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## **EXECUTIVE SUMMARY OF FINDINGS, TARGETS & RECOMMENDATIONS**

On behalf of Goody, Clancy & Associates, New England Economic Development Services, Inc. has conducted data analysis and targeted, confidential interviews with business executives, economic developers, and real estate experts to assess the strongest markets for development of the Warwick Station Redevelopment District.

Following are our findings and recommendations from this analysis.

Starting with the vision for the District expressed by the Warwick Station Redevelopment Commission, we have narrowed the range of possible target businesses to a “target universe” for detailed statistical analysis. Drawing on comprehensive government statistics, Census-generated business survey data, interviews, and our own facility location and development experience, we have further refined this target universe to identify a well-defined target market for development promotion.

This includes recommended target business sectors for active recruitment into the District, based on both growth potential and competitive strengths in the District. It also includes targets that may or may not justify the expense of active marketing, based on future growth potential, but that may very well appear opportunistically, and for which the District can be highly competitive.

Knowledge of these targets, blended with market-based perspective from our series of interviews, also provides us with information about the specific competitive strengths and weaknesses of the District. This, in turn, enables us to recommend specific development strategies that the Redevelopment Commission, the City, and/or the developer should undertake. In some cases, these recommendations simply enhance the District’s competitive appeal to one or more target sectors. But in others, they address real competitive barriers that, left uncorrected, could seriously limit the development potential of the District for these or any other business uses.

### **Recommended Targets**

NEEDS, Inc. has extensive technical expertise and experience in economic development that targets the “basic sector” of local and regional economies. This is a broad set of Manufacturing, Distribution, Financial sector, and Service industries, whose common feature is that they provide goods and/or services to markets *outside* the local or regional economy, drawing dollars in and thereby growing the overall *area* economy. This may best be understood by contrast to the “secondary economy,” including most Retail, and Government, and a significant part of the Transportation, Hospitality and others who serve local customers, and whose overall scale in the local economy is determined by the size of the basic sector.

As a result, the highest value added in this analysis is in the identification of targets to develop the District as an “employment center,” concentrating basic-sector businesses that draw dollars into the local economy for capital investment, payroll, and fiscal growth. This was a clear mandate from the Redevelopment Commission.

At the same time, the Commission expressed its vision to leverage District development to expand the range of services and amenities available to area residents. And, the unique character of this District makes it a prime location for development of Hotel/Conference facilities, which in this instance would serve both local and external customers and therefore be part of both the basic and secondary economies.

This Hospitality target interacts not only with secondary-sector businesses like restaurants (an amenity targeted by the Commission for growth in its own right), but with basic-sector businesses in complex ways. The scale of Hotel/Conference development can be increased to the extent that the nearby basic business sector grows and makes use of it. Its ability to attract external business, a high strategic priority for everyone involved, is enhanced by proximity to better and broader dining and related amenities normally thought of as secondary. And, our basic-sector “employment center” targets are very likely to be more attracted to a master-planned environment offering all of these Hospitality services.

Our recommendations for development are as follows.

### **1. Hospitality**

*We recommend that the Commission prepare and issue a Request for Proposals to develop a coherent Hotel/Conference facility.* This may be done in cooperation with the Developer, and/or in the context of negotiations regarding the proposal for hotel development now before the Commission. The scale of this project will best be determined by the market, in the form of responses to the RFP.

The Providence/Warwick area is seriously under-served by Hotels. More importantly, two serious Hotel development proposals are on the table for this area now. We recommend that the Commission and the City move forward on these projects as quickly as possible, in a manner consistent with the overall Master Plan. The market demand for additional Conference capacity is less clear, but there is still considerable evidence in support of it.

The Master Plan should be designed to accommodate further development of Restaurant, Entertainment, and related Retail facilities. The critical aspects of this plan are physical accessibility to Transportation infrastructure, *including passenger autos* and free parking; and visibility to traffic to and through the Airport, Train Station, and major auto routes. This sector has shown remarkable growth in the area during the 1990s, and appears likely to continue moderate to rapid growth going forward. However, new Dining/Entertainment/Retail growth in the District depends on offering an assured and easily accessible stream of potential customers, in the form of travelers, employees in the employment center, *and* from the wider area.

Apart from these reasons to target Hospitality first, we believe it may play a necessary role as catalyst for other kinds of development. Given the current land uses and apparent land price expectations, it will be especially difficult to attract the “first occupant” for most other kinds of businesses. Capturing the real, identifiable interest in Hotel development at the beginning is very likely to reduce or eliminate resistance to considering the District among other kinds of businesses.

## 2. Financial Services

*Financial Services is clearly the single most promising target sector for establishing an employment center.* Its recent real growth and predicted regional growth make it a prime potential business growth market. The combination of Rhode Island's exceptional legislative, tax, and regulatory climate with the *potential* advantages of the Warwick Station District (developed through the Master Plan) can make the District highly competitive to attract new facilities in this sector. Its typical facility characteristics (scale, wage profile, skill profile) all make it the kind of industry that would contribute not only jobs and tax base, but also expanded market support for the Hospitality services that the Commission envisions for the District.

As with other potential targets, successful Financial Services development will require strategic action. Although other transportation assets will certainly appeal, businesses will demand auto access and parking as well, at least among initial tenants and for the foreseeable future. The City will also need to address specific local tangible property tax issues, and the developer will need to ensure that real estate prices remain competitive.

## 3. Banking

*Banking Operations and Service Centers have already demonstrated an ability to compete and grow in this area, and are appropriate for targeted development recruitment.* Although Bank growth in Rhode Island has been weaker than Financial Services growth, this must be put in the context of the 1991 collapse. That one-time, tragic event both cost thousands of jobs in the early 1990s and colors formal growth forecasts by government economists. But, it will not be repeated, and since 1997, Banking has recovered more than 4,000 jobs Statewide, making it Rhode Island's single largest source of new jobs during this three-year period. Interviews with people who know this industry indicate that the official slow-to-moderate growth forecasts are too conservative, and further growth of existing and possibly new Banks is likely.

Bank operations facilities very much like those now in the area do not provide the range or number of very-high-wage jobs associated with some Financial Services, but they do uniformly provide excellent jobs paying good middle-class wages with good benefits. Employees may be profiled as likely to respond to the Master-Planned quality and envisioned restaurant and related amenities in the District, and would contribute to market support for these amenities.

Bank Operations Centers will be attracted both by Rhode Island's strong tax and legal climate for Banking, by central location relative to a large, educated labor shed, and by good transit and auto access. It will, however, be more price-conscious. Tangible Property Tax in this sector is a critical issue, and facilities are more likely to be higher-end Class B and sensitive to rental costs, rather than Class A buildings.

#### 4. Insurance Carriers

Although we do not recommend targeted marketing at this time, Insurance carriers are likely to present highly attractive recruitment opportunities. Warwick should be prepared to recruit these on the basis of Rhode Island's highly competitive tax, legal, and regulatory climate, and on the quality of development inherent in following the related Financial Services strategy recommended in #2 above.

Insurance is not recommended for active marketing, because this sector appears to offer limited to moderate growth potential at the regional level, and most area growth is more likely to be contained on-site in the real estate inventories held by our existing large insurers, rather than through new locations.

Still, given the scale of this sector in new England, and Rhode Island's real advantages for the industry in comparison to surrounding States, there will almost certainly be occasional opportunities, and Warwick should pursue them.

#### 5. Computer Related Services

We do not recommend formal recruitment marketing to this sector. However, there may well be opportunities to attract specific businesses that provide sophisticated, and especially time-sensitive, design, installation, and/or engineering assistance to customers along the Northeast Corridor.

We do not recommend *targeted active* recruitment because this remains a very small sector in Rhode Island, despite its considerable percentage growth rate, and because those facilities that do locate in Rhode Island will grow on a relatively small scale. These businesses often demand very low real estate prices that are almost certainly below the reach of new construction in the District.

However, within the sector there may well be some firms that are more established and demand good access to a variety of transportation services along the Northeast Corridor, along with immediate access to conference, dining, and other amenities that often support this business. Warwick should be prepared to work with and attract these businesses. Again, because cash flow is cost is critical, (as is the ability to attract talent to an attractive site), Tangible Property Tax and real estate cost will be the most important issues for the District to address.

## **Strategic Development Recommendations**

Based on these targets, market-based intelligence from our interviews, and our experience in the Northeast marketplace, we offer these development recommendations and findings. These will apply to most or all of the development targets, and very likely to other businesses that may be opportunistically recruited to the District.

### **1. Transportation, Access, and Parking**

*Predictably, transportation and accessibility are critical assets. Less predictably, auto access and parking are at the top of the list, even in the Warwick Station District.*

Although T.F. Green, Amtrak, and even MBTA services are all important attractions for the target businesses, other well-designed office parks offer competitive access to these. Many interviewees cited one or more of these assets as an attraction for location; *not one* felt that being in the District is measurably better than being 10 to 20 minutes away.

