



PROVIDENCE STREETCAR TAX INCREMENT FINANCING PROJECT PLAN

Department of Planning + Development
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CITY OF PROVIDENCE
Angel Taveras, Mayor

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For reference: Providence Core Connector Study - *Streetcar Economic Impact Analysis Report (2012)*.
 Providence Core Connector Study - *Capital Cost Report (2012)*.

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1 INTRODUCTION

The City of Providence is planning a 2.5-mile streetcar route to catalyze economic growth and jobs, connect major activity centers and enhance mobility and the interconnectivity of multi-modal transit in the Capital City.

Building the Providence Streetcar is one of Mayor Taveras's key initiatives outlined in his Economic Development Action Plan. Transit investments, and particularly the permanency of fixed-rail investments, such as streetcars, have proven to be effective tools in catalyzing economic growth in other US cities. Targeted growth and development in Providence's downtown and along the entire streetcar route will have a direct impact on job generation, local property values and add increased sales and income tax revenue.

The finance plan for implementation of the Providence Streetcar includes the establishment of a Tax Increment Finance (TIF) District to support a bond issue for construction and provide a revenue stream for ongoing debt service payments. The dedication of a portion of local TIF revenues to the project allows the City to leverage federal funding and other outside funding sources for the project.

2 PROJECT AREA BOUNDARY

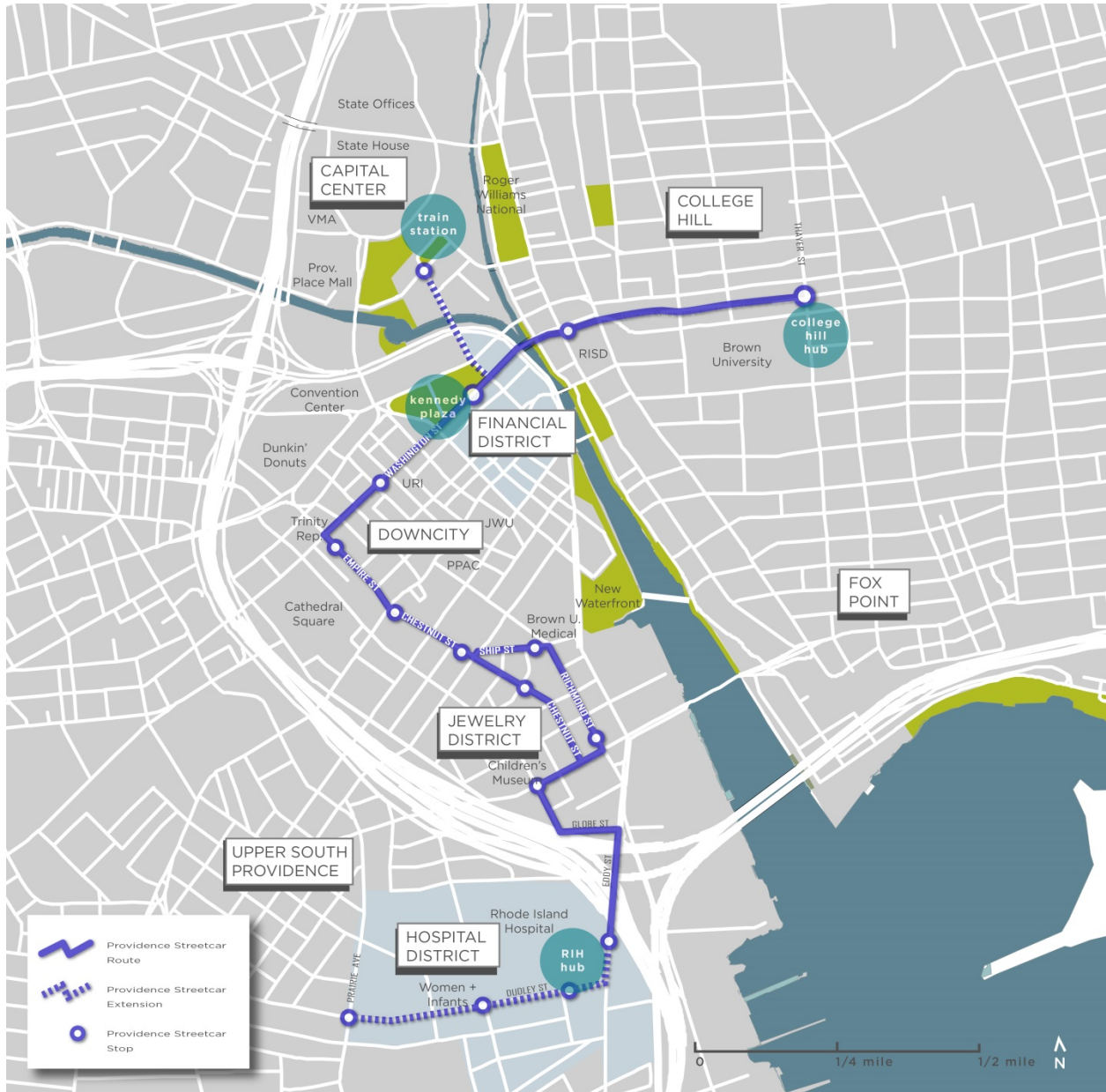
The Providence Streetcar route is from the top of the bus tunnel on Thayer Street to the intersection of Prairie Avenue and Dudley Street (see Figure 1). The Project Area is defined to incorporate a roughly ¼ mile area on either side of the route, and around the streetcar terminal stations. This area incorporates all residential and commercial activity that falls within walking distance of the streetcar route and is where the greatest increase in local area property value impacts are anticipated to occur.

The Project Area Boundary is established as follows:

Starting at the intersection of Smith Street and Park Street, thence continuing southeasterly along the centerline of Smith Street to the center point of Canal Street, thence continuing northeasterly along the centerline of Smith Street to the center point of North Main Street. thence continuing southeasterly along the center line of North Main St to the center point of Church St, thence continuing northeasterly along the center line of Church St to center point of Benefit St. The boundary continues southeasterly along the center line of Benefit St and thence turning easterly and continuing along the northern boundary of Assessor's Plat 100 Lot 683 and continuing to the westerly boundary of Assessor's Plat 100 Lot 709, thence running easterly along the northern boundaries of Assessor's Plat 100 Lots 709 and 691 to the center point of Congdon Street, thence continuing northerly along the centerline of Congdon Street to the center point of Lloyd Lane, thence continuing easterly along the center line of Lloyd Lane to the center point of Prospect Street, thence continuing northwesterly along the center line of Prospect Street to the center point of Lloyd Ave, thence continuing easterly along the center line of Lloyd Ave to the center point of Hope Street. The boundary continues southeasterly along the center line of Hope Street and thence turning easterly and continuing along the northern boundary of Assessor's Plat 110 Lots 110, 8, 11, 20, 33 and 18 and continuing to the centerline of Diman Place, thence continuing southeasterly along the centerline of Diman Place to the center point of Angell Street, thence continuing northeasterly along the center line of Angell Street to the center point of Cooke Street, thence continuing southerly along the center line of Cooke Street to the center point of Young Orchard Ave, thence continue along the center line of Young Orchard Ave to center point of Hope Street, thence continuing southerly along the center line of Hope Street to the center point of Charlesfield Street, thence continuing southwesterly along the Charlesfield Street to the center point of Benefit Street, thence continuing southeasterly along the center line of Benefit Street to center point of Planet Street, thence continuing southwesterly along the center line of Planet Street to the center point of South Water Street, thence continuing northwesterly along the center line of South Water Street to the center point of Crawford Street, thence continuing southwesterly along the center line of Crawford Street thence turning southeasterly to the ordinary high water mark of the Providence River; thence running southeasterly along said River Line; thence continuing to the northern boundary of Plat 22 Lot 358, and thence running southeasterly along the

eastern boundaries of Plat 22 Lot 358, Plat 46 Lots 160, 481 and 501 to the southeastern corner of Plat 46 Lot 501, and thence turning and running along the southern border of Plat 46 Lots 501 and 489 to the southwestern corner of Plat 46 Lot 489, and then continuing southwesterly to the center point of Allens Avenue, thence continuing southerly along Allens Avenue to the center point of Public Street, thence continuing southwesterly along the center line of Public Street to the center point of Broad Street. The boundary continues northwesterly along the center line of Broad Street to the center point of Pine Street, thence continues northeasterly along the center line of Pine Street to center point of I-95; thence continuing northerly along the center line of the I-95 right of way to the point and place of beginning on Smith Street.

Figure 1: Providence Streetcar Route



3 TAX INCREMENT AREA BOUNDARY

The Tax Increment Area shown in Figure 2 consists of approximately 980 acres of land within the neighborhoods of College Hill, Downcity, the Jewelry District and Upper South Providence. The boundaries were identified roughly as encompassing all parcels that fall within ¼ mile of the Providence Streetcar route and its terminal, as those are the areas that will be impacted the most by the installation of the streetcar route.

The Tax Increment Area is established as follows;

Starting at the intersection of Smith Street and Park Street, thence continuing southeasterly along the centerline of Smith Street to the center point of Canal Street, thence continuing northeasterly along the centerline of Smith Street to the center point of North Main Street. thence continuing southeasterly along the center line of North Main St to the center point of Church St, thence continuing northeasterly along the center line of Church St to center point of Benefit St. The boundary continues southeasterly along the center line of Benefit St and thence turning easterly and continuing along the northern boundary of Assessor's Plat 100 Lot 683 and continuing to the westerly boundary of Assessor's Plat 100 Lot 709, thence running easterly along the northern boundaries of Assessor's Plat 100 Lots 709 and 691 to the center point of Congdon Street, thence continuing northerly along the centerline of Congdon Street to the center point of Lloyd Lane, thence continuing easterly along the center line of Lloyd Lane to the center point of Prospect Street, thence continuing northwesterly along the center line of Prospect Street to the center point of Lloyd Ave, thence continuing easterly along the center line of Lloyd Ave to the center point of Hope Street. The boundary continues southeasterly along the center line of Hope Street and thence turning easterly and continuing along the northern boundary of Assessor's Plat 110 Lots 110, 8, 11, 20, 33 and 18 and continuing to the centerline of Diman Place, thence continuing southeasterly along the centerline of Diman Place to the center point of Angell Street, thence continuing northeasterly along the center line of Angell Street to the center point of Cooke Street, thence continuing southerly along the center line of Cooke Street to the center point of Young Orchard Ave, thence continue along the center line of Young Orchard Ave to center point of Hope Street, thence continuing southerly along the center line of Hope Street to the center point of Charlesfield Street, thence continuing southwesterly along the Charlesfield Street to the center point of Benefit Street, thence continuing southeasterly along the center line of Benefit Street to center point of Planet Street, thence continuing southwesterly along the center line of Planet Street to the center point of South Water Street, thence continuing northwesterly along the center line of South Water Street to the center point of Crawford Street, thence continuing southwesterly along the center line of Crawford Street thence turning southeasterly to the ordinary high water mark of the Providence River; thence running southeasterly along said River Line; thence continuing to the northern boundary of Plat 22 Lot 358, and thence running southeasterly along the eastern boundaries of Plat 22 Lot 358, Plat 46 Lots 160, 481 and 501 to the southeastern corner of Plat 46 Lot 501, and thence turning and running along the southern border of Plat 46 Lots 501 and 489 to the southwestern corner of Plat 46 Lot 489, and then continuing southwesterly to the center point of Allens Avenue, thence continuing southerly along Allens Avenue to the center point of Public Street, thence continuing southwesterly along the center line of Public Street to the center point of Broad Street. The boundary continues northwesterly along the center line of Broad Street to the center point of Pine Street, thence continues northeasterly along the center line of Pine Street to center point of I-95; thence continuing northerly along the center line of the I-95 right of way to the point and place of beginning on Smith Street.

Figure 2: Providence Streetcar Tax Increment Area



4 PROJECT DESCRIPTION

4.1 PROJECT BACKGROUND

The City of Providence created the Transit 2020 Working Group in 2007 to advance the idea that a multi-modal transportation system is a key part of City's vision for economic growth and environmental sustainability. The working group was comprised of business, academic, and community leaders to identify and advance potential new transit investments in Providence and the greater metro area. RIPTA and the City of Providence built on this initiative to complete the Metropolitan Providence Transit Enhancement Study in 2009 which detailed ten specific strategies for improving transit within the metropolitan area. One of the key recommendations in the study was to "Build a Providence Streetcar." From 2010 to 2012, RIPTA and the City undertook the comprehensive Providence Core Connector Study to evaluate this proposal in detail.

The study confirmed the feasibility of building a streetcar segment in downtown Providence. Streetcars have been successfully employed in several other small and mid-sized cities in the U.S., and serve to complement pedestrian activities in compact, mixed-use urban areas and to catalyze growth and development.

The Providence Streetcar will help the city and state grow, thrive and connect.

GROW – Support local and regional economic development

Providence is in need of increased economic activity. With an unemployment rate of over 10%, the City aims to increase downtown development densities, encourage new investment and attract and grow jobs. Transit investments have proven economic development benefits. A national study found that for every \$1 invested in public transportation, \$4 is generated in economic returns. On a larger scale, every \$10 million in capital investment can return up to \$30 million in business sales alone. Increased investment in transit will catalyze redevelopment in the city.

THRIVE – Strengthen neighborhoods through sustainable investment in transit

The benefits of a strong transit system are well recognized. Transit helps protect our environment by providing an alternative to auto use, diverting cars from our city streets and reducing greenhouse gas emissions. It provides an alternative to auto ownership while preserving mobility options and reducing household expenses. Neighborhoods with transit promote walking and overall public health.

Transit encourages people-focused development and helps create lively neighborhoods with a strong sense of place. *Providence Tomorrow*, the City's Comprehensive Plan, calls for a livable city "with healthy, vibrant, walkable neighborhoods connected to an active downtown, with many transit options." In the past, the strong fabric of downtown was punctured by highway construction, building demolitions, and the construction of surface parking lots. Looking forward, the city must use transit as a prime catalyst to recapture the unique historic character and sense of place that defines Providence.

Providence is the "Creative Capital" and the hub for arts and cultural activities in Rhode Island. The city's cultural plan "Creative Providence" calls out the need to improve access to cultural sites, events and programs as a specific strategy to build community and foster neighborhood vitality.

CONNECT - Provide more transportation choice and build regional connections

Providence's urban core is a central hub for local, regional, and intercity transit services, but it lacks a seamless connection between transportation hubs and downtown activity centers beyond walking range. Kennedy Plaza is the busiest ground

transportation hub in the State with more than 45,000 daily passengers and more than 2,700 bus trips connecting riders from around the state to downtown Providence. These passengers need a seamless connection to places of employment, education, activities and other key destinations in the downtown. Providence Station with MBTA and Amtrak rail service serves over 4,000 passengers every day. Commuter rail services between Wickford, T.F. Green Airport, and Providence will serve nearly 2,000 additional passengers by 2020 and bring more than 250 daily passengers from the airport into Providence each day. However, Providence Station is just outside the heart of downtown, without easy access to the Convention Center, hospital district or colleges and universities. A fixed-rail urban circulator like the Providence Streetcar completes the trip for many of these riders, and makes transit an attractive option. The new Rapid Bus line on Broad and North Main Streets will carry over 10,000 riders a day, enhancing access to downtown from Cranston and Pawtucket. Uniquely branded vehicles, stop amenities, roadway improvements, and more frequent service will improve the speed and attractiveness of bus service. Connecting to a downtown streetcar circulator would further enhance mobility for urban residents along this eight mile urban corridor.

4.2 PHASE 1: STREETCAR FROM COLLEGE HILL TO RIH CIRCLE

The initial segment for the Providence Streetcar is a 2 mile segment from College Hill to the RI Hospital area on Eddy Street. The project would include construction of track, power systems and stations, along with supporting roadway, intersection and utility work. There will be twelve transit stations constructed along the route.

Four streetcar vehicles would be procured and a vehicle maintenance facility would be constructed at the intersection of Eddy Street and Allens Avenue. This parcel, located directly under the I-95/I-95 interchange, is owned by the RI Department of Transportation (RIDOT) and temporarily leased to Landmark for RI Hospital employee parking. Preliminary discussions with RIDOT indicate their willingness to donate this 2 acre parcel to the City for a streetcar maintenance facility.

There is no other land acquisition required for the initial project segment. It is possible that some minor modifications to City owned sidewalks and right-of-way would be required at some intersections, and that additional land donations from RIDOT or other easements might be required to facilitate streetcar operations at the terminal locations. There is no condemnation or eminent domain contemplated or authorized under this plan. In addition, no persons or organizations are anticipated to be displaced or relocated as a result of carrying out the project.

Any funds from the tax increment or from financing supported by the tax increment are limited to use for costs associated with the construction and operations of the streetcar, project area infrastructure improvements and future project phases.

4.3 PHASE 2: STREETCAR EXTENSION TO PRAIRIE AVENUE AND TO PROVIDENCE STATION

The second phase of the Providence Streetcar would be the construction of a roughly 0.5 mile segment from the RI Hospital circle area on Eddy Street to Prairie Avenue, via Dudley Street and a 0.25 mile segment between Kennedy Plaza and the Providence Train Station. These extension lines would include track and power investments, two additional station locations, the purchase of an additional streetcar vehicle, and land acquisition for the terminal location.

4.4 PROJECT BENEFITS

The Providence urban core—a two-mile corridor through downtown and adjacent neighborhoods—is home to the greatest concentration of transportation, employment, medical, educational, and cultural facilities in Rhode Island. This area hosts a mass of activity: its economic health and vitality help drive the state's economic engine. As such, an integrated transit system in the urban core will improve mobility, economic development and community livability from both the local and regional perspectives, serving the people who live, work, and visit here. A comprehensive, integrated transit system is also key to providing affordable access to jobs, educational opportunities and services for those who need them most.

Job Creation

The Core Connector Study, completed in 2012 by the City and RIPTA, performed a detailed economic impact analysis (see attached Streetcar Economic Impact Analysis Report) to estimate the levels of economic activity to be induced by a future streetcar. The analysis found that a Providence Streetcar is expected to contribute more than 5,700 new jobs and nearly 1,900 new residents within the study area over a 20 year period. Most of new residents are anticipated to locate in the Jewelry District and Downcity, with more than 1,300 new residents distributed between these two areas. The largest share of employment is expected to be in office jobs located in the Jewelry District, followed by office jobs in Downcity.

This job growth will enhance employment opportunities, as well as provide greater means to offer job training, apprenticeship programs, and to support other workforce development initiatives.

Table 2: Estimated Jobs and Residents Generated by Additional Development Due to Streetcar

	NEW JOBS DUE TO STREETCAR (BY TYPE)				TOTAL NEW RESIDENTS
	RETAIL	OFFICE	INSTITUTIONAL	TOTAL NEW JOBS	
College Hill	18	26	17	61	7
Capital Center	19	246	0	264	143
Downcity	106	1,305	41	1,452	414
Jewelry District	255	2,063	370	2,688	902
Hospital District	116	635	464	1,215	109
Prairie Ave. Area	15	46	8	70	315
TOTAL	529	4,322	900	5,750	1,890

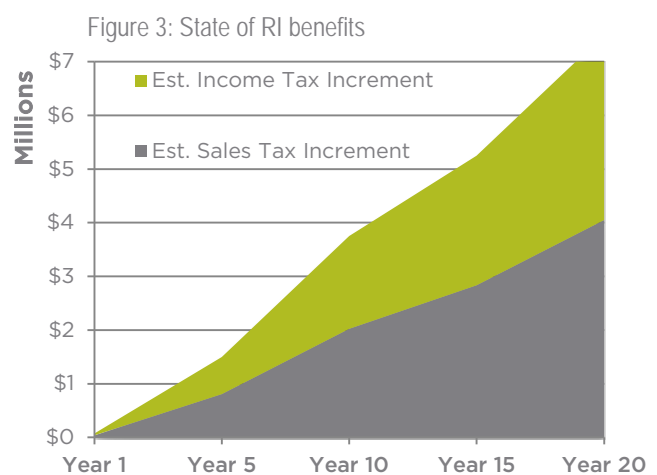
Tax Benefits for the State of Rhode Island

The State of Rhode Island will realize benefits from enhanced regional connectivity to RI's primary business, medical and educational hubs. Based on development and job projections (see Streetcar Economic Impact Analysis Report), the area surrounding a new streetcar route would be anticipated to see an additional 3.6 million square feet of new development over 20 years, with a total value of about \$1.1 billion, and nearly 6,000 new jobs.

The State of RI would realize additional tax revenues due to the increased rate of development and new jobs. As shown in Figure 3, these tax revenues are projected to \$4 million about 10 years after project implementation.

After 20 years, anticipated benefits that would accrue to the State include:

- An estimated \$4.0 M in new sales tax revenues (assuming \$200 in annual sales per square foot of new retail development, taxed at 7%).
- An estimated \$3.5 M in additional annual income tax revenues (assuming 40% of the new jobs are new to the state, pay an average salary of \$40,000, and are taxed at marginal rate of 3.75%).



5 PROJECT COSTS

5.1 ESTIMATED CAPITAL COSTS FOR INITIAL OPERATING SEGMENT

The Providence Department of Planning & Development, partnering with RIPTA, has developed a conceptual design and corresponding capital and operating cost estimates for the Providence Streetcar project. These costs fall into one of three categories: 1) one-time capital costs required to design and construct the project; 2) recurring debt service payments to cover the cost of debt issued to construct the project; and 3) annual operating costs to support transit vehicle operations, maintenance and administration.

The initial operating segment of the Providence Streetcar would operate between College Hill and Rhode Island Hospital in Upper South Providence. The cost of this initial segment would be an estimated \$117.8 million, as adjusted to reflect 2018 dollar value.

Capital cost components include design/engineering, vehicle acquisition, utility relocation, construction and contingencies. This first phase of the project would also construct a vehicle maintenance facility with the capacity to support future phases of the project. A summary of estimated capital costs is shown in Table 2 using the Federal Transit Administration's (FTA's) Standard Cost Categories. Contingencies, varying from 10-50% of each item, are allocated to each line item; there is an additional unallocated 10% contingency on total project costs. More detail can be found in the attached *Providence Core Connector Capital Cost Report (2012)*. As the project advances to final stages of engineering, these cost estimates will continue to be refined.

5.2 CAPITAL FUNDING SOURCES FOR INITIAL OPERATING SEGMENT

The City of Providence aims to maximize upfront capital contributions in order to minimize the need for project bonding. Competitive federal grants are currently being pursued through USDOT, and additional support through federal funds has been pledged by RIPTA and RIDOT (through a promised land donation). State funding is also being pursued. A list of all capital funding sources is shown in Table 3, with an explanation of each source and commitment described below.

Table 2: Conceptual Cost Estimate for Initial Streetcar Segment: College Hill to RI Hospital

COST CATEGORIES	DESCRIPTION	TOTAL
Guideway and Track	Track installed at-grade in mixed traffic and in reserved right-of-way on the Washington Street bridge	\$21,705,304
Stations,	11 stations (typically including platforms on both sides of the street) along the alignment typically placed every 800 feet	\$895,515
Support Facilities	A Vehicle Maintenance Facility is needed to provide vehicle storage and maintenance services, including inspection, exterior washing, interior cleaning, repair activities, and spare parts storage	\$3,021,235
Sitework & Special Conditions	Modifying the existing cross-sections in some locations along the alignment to accommodate the streetcar and pedestrian traffic. Also includes in-street utility conflict mitigation.	\$9,744,122
Power Systems	Includes new and modified traffic signals, five traction power substations, and the overhead catenary power distribution system	\$17,711,216
Total construction items		\$53,077,392
ROW, Land, Existing Improvements	Property needed for maintenance facility and to accommodate streetcar turning radius in several locations.	\$1,142,535
Total (includes allocated contingencies)		\$54,219,927

COST CATEGORIES	DESCRIPTION	TOTAL
Vehicles	Three active streetcar vehicles and one spare streetcar vehicle	\$20,640,000
Professional Services	Preliminary engineering, final design, project management, construction management, insurance, permitting and fees, and survey (27% of construction elements)	\$14,330,896
Unallocated Contingency	Standard unallocated contingency (10%)	\$8,919,082
Finance Charges	Finance charges related to bond issues	\$3,500,000
Total Base Cost for Project (2011 dollars)		\$101,609,906
Total Cost for Project (escalated to 2016 dollars)		\$117,793,729

Table 3: Capital Funding Sources for Providence Streetcar

CAPITAL FUNDING SOURCE	ESTIMATED FUNDING AMOUNT
USDOT Competitive Grant	\$29.0 M
City of Providence TIF Revenue Bond	\$57.7 M
RICC Bond	\$10.0 M
State of RI Capital Plan (RICAP) funds	\$15.0 M
RIPTA CMAQ funds	\$5.3 M
RIDOT land transfer	\$0.8 M
TOTAL	\$117.8 M

Capital Funding Sources

- USDOT Competitive Grant:** The City is pursuing a competitive federal grant funding under USDOT's TIGER program (Transportation Investment Generating Economic Recovery). As an alternative, RIPTA and the City would pursue federal dollars through the Federal Transit Administrations (FTA's) Small Starts program, or other future federal funding programs.
- City of Providence TIF Revenue Bond:** A revenue bond to support project construction would be issued by the City and supported through revenues from the Tax Increment Area. A \$57.73 M bond would be issued in 2017, with a 30 - year term at a projected 3.5% interest rate. Anticipated debt service payments would be \$3.2 million annually, over the 30-year term.
- RI Convention Center Authority:** In recognition of the benefits a Providence Streetcar would bring in terms of increased activity at the Convention Center, the Authority has indicated a willingness to provide \$10M in support for early project development in 2015 and 2016. This support could be provided through a bond issue.
- State of Rhode Island:** The State is poised to benefit from the City's investment in a Providence Streetcar through increased receipts from personal income, sales, meals, and hotel occupancy taxes. In recognition of these benefits, the State would support construction through the RI Capital Fund (RICAP), the issuance of general obligation bonds backed by these receipts, or other sources.
- RI Public Transit Authority CMAQ:** Rhode Island receives federal Congestion Mitigation and Air Quality (CMAQ) funds each year on a formula basis for air quality and congestion improvements, including transit projects. RIPTA is programmed to receive about \$3.8 million annually through this program, and has indicated support for devoting a portion of these funds towards capital costs for the Providence Streetcar over a three-year period. Additional RIPTA CMAQ funds would also be used as a short-term, 3-year operating subsidy, as described further below.
- RI Department of Transportation Land Donation:** RIDOT owns a parcel of land on Eddy Street, remaining from the I-195 construction project and appraised at over \$800,000. Discussions with RIDOT indicate their willingness to donate this land for the Streetcar Vehicle Maintenance Facility.

5.3 ESTIMATED ANNUAL COSTS FOR INITIAL OPERATING SEGMENT

Annual streetcar operating costs are largely based on the size of the system, and the hours and frequency of service. This initial segment of the Providence Streetcar would be operated using three vehicles during peak periods, with a fourth vehicle purchased as a spare. Annual operating costs were developed using an average total cost per hour based on actual operations from other US cities with active streetcar networks. This cost includes transit vehicle operations, maintenance and administration.

Annual operating costs for the initial segment between College Hill and the RI Hospital Circle would be \$3.2 million in 2019, the first full year of operations. These costs would be anticipated to increase over time with the rate of inflation.

5.4 PROJECT FINANCE PLAN: ANNUAL REVENUE SOURCES TO SUPPORT OPERATIONS + DEBT SERVICE

In the first full year of streetcar operations (2019), the total cost to support the Providence Streetcar is estimated to be \$6.4 million (transit operations + debt service). A long term sustainable revenue stream has been identified to support ongoing operations over time, as presented in Appendix B, a project pro-forma to support an initial streetcar segment between College Hill and RI Hospital Circle. Revenue sources to support annual ongoing costs include: (See Appendix A – Project Pro-Forma)

- **A Tax Increment Finance (TIF) Revenues:** The Tax Increment Area established herein, would serve as a primary source to fund debt service and annual ongoing operations costs for the project.
- **System Revenues:** The operator of the system whether the City, RIPTA or another entity would realize system revenues from passenger fares, advertising, station sponsorships and federal support for preventative vehicle maintenance. These revenues would be approximately \$1.8 million in 2019, and would increase over time with ridership increases and the cost of inflation.
- **A Special Assessment District:** The City is proposing to establish a Special Assessment District for tax-exempt medical and private educational institutions along the route. Assessments would be based on property value and the distance to the streetcar route. Assumed assessment rates are:
 - Properties within 1/8 of a mile of the route assessed at \$0.60 per \$1,000 of value
 - Properties within ¼ mile of the route assessed at \$0.30 per \$1,000 of value

This district would generate approximately \$1.1 million in 2019, with annual revenues increasing as overall property values in the district increase.

The three funding sources above: TIF revenues, System Revenues and Special Assessment District revenues, are anticipated to be sufficient to support streetcar operations and pay debt service within about 7 or 8 years after project design and engineering begins, or sometime after the 3rd year of operations. Supplemental revenues have been identified to help support project costs over the near term, as induced development takes place, tax stabilization agreements expire, and TIF district revenues increase. These supplemental revenues include:

- **Local revenues:** The City would provide additional revenue support during the first years of project development and operation. It is assumed that a total of \$300,000 in local parking revenues would be directed toward the project over a six-year period, for a total of about \$1.8 million. Future parking revenues are anticipated to grow over time due to greater utilization, new technologies, increased enforcement and rate inflation.
- **RIPTA CMAQ Operating Subsidy:** A three-year CMAQ operating subsidy of \$550,000 per year, dedicated by RIPTA, would be used to support initial streetcar operations. This is in addition to the capital CMAQ contributions made in earlier years to support project construction. No existing RIPTA operating funds would be dedicated towards streetcar operations.

6 FINANCE STRUCTURE

Construction and operation of a streetcar and other public investments in the Tax Increment Area are anticipated to have a significant positive effect on the pace and scope of economic development in the Project Area. The Core Connector Study completed in 2012 performed a detailed economic impact analysis (Streetcar Economic Impacts Analysis Report) to provide a projection of the scale of development to be reasonably expected once streetcar construction begins.

Based on the amount of land and underutilized floor area space currently available in the District, and actual development results from other U.S. cities with recently constructed streetcars, a Providence Streetcar running from College Hill to Prairie Avenue is anticipated to induce an additional 3.6 million square feet of development over a 20 year period. The initial starter segment is anticipated to induce 3.4 million square feet of development.

The City of Providence will realize significant increments in property tax revenues from this new development, as well as increased property value premiums from existing properties along the route. The Tax Increment Area is proposed to capture a portion of this increase in value to finance streetcar construction, operations and other improvements within the Project Area.

6.1 TIF CREATION + BASE VALUE IN DISTRICT

Other U.S. cities have seen significant development activity and property value premiums occur in the early stages of streetcar construction, and even during project development, before construction begins. The boundaries of the Tax Increment Area, shown in Figure 2, and encompass roughly ¼ mile on either side of the full streetcar route from Thayer Street to Prairie Avenue.

The project pro-forma assumes the establishment of the Project Area and Tax Increment Area in 2014, allowing TIF revenue to be captured and available to the project beginning in 2015. Development projections and base property values were evaluated using 2009 assessed values. As shown in Table 4, the Base Value of taxable property in the Tax Increment Area is \$2.05 billion.

A City of Providence Tax Assessor, upon establishment of the District, will reevaluate the base value of the Tax Increment Area per the base date in accordance with RIGL 45-33.2-3.

Table 4: Base Property Value in Tax Increment Area

	TOTAL
Residential	\$500,469,133
Commercial	\$1,552,620,918
Subtotal Taxable Property	\$2,053,090,051
Institutional	\$1,978,118,015
Total	\$4,031,208,067

Source: City of Providence Tax Assessor's Database (2009 data).

6.2 METHODOLOGY USED TO MAKE TIF REVENUE PROJECTIONS

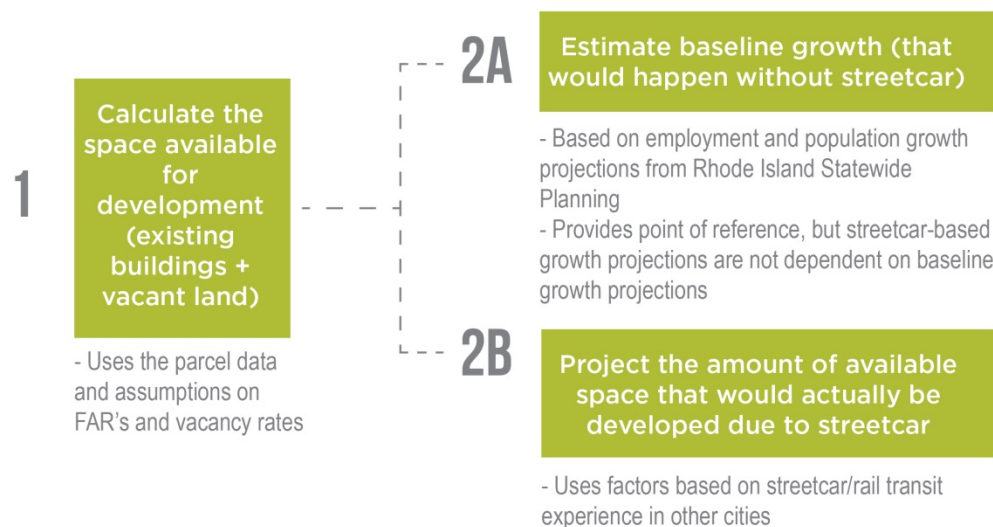
TIF revenue projections are based on the *Streetcar Economic Impact Analysis Report* performed as part of the Core Connector Study in 2012¹. These projections were made based on currently available space in Providence in 2011, and using actual development results realized in other US cities with streetcars. Based on the experience of streetcar projects in other cities, it is assumed that development will begin at the same time that construction of the streetcar begins, which is anticipated to be 2016. The full build-out period for related development is assumed to be 20 years, from 2016 to 2035.

A multi-step methodology was used to estimate the level of induced economic development resulting from the construction and operation of a streetcar in downtown Providence. Figure 4 shows these steps, with the analysis estimating both the amount of baseline growth expected to occur *without* a streetcar system versus the amount of additional growth that reasonably expected to occur *with* a streetcar.

Development impacts were projected in terms of the following:

- **Square Footage of Development** – The amount of vacant and redevelopable space available was estimated, and the projected amount of development of these spaces that may occur as a result of the streetcar service was calculated.
- **Increases in Jobs and Population** – The analysis captured residential, commercial, and institutional development potential and converted these estimates into likely job and population increases.
- **Property Value Increases** – The estimate of development likely to be generated by a streetcar was used to estimate the likely increase in property value for the area. This property value increase was then be used to estimate the projected levels of incremental tax revenues to be generated within the Tax Increment Area.

Figure 4: Development Projection Methodology Used to Estimate Future TIF Revenues



¹ The work was performed by HDR Economics, an engineering and economics consulting firm out of Boston, MA, with several workshops attended by local and out-of-state developers and real estate professionals to review the assumptions and reasonableness of the projections.

6.3 PROJECTED INDUCED DEVELOPMENT DUE TO STREETCAR

Based on a risk analysis, three potential future growth scenarios were developed to provide “low-, mid-, and high-range” estimates for the level of induced economic growth attributable to a Providence Streetcar. According to the mid-range or “most likely” development projections, the area along the route would realize about 3.6 million square feet of new development and about a \$734 million increase in value on taxable property in the district over the next 20 years. Tax-exempt property would also see a significant increase in value, of about \$227 million over twenty years.

The development methodology and projections were shared at a series of workshops with local and out-of-state developers and real estate professionals; the consensus was that the assumptions and projections were reasonable, if not conservative, in nature. Additional reasonability tests were performed and found that:

- The Return on Investment (ROI) made on the Providence Streetcar was projected to be about 9:1, which is significantly more conservative than the actual returns realized in other U.S. cities (e.g. ROI of 14:1 in Little Rock AR; 19:1 in Memphis TN; and 34:1 in Portland OR).

6.4 CALCULATION OF TAX INCREMENT TO BE GENERATED

Appendix B shows the increased value of taxable property within the Streetcar TIF District over a 30-year period, and the incremental tax revenue to be generated. About \$500,000 in incremental revenues would be generated in year 2015, growing to over \$17 million by 2034. The following assumptions were made: (See Appendix B – Streetcar Tax Increment Area – Estimate Of Incremental Tax Revenue To Be Generated)

6.4.1 ASSUMPTIONS

- TIF projections are based off 2009 Base Assessed Value. A City of Providence Tax Assessor, upon establishment of the District, will reevaluate the base value of the Tax Increment Area per the base date in accordance with RIGL 45-33.2-3.
- The analysis is based on development of a Providence Streetcar between College Hill and Prairie Avenue; revenue generation estimates reflect reduced growth impacts in the Prairie Avenue area due to project phasing.
- It is assumed the City's current 2014 residential and commercial tax rates would remain in place over the 20 year forecast period.
- It is assumed that all new multi-family residential and commercial development on vacant land would be eligible for tax incentives. The assumption used for purposes of calculating the tax increment is that the base assessment and taxes would remain flat during the first three years, followed by a 10-year phase in of full taxes, at a 10% increase per year.
- All new residential development on vacant land in the district would be non-owner-occupied.
- Existing residential development in the district is assumed to be 25% owner-occupied. A blended residential rate was used to calculate incremental tax revenues on existing residential properties.

6.4.2 METHOD OF CALCULATION

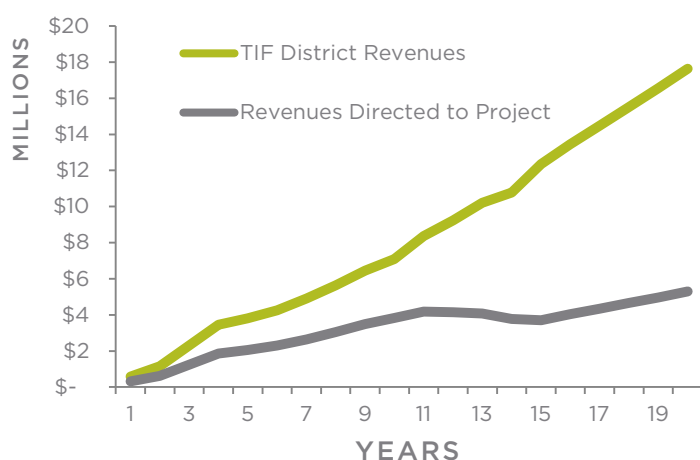
- The base tax within the Tax Increment Area will be retained by the City and not pledged to the repayment of the Tax Increment Bonds.
- The incremental annual property taxes in the Tax Increment Area will pay debt service on the Tax Increment Bonds.
- The excess of the annual property tax increment in the Tax Increment Area will be retained by the City.

6.5 PROJECT DEBT + PERCENTAGE OF TAX INCREMENT DIRECTED TOWARD PROJECT

For the initial streetcar segment, a total of \$60 million in up front capital contributions have been identified to support project design and construction. These funds would be supplemented by the issuance of an estimated \$57.73 million TIF revenue bond in 2017 by the City of Providence, backed by incremental tax revenues coming from a newly established TIF District. Total debt service payments would be about \$3.2 million over a 30-year term.

As shown in the Project Pro-Forma (Appendix A), it is assumed that over the first 10 years, approximately 54% of the incremental tax revenues would be directed towards the implementation of the first project phase (design, construction and operation of streetcar between College Hill and RI Hospital). As the pace of development increases and tax stabilization incentives for new developments are phased out, over time, a smaller portion of overall Tax Increment Area revenues would be dedicated to the project. It is anticipated that 8 years after project construction begins, the percentage of the tax increment dedicated to the project will begin to be reduced.

Figure 5: Tax Increment Directed to Project



7 DESIGNATION OF OFFICER TO CALCULATE TAX INCREMENT

The City of Providence Tax Assessor would be responsible for calculating the annual tax increment and percentage available to the project.

PROVIDENCE STREETCAR

APPENDIX A - PROJECT PRO-FORMA

PROVIDENCE STREETCAR - Project Pro-Forma / Projected 20-Year Cash Flow

Initial Starter Segment: College Hill to RI Hospital Circle

CAPITAL COSTS	2015	2016	2017	2018	TOTAL CAPITAL
Total Expenditures by year	\$3,941,686	\$25,925,012	\$54,958,314	\$32,974,988	\$117,800,000
Revenue Sources by year					
USDOT TIGER Grant	\$0	\$14,000,000	\$15,000,000		\$29,000,000
CMAQ		\$1,750,000	\$1,750,000	\$1,750,000	\$5,250,000
RIDOT Land Donation		\$824,000			\$824,000
Private Contribution (RICC)	\$10,000,000				\$10,000,000
RICAP or Other State Funding		\$5,000,000	\$5,000,000	\$5,000,000	\$15,000,000
Subtotal Capital Revenues by year	\$10,000,000	\$21,574,000	\$21,750,000	\$6,750,000	\$60,074,000
Assumed Bond Issue	\$0	\$0	\$57,726,000		\$57,726,000
TOTAL Capital Revenues by Year	\$10,000,000	\$21,574,000	\$79,476,000	\$6,750,000	\$117,800,000
Cash Flow Excess/(Shortfall) by Year	\$6,058,314	(\$4,351,012)	\$24,517,686	(\$26,224,988)	\$0
Excess/Shortfall over time	\$6,058,314	\$1,707,302	\$26,224,988	\$0	\$0

Key Assumptions
Project costs inflated to 2018
Assumes \$29M TIGER grant
Approx. \$4M needed to initiate project development in 2015
TIF District established in 2014; revenues generated in 2015
Tax incentives on all new vacant land development (13 yrs)
Bond finance charges included in total capital costs
Streetcar operations begin in late 2018
Fares set at \$2/ride
3 year \$550K CMAQ operating subsidy through RIPTA
Tax exempt institutions assessed at \$0.60/\$0.30 per \$1,000 of value

ANNUAL COSTS - DEBT SERVICE	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
City TIF Revenue bond (30 yrs/3.5%)					\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000
Interest Payments			\$2,100,000	\$2,100,000																
Subtotal Debt Service		\$0	\$2,100,000	\$2,100,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000

ANNUAL COSTS - OPERATIONS	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Annual Transit Operations	@3.0% annual inflation			\$1,565,020	\$3,223,941	\$3,320,659	\$3,420,279	\$3,522,888	\$3,628,574	\$3,737,431	\$3,849,554	\$3,965,041	\$4,083,992	\$4,206,512	\$4,332,707	\$4,462,689	\$4,596,569	\$4,734,466	\$4,876,500	\$5,022,795

ANNUAL CASH FLOW ESTIMATES	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
REVENUES																				
System Revenues (via Operator)																				
FTA Section 5307 (Prev Maint)	@2.5% annual inflation			\$112,500	\$225,000	\$230,625	\$236,391	\$242,300	\$248,358	\$254,567	\$260,931	\$267,454	\$274,141	\$280,994	\$288,019	\$295,219	\$302,600	\$310,165	\$317,919	\$325,867
Fare Revenues @ \$2.00/ride	@ 2.5% annual inflation			\$697,800	\$1,395,600	\$1,430,490	\$1,466,252	\$1,502,909	\$1,540,481	\$1,578,993	\$1,618,468	\$1,658,930	\$1,700,403	\$1,742,913	\$1,786,486	\$1,786,486	\$1,786,486	\$1,786,486	\$1,786,486	\$1,786,486
Sponsorship/Ad Revenues	@2.5% annual inflation			\$87,500	\$175,000	\$179,375	\$183,859	\$188,456	\$193,167	\$197,996	\$202,946	\$208,020	\$213,221	\$218,551	\$224,015	\$229,615	\$235,356	\$241,239	\$247,270	\$253,452
Subtotal System Revenues		\$0	\$0	\$897,800	\$1,795,600	\$1,840,490	\$1,886,502	\$1,933,665	\$1,982,006	\$2,031,557	\$2,082,346	\$2,134,404	\$2,187,764	\$2,242,458	\$2,298,520	\$2,311,321	\$2,324,442	\$2,337,890	\$2,351,676	\$2,365,805
CALCULATION OF ADDITIONAL NEED																				
Debt Service Costs		\$0	\$2,100,000	\$2,100,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000
Operation Costs (less System Revenues)				\$667,220	\$1,428,341	\$1,480,169	\$1,533,777	\$1,589,223	\$1,646,568	\$1,705,875	\$1,767,209	\$1,830,637	\$1,896,228	\$1,964,054	\$2,034,188	\$2,151,368	\$2,272,128	\$2,396,576	\$2,524,825	\$2,656,990
Subtotal Additional NEED		\$0	\$2,100,000	\$2,767,220	\$4,628,341	\$4,680,169	\$4,733,777	\$4,789,223	\$4,846,568	\$4,905,875	\$4,967,209	\$5,030,637	\$5,096,228	\$5,164,054	\$5,234,188	\$5,351,368	\$5,472,128	\$5,596,576	\$5,724,825	\$5,856,990
TIF Revenues Available to Project	\$	310,839	\$ 621,678	\$1,243,356	\$1,865,034	\$2,057,252	\$2,301,111	\$2,647,336	\$3,041,733	\$3,484,303	\$3,830,193	\$4,179,591	\$4,153,793	\$4,080,679	\$3,769,203	\$3,707,779	\$4,037,466	\$4,342,574	\$4,653,212	\$4,969,379
TOTAL ADDITIONAL NEED AFTER TIF		(\$310,839)	(\$621,678)	\$856,644	\$902,186	\$2,571,090	\$2,379,059	\$2,086,441	\$1,747,490	\$1,362,265	\$1,075,682	\$787,617	\$876,843	\$1,015,549	\$1,394,851	\$1,526,408	\$1,313,902	\$1,129,554	\$943,364	\$755,446
Other Revenues Available																				
Tax-Exempt Institutional Assessment		\$0	\$ 1,025,075	\$ 1,055,500	\$ 1,077,748	\$ 1,088,871	\$ 1,099,993	\$ 1,111,116	\$ 1,122,238	\$ 1,133,361	\$ 1,145,209	\$ 1,157,057	\$ 1,165,880	\$ 1,174,542	\$ 1,183,203	\$ 1,191,865	\$ 1,200,527	\$ 1,209,189	\$ 1,217,850	\$ 1,226,512
CMAQ Operating Subsidy (3 years)			\$0	\$550,000	\$550,000	\$550,000														
Other Local Revenues (City Parking)		\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000													
Subtotal Other Revenues		\$300,000	\$1,325,075	\$1,355,500	\$1,927,748	\$1,938,871	\$1,949,993	\$1,111,116	\$1,122,238	\$1,133,361	\$1,145,209	\$1,157,057	\$1,165,880	\$1,174,542	\$1,183,203	\$1,191,865	\$1,200,527	\$1,209,189	\$1,217,850	\$1,226,512
Excess or (SHORTFALL) by year		\$310,839	\$921,678	\$468,431	\$453,314	(\$643,342)	(\$440,188)	(\$136,448)	(\$636,374)	(\$240,027)	\$57,679	\$357,591	\$280,213	\$150,331	(\$220,309)	(\$343,205)	(\$122,037)	\$70,973	\$265,824	\$462,405
Excess or (SHORTFALL) over time		\$310,839	\$1,232,517	\$1,700,948	\$2,154,262	\$1,510,920	\$1,070,732	\$934,284	\$297,910	\$57,883	\$115,562	\$473,153	\$753,367	\$903,697	\$683,388	\$340,183	\$218,146	\$289,119	\$554,943	\$1,017,348

Notes:

Fares set @ \$2 for 2018 (and assumes 2326 daily riders an average of 300 days/year); escalated@ 2.5% to reflect projected ridership/fare increases over time
Institutional Assessments only made on tax-exempt university and hospital properties within corridor, ending w/in one-quarter mile of RIH Circle, @ \$0.60/\$0.30 per \$1000 of value

TOTAL TIF District Revenues	\$	575,628	\$ 1,151,255	\$ 2,302,511	\$ 3,453,766	\$ 3,809,725	\$ 4,261,316	\$ 4,902,474	\$ 5,632,839	\$ 6,452,412	\$ 7,092,950	\$ 8,359,183	\$ 9,230,652	\$ 10,201,697	\$ 10,769,151	\$ 12,359,264	\$ 13,458,219	\$ 14,475,246	\$ 15,510,706	\$ 16,564,597	\$ 17,636,921
Percentage of TIF Used for Project		54%	54%	54%	54%	54%	54%	54%	54%	54%	54%	50%	45%	40%	35%	30%	30%	30%	30%	30%	30%
TIF Revenues Available to Project	\$	310,839	\$ 621,678	\$ 1,243,356	\$ 1,865,034	\$ 2,057,252	\$ 2,301,111	\$ 2,647,336	\$ 3,041,733	\$ 3,484,303	\$ 3,830,193	\$ 4,179,591	\$ 4,153,793	\$ 4,080,679	\$ 3,769,203	\$ 3,707,779	\$ 4,037,466	\$ 4,342,574	\$ 4,653,212	\$ 4,969,379	\$ 5,291,076

(Assumes 100% tax abatement incentive on new vacant land development for 3 years; full rate phased in over years 4 to 13

APPENDIX B - STREETCAR TAX INCREMENT AREA - ESTIMATE OF INCREMENTAL TAX REVENUE TO BE GENERATED

Incremental Residential Tax Revenues	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Property value increase: New Development	\$8,972,705	\$17,945,411	\$35,890,822	\$44,335,721	\$52,780,620	\$61,225,520	\$69,670,419	\$78,115,318	\$86,973,443	\$95,831,568	\$105,102,918	\$114,282,440	\$123,461,962	\$132,641,484	\$141,821,006	\$151,000,529	\$160,180,051	\$169,359,573	\$178,539,095
Incremental tax revenues (w/ incentives)	\$ -	\$ -	\$ -	\$ 30,283	\$ 92,014	\$ 216,640	\$ 370,865	\$ 554,688	\$ 768,109	\$ 1,011,128	\$ 1,283,745	\$ 1,588,334	\$ 1,421,728	\$ 2,265,519	\$ 2,608,514	\$ 2,922,431	\$ 3,240,569	\$ 3,562,927	\$ 3,889,505
Redevelopment and Premium on Existing Properties	\$ 7,626,439	\$ 15,252,879	\$ 22,879,318	\$ 24,464,045	\$ 26,048,771	\$ 27,633,498	\$ 29,218,224	\$ 30,802,951	\$ 32,387,677	\$ 33,972,404	\$ 34,388,383	\$ 34,804,362	\$ 35,220,342	\$ 35,636,321	\$ 36,052,300	\$ 36,468,280	\$ 36,884,259	\$ 37,300,238	\$ 37,716,217
Assume 75% units are rental @ avg. rate of \$30.13	\$ 164,391	\$ 328,782	\$ 493,172	\$ 530,827	\$ 568,482	\$ 606,137	\$ 643,792	\$ 681,447	\$ 719,102	\$ 756,756	\$ 763,276	\$ 769,796	\$ 776,316	\$ 782,835	\$ 789,355	\$ 795,875	\$ 802,395	\$ 808,914	\$ 815,434

Incremental Commercial Tax Revenues	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Property value increase: New Development																			
Incremental tax revenues (w/ incentives)	\$ -	\$ -	\$ -	\$ 63,335	\$ 190,855	\$ 445,045	\$ 758,845	\$ 1,132,255	\$ 1,297,031	\$ 2,057,905	\$ 2,610,144	\$ 3,229,988	\$ 3,917,435	\$ 4,617,144	\$ 5,326,492	\$ 5,982,989	\$ 6,653,698	\$ 7,338,619	\$ 8,037,751
Redevelopment and Premium on Existing Properties	\$ 26,853,458	\$ 53,706,916	\$ 80,560,374	\$ 86,674,273	\$ 92,788,171	\$ 98,902,069	\$ 105,015,968	\$ 111,129,866	\$ 117,243,764	\$ 123,357,663	\$ 124,448,625	\$ 125,539,588	\$ 126,630,551	\$ 127,721,514	\$ 128,812,477	\$ 129,903,439	\$ 130,994,402	\$ 132,085,365	\$ 133,176,328
At full commercial rate (\$36.75)	\$ 986,865	\$ 1,973,729	\$ 2,960,594	\$ 3,185,280	\$ 3,409,965	\$ 3,634,651	\$ 3,859,337	\$ 4,084,023	\$ 4,308,708	\$ 4,533,394	\$ 4,573,487	\$ 4,613,580	\$ 4,653,673	\$ 4,693,766	\$ 4,733,859	\$ 4,773,951	\$ 4,814,044	\$ 4,854,137	\$ 4,894,230

TOTAL TIF REVENUES TO BE GENERATED	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Total Incremental Revenues	\$ 1,151,255	\$ 2,302,511	\$ 3,453,766	\$ 3,809,725	\$ 4,261,316	\$ 4,902,474	\$ 5,632,839	\$ 6,452,412	\$ 7,092,950	\$ 8,359,183	\$ 9,230,652	\$ 10,201,697	\$ 10,769,151	\$ 12,359,264	\$ 13,458,219	\$ 14,475,246	\$ 15,510,706	\$ 16,564,597	\$ 17,636,921

ASSUMPTIONS

1. All new development on vacant land recieves 100% abatement years 1-3; then phased in to full tax rate years 4-13

2. All new residential development on vacant land assumed to be non-owner occupied.

3. Existing residential property in the district is 75% rental and 25% owner occupied; applies a \$30.13 rate to calculate increment on existing residential properties to reflect this mix

4. Uses 2009 base property value. Does not reflect Providence reassessment completed in December 2012.

5. 2014 tax rates held constant

2014 Residential/Rental Rate =	\$33.75 full rate (per \$1000 of value) - rental units
2014 Residential/Owner Rate =	\$19.25 owner occupied
	\$30.13 Calculated rate assuming 75% of existing residential in District is rental
2014 Commercial Rate =	\$36.75 full rate (per \$1000 of value)

6. Uses Most Likely Development Scenario from Core Connector Streetcar Economic Development Report, 2011-2012. Projections shifted out two years.

7. Includes revenues from west of Prairie Avenue, but only includes projected residential redevelopment at 35% of the rate that would occur if streetcar extended to Prairie