be slated for demolition.



Programs Offered by the City of Warwick

The City of Warwick also supplements the programs above by offering:

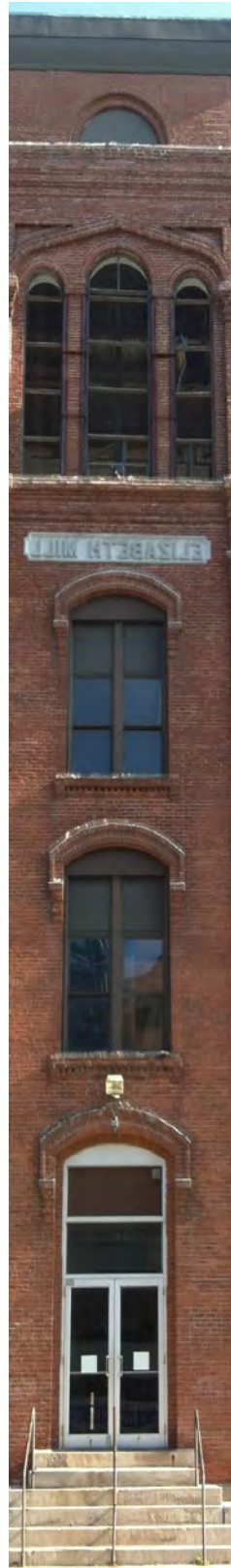
- Ten percent (10%) tax credit to new R&D facilities and equipment with a 22.5% tax credit to qualified research expenses
- Reduction of corporate income tax in exchange for creating new jobs
- Tax rebate or exemption of sales and use tax when using bonds issues by the Rhode Island Economic Development Corporation

The City of Warwick does not have its own independent incentives program at the present time.

2014 Corporate Tax Rate Reduction Plan

By far, the State's Corporate Tax Rate Reduction Plan is initiative most likely to have a systemic positive benefit for the ability to attract businesses to Warwick, and indeed to the State of Rhode Island. Under the current proposal, the corporate tax rate as levied under Rhode Island General Law 44-11-2 will be reduced from the present rate of 9.0% to 7.0% over a period of three years starting on January 1, 2014.

While such a move will necessitate the cessation of some incentive and credit programs, the plan will vastly improve the overall taxation environment for the state as a whole and make it more competitive across a broad range of business types.



SECTION 4: FINDINGS AND CONCLUSIONS

4.1 Review of the Objectives

The real estate market analysis performed for the WSDD addresses and supports two main study objectives.

1. Determine what real estate product types are supportable now in the WSDD and how much inventory can be supported in the future, as well as how the master plan should be implemented in terms of real estate product phasing. As a sub-objective, determine necessary business growth to achieve the future build-out.

2. The second main objective is to clearly distinguish for the future marketing firm (identified as (add Ventures)) the important assets to highlight that will attract future businesses as well as the issues to be mitigated. As a sub-objective, determine how the constraining factors should be mitigated. The RIEDC as well as the City of Warwick have factored in on the issues and have taken steps to mitigate anything that may be seen as a limiting factor or negative for a future site selection in and around the WSDD.

Exhibit 24: REAL ESTATE DEMAND AND PHASING

Real Estate Category	Inventory	Sq. Footage	Phase	Qualifiers
Hotel	3x 100 room hotels or one 300 room large convention hotel	300 SF/room=90K SF plus 30K+ SF conference	Phase 2 - post new business	Rooms linked to new business*
MF Residential	100 - 150 new units	1 and 2 bedroom units, average 1500 SF/unit=150K+ SF	Phase 2, post new business, or Phase 1, when combined with commercial multiuse development	Targeted at young empty nesters & gen x,y,z professional commuters
Office	20K SF - 30K SF increments	As demand generates	Phase 1	Linked to shovel ready sites, and green/sustainable energy
Industrial	Modern 10K SF - 30K SF buildings	As demand generates — commence with 30K SF public/private	Phase 1	Strongest demand but provides limited jobs
Retail/Service Uses	14 SF/capita on average supportable	60K SF Grocery/Services, 16K SF of new traveler-related retail	To come online as commercial is developed - Phase 2	Retail on grade, as part of mixed used commercial/residential as well as passenger retail along skywalk and in airport

* When occupancy rates are averaging between 65-70%, it is anticipated there will be real estate market and financing support for new rooms in the Warwick inventory.

The first finding is inventory. From the real estate analysis, every commercial real estate category has no demand in the 2013 market. All categories have significant vacancies and will need new demand to support additional space. The projected inventory suggests that new space can be built-out in increments with targeted new workforce.



The suggested development will likely occur in the following order:

First, new businesses that need office or industrial space;

Second, follow business with services and amenities such as a conference hotel and retail service uses that are built incrementally along with demand. Limited mixed use residential projects would serve the targeted employee populations. In addition, the incremental build-out of play and recreational amenities to support the workforce and create a quality of life (QOL) component for future residential;

Third, multi-family residential to complement the business and empty nester trends for urban housing. With the Multi-family residential comes the build out of additional retail amenities to service the growing population.

From the market analysis, *the table on the previous page* highlights the findings that are attractive to moving and growing businesses and can be developed as part of a marketing plan. For example, the stable home ownership and high pro-profit workforce can be marketed as part of a quality of life and productive workforce plan. Low cost regional housing indicates that future employees can find quality housing at affordable prices.

In terms of mitigating factors, the analysis focused on real estate issues, highlighting those that continue to be addressed by the public sector. These include a plan of shovel ready sites; a streamlined permitting process; and a competitive tax structure to compensate for the generally weak office and industrial real estate markets and plentiful land availability.

Interview Findings

The State of Rhode Island is developing a variety of economic development initiatives that will work as part of a long-term sustainability plan. The Project Team has conducted interviews with local business owners to gain an understanding of the strengths and weaknesses of doing business in RI. The following is the findings of those interviews.

Educational Facilities

Rhode Island and greater New England are filled with higher educational institutions. Rhode Island is home to Brown, University of Rhode Island, Rhode Island College, Johnson and Wales, Providence College, New England Institute of Technology as well as other institutions of higher learning.



Photo source: www.maleylaser.com



These educational facilities offer several advantages to development in Warwick:

Available Talent

The presence of these colleges and universities creates a pool of local young, educated professionals ready to join the workforce, meaning employers will not have to recruit talent from other regions. This creates a full applicant pool, benefiting employers and is an advantage for businesses to locate in Warwick.

Training Programs

The abundance of educational facilities means there are many places to train new talent and places to create programs specific to the needs of businesses in the area.

Livability

Warwick has a livability based on the available education in the area. Nearby educational institutions create a desirable place to live and a place for recent graduates to remain.

The downsides to having so many high educational institutions nearby are:

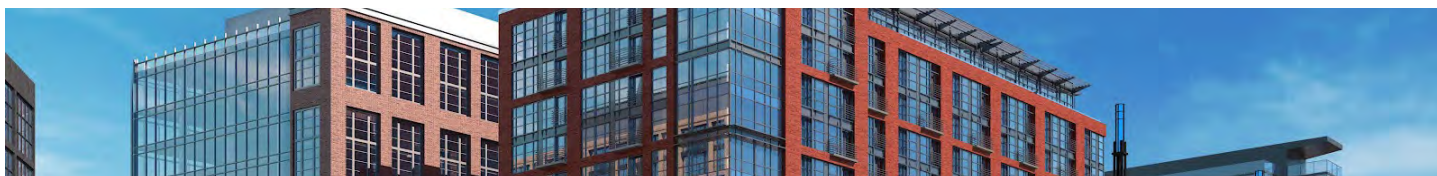
Housing

Warwick at present does not offer an abundance of student or one bedroom housing units. If students or younger professionals are going to live and work in Warwick they need affordable one bedroom units to live in and a younger atmosphere in the area. Interviewees noted that most younger people would not choose Warwick over Providence for living or atmosphere. The WSDD would attempt to bring these features to Warwick and attract and retain younger professionals to the area.

Livability

While the WSDD would attempt to create a place for younger professionals to live and work, Warwick will still be in competition with existing places that young professionals already migrate to. More established places that also have a strong base of educational facilities, like Providence, Boston and Cambridge, have an advantage in attracting a younger workforce over Warwick. When this aspect of Warwick was brought up in interviews the tone was of a need to present and promote Warwick as a desirable place for younger professionals.





Regional Proximity

Warwick is in close proximity to many desirable places making it an attractive place for people and businesses but also puts the City in competition with those places.

The advantages of being in close proximity to greater New England are:

Livability

Warwick is located in a great area that is accessible to many other places that are attractive. This allows for residents to have access to larger cities and tourist destinations while not having to travel far and maintaining an intimate feel in Warwick. Also, the cost of living in Warwick is lower than many other comparable cities. Waterfront property in Warwick is available at a price that is significantly more affordable than it would be elsewhere in the New England region. 39 miles of coastal (swimmable/fishable) shoreline offer an active younger generation opportunities not available in Providence or another MSA.

Business Clients

Warwick is only an hour from Boston and Newport by car. Interviewees have cited this as a positive aspect of living and doing business in Warwick, saying that clients who are not from the area often enjoy extended stays visiting other parts of the New England region.

The disadvantages of being nearby to other desirable places creates:

Competition

Being in close proximity to attractive cities and destinations gives Warwick competition that interviewees said the city can not match at this time. While Warwick boasts many positive aspects it cannot compete in many categories with other places in the region. For example, some interviewees expressed concern about Warwick competing with Cambridge, MA in the medical and technological fields; Warwick is smaller and cannot offer as much in the ways of

housing, talent, and livability as Cambridge and neighboring Boston can.

Transportation

Warwick is a unique city because it has access to 3 main modes of transportation: airplanes, trains and automobiles.

Air

Warwick is home to T.F. Green Airport, considered a regional airport and a reliever airport to Boston's Logan International Airport. Of the 6 airports operated in Rhode Island, T.F. Green is the largest and most active. The airport handles almost 4 million passengers and 26,000,000 pounds of cargo and mail annually.

From a business perspective, there are pros and cons to T.F. Green Airport. One advantage interviewees mentioned was the convenience for themselves and for clients. They talked about how convenient and easy it is for clients to fly directly into Warwick and not into Boston, eliminating travel from Boston to Warwick, and said that the airport was an incredible resource to have in the City. However, they also mentioned that because T.F. Green is smaller than Logan airport T.F. Green does not have planes flying to as many places (including internationally), and therefore cannot serve international clients. Additionally, one of the interviewees mentioned that the flights in and out of T.F. Green are not as convenient or frequent as they had previously been, suggesting a decline in travel either due to the economy or because people are no longer utilizing T.F. Green.





Rail

The T.F. Green Airport train station is part of the MBTA Commuter Rail and extends the Providence/Stoughton Line past Providence to Warwick from Boston. The main purpose of the station is to serve local commuters to Providence and Boston. Interviewees expressed concern over passenger rail service saying that while the rail line exists and is a positive addition, there is not enough volume for the train to service at present. They said they think there will be enough commuters to make this rail line more functional in the future. ***While current ridership meets RIDOT study projections, the hope is that the WSDD will create a larger residential population and the train can be used to its full capacity. In addition, RIDOT has plans to expand commuter capacity in the future and continues to study the feasibility of an Amtrak stop in Warwick.***

Automobile/Bus

Warwick is located along I-95 as well as I-295. I-95 serves many major cities and passes through more states than any other interstate highway. I-95 in Warwick is used by UPS for shipping and also transports commuters. Boston is approximately one-hour North on I-95, connecting via I-93. However, people interviewed mentioned frequent traffic on local roads as a downside to I-95. I-295 offers an alternative option to the airport and Warwick. To counter traffic congestion, an express RIPTA service between the Interlink and key destinations in RI would provide further connectivity throughout the state and lessen the dependency on cars. Downtown Providence (Kennedy Plaza), Kent County and Newport are considered major hubs that would expand the intermodal reach of the Interlink.

Hospitality

Warwick boasts a large number of convention centers, restaurants and hotels. These amenities are useful for attracting businesses that need to host clients and are located near the airport. People interviewed have mentioned this as a positive aspect,

saying that they are able to fly in clients and meet with them in Warwick, keeping business in Warwick. These spaces in Warwick are also often used for overflow from Providence conventions and business.

Shipping

Warwick has access to many modes of transportation and a variety of methods for shipping. UPS and FedEx facilities are located in Warwick. An interview with a UPS employee revealed that UPS uses 3 methods of shipping—truck, rail and air. UPS was the only interview that mentioned the use of the rail for shipping. T.F. Green Airport is used for shipping as well as for passenger air travel. Another interviewee said that his business uses T.F. Green for shipping small, custom goods. Shipping by truck is the primary method for businesses in Warwick. Warwick, being located in coastal Rhode Island, is also able to import and export cargo by ship.

RIEDC/Taxes

Interviewees expressed a great appreciation for the RIEDC and other state bureaus that they have worked with. Those agencies have worked very closely with their businesses and have made doing business in Rhode Island as simple and convenient as possible. The only issues that people interviewed had with doing business in Rhode Island were the taxes, which are higher than most neighboring states (CT, MA, NY). These interviewees said Rhode Island needs to be more competitive with these other states regarding taxes if they want to attract and retain businesses. It is not difficult for businesses to change locations based on other locations within close proximity and the ability to attract talent and retain clients.

Attitude

A general consensus among those interviewed is that Rhode Island needs to understand and accept its role as a key supplier and not as the next big hub. Rhode Island has the ability to play an important role in the regional economy as a key supplier and the state needs to recognize that and help to play that role.



4.2 SWOT Analysis

The Project Team performed a SWOT Regional Analysis to determine the WSDD's Strength, Weakness, Opportunities, and Threats. Following is a summary of those findings.

Strengths:

- Great access to all transportation modes for people and high value goods
- Great access to all parts of the region via interstate, rail and air
- Reuse opportunity for aged surrounding parcels
- State of RI geared for redevelopment
- Stakeholders could be incentivized to a cohesive partnership with the state
- Access to Providence and Boston markets
- Time is right for revitalization coming out of the recession
- Sites for distribution has prime 5 minute access to interstate
- Safe community, as ranked in the 2013 edition of City Crime Rankings: Crime in Metropolitan America
- Affordable housing available
- Exemplary coastline, open space and historic resources

Weaknesses:

- Incentives and public partnerships needed to kick off stagnant market
- Land has been vacant and lack of deals
- Financing difficulties due to soft market
- Quonset business park seen as competition—but their base is more manufacturing
- Young graduates do not see the area as opportunistic

Opportunities:

- Synergy with Quonset Business Park
- Strong WSDD vision
- Look to existing clusters in life sciences to leverage more of the same
- Phasing of "Opportunity Zones" with most likely early on development uses
- Focus on regional institutions for clean and green energy, job training and support
- Harness property owners in a combined effort

Threats:

- "What's in it for me" attitude
- Declining Residential population and the unknown to existing residents
- Civic services leaving the area while sites are warehoused
- Limited incentives and shovel ready sites to entice the private sector operators and developers



4.3 Opportunity Profiles

Coupled with the existing regional industry and corporate base and the interviews with existing businesses, the screening suggests that the following industry and use types might be appropriate targets for the Warwick district. It is important to note that this list cannot predict each and every opportunity which might arise. Therefore the City of Warwick, the RIEDC and their outreach partners should also be aware of opportunities which share operational and need profiles which are similar to those listed below:

Educational Services

Current Industry Outlook

- Education and training remain significant growth industries in the United States both as a conduit to better career prospects and as a means for re-training for mid-career necessity
- Opportunities include vocational and professional training in addition to traditional higher education
- Online and remote learning also falls into this category



Key Requirements or Value Chain

- Presence of a young adult demographic
- Access to dynamic workforce seeking opportunities for career advancement
- Access to other institution of higher learning can be a complementary strength
- Strong telecommunication infrastructure

Specific Role/Opportunity for Warwick

- Provide satellite or specialty campus facilities for the University of Rhode Island, Johnson & Wales University, or similar institutions
- Provide a locus for continued training and retraining for the Warwick Station business community

Warwick Advantages

- Direct transportation access via auto and train
- Proximity to JWU, URI, Brown, and other institutions of higher learning

Disadvantages and Risks

- Competition from other higher learning institutions.
- Direct competition with the institutional investments in Providence, Cranston and Greenwich

Financial Services (office and data services for banking and insurance)

Current Industry Outlook

- Continuing flux due to financial challenges, 2008-2010
- Strong impetus to consolidation among commercial banks and insurance providers/services
- Healthcare insurers may experience increased market opportunity due to Federal Patient Protection and Affordable Care Act (aka "Healthcare Reform")
- Some movement to recapture customer service functions from overseas due to increasing labor costs and operational difficulties
- Some pressure on money-center banks to provide redundant operations to provide for disaster resiliency
- Some new entry of mid-market and consumer depositary institutions
- Regional and community bank clusters
-



Key Requirements or Value Chain

- Access to strong telecommunications infrastructure
- Customer service requires the presence of stable, dependable (non-transient) labor force with good basic education and which may be trained about product specifics
- Additional, more highly educated individuals may be required for more advanced financial and healthcare products
- Data and processing centers also require access to trained information technology workforce as well as technology and telecom vendor networks
- Access to other key company facilities may be desirable if the facility will also serve as (or require) a back-up or disaster recovery site
- Nearby student population provides an excellent pool of temporary and entry level talent

Specific Role/Opportunity for Warwick

- Location for call, customer service, processing, and data centers

Warwick Advantages

- Proximity to the financial markets of Hartford, New York, and Boston allowing for risk sharing across sites
- Lower labor costs than Boston/New York
- Strong financial services workforce in Providence
- Favorable tax and incentives environment
- Very strong existing financial services industry (and vendor/service networks) in Greater Providence, and 1 bank call/training center located just outside district
- Great visibility from the Interlink

Disadvantages and Risks

- Utility costs
- General taxation (at present)
- Concerns regarding the availability of appropriate labor specifically in Warwick itself

Regional or Headquarters Annex

Current Industry Outlook

- Highly dependent upon the specific needs and business outlook of individual companies

Key Requirements or Value Chain

- Strong multi-modal transportation access
- Proximity and/or access to main Headquarters location
- Access to strong telecommunications infrastructure
- Stable, dependable (non-transient) labor force with good basic education and which may be trained about company specifics
- Presence of or ability to recruit executive talent

Specific Role/Opportunity for Warwick

- Regional headquarters for US or international business
- Annex location for Rhode-Island based businesses

Warwick Advantages

- Proximity to the markets of Hartford, New York, and Boston allowing for risk sharing across sites
- Lower operating costs than Boston/New York
- Strong executive and business services workforce in Providence
- Very strong business support network in Greater Providence
- Excellent multi-modal transportation access

Disadvantages and Risks

- General taxation (at present)
- Concerns regarding the availability of appropriate labor specifically in Warwick itself



Health Care

Current Industry Outlook

- Federal Patient Protection and Affordable Care Act (aka “Healthcare Reform”) is projected to increase demand as more Americans are covered for a variety of treatments
- Significant changes to treatment model suggested by implementation of the healthcare reform act in 2014
- Perceived shortages of providers and less-than-appropriate treatment venues for the targeted populations
- Aging population suggests increased demand for treatment of chronic conditions

Key Requirements or Value Chain

- Proximity to patient populations (both general and specialists)
- For specialist care, proximity to research or teaching hospitals

Specific Role/Opportunity for Warwick

- Satellite and regional care facilities
- Walk-in centers for working populations

Warwick Advantages

- Proximity to Rhode Island Hospital, Hasbro Children’s Hospital, Kent Hospital
- Future walkable access to worker and residential populations

Disadvantages and Risks

- Uncertain outcomes of the healthcare reform measures

Medical Devices and Instruments

Current Industry Outlook

- Federal Patient Protection and Affordable Care Act (aka “Healthcare Reform”) is projected to increase demand as more Americans are covered for a variety of treatments
- Aging population suggests increased demand for treatment of chronic conditions
- Increased demand due to healthcare reform and demographics change will impact both research and production capacity
- Increased speculation that these therapeutics will become more customized (e.g. CAD designed replacement joints based upon patient’s individual scans)

Key Requirements or Value Chain

- Strong medical device clusters and supply chains throughout northeast, particularly in CT and MA

Specific Role/Opportunity for Warwick

- Manufacturing
- Customization of manufactured devices
- Packaging and kitting
- Foreign Trade

Warwick Advantages

- Low-cost, high skill manufacturing
- Central location among other locations for medical devices
- Access to Boston, CT and New York provide for direct interaction with major health and life sciences R&D and headquarters regions
- TF Green can provide just-in-time small scale (high value) global shipping options

Disadvantages and Risks

- Concerns regarding the continued availability of skilled labor for these industries
- Competition from lower cost offshore locations in South America, Eastern Europe, and Asia



Biotechnology and Pharmaceuticals

Current Industry Outlook

- Continued innovation across the biotech and pharma sectors to fill pipeline with new product (maintain set of products under patent protection)
- Federal Patient Protection and Affordable Care Act (aka “Healthcare Reform”) is projected to increase demand as more Americans are covered for a variety of treatments
- Aging population suggests increased demand for treatment of chronic conditions
- Increased demand will result in increased research and production capacity

Key Requirements or Value Chain

- Research and development as well as product startups very strong in Rhode Island, Eastern Massachusetts and in Connecticut
- Manufacturing also occurs in eastern Massachusetts and in CT, but has also sought lower cost locations, often outside of New England
- Key manufacturing inputs include high quality water, access to raw materials (chemicals, bioactives, packaging, etc), technical talent and transportation
- Access to and (occasional) direct interaction with R&D is useful when small-batch manufacturing as in clinical trials
- Plastics and specialized materials requirements for packaging

Specific Role/Opportunity for Warwick

- Small scale manufacturing (for clinical trials as well as for scale-up engineering)
- Full scale manufacturing
- Dosing, packaging and kitting

Warwick Advantages

- Moderate-cost, high skill manufacturing
- Experience with chemicals and plastic manufacturing shows expertise with both packaging and formulation

- Access to Boston, Central CT and New York provide for direct interaction with major health and life sciences R&D and headquarters regions
- TF Green airport can provide just-in-time small scale (high value) global shipping options
- Foreign Trade Zone may provide advantages for some activities
- Favorable tax treatment of life sciences companies in Rhode Island

Disadvantages and Risks

- Geographic ties may not be strong enough to keep manufacturing close to R&D. As a result manufacturing may choose significantly lower cost offshore locations for many products
- Typically low jobs generation outside of research and commercialization. Uncertainty as to whether the overall scope of opportunity is large enough for a meaningful share to be available
- Concerns regarding the current taxation of offshore royalties may cause concerns on creating a taxable nexus in Rhode Island





Foreign Trade

Current Industry Outlook

- High historic growth due to globalization of trade and increasing consumer marketplace
- Fuel and environmental factors causing shifts in the industry which are regionalizing both production and distribution
- Air freight continues to grow, but has consolidated to large international hubs (with some exceptions)

Key Requirements or Value Chain

- International air access
- Access to seaport
- Ability to treat foreign trade favorably

Specific Role/Opportunity for Warwick

- International air access at TF Green and connection to Quonset/Davisville allows for multi-modal transportation linkage
- Ideally, Warwick may allow for FTZ related activities

Warwick Advantages

- International air and water service
- Strong multi-modal freight linkages to New England and beyond
- Presence of fully established and active Foreign Trade Zone 105

Disadvantages and Risks

- I-95 and I-295 traffic seen as disadvantageous when compared to other less congested New England locations inland and along I-90, I-84 and I-91
- Air freight traffic generally consolidating to larger airports

Logistics and Warehousing

Current Industry Outlook

- High historic growth due to globalization of trade and increasing consumer marketplace
- Trend of past 20 years had been for Asian production, movement by ship to West Coast or New York ports. Long distance containerized shipping by rail or truck and regional distribution by truck
- Fuel and environmental factors causing shifts in the industry which are regionalizing both production and distribution
- New emphasis on resiliency provided by access to multi-modal transportation facilities (road and rail)
- Air freight continues to grow, but has consolidated to large international hubs (with some exceptions)

Key Requirements or Value Chain

- Dependent on specific products
- Must lie upon the line between point of origin and destination or end market
- Can require large facilities

Specific Role/Opportunity for Warwick

- Distribution for the New England market
- Processing and customization to both domestic and international markets

Warwick Advantages

- Strong air, truck, and water connections
- Rail connections via Providence & Worcester
- Access to most of New England

Disadvantages and Risks

- Truck and other vehicle traffic may conflict with other community goals
- I-95 and I-295 traffic seen as disadvantageous when compared to other less congested New England locations inland and along I-90, I-84 and I-91
- Overall market is still recovering from shock of the economic downturn
- Geography can be a concern due to need for large, flat tracts
- Unknown prospects for air freight consolidation



High-Value Manufacturing and Assembly

Current Industry Outlook

- Include any form of manufacturing where skilled (interactive) labor is involved
- Includes small scale contract manufacturing as well as customized manufacturing applications
- Also includes remanufacturing and service of technical products

Key Requirements or Value Chain

- Vary depending upon the specifics of the product
- Typically include need for skilled labor
- Labor may also be called upon to play a role in developing and customizing the product to a client's specific needs

Specific Role/Opportunity for Warwick

- All of the above: assembly, final manufacturing, customization, service, and remanufacturing

Warwick Advantages

- Low-cost, high skill manufacturing
- Strong existing presence, good vendor supplier network
- Capabilities exist throughout the region, including in Franklin County
- Direct adjacency to TF Green airport allows for immediate shipping to most of North America as well as receipt of goods for repair and customization

Disadvantages and Risks

- High utility costs
- Concerns regarding the long-term labor pipeline for technical talent

It also follows that efforts should be made to attract the support functions which will enhance the potential of success for any of these uses. This includes but is not limited to business services, professional services, and small conference and meeting facilities.



Opportunity Clusters

In terms of a marketing strategy for real estate, based on market conditions, the strategy needs to focus on the locational assets within the suggested support area as well as the core WSDD district, and the ability of the assets to lure in new business. The concept strategy is to group clusters of uses together around each other in appropriate themed land use groupings. The clustering includes all the elements that will make a successful TOD, support jobs and also support a residential component. *The map on the following pages depicts the Project Team's proposed opportunity clusters.*



TRANSPORTATION ZONE

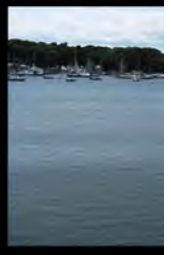
- TF Green Airport & Freight
- Connection to Amtrak /Northeast Corridor Service
- Commuter Rail Service to Providence and Boston
- I-95 Access & express bus service to PVD, Kent County & Newport
- Shuttle Services (Year round/Seasonal)
- Shipping Intermodal & Logistics Facility
- Security & Operations
- Foreign Trade Zone 105
- Gateway for Private / Corporate Jets

ENERGY/OUTDOOR REC ZONE

- State of the Art Wireless & Cable
- Uninterrupted power
- Sustainability
- Green Energy - Geothermal
- Solar Power

LIVE WORK

- Hotel Confe
- Mixed-Use I
- Retail Shops
- Fitness Cent
- Parking & Sp
- TF Green H
- RI Beaches
- Downtown I
- Historic, Ad
- Gateway to I Schools



WARWICK STATION DEVELOPMENT DISTRICT

RECOMMENDATION SUMMARY CLUSTER DEVELOPMENT OPPORTUNITIES



WARWICK STATION
DEVELOPMENT DISTRICT

- New tax structure (State) to entice new business and build existing business, including historic tax credits which would benefit the Elizabeth Mill Complex.
- Create shovel-ready, pre-permitted site inventory
- Expand Foreign Trade Zone 105 to support shipping and logistics cluster
- Market City of Warwick permitting and zoning processes established for the District
- Coordinate with RIPTA concerning routing, stop locations and potential Kent County Hub, Newport Hub, direct connection to Providence.
- Engage parking garage at ground level with retail space (liner building) by first completing site environmental clean-up
- Coordinate schedule and phasing of infrastructure improvements (such as pedestrian crossings, intersections)
- Explore opportunities in areas adjacent to WSDD to support further development efforts.
- In accordance with the Master Plan, expand district to include existing parcels that could support the WSDD in the future, including D'Ambra and Leviton properties.
- Create Design Guidelines and Architectural Design Manual (City of Warwick)

WORK/PLAY

Conference - Exhibit Center
Residential
Bars/Restaurants & Market
Centers
Sports Center
Hospitality

Providence Venues
Adventure, & Rural Tourism
Patriots, Universities &

ED ZONE

- Collaborative R&D
- Incubator
- Equip. Operation Institutions
- Johnson & Wales University
- New England Institute of Technology
- Rhode Island School of Design
- Brown University
- Roger Williams University
- Bryant University

CIVIC ZONE

- Community Facilities
- Public Park
- Religious Buildings
- Library
- Recreation Facilities
- Day Care & Senior Facilities
- Performing Arts Facilities
- Adult Ed Center
- Medical Offices
- Security & Operations

FUTURE TECH ZONE

- Green and organic consumer products
- IT
- Education & Training
- Collaborative R&D
- Networking Center
- Resource & Job Center
- E Commerce Distribution
- Logistics IT
- Telecommunications IT
- Life Science Incubators linked to Education



WARWICK STATION DEVELOPMENT DISTRICT

Appendix

APPENDIX

Sources:

2012 CBRE New England Market Outlook

Clarita's—Data download January 2013 for demographics and economics, 1, 3 5 miles and 5 and 15 minute drive times from WSDD

New England Economic Indicators—Federal Reserve Bank of Boston—4Q 2012, Dec 28,2012

Inc. Fastest Growing Companies 2012

CW Economy Forecast 2013—November 2012

STR Warwick and Rhode Island Lodging Market Trends Report

PVDairport.com

MBTA Schedule

Cushman and Wakefield—Office Snapshot, Rhode Island Q3 2012

Northeast Real Estate Business July 2012

MG Commercial Market Analysis 2012

Expansion Solutions Magazine.com

CBRE US Industrial Market View 4Q 2012

Emerging Trends in Real Estate 2012 by ULI and PWC
Source: 1999 International Council of Shopping Centers

NEWS RELEASE: Announcing the Center for Transit-Oriented Development

Logistics: “Freight Logistics Costs Area Driving Distribution Center Site Selection Decisions” by Dean Foote

275 West Natick, CBRE Offering Memorandum
2012 Commuter Rail Survey, August 2012

TELEPHONE INTERVIEWS	
<i>Company</i>	<i>Contact</i>
Alexion Pharmaceuticals	Vanessa Proctor
Biomedical Structures	Todd Blair
CBRE-NE	Alden Anderson
CBRE-NE	Andrew Galvin
CBRE-NE	Jay Fluck
Grubb & Ellis	Tony Caner
Johnson & Wales University	Mim Runey
Laramy-Wignall	John Laramy
MG Commercial Real Estate	Gerald Suprenant
MG Commercial Real Estate	Michael Giuttari
Moran Shipping	Jason Kelly
Cushman & Wakefield Hayes & Sherry	Peter Hayes
UPS	Tom McGovern
Providence/Warwick Visitors Bureau	Martha Sheridan
Warwick Department of Tourism Culture and Development	Karen Jedson
Statewide Planning - RI Dept. of Administration	Kevin Nelson
Paramount Properties Group	Cris Crecelius
Abbott Properties	Don Morash
Sweeney Real Estate and Appraisal	Tom Sweeney
Phoenix Property Management	Richard Hitt
Town of East Greenwich Assessor	Janice Peixinho
Picerne Real Estate Group	Sherry Kriss
Carpionato	Sheryl Costantino
D'Ambra Construction	Michael D'Ambra
DeFelice Realtors	David DeFelice



Definitions:

Clusters: A geographic concentration of interconnected businesses, suppliers, and associated institutions in a particular field. Clusters are considered to increase the productivity with which companies can compete, nationally and globally.

Reverse Site Selection Screening Model: A computer based methodology which uses demographic, workforce, industry, cost, regulatory, and other locationally-relevant data to ascertain which of a variety of industries and uses will view a location as more or less attractive based upon each type of uses relative needs.

RevPAR: calculated by multiplying a hotel's average daily room rate (ADR) by its occupancy rate.

ADR: Represents the average rental income per paid occupied room

Neighborhood Service Center: Designed to provide convenience shopping for the day-to-day needs of consumers in the immediate neighborhood. Roughly a supermarket anchors half of these centers, while about a third have a drugstore anchor.

Community Center: Typically offers a wider range of apparel and other soft goods than the neighborhood center does. Anchors are supermarkets, super drug-stores, and discount department stores. Community center tenants sometimes contain off-price retailers.

Regional Center: Provides general merchandise (a large percentage of which is apparel) and services in full depth and variety. Its main attractions are its anchors: traditional, mass merchant, or discount department stores or fashion specialty stores.

Super-regional Center: Similar to a regional center, but because of its larger size, a super-regional center has more anchors, a deeper selection of merchandise, and draws from a larger population base.

Power Center: Dominated by several large anchors, including discount department stores, off-price stores, warehouse clubs, or "category killers," i.e., stores that offer tremendous selection in a particular merchandise category at low prices. The center typically consists of several freestanding (unconnected) anchors and only a minimum amount of small specialty tenants.



COMPARABLE TODS: Include key components of airport, rail and pedestrian

<i>Name and Locations</i>	<i>Description</i>	<i>Major Infrastructure</i>	<i>Lessons Learned</i>	<i>Comparable to Warwick</i>	<i>Major TOD Components</i>
TF Green Airport	Warwick RI, 3.8 Million passengers	I-95, Commuter rail station at terminal			Highway, hotels, rail, Interlink
Denver Airport City	5th busiest airport in the world	5 bus routes and by 2015 RTD to build a commuter rail form unison station		Served by Jet Blue	Substantial airport related uses abutting airport then buffered by farms. One residential area several miles away
Manchester Regional Airport, NH	Located 3 miles south of the CBD; 3.7 Million annual passengers; Served by Delta, US Air, United, Southwest; UPS and Fed Ex	1500 acres; local bus service to Manchester airport shuttle bus to Boston 75 miles away; MBTA Lowell commuter line to extend Interstate 293, route 101 and route 3 and Greyhound bus	“The Southwest Effect”, competing airlines means more service at better prices. Room for expansion is critical	Regional airport to Boston and NH; 50% size in terms of traffic to Warwick	12 hotels; Highway: future direct rail line link
Albany International Airport	12 miles north west of CBD; 2.5 Million passengers	Interstate 87, and 90; Can accommodate up to 747 aircraft; New interchange proposed to connect hotels on Wolfe Rd. to airport. Rail station is 10 miles from airport; Buses to Albany.	State roads and interstates buffer residential as well as golf course for slow growing airport. Some growing pains as tried to move from a trunk airport. Poised for new growth due to long range planning of Technical colleges and Knowledge corridor.	Primarily a regional airport and a Commuter hub serving smaller cities. Served by Southwest, Delta and US Air	Highway –Inc. 2 interstates (87 and 90) and regional highways, buffered by warehousing, hotels and shopping, mainly along Wolfe Rd Real estate around airport mostly logistics, warehousing, and aviation administration and to the immediate south east are civic uses including court houses and related legal.
Montreal International Airport	International airport. 13.7 Million passengers. 20 miles west of city center, surrounded by highways on 4 sides, several million SF of transportation, warehousing and logistic buildings plus significant aerospace related manufacturing and 12 hotels and commuter rail.	Rail freight and commuter 3 major highways (20, 520 and T-Can). Express bus to CBD 20 mile east, Port 25 miles east. Structured parking	Buffers to residential, including a town owned golf course, shopping centers, highways and rail. Very congested location.	Airport/rail and highway linkages. Traffic is major issue. City of Dorval is an unplanned TOD	Primarily logistically oriented real estate plus hotels and improved highway access. Commuter rail just a shuttle away. Freight rail runs along same track as commuter rail. High value goods can go from plane, to truck to rail to port or any combination in both directions.

COMPARABLE AIRPORT TODS

<i>Name and Locations</i>	<i>Description</i>	<i>Major Infrastructure</i>	<i>Lessons Learned</i>	<i>Comparable to Warwick</i>	<i>Major TOD Components</i>
Portland Airport	14 Million passengers, joint civil and military airport. Heliport to the west. Light rail at the terminal that connects to 50 stations.	Bechtel project—served by light rail	Public private partnership is important. Build in phases. Higher than anticipated projections allowed too much speculative development. Bechtel paid \$125 Million for light rail in return for 85 years of development rights on 212 acres of adjacent property to airport	Carriers include Jet blue and southwest as well as 10 others, including international.	River to the north but dense housing to the south of route 30 which buffers the airport. To the south is surface parking and industrial, and Columbia Blvd as well as manufacturing and warehousing.
San Jose Airport	Downtown San Jose international airport	Several downtown terminals, 8 million passengers, little room to grow	Leave land for growth and impacts	Smaller of the Bay areas' 3 airports. Jet Blue is a major carrier	The Free VTA Route 10 Airport Flyer bus connects the airport to Santa Clara Station; and to the Metro/Airport Light Rail.
Baltimore Airport BWI	Significant surface parking; 3 rail lines; Interstate and high buffer zone to the west	Airport still growing, even with 32000 acres, buying buffer zone around airport Significant rail access to airport. Public spaces including parks and green space as buffer zone.	Amtrak to BWI Marshall Rail Station via shuttle (free). MARC train to CD and Baltimore via shuttles. Light Rail service located the terminal (operated by MTA) to Baltimore and other suburbs	Served by 12 carriers including Jet Blue; international carriers including Air Canada and BA. Many hotels and conference centers within 1 mile. Compatible land uses encouraged; residential properties being bought up by Maryland FAA. Single family residential just over 1 mile east of airport. Most surrounding real estate is logistical plus civic including military and related agencies	Rail, interstate and logistic businesses plus hospitality uses.



Michael Integlia & Company					
Historical Office Absorption					
Town - Address	Year Built	Land Area (in acres)	Building sq. ft.	# Months to achieve 90% (see note 1)	Current Vacancy
Warwick					
300 Centerville Road - The Summit (see note 2)					
Building 1	1991	20	48,000	20	4,320
Building 2	1993		48,000	20	4,320
Building 3	1995		48,000	20	4,320
West Warwick					
1300 Division Road East	2004	12	48,500	20	4,365
1350 Division Road East	2005		48,500	20	4,365
931 Jefferson Gateway	2005	16	75,000	20	0
935 Jefferson Gateway	2005		50,000	20	0
Warwick					
117 Metro Center	2008	18	75,000	16	3,000
125 Metro Center	2011		45,000	16	4,050
Totals		66	486,000	172	28,740
Rentable yield per sq. ft. of property (%)					
		17%			
Average Annual Absorption					
		34,776			
<p>Note 1: Lease up period was increased to adjust pre-leasing from 60-75% (as stated by developer) to a pro-forma speculative amount of 30%.</p> <p>Note 2: This acreage adjusted down from 25 acres to account for prior development of 250 Centerville Road.</p>					

Office and Industrial Supply

City of Warwick's Industrial & Office Parks

Industrial Parks	Location	Size
Airport Business Center	333 Strawberry Field Road	76 acres
Airport Park	Commerce Drive	65 Acres
Airport Site	Warwick Industrial Drive	23 Acres
Chandelle Industrial Park	Warwick Industrial Drive	18 Acres
City Line Industrial Park	Knight Street	2.9 Acres
Green Industrial Park	Halene Road	1.1 Acres
Hillsgrove/95 Industrial Park	I-95 & Service Road	70 Acres
Levenger Site	Industrial Drive	28 Acres
Quaker Lane Industrial Park	Route 2 & I-95	13 Acres
Tech Ninety Five Commerce Park	Bit Drive	9.5 Acres

Office & Industrial Parks

Metro Center, North	Kilvert Street & Metro Center Blvd.	29 Acres
Metro Center, South	Metro Center Blvd.	50 Acres

Office Centers/Buildings

Airport Professional Park	Post Road
Summit Office Park	300 Centerville Road
Metro Center	300 Metro Center Blvd. & 475 Kilvert Street
Cowesett Office Park	3649 Cowesett Road
Cambridge Park	150 Lavan Street
Centerville Commons	825 Centerville Road
Jefferson Place	100 Jefferson Blvd.
Kent Office Bldg.	469 Centerville Road
West Bay Office Park	30 Quaker Lane
College Park	33 College Hill Road
Gate Medical Center	215 Toll Gate Road
I-95 Office Commons	333 Centerville Road