In addition, while several interviewees think that transit (via MBTA or otherwise) may increase in value in the distant future, not one of our *business* interviewees, including target sector experts and real estate professionals, believe it will affect location choices outside Providence itself in the foreseeable future. Moreover, real estate professionals uniformly indicated that a central, perhaps primary, reason businesses locate anywhere outside Providence, is the cost and supply of parking for employees and/or customers.

*This means that, while ease of access to the Airport and Train Station are important, easy, visible auto access from I-95 and a supply of free parking are more so.*

### **2. Property Assemblage, Timing and Project Feasibility**

In assessing the feasibility of any large-scale economic development project, a key factor is the ability to assemble real property for development and/or redevelopment. The more property owners there are to negotiate with, the harder it is to orchestrate a project.

Another key factor that impacts the feasibility of a large-scale economic development project is the expectations of private property owners. When an area is adversely impacted by the lack of critical locational assets (e.g. highway access and utilities) or has experienced disinvestment due to local and/or regional economic decline, then expectations regarding the value of real property are low. In these cases, governmental or quasi-governmental entities can usually negotiate acquisition of private property at an economically viable price.

Conversely, when an area benefits from locational advantages such as highway access, utilities and at least a moderate level of economic activity and private investment, then it becomes much harder for governmental entities to negotiate acquisition of private property at reasonable prices. This is particularly true when there is public knowledge that the public sector and/or the private sector is planning for significant new investment in the area. This is the situation that Warwick Station Redevelopment District presents.

The feasibility of the Warwick Station Redevelopment District is seriously compromised by greatly elevated expectations of real estate values. A contributing factor to this situation is the Development Agreement the preferred developer. Specifically, the

Development Agreement stipulates that real property acquisition costs that exceed \$1 million per acre will be funded by the Warwick Station Redevelopment Agency/City of Warwick through Tax Increment Financing. This structure creates two barriers to master-planned development:

1. It creates no incentive to the preferred developer to aggressively negotiated acquisition prices for real estate, and
2. It sends a message to private property owners that they can sell their property for amounts that significantly exceed its real economic value.

If the City of Warwick were to abandon the Warwick Station Redevelopment District project, it is highly likely that the price expectations of property owners would significantly decline. The proposed development itself has become the “hype factor” complicating the Warwick Station project. Real estate values are determined, in part, by expectations of future appreciation in market values.

The vast majority of Redevelopment Districts only become financially feasible through the active use of government development powers. If the private marketplace can assemble, prepare, and develop an area without these powers, it becomes much harder to justify -- and much less important to involve -- public entities in actual development at all. When expectations are being unreasonably inflated above the true economic value of the real estate, the economic viability of the project is significantly reduced or eliminated.

Appropriate Redevelopment Districts, including the Warwick Station District, start with blight, lack of public infrastructure, and in most urban environments, fragmented ownership of multiple parcels that are too small to develop individually, making private development economically impossible. These barriers suppress market land values, so the Authority is able to assemble land at a fair price, perhaps higher than the depressed pre-designation values but necessarily below the value that will be created by the project itself. This increase in real estate value, which is caused by the project and indeed occurs only after assembly of the land into developable parcels, justifiably becomes a significant asset to finance assembly and public development costs.

It is rarely possible, however, for any Redevelopment Authority to do this without the use of public powers, primarily the power of eminent domain.

First, the land assembly process is public, as a matter of law for a public agency and as a matter of reality even for private developers of large sites. Once the assembly process becomes public, some or most owners will try to demand higher and higher prices based on future values, even though those values will never be realized unless and until the entire area is assembled, and even though the higher price makes assembly impossible. In fact, if agreement to sell is needed from more than a few owners, then there will almost always be one or more hold-outs who demand a price far above even the ultimate, post-redevelopment market value, simply because they know their refusal could kill the deal for the entire area.

Second, it is truly difficult to determine a fair market price for these sites, and the eminent domain process establishes a neutral way to reach a fair outcome. The pre-redevelopment value may be impossible to establish based on in-district sales simply because the barriers to development prevent them from happening in the open market. The post-redevelopment value is clearly too much for reasons already described. In the Station District, a few recent sales based on speculation appear to set an unrealistically high value, that would clearly evaporate if redevelopment plans were scrapped.

Finally, at least some public land assembly has to happen very early in the process, and it must be done in a reasonable amount of time. This last issue, the need to assemble and prepare developable sites *prior to trying to market the area for development*, is critically important.

Dr. John Mullin of the University of Massachusetts describes how a community's capacity to attract new, private investment depends on the community's availability of fully serviced and permitted properties. Dr. Mullin cites an Urban Land Institute analysis that defines the "bottom-line" requirement to attracting large scale private investment: 100 acres of fully permitted, fully serviced land where a prospect can begin construction within 90 days. This implies that the owner(s) are ready to sell at a stated price without protracted delays. Obviously, in an area like the Warwick Station District where the development goals and density levels are unusual, the magic number may be less than 100 acres, but the principal that Mullin describes still applies.

Time is *always* of the essence in real estate development. Even if the City is, very appropriately, prepared to wait for a particular targeted type of development, no business prospect fitting the targeted profile will be similarly patient, *once they identify the District as a potential location*. The typical Hospitality sector developer, and almost any Financial Services or other office prospect, demands a location where they can be up and operational as fast as possible. They have markets to serve, operating and capital costs to control, and revenue to generate, and none of this happens until they can move into the new building.

In our practice, we've seen the risk of just six months project delay -- even when the risk is only a possibility -- push a location decision to what would otherwise be a clear second-choice location. A prospect may have to accept the delay associated with construction itself, but few if any will even consider a location where the sites aren't assembled; some (or even many) owners appear unprepared to sell; there is no reliable price quoted; and a multitude of existing uses must be relocated; *before* any environmental remediation or site preparation can begin. These steps, even with the use of eminent domain, can take *years*, and prospect businesses can *always* find an *acceptable* location that is closer to final development.

The can and should exercise patience throughout the development process, especially with regard to the types of final development that it accepts. But no real progress can begin until these initial steps are taken. Both because of the nature of negotiations with multiple property owners, and because land must be assembled at reasonable cost to make redevelopment feasible, it will be necessary to use eminent domain *proactively* and early in the process.

Ultimately, however, the assembly of land through eminent domain might address a critical problem in the development Agreement itself. The preferred developer pays the first \$1 million per acre in acquisition costs. This means that they will carry most, (and ideally all) of the carrying cost of holding land *once it is acquired*. This would dramatically increase the incentive for the preferred developer to move forward.

For these reasons, we strongly recommend that the Warwick Station Redevelopment District project proceed under the assumption that eminent domain powers must be used by the public sector to assemble properties for redevelopment.

### 3. Visibility

*The Master Plan should create, and then protect, sight lines from key travel routes to prime sites in the District.* This includes lines of travel involving the Airport, Train Station, and roads. Beacon and GTECH both chose their Warwick locations almost entirely to obtain visibility from I-95. This is hardly unusual, and businesses in Financial Services, Insurance, and even Banking are likely to value visibility in much the same way. The appeal of visibility is greater for Hospitality and most Transportation businesses, and very likely for other, untargeted companies that want good exposure.

The traffic flow associated with travelers and others entering, leaving, and moving around within the District is in itself a valuable asset. Businesses will be drawn to, and likely pay more, for space in buildings where their sign can be seen by this flow of people. The Master Plan should, first, create as many such lines of sight as possible, and second protect the most visible sites for occupants that express desire for visibility (expressed in terms of higher rents).

### 4. Tangible Property Tax

*Warwick must find a way to reduce or abate its Tangible property Tax for businesses that locate or expand in the District.* Gross lease rates for Class A office space in the Providence/Warwick metro area run no higher than about \$20 per foot. Brokers and developers indicate that these rates apply almost entirely in downtown Providence.

One real estate expert explained this in clear terms, consistent with the comments of the rest. The top rate in downtown Providence today is \$20 to perhaps \$21 per foot. Of this, about \$4 per foot reflects the cost of parking where it's provided. The very best office sites outside Providence command, at most about \$16 per foot gross. (This also has obvious implications for the importance of free parking outside the downtown area.)

Now consider the following the following typical facility tax-cost (real and tangible) profile for Class A office space in competing locations:

Location	Property tax as a Component of Space Cost
Providence	\$2.80
Warwick/Metro Center	\$2.50
Warwick/Summit	\$2.40
Highland/Cumberland	\$1.25

Further, consider existing tax rates among competitive communities that offer, or will in coming years, competitive office real estate.

Municipality	Real Property (per \$1,000)	Tangible Property (per \$1,000)
Warwick	\$34.41	\$34.41
Providence	\$34.07	49.96
Cranston	\$32.59	\$32.59
West Warwick	\$30.15	30.15
Lincoln	\$23.98	23.98
Coventry	\$23.22	\$23.22

Cumberland            \$20.92            Exempt

Most of these other communities, will also consider Tax Stabilization and/or exemption based on location to compete for targeted development. Warwick simply cannot land actual facilities for its employment center, until and unless it designs a responsible but competitive mechanism to do the same.

### **3. Telecommunications**

Target businesses will generally require state-of-the-art telecommunications service, which can certainly be provided here. In addition, Smart Building technologies, bringing pre-wired broadband service throughout the building, will be demanded or at least highly preferred by many Financial Services, Banking, and Insurance prospects. Obviously, most Computer-related firms will insist on this level of service, but ranking them as a small, opportunity-based target doesn't relieve developers from providing the technology.

## TARGET ANALYSIS

### Why Target?

Economic developers have recognized the need to focus resources on targeted business sectors for decades. Over time, the science of business targeting has become more complex; the economic theories underlying targeting choices have become much more sophisticated; and the kinds of economic development issues that are addressed by targeting have broadened far beyond the basic attraction of new industrial plants for which it was first used.

The practical benefits of targeting specific types of business, whether for attraction or expansion, are clear.

Different types of business require different marketing strategies. Early business attraction targeting simply recognized that that marketing is both more effective and less expensive when it is tailored to the specific motives of a well-defined set of customers.

Different places appeal to different types of businesses. Anyone can try to sell anyone else anything, but no location can be perfect -- or even competitive -- for every type of business. Yet most places are competitive for something. Good targeting doesn't just focus resources on one or two sectors; it focuses resources on those sectors to which the location is most likely to be strongly appealing.

Communities do economic development to achieve different goals. A City trying to establish a critical level of business activity to support an emerging core downtown will target a very different set of businesses than, say, a rural community trying to create entry-level jobs to keep the next generation from moving out.

Warwick's Station District raises another important, often under-appreciated benefit of targeting.

Once the target is known, a City can use its development, regulatory, and tax tools to improve its real attractiveness to that target. Some factors, like State tax and regulatory policy or regional and national transportation networks, may be effectively beyond local control. These factors should drive the selection of targets. But once a target is identified, land use planning, infrastructure development, and even tax policy can often be fine-tuned to appeal to the target sector's specific location priorities.

In Warwick, all of these benefits dictate a targeted development strategy. In particular, the Redevelopment Commission has clearly made the achievement of a long-term economic vision its top priority. This project is not a short-term reaction to a short-term slow-down in the national economy. Rather, the Commission has defined its mission to be leveraging the greatest long-term improvement on the City's overall economy, civic identity, and quality of life from the strategic opportunities created by the Green Station Intermodal project.

## **Selecting Targets for the Warwick Station District**

Broadly speaking, a business development target should meet three criteria.

1. The target should be something the City wants to grow. New investment by the target(s) should promote one or more of the City's strategic economic development objectives.
2. The Target should have strong potential for overall economic growth, in the context of its own industry life cycle and of regional and national growth expectations.
3. The business advantages of the location, in this case the Station Redevelopment District, should match the location priorities of the target sector. Conversely, any business climate disadvantages that cannot be easily transformed should be relatively unimportant to the target sector in its location selection process.

Suitable business development targets for the Station District should fall within the area of overlap among these three separate criteria. Once identified, the target(s) will

- Help the Commission and its design team to visualize the kinds of land uses, infrastructure, and design elements that are most likely to attract the desired investment.
- Help the Commission and the City to identify and support strategies to make the overall business climate especially competitive to attract the desired investment.
- Help the Commission and the developer to plan land acquisition, parcelization, and overall development in the context of likely users.
- Help the Commission and its economic development team prepare and implement an effective marketing program to attract the desired investment, and to achieve its long-term goals.

By focusing on specific strategies to address a target, the City can begin tangible, but still coherent, implementation. It needn't wait passively for a lucky break that, especially in the economy of the 21<sup>st</sup> Century, will simply never come. Nor must it scatter resources on a smorgasbord of unrelated actions, each of which might make it a little more appealing to one or more potential investors, but which together fail to clinch a final investment choice.

## **Targets as a Guide, Not a Constraint**

A development target set is a strategic and tactical guide. It is not an eligibility list. There will be more appealing business sectors than any City can afford to actively address through development or marketing. And actions that target one sector almost always improve competitiveness for several others that may or may not seem to be related to the target directly. If, as often happens, an appropriate business responds, or even if the City simply becomes aware of an attractive prospect that happens not to have been "targeted," it is permissible and usually advisable to pursue the opportunity with every bit as much energy as the City would devote to a formal "target." The goal of targeting isn't so much to *exclude* businesses from the community, but to *focus* resources in order to make real progress in a complex and competitive economy.

Should a target list *ever* be used to exclude or discourage development? Sometimes. Many manufacturing operations have a visual or other off-site impact that can repel higher-end commercial and/or retail prospects. (Similarly, some manufacturers will avoid locating where the neighbors might complain or try to restrict manufacturing activity, or where high-volume passenger traffic might interfere with their shipping schedules.) No prospect should be discouraged simply because it isn't part of a target sector, but they *should* be redirected to another location if, by the nature of their facility, land use, activity, impact on utility or transportation infrastructure, or even demands for options on adjacent land for uncertain future growth, for example, are incompatible with the City's overall *targeted* development strategy.

Taking the three core targeting criteria individually tells us much about the most promising strategic direction for the Warwick Station District, based on market dynamics.

**1. The target should be something the City wants to grow. New investment by the target(s) should promote one or more of the City's strategic economic development objectives.**

This may seem obvious, but consider just what it means. Everyone pays lip-service to creating "good jobs" paying "high wages," and most say they only want "clean industry." All of these goals are worthy, and some are relatively simple to define. But good targeting demands more detail.

For better or worse, (perhaps better *and* worse), Warwick's "Gateway" role is not a volunteer position. Transportation systems converge here to create a major Gateway, *where first and often lasting impressions are formed*, of the City and of the rest of Rhode Island. T.F. Green may or may not continue its rapid growth, but it won't go away. Amtrak could, conceivably, be replaced by another operator, but its Northeast Corridor is a physical asset on the ground, too valuable to abandon and too costly to relocate. In other words, Warwick cannot *choose* whether or not the Station District will be a Gateway. The City can only choose *what kind* of Gateway it will host.

The Commission has clearly stated that the City wants to use the District to establish a much stronger sense of place. This addresses the Gateway issue, but the Commission's vision goes further. Warwick doesn't really have a distinct "Downtown" or "City Center." The Commission envisions creating what the Rhode Island Economic Policy Council calls an "authentic place," that is not only simple and pleasant to pass *through* but that actively attracts people and businesses. It seeks to use the underlying energy from transportation assets to leverage both broader business investment to create jobs and tax revenue for the City, and to create an attractive commercial center to provide residents with enhanced entertainment, dining, and related retail services. Ultimately, it hopes to make the Station District a working urban center and a physical expression of Warwick's image as an "authentic place."

This suggests criteria for the kinds of development the Commission should target:

- A. Most Manufacturers and almost all large-scale Distribution business should be excluded from consideration. New development should improve the overall experience of passing through on any or all modes of transportation. But these operations typically have space and truck requirements that are simply incompatible with the kinds of passenger travel, retail and commercial activity, and even office development that the District will need in order to achieve the City's economic vision. There are other existing and potential locations better suited to both serve these businesses, to the extent that they value access to T.F. Green.
- B. A portion of the Station District should be developed as an Entertainment Center. Services and retail amenities should be developed to entice pass-through traffic to stop, dine, relax, and/or shop. This is central to leveraging transportation as critical mass for development of these services for the benefit of Warwick residents, or even as a selling advantage to attract businesses to create new jobs in the District. Otherwise, the vast majority of the District's considerable transportation activity is nothing more or less than a big logistical management problem for the City.

We need not define the scale this will take yet. Does this mean development of a full-scale Hotel/Conference Center that might actually increase the flow of travelers? Or does it simply mean attracting a few restaurants and shops to serve existing travelers, residents, and employees of new businesses? Part of the answer will come from the data when we consider Targeting Criteria Two and Three below. Part will come from the marketplace over time, as the District is developed. For now, it is enough to know that we must target to go down this path in order to meet the Commission's core strategic goals.

- A significant portion of the District should be developed as an employment center. Considerable detail will be drawn from further screening, but we already know important things about this objective:
- *The City wants balanced development or business-oriented development as a fiscal strategy.* Most business growth is revenue-positive for Cities, (i.e. generates more tax revenue than new public expense), while residential growth tends to be revenue-negative. Public costs for police and fire, local infrastructure and services, and especially education are driven largely or entirely by residential population rather than business activity. Yet businesses tend to concentrate taxable value, especially in the form of tangible property, as much as or more than residents. Fiscal prudence dictates that overall Station District development be revenue-positive, and therefore oriented toward business uses.
  - *For the City's purposes, employment center development can be driven by the travel and hospitality sectors already identified to address goals A and B above, by a wide range of Service and other kinds of office employers, or by a competitive mix of all of these.* This broad set of business types can be more narrowly defined when we look at growth and competitiveness below. For the time being, we simply remind ourselves that we have really only *excluded* Manufacturing, Distribution, and similar more "industrial" activities.

- *Significant economic base growth is probably required to make the broader project work.* Economic development professionals instinctively focus on growing the economy, knowing that basic growth (and only basic growth) will drive expansion of employment in the broader secondary economy. In the absence of basic economic growth, a new grocery store or a new restaurant attracted to one location simply reduces the level of business to support one at another location in the area economy. Good insurance agents provide an important service to the community, but they share a given market. By itself, one new office here means one less there. A new *Insurance Provider operation* (or a regional Insurance industry professional association headquarters), brings new dollars into the local economy that adds to the overall market for secondary businesses, including more insurance agents.
- But to this point, we have not identified a clear strategic need to grow the overall basic economy. Rather, we have good, strategic fiscal and quality of life goals that could, in theory, be met by growing hotel, conference, and hospitality (dining, entertainment, retail, and/or related businesses).
- *But there is good reason to actively attract Service and other office economic base businesses to the District.* Since the *existing* economy doesn't appear to support the desired level of hospitality (e.g. dining), entertainment, and related services that the City wants for its residents, much less establish the foundation for broader hospitality or conference development to capture more of the pass-through traveler market, it seems necessary to actively grow basic-sector economic activity.
- *This means that significant basic-sector Service and/or other office businesses should be attracted.* The specific goal is not just to create good jobs for Warwick's residents, (although this is a perfectly good goal in itself), but to grow the market demand for desired amenities in the Station District. This will, ideally, be a self-reinforcing loop. Employees at new business offices will support growth of dining, retail, and related business, while a critical mass of these services makes the Station District a more attractive place to work, and therefore and easier place to locate an office business.

**2. The Target should have strong potential for overall economic growth, in the context of its own industry life cycle and of regional and national growth expectations.**

The second set of criteria in any targeting process is to identify which sectors, among those that would help the City achieve its strategic goals, show reasonable potential to grow. Since Warwick cannot control broad business growth trends, we look for sectors that appear to offer good growth potential in the region. This analysis helps us to answer two kinds of questions.

First, it tells us which business sectors, among the Service, office, and other sectors that would contribute to Warwick's strategic vision, demonstrate real job and/or output growth in the Providence/Warwick metro area, and are projected to grow in the future at the regional and/or nation levels. These are the sectors that are most likely to generate the new facility investment that creates the market for Warwick's product.

Second, it gives us an idea of the nature of the facilities we may target. Although individual facilities may vary around the average, the data do allow us to calculate the average number of workers in a facility, which lets us estimate the approximate average square footage for a “typical” facility. In addition to helping the design team, this helps us think about how competitive Warwick might need to be. That is, what share of predicted regional growth, whose total amount Warwick cannot control, must the District attract in order to achieve an acceptable level of development?

We begin with a “target universe” of all of the business sectors, defined by federal Standard Industrial Classification (SIC) codes, that don’t conflict with the Commission’s vision. Most of these are Services; Finance, Insurance, & Real Estate; and similar Office-sector SICs, but we also included those SICs from Retail Trade that could, conceivably, fit into this vision. The complete list is provided in the Appendix.

## Absolute Job Creation

We look at absolute net job growth over the recent to mid-range past. We may pursue a small, high tech sector with astonishing *percentage* growth, and yet fail to generate the necessary total development scale envisioned. We also consider percentage growth rates, recognizing that some very large sectors might create many jobs, but by expanding at existing sites operating at less than full capacity.

**Table 1: Providence/Kent Absolute Job Growth Above Median**

<b>Kent &amp; Providence Counties</b>		Long-Term	Recent
<i>Sorted by Net Job Growth 1994 to 2000</i>		Absolute	Absolute
SIC	Title	Change 1994-2000 (1)	Change 1997-2000 (1)
<b><u>Growth Above Median for Target Universe</u></b>			
5810	Eating & Drinking Places	3,674	1,946
7389	Business Services, nec	760	330
6211	Security Brokers, Dealers, And Flotation Companies	747	729
7349	Building Cleaning And Maintenance Services, nec	667	427
6282	Investment Advice	634	594
7999	Amusement And Recreation Services, nec	581	134
6160	Mortgage Bankers and Brokers	438	35
7011	Hotels And Motels	370	142
8742	Management Consulting Services	337	186
7371	Computer Programming Services	324	281
7381	Detective, Guard, And Armored Car Services	323	407
8721	Accounting, Auditing, And Bookkeeping Services	305	251
7379	Computer Related Services, nec	284	ND
6411	Insurance Agents, Brokers, And Service	254	160
8741	Management Services	230	(293)
6331	Fire, Marine, and Casualty Insurance	211	277
6371	Pension, Health, and Welfare Funds	193	192
7514	Passenger Car Rental	188	141
8731	Commercial Physical And Biological Research	176	ND
8631	Labor Unions And Similar Labor Organizations	151	70
7991	Physical Fitness Facilities	141	28
8748	Business Consulting Services, nec	137	52
TOTAL	Kent & Providence Counties	24,425	15,232

Source: Calculated from es-202 data from US Bureau of Labor Statistics, RI Department of Labor & Training  
 ND = Some data suppressed at source for this SIC, making this calculation impossible. Other variables reported in other tables.

NEC = "Not Elsewhere Classified," a catch-all for unusual sectors too small for their own SIC number.

Table 1 above identifies those sectors that have shown growth in the absolute number of employees that is above the median level for the target universe. Our unit of analysis is Providence and Kent Counties, the market area most representative of the Station District, to extent possible using available data sources.

Several high-growth sectors are noteworthy at this stage:

Eating & Drinking Establishments added 3,674 net new jobs from 1994 to 2000. This is almost *five times* the jobs added by the second-ranked SIC. Part of this is from Providence Place. More can be found in Warwick, along Route 2. But this *doesn't* include tourism growth in Newport or Washington Counties. Rather, the urbanized I-95 corridor has had dramatic growth that speaks directly to one of Warwick's strategic goals. It remains to be seen whether this growth has run its course, but imagine the difference if more of this had been captured in the Station District.

Hotels also added jobs during this period. Interestingly, Amusement & Recreation Services (private golf courses, betting parlors, boat rentals and bridge clubs, etc.) also added a great many jobs, ranking sixth in our target universe.

Several sectors related to Financial Services and Insurance appear in this top-growth group. In Financial Services, Security Brokerage ranks third, Investment Advice fifth, Mortgage Bankers seventh, and Pension Funds seventeenth.

County Commercial Banking data was suppressed at the source, but Statewide growth during the latter 1990s was tremendous (Table 2 below). In absolute terms, *this Banking growth, (most of which would have been in Providence and Kent Counties, based on anecdotal evidence), was higher than growth in Eating & Drinking Establishments, number one in job growth among SICs for which County data is available.* Bear in mind that Rhode Island lost a tremendous number of jobs in the early 1990s banking collapse. From 1997 to 2000, it recovered most of the jobs lost. Employers interviewed see continued growth potential.

Fire, Marine & Casualty Insurance appears in the top-growth group. Unfortunately, data for both Life Insurance and Health & Medical Insurance has been suppressed at the government source, preventing comparable analysis. However, separate analysis of State-level data (see Table 2 below) and evidence from our Employer Interviews both indicate strong job growth in most Insurance Provider SICs. Life Insurance, alone in this group, lost jobs at the State level.

Several Business Services SICs appear in the top-growth set (Table 1), including Business Services nec (ranked second, and including diverse businesses from artist and writer's agents to business brokers, convention decorators, fundraisers, and translation service), Management Consulting, Accounting, Management Services, and Business Consulting nec. But notice that Management Services gained more than 500 net jobs from 1994 to 1997, *but lost more than half that number from 1997 to 2000.* Also notice that several Business Services sectors actually lost jobs overall (Table 4).

**Table 2: Statewide Absolute Job Growth for Selected Finance & Insurance**

SIC	Rhode Island Statewide Absolute Job Growth 1994 to 2000 Title	Long-Term	Recent
		Absolute Change 1994-2000	Absolute Change 1997-2000
6020	Commercial Banks	(158)	4,058
6310	Life Insurance	(48)	(179)
6320	Medical Service & Health Insurance(1)	103	158

Source: Calculated from es-202 data from US Bureau of Labor Statistics, RI Department of Labor & Training

(1) 1994 Data suppressed Statewide; 1995 figure used as estimate.

**Table 3: Providence/Kent Absolute Job Growth At or Below Median**

Kent & Providence Counties		Long-Term	Recent
<i>Sorted by Net Job Growth 1994 to 2000</i>		Absolute	Absolute
SIC	Title	Change 1994-2000	Change 1997-2000
<b><u>Growth at or Below Median</u></b>			
7373	Computer Integrated Systems Design	136	118
6062	Credit Unions, Not Federally Chartered	126	137
7372	Prepackaged Software	122	274
8712	Architectural Services	82	43
7336	Commercial Art And Graphic Design	76	40
8711	Engineering Services	66	300
7841	Video Tape Rental	57	(11)
8743	Public Relations Services	49	ND
7359	Equipment Rental And Leasing, nec	48	48
8732	Commercial Economic/Sociological/Educational Research	40	14
7997	Membership Sports And Recreation Clubs	30	71
7378	Computer Maintenance And Repair	9	(1)
8713	Surveying Services	7	25
8611	Business Associations	4	12
7342	Disinfecting And Pest Control Services	1	(4)
TOTAL	Kent & Providence Counties	24,425	15,232

Sources: Calculated from es-202 data from US Bureau of Labor Statistics, RI Department of Labor & Training  
 ND = Data suppressed at source.

Except for State-chartered Credit Unions, showing moderate absolute growth, *no* Finance sector appears in the moderate growth group (Table 3 above), and *none* of these sectors had a net loss of jobs over this period (Table 4 below).

Computer services show solid growth. Computer Integrated Systems Design, Prepackaged Software, and Computer Maintenance & Repair all showed moderate growth (Table 3). Computer Programming Services and the ill-defined Computer Related Services, nec both appear in the top-growth list (Table 1).

**Table 4: Providence/Kent Net Job Loss**

<b>Kent &amp; Providence Counties</b>		Long-Term	Recent
<i>Sorted by Net Job Growth</i>		Absolute	Absolute
<i>1994 to 2000</i>		Change	Change
SIC	Title	1994-2000	1997-2000
<b><u>Net Job Loss</u></b>			
4731	Arrangement Of Transportation Of Freight And Cargo	(34)	20
7334	Photocopying and Duplicating Services	(36)	7
7384	Photofinishing Laboratories	(39)	(24)
8621	Professional Membership Organizations	(55)	(3)
7382	Security Systems Services	(61)	(51)
8111	Legal Services	(63)	60
7311	Advertising Agencies	(90)	(36)
4724	Travel Agencies	(98)	(120)
TOTAL	Kent & Providence Counties	24,425	15,232

Sources: Calculated from es-202 data from US Bureau of Labor Statistics, RI Department of Labor & Training  
 ND = Some data suppressed at source for this SIC, making this calculation impossible. Other variables reported in other tables.

Life Insurance would probably appear with the Net Job Loss group in Table 4 (below) if the data were available. Over the mid-term period from 1994 to 2000, Rhode Island's Life Insurance employment declined by about 9%. To the extent that data exist, all other forms of Insurance show moderate to strong job growth.

Certain types of Business Services lost jobs over this period, counter to the general pattern of growth in the national and regional economy. These include Legal Services and Advertising Agencies two sectors that might otherwise be considered attractive targets.

Despite the fastest-growing airport in the nation in the latter 1990s, employment in most of the potential Transportation-related services targets in Providence and Kent Counties declined. It is important to understand that we have *not* looked at jobs in the airline industry itself, or other activities that occur primarily or exclusively on-site at the Airport. These are valuable, but unlikely to respond to strategic action by Warwick.

Nor have we considered transportation sectors that would conflict with the vision for the Station District. For example, package freight centers want access, but find it nearby, in industrial parks more compatible with their warehouses and high-volume trucking.

Rather, we have considered those Transportation-related SICs that might reasonably locate in and enhance the District.

Just one of these, Passenger Car Rental, is in the top-growth list (Table 1). Car Rental office location in the District is a unique and separate issue, well-understood by the Commission and not really subject to respond to targeted development marketing. Two others that might take office space in the District, Freight & Cargo Arrangement and Travel Agencies, both lost jobs in the area from 1994 to 2000, although Freight Arrangement has recovered a small number of jobs since 1997.

## Rate of Growth & Competitiveness

Next we consider the relative change in employment for the target universe. This begins with the percentage change in employment over time as a measure of the sector's growth relative to its own initial size.

A large sector growing slowly with the regional economy may still create jobs. Some will do this by locating new businesses, while others may grow within existing facilities, even though the absolute number of new jobs is large.

This may be true of some of Rhode Island's Insurance companies. Rhode Island's Insurance Development Strategy has helped Property & Casualty Insurance expand faster in Rhode Island than nationally; if the State holds the course, this growth is likely to continue. Metropolitan, FM Global, and Amica, to name a few, have significant presence in Rhode Island; even a moderate growth rate would add considerably to the State's economy. But, each has its own corporate campus, with land for expansion. Insurers plan for the long term, and only *unexpectedly high percentage expansion* of their activity would force them to consider a more difficult expansion off-site.

**Table 5: Providence/Kent Fastest Percentage Growth**

### **Kent & Providence Counties**

SIC	Title	Sorted by Percent Change In Employment 1994 to 2000		
		Absolute Job Growth Rank	Long-Term Percent Change 1994-2000	Recent Percent Change 1997-2000
<b><u>High Percentage Growth</u></b>				
7373	Computer Integrated Systems Design	23	443.6%	241.7%
8731	Commercial Physical And Biological Research	19	400.3%	ND
6371	Pension, Health, and Welfare Funds	17	288.9%	283.8%
7999	Amusement And Recreation Services, nec	6	181.6%	17.5%
6282	Investment Advice	5	179.2%	150.8%
6211	Security Brokers, Dealers, & Flotation Companies	3	107.2%	101.7%
7371	Computer Programming Services	10	98.8%	75.8%
8742	Management Consulting Services	9	74.6%	31.0%
8743	Public Relations Services	30	65.6%	ND
7991	Physical Fitness Facilities	21	60.8%	8.2%
8748	Business Consulting Services, nec	22	60.2%	16.5%
7389	Business Services, nec	2	58.8%	19.1%
7336	Commercial Art And Graphic Design	27	57.1%	23.8%
7514	Passenger Car Rental	18	47.7%	32.0%
8732	Commercial Econ./Sociological/Educ. Research	32	43.5%	11.5%
6160	Mortgage Bankers and Brokers	7	39.0%	2.3%
8631	Labor Unions And Similar Labor Organizations	20	30.7%	12.3%
7349	Building Cleaning And Maintenance Services, nec	4	30.6%	17.6%
8741	Management Services	15	30.4%	-22.9%
8712	Architectural Services	26	29.9%	13.6%
7372	Prepackaged Software	25	27.5%	94.1%
7011	Hotels And Motels	8	26.9%	8.9%
TOTA	Kent & Providence Counties		8.3%	5.0%

L

Sources: Calculated from es-202 data from US Bureau of Labor Statistics, RI Department of Labor & Training  
ND = Data suppressed at source.

What do these percentage growth rates in Table 5 (above) and Table 6 (below) tell us?

Computer-related SICs feature prominently. Computer Integrated Systems Design had fastest *rate* of growth, almost 450% in six years. Computer Programming almost doubled employment, and both had rapid growth rates through 2000. Prepackaged Software is also in the high growth rate group. Computer Related Services, nec and Computer Maintenance and Repair experienced moderate rates of growth in comparison to the target universe (Table 6 below), but still *two to three times* the rate of the area economy as a whole.

Financial Services added a lot in absolute number of jobs, and far exceeded the area average *rate* of growth. Pension Funds, Investment Advice, and Securities Brokers were three of the six SICs with the fastest growth rates. Mortgage Banking also had rapid growth. This fits with the State's Financial Services strategy. The General Assembly could write highly competitive tax laws for this sector *because* it was small -- and thus a small revenue source -- in the early 1990s. On that basis, Rhode Island attracted Fidelity and other Financial Services, for an exceptional growth rate and a lot of new jobs.

Amusements, nec is still very interesting, if confusing. This sector was sixth on our list of contributors to the number of new jobs, and fourth in *rate* of growth, employing almost *three times* as many people in 2000 as it did in 1994

Eating & Drinking Places, first in *number* of new jobs, ranks in the middle of the pack for growth *rate*. This doesn't mean it has *poor* growth potential -- its growth rate was still more twice that of the overall area economy. But its growth probably relates more to area's economic health (rather than broad regional, national, or global forces) than some of our other potential targets.

**Table 6: Providence/Kent Moderate Percentage Job Growth**

**Kent & Providence Counties**

SIC	<i>Sorted by Percent Change In Employment 1994 to 2000</i>	Absolute Job Growth Rank	Long-Term % Change 1994-2000	Recent % Change 1997-2000
Title				
<b><u>Growth At or Below Median</u></b>				
7381	Detective, Guard, And Armored Car Services	11	22.5%	30.1%
7379	Computer Related Services, nec	13	21.6%	ND
6062	Credit Unions, Not Federally Chartered	24	21.3%	23.6%
5810	Eating & Drinking Places	1	19.7%	9.6%
8721	Accounting, Auditing, And Bookkeeping Services	12	17.2%	13.7%
7841	Video Tape Rental	29	16.7%	-2.6%
7378	Computer Maintenance And Repair	34	15.1%	-2.1%
7359	Equipment Rental And Leasing, nec	31	15.0%	15.1%
6411	Insurance Agents, Brokers, And Service	14	12.3%	7.4%
6331	Fire, Marine, and Casualty Insurance	16	7.0%	9.4%
8713	Surveying Services	35	6.2%	28.9%
8711	Engineering Services	28	5.5%	31.1%
7997	Membership Sports And Recreation Clubs	33	4.5%	11.3%
8611	Business Associations	36	1.6%	5.4%
7342	Disinfecting And Pest Control Services	37	0.5%	-1.7%
TOTA	Kent & Providence Counties		8.3%	5.0%
L				

Sources: Calculated from es-202 data from US Bureau of Labor Statistics, RI Department of Labor & Training

ND = Data suppressed at source.

Next, we consider the change in *concentration* of employment in each sector, in comparison to the national economy. The “Location Quotient” (LQ) compares the percentage of jobs in a sector here to the percentage of jobs in that sector nationally. If the proportion is the same, then LQ = 1.00. If area employment is 50% higher than the national average, then LQ = 1.50. A very high LQ can indicate presence of an industry cluster, or some other sort of area competitive advantage.

A very low LQ usually means competitive disadvantage limits development of the sector locally. However, especially in a place whose economic character is changing, an LQ just a little below 1.00 can flag a sector that is under-developed and could be grown.

For example, in 1995 Governor Almond commissioned a Retail analysis of the Providence metro area that showed that the number of square feet of retail mall space per capita was about one-third of the national average. This convinced him that, in fact, there was probably unmet demand for retail in the state, and therefore to find a way to salvage the Providence Place Mall project rather than cancel it. Separate analysis of Retail employment in the State over this period also indicated very low concentration of Retail employment (i.e. a low LQ well below 1.00), with the Mall project expected to close about half the gap as measured by LQ.

**Table 7: Providence/Kent Job Concentration Above Average**

Kent & Providence Counties		1994	1997	2000	Percent	Percent	Percent
Sorted by		Locatio	Locatio	Locatio	Change	Change	Change
LQ in Year 2000		n	n	n	In LQ	In LQ	In LQ
SIC	Title	Quotient	Quotient	Quotient	1994-	1997-	1994-
					1997	2000	2000
<u>Job Concentration Above US Average</u>							
633	Fire, Marine, and Casualty Insurance	1.80	1.86	2.04	3.4%	9.8%	13.5%
1							
628	Investment Advice	1.15	1.08	2.00	-6.8%	86.3%	73.7%
2							
616	Mortgage Bankers and Brokers	1.45	1.97	1.76	35.5%	-10.8%	20.8%
0							
863	Labor Unions & Similar Orgs.	1.10	1.35	1.52	22.8%	12.2%	37.8%
1							
751	Passenger Car Rental	1.17	1.16	1.38	-0.6%	ND	ND
4							
606	State Credit Unions	1.26	1.14	1.28	-9.7%	12.4%	1.5%
2							
862	Professional Membership Orgs.	1.70	1.35	1.15	-20.7%	-14.7%	-32.3%
1							

Sources: Calculated from es-202 data from US Bureau of Labor Statistics, RI Department of Labor & Training

ND = Data suppressed at source.

Table 7 shows SICs in our target universe with LQ at 1.10 or higher in 2000. These sectors have unusually high concentration, which might suggest competitive advantage.

Property Insurance, with LQ = 2.04 and rising during the 1990s, tops the list. This suggests competitive advantage and growth potential. Recall that it also showed real growth in number of jobs.

Some Financial Services grew in relative concentration as well. Investment Advice ran a close second in concentration at 2.00, and grew from LQ = 1.15, just above average, to double the US average concentration in 2000. Mortgage Banking also has an LQ well above average, and expanded LQ from 1994 to 1997, although its LQ returned toward average by 2000.

As with actual employment count, must look at Statewide data (because data at the County level is suppressed) to learn some very interesting facts about specific Finance and Insurance SICs.

**Table 8: Change in State-Level LQ for Selected FIRE Industries**

<i>Rhode Island Statewide</i>				
<i>Absolute Job Growth</i>				
<i>1994 to 2000</i>		LQ	LQ	Percent
SIC	Title	1994	2000	Change in LQ 1994 to 2000
6020	Commercial Banks	0.56	1.37	143.2%
6310	Life Insurance	0.81	0.91	12.1%
6320	Medical Service & Health Insurance(1)	1.47	1.38	-5.5%

Source: Calculated from es-202 data from US Bureau of Labor Statistics, RI Department of Labor & Training

(1) 1994 Data suppressed Statewide; 1995 figure used as estimate.

At the State level, the competitive *change* in Commercial Banking is as astonishing as the number of jobs added (just over 4,000 in the three years from 1997 to 2000). LQ -- Rhode Island's job concentration in banking compared to the US, rose from LQ = .56 in 1994 (following the 1991 banking collapse) to 1.37 in 2000. In other words, *the State went from being a Banking backwater to being a regional Banking center in those six years*. Simple recovery from the collapse should have brought LQ back to about 1.00, reflecting sufficient Bank presence to meet the needs of the State's economy (i.e. Banks acting as secondary sector businesses). "Recovery" to LQ = 1.37 suggests that the State's Financial Services strategy, which included tactics targeting Banking, created real competitive advantage for Banking to become part of Rhode Island's economic base (i.e. serving and drawing income from outside).

Looking at Life Insurance at the State level (because of data suppression at the County level), we also learn that Rhode Island's job loss could have been worse. In fact, despite the loss of employment in Life Insurance, Rhode Island's LQ actually rose by 12% from 1994 to 2000. In other words, *national* employment in Life Insurance fell even faster, due to market forces, changing technology, or both. Without real job and resulting facility expansion, this doesn't make for a strong *development* target for Warwick Station District, but it suggests that the State's Insurance Strategy may have had considerable benefit to the State's overall economy.

Ironically, Medical & Health Insurance LQ declined slightly, despite adding jobs throughout the analysis period. However, the change from 1.47 to 1.38 is relatively small, and LQ remains well above average.

Average LQs tend to be less interesting than either high or low LQs; overall, LQ = 1.00 is what we expect for any randomly-chosen SIC. So, we turn to SICs with very low LQ.

**Table 9: Providence/Kent LQ Below Average**

<b>Kent &amp; Providence Counties</b>		1994	1997	2000	Percent	Percent	Percent
<i>Sorted by</i>		Locatio	Locatio	Locatio	Change	Change	Change
<i>LQ in Year 2000</i>		n	n	n	In LQ	In LQ	In LQ
SIC	Title	Quotient	Quotient	Quotient	1994-	1997-	1994-
					1997	2000	2000
<u>Concentration Well Below Average</u>							
7384	Photofinishing Laboratories	0.97	0.91	0.85	-6.0%	-6.2%	-11.8%
7342	Disinfecting & Pest Control Services	0.89	0.89	0.83	0.0%	-6.9%	-6.9%
7841	Video Tape Rental	0.79	0.86	0.83	8.8%	-4.2%	4.2%
8743	Public Relations Services	0.74	ND	0.81	ND	ND	9.3%
8611	Business Associations	0.72	0.72	0.74	-0.3%	2.0%	1.7%
7359	Equipment Rental And Leasing, nec	0.73	0.66	0.71	-9.1%	7.1%	-2.6%
8712	Architectural Services	0.73	0.73	0.68	0.2%	-6.9%	-6.7%
7997	Membership Sports & Rec. Clubs	0.72	0.65	0.67	-8.6%	3.1%	-5.8%
8742	Management Consulting Services	0.61	0.61	0.67	1.0%	8.6%	9.7%
7372	Prepackaged Software	0.91	0.44	0.66	-51.5%	49.0%	-27.7%
8713	Surveying Services	0.68	0.53	0.61	-22.3%	15.2%	-10.5%
7991	Physical Fitness Facilities	0.55	0.71	0.60	29.8%	-15.9%	9.2%
7311	Advertising Agencies	0.90	0.74	0.58	-18.1%	-21.4%	-35.6%
8711	Engineering Services	0.64	0.49	0.57	-22.5%	15.8%	-10.3%
7371	Computer Programming Services	0.50	0.39	0.44	-22.4%	11.9%	-13.2%
7378	Computer Maintenance And Repair	0.42	0.40	0.43	-5.0%	8.3%	2.9%
4731	Freight Transp. & Arrangement	0.52	0.34	0.35	-34.9%	3.4%	-32.7%
7011	Hotels And Motels	0.28	0.32	0.33	14.4%	2.5%	17.3%
7373	Computer Integrated Systems Design	0.09	0.10	0.26	20.8%	153.0%	205.6%

Sources: Calculated from es-202 data from US Bureau of Labor Statistics, RI Department of Labor & Training

ND = Data suppressed at source. In rare cases, US data are suppressed even though State and/or County data are not.

Sub-national suppression makes the LQ calculation impossible for that level of analysis; national-level suppression prevents any LQ assessment.

Certain SICs draw immediate attention. *All* of the Computer-related SICs have LQs well below 1.00. So do several Business Services SICs, and perhaps surprisingly for a State that thinks of itself as a Tourism center, Hotel and Motel LQ is only a third of the national average.

Despite its reputation for growth, especially during the 1990s, most computer-related activity locates on the basis of specific resources and not the local economic base. In other words, this is one where we shouldn't expect LQ = 1.00. A place either has competitive advantage, or it doesn't.

With Brown University and access to Route 128, we might have expected to find an advantage, but this data don't reflect one. There *may* be a trend away from lower-skilled computer SICs (Prepackaged Software, the only Computer SIC to come close to LQ = 1.00, in 1994, but falling to LQ = .66 in 2000) toward more sophisticated ones (Integrated Systems Design), and the trend toward higher (but still very low) LQ in these sectors may indicate competitive potential. But this data do not indicate that such potential is being successfully captured.

**Table 10: Location Quotient Quadrant Analysis**

LQ Above 1.00 and Rising				LQ Above 1.00 & Falling			
<u>SIC</u>	<u>Title</u>	200	LQ	<u>SIC</u>	<u>Title</u>	200	LQ
		0	Change			0	Change
602 0	Commercial Banks*	1.37	143.2%				
628 2	Investment Advice	2.00	73.7%	8721	Accounting & Related Svc.	1.08	-1.8%
863 1	Labor Unions & Orgs.	1.52	37.8%	8111	Legal Services	1.07	-3.2%
734 9	Bldg Cleaning & Maint. Svcs.	1.10	21.6%	6320	Medical & Health Ins.*	1.38	-5.5%
616 0	Mortgage Bankers & Brokers	1.76	20.8%	4724	Travel Agencies	1.00	-16.3%
633 1	Fire, Marine, & Casualty Ins.	2.04	13.5%	8621	Professional Memb. Orgs.	1.15	-32.3%
738 1	Detective, Guard, & Related	1.03	12.7%	7514	Passenger Car Rental	1.38	ND
641 1	Ins. Agents, Brokers, & Svc.	1.07	9.5%				
874 1	Management Services	1.06	9.4%				
606 2	State-Chartered Credit Unions	1.28	1.5%				
LQ Below 1.00 & Rising				LQ Below 1.00 & Falling			
<u>SIC</u>	<u>Title</u>	200	LQ	<u>SIC</u>	<u>Title</u>	200	LQ
		0	Change			0	Change
737 3	Computer Integ. Sys. Design	0.26	205.6%	7359	Equip. Rental & Leasing	0.71	-2.6%
621 1	Security Brokers & Related	0.92	60.7%	7997	Memb. Sports/Rec. Clubs	0.67	-5.8%
701	Hotels And Motels	0.33	17.3%	8712	Architectural Services	0.68	-6.7%

1						
799	Misc. Amuse. & Rec. Svcs.*	0.88	15.6%	7342	Disinfecting & Pest Control	0.83 -6.9%
0						
581	Eating & Drinking Places	0.96	12.7%	8711	Engineering Services	0.57 -10.3%
0						
631	Life Insurance*	0.91	12.1%	8713	Surveying Services	0.61 -10.5%
0						
874	Management Consulting Svcs.	0.67	9.7%	7384	Photofinishing Labs	0.85 -11.8%
2						
874	Public Relations Services	0.81	9.3%	7371	Computer Prog. Svcs.	0.44 -13.2%
3						
799	Physical Fitness Facilities	0.60	9.2%	7372	Prepackaged Software	0.66 -27.7%
1						
784	Video Tape Rental	0.83	4.2%	4731	Freight Arrangement	0.35 -32.7%
1						
737	Computer Maint. & Repair	0.43	2.9%	7311	Advertising Agencies	0.58 -35.6%
8						
861	Business Associations	0.74	1.7%	7382	Security Systems Svcs.	0.99 -51.8%
1						

\*LQ for State level; data suppression precludes analysis at County/Area level.

Analysis of Location Quotient can be complex. Table 10 above may help. With some interpretation based on the sectors themselves, there are some “rules of thumb” for interpreting what it means for an SIC to appear in each of the quadrants of the table.

#### LQ Above 1.00 and Rising

*This is often the most promising set of development targets.* SICs in the upper left quadrant have a stronger presence here than in the national economy, *and* that relative concentration increased from 1994 to 2000. A few, like Building Maintenance and Security, may reflect our combination of urbanization and real estate growth during the 1990s recovery; that is, we can explain their presence in this quadrant as an exception rather than a reason to target them. Rather, overall LQ remaining within ten points of 1.00 in most cases suggests normal variation around “average” concentration for a secondary sector.

But the several Financial Services, Banking, and Insurance SICs here tell us a great deal. Employment concentration is *well* above the national average, *and* (except for Credit Unions), has risen quite rapidly, even *compared to national average growth*. These are clearly part of the basic sector economy, and we clearly have some level of competitive advantage.

#### LQ Below 1.00 & Rising

*Some of these, but not all, will prove to be good targets.* LQ below 1.00 can mean competitive disadvantage, but it can also reveal an under-served market. Growth toward LQ = 1.00 might reflect market correction toward filling such a gap. With some caution, it may still be useful to target to bring the LQ up to or above 1.00, either because the low LQ suggests remaining growth potential or simply in order to broaden the availability of selected services for residents and/or existing businesses.

Although Security Brokers now have an LQ close to 1.00, and in some markets appear only in the form of retail brokerage offices (and thus part of the secondary economy), *we*

*know that more is going on here.* First,  $LQ = .92$ , but this is an increase of over 60% since 1994. In the context of legislative and tax changes to promote Financial Services growth, we find a real change in competitive position that justifies continued targeted development effort.

Life Insurance is also in this quadrant. LQ rose, as we saw above, not because employment grew here but because it fell faster elsewhere. This suggests that the State's overall Insurance strategy was wise and successful -- overall economic health benefits both from faster growth as in Property Insurance and from slower losses as in Life Insurance, even if we would prefer the former for both sectors.

Although generally part of the secondary market anywhere, we've targeted Eating & Drinking (and possibly some form of Amusement Services) for growth in order to serve residents better. And, in fact, we do see both of these SICs in this quadrant. Again, caution is in order. To the extent that these *are* part of our secondary economy, it may be much harder to sustain new growth as LQ reaches 1.00, and Eating & Drinking is approaching this level quickly. Nevertheless, growth in these LQs indicates the *potential* to expect growth, certainly with overall area economic growth if not faster. Warwick Station District can and should be developed with the goal of attracting more than its share of this growth.

Hotel & Motel employment is remarkable for its statistics here. LQ is rising, and our Employer Interviews indicate general belief that the market would support Hotel development in the Station District. Furthermore, the low LQ certainly suggests unmet demand for more Hotel capacity, while LQ growth indicates that there are no area competitive barriers to growth. Yet, in a State that claims Tourism as its "second largest and fastest growing industry," how can  $LQ = .33$ ? Statewide, Rhode Island's 2000  $LQ = .60$  for Hotel & Motel employment. This is an issue for the State's economic development and tourism leaders to consider. For the Warwick Station Redevelopment District Commission, these data do support considering Hotels as a target for development.

### LQ Above 1.00 & Falling

In most cases, especially where LQ is relatively close to 1.00, decline toward 1.00 probably reflects normal variation around the average in a secondary sector SIC.

But where LQ is well above 1.00, as with Health Insurance and Passenger Car Rentals<sup>1</sup>, we may worry that a sector that supports our economic base has lost some competitive advantage. Certainly, the State should be analyzing what is happening, and whether this should or even can be addressed by State policy action. Because of its special role in the District, we've already concluded that Passenger Car Rentals are important but not really suitable as a target in this context. These data suggest that Medical Insurance may also be less promising than other forms of Insurance, unless something changes competitively.

### LQ Below 1.00 & Falling

These sectors are under-represented, and appear to be becoming more so. In the absence of strong, usually unexpected, arguments that they are an exception, these do not make good targets for development.

## **Growth Forecasts**

Anyone who can reliably and accurately forecast growth in a specific sector, especially for a specific area, isn't sharing their wisdom, getting rich in the stock market. That said, the federal government, with its many economists and extensive data, makes general predictions about the growth potential of many (but not all) SICs. Rhode island also uses those federal predictions to make their own State-level forecasts.

Because our real interest is more in which SICs will grow in the future than in which ones grew in the past, we use these forecasts, along with the analysis based on more reliable, but historical, data above. Among the cautions:

- Growth forecasts indicate general expectations; actual growth rates will vary around the forecast based on many factors.
- Growth is not be distributed across the nation evenly. Competitive differences and different regional economic dynamics cause different results by region.
- Federal forecasts tend to be for broad (two- or three-digit SIC level) sectors, which are then applied to all of the four-digit SICs within based on the less detailed forecast in the published reports. State forecasts are done at the two-digit level. This can hide considerable differences, especially where a mature industry defined by one SIC is being supplanted by an emerging technology in another, related SIC. Neither is well-described by the average of the two derived from their common three-digit SIC. Still, these data are the best available.

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<sup>1</sup> Data suppression for Passenger Car Rental in 1994 made calculation of the 1994-2000 change impossible. We have placed this SIC in this quadrant because, despite growth at T.F. Green and considerable net employment growth in the SIC, the national rate of employment growth was faster from 1997 to 2000, during which period the LQ declined.

**Table 11: State and National Growth Forecasts**

<i>Sorted by Forecasted Rhode Island Growth</i>		Forecasted RI <u>10-Year</u> Job Growth	Forecasted US <u>Annual</u> Job Growth	Forecasted US <u>Annual</u> Output Growth
SIC	Title	1998 to 2008 (1)	2000 to 2010 (2)	2000 to 2010 (2)
<b><u>Forecasted Growth Above Median</u></b>				
7000	Hotels & Other Lodging Places	47.7%	1.3%	2.3%
6200	Security & Commodity Brokers	47.1%	1.9%	6.4%
7900	Amusement & Recreation Services	32.3%	3.0%	4.4%
7300	Business Services	31.1%	4.2%	6.0%
8700	Engineering & Management Services	24.7%	3.1%	3.9%
4700	Transportation Services	21.0%	2.2%	5.5%
5800	Eating and Drinking Places	15.3%	1.7%	2.8%
8600	Membership Organizations	15.2%	1.0%	2.4%
<b><u>Forecasted Median or Slower Growth</u></b>				
6400	Insurance Agents, brokers, & Services	10.5%	1.3%	2.4%
6000	Depository Institutions	4.4%	-0.2%	2.9%
8100	Legal Services	4.2%	2.9%	3.2%
6100	Nondepository Institutions	2.2%	1.4%	2.2%
<b><u>Forecasted Decline</u></b>				
6300	Insurance Carriers	-2.7%	0.3%	1.3%
Total Average		13.8%	1.4%	1.9%

Sources:

(1) Calculated from RI Labor Market Information Office Forecast of Absolute Growth by 2-Digit SIC Sector

(2) USBLS, Monthly Labor Review, November 2001

Some sectors included elsewhere are excluded because the Two-Digit SIC does not accurately represent the SIC in our Target Universe. E.g., SIC 75 Auto Repair, Parking & Services covers Passenger Car Rental.

The State forecasts the strongest growth for our target universe within Hotels and Motels. This is well above the national forecast rate of 1.3% annual growth, a moderate rate at best at the national level. This may reflect an accounting for perhaps half a dozen hotel development proposals in downtown Providence in recent years. To the extent that some of these have failed to materialize, and/or the extent to which those that do absorb some demand, the national forecast may be more realistic. But our experience, confirmed by Interview comments and much of the LQ and other data above, suggests that the Providence metro area really does have a shortage of Hotel capacity. Taken together, *the data appear to support targeting Hotel development for Warwick Station District.*

Investment-related Financial Services ranks second for predicted State-level growth, again despite moderate national growth forecasts. But, national Output growth is predicted to be much faster, so new facility strategies are more likely. The RI Department of Labor and Training, who makes the State forecast, is also factoring in the undeniable improvement in Rhode Island's competitiveness for this sector.

Amusement Services ranks third for State growth forecasts, consistent with national forecasts for employment and output. The other Hospitality sector of strategic importance to the District is Eating & Drinking Establishments. State growth is forecast to be moderately high, while national expansion is forecast to be just above average.

Neither Banking nor Insurance Carriers are forecast to add jobs in Rhode Island. This is consistent with national forecasts, although Insurance is predicted to grow slightly at the national level. Both of these forecasts may be overly pessimistic, but caution is in order.

**3. The business advantages of the location, in this case the Station Redevelopment District, should match the locational priorities of the target sector. Conversely, any business climate disadvantages that cannot be easily transformed should be relatively unimportant to the target sector in its location selection process.**

The analysis of Location Quotient begins to reveal the relative competitiveness of the area for particular SICs in the target universe. A very high LQ means our concentration in the sector, relative to the size of our total area economy, is above the national average, so the sector must have been able to compete here historically and perhaps may into the future. A growing LQ means that our competitive position is probably improving, whether to one of real strength or simply from one of weakness to one of less weakness.

But these statistics don't tell us *how* we may be competitive for an SIC. We need to know this for several reasons. First, we want to understand if the advantage is real, likely to serve us going forward, and most importantly, applicable to the Station District itself. Second, if we do target an SIC for development, we want to know the strengths to stress in our marketing message. Finally, we want to identify barriers to development that the City is able and will need to address in order to actually attract targeted investment.

For this, we will look at each of the most promising targets, as revealed in the statistical analysis above, in turn. It is at this stage that our Employer Interviews, supplemented by our past experience with facility locations processes in these sectors, will be of most use.

This, then, is the point at which we can lay out our recommendations for specific targets, describe their needs and growth potential based on Interviews and data, and begin to sense the strategic action Warwick must consider to compete for investment.

## DEVELOPMENT TARGETS

### Hospitality

The Commission's vision for the Warwick Station District entails development of at least one and very likely a variety of Hospitality uses. Employer Interviews consistently identified a need for more restaurants serving lunch and dinner. Businesses driven by the need to recruit skilled workers expressed a preference for locations that not only offer lunch services, but also create an inviting atmosphere for workers through dining, entertainment, and retail amenities. Some developers and existing employers cited this as an existing gap in the area, despite the presence of some amenities along Post Road. In meetings with the Commission itself, more evening activity, including dining and entertainment, came up in discussions of visions for the district's long-term future.

Certainly, this will require growth of Eating & Drinking (i.e. restaurants and bars), and ideally compatible entertainment, recreation, theater, and/or retail. With the exception of retail SICs (whose data configuration do not lend themselves to targeting in this context), we found strong growth history and reasonable forecasts for the future in all of the appropriate SICs.

We were interested to find that essentially every real estate developer, broker, and development expert we interviewed raised the strong potential for Hotel and Conference facilities. This seems obvious, given the volume of passenger traffic and ease of access to the District. Conference facilities were also identified by interviewees who represent possible target sectors, *but who do not currently have a presence in the District*. Rather, many of the businesses with an existing presence here did not feel the need for additional Conference facilities.

There are (at least) two possible explanations for this inconsistency. It may be that existing businesses have, to the extent that they need Conference services, found ways to obtain them, but would use new facilities in the District if they were available. Perhaps new arrivals would find, once they knew the area well, that existing services like the Crowne Plaza is perfectly adequate. Alternatively, outsiders (many of whom have in fact made themselves familiar with the area) may be expressing a real preference based on the potential to develop more services. Certainly, more detailed market demand analysis for this set of services should be undertaken.

Considering statistics for Hotel alone, there is considerable evidence to support further development in the Providence/Warwick market. Hotels & Motels appear on the top-growth lists both in absolute and percentage terms for the period 1994 to 2000; the rate of employment growth was more than triple that of the area economy as a whole. Among our target universe of SICs, Hotels & Lodgings is forecasted to have the single fastest rate of growth at the State level.

And yet, the year 2000 LQ = .33 (and only .60 Statewide), indicating that the market is quite underserved.

The nature of “targeting” most of these uses is very different from that of targeting most Office, Service, or Financial businesses. Our other target businesses make growth decisions on the basis of market forces and structural changes that arise in national or even global markets. They then choose locations for the resulting facilities on the basis of competitive comparisons of different places, in terms of how the business can address those external forces from each.

Hospitality businesses are certainly affected by national and international economic cycles. But first and foremost, they are driven by the level of real or potential market demand at any given location. Hotels may be easier or harder to finance depending on global travel activity. Yet restaurants, stores, theaters, and even hotels will still be drawn to specific site if the level of traffic is high enough and the market hasn’t yet been saturated.

In other words, while the overall level of Dining, Entertainment, and to some degree Hotel growth, will probably be driven by extraneous growth in the area economy, development strategy will play a significant role in the *share* of this growth that occurs in the District. Hotel growth will, of course, depend on the volume of passenger traffic through T.F. Green, the level of demand generated from businesses that may locate in the District (or elsewhere in the area), and whether or not a *competitive* conference facility can be feasibly developed and generates demand that would otherwise not arise.

In turn, the *total* extent of Dining, Entertainment, and/or related Retail can be developed will depend on whether a significant Hotel/Conference facility is developed. It seems certain that, with proper planning and development, some level of Hotel demand will be realized in the District, even if the developer simply reacts to the normal market growth. And it seems certain that, *provided the City and the developer implement necessary improvements in traffic circulation and land planning*, at least some level of Dining and related Hospitality business can be developed.

But we cannot say, without first determining the feasibility and likely scale of a Hotel/Conference facility, *how much* of these other amenities may develop.

### **Basic Economy Targets**

Apart from the growth data and forecasts already considered, we know that the State of Rhode Island has developed strategies to promote growth in specific sectors. Although some, particularly older, incentive and development tools have targeted traditional Manufacturing, the State has had real success targeting specific sectors that are well represented in our target universe. These include the obvious success of the State's Financial Services and Banking legislative program circa 1995; Insurance sector legal, regulatory, and marketing strategies that coalesced around the State's Insurance Task Force in the latter 1990s; tactical tax benefits targeted to attract Software Development entrepreneurs; and the extension of the nation's most generous Investment Tax Credit (typically limited to Manufacturers in other States) to "Traded Services" businesses.

The definition of "Traded Services" is instructive in telling us the State's priorities:

1. The firm must be in one of these sectors:
  - 50 Wholesale Trade, durable
  - 51 Wholesale Trade, non-durable goods
  - 60 Depository Institutions**
  - 61 Non-depository Credit Institutions**
  - 62 Security and Commodity Brokers, Dealers, & Exchanges**
  - 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 and Allied Services
  - 80 Health Services
  - 81 Legal Services
  - 82 Educational Services
  - 87 Engineering, Accounting, Research, & Management Services
  - 89 Miscellaneous Services
- and-
2. More than half of the firm's revenue must come from out-of-state sales or sales to the federal government.

We have highlighted the SIC titles in the State's eligibility list for the higher Investment Tax Credit above to highlight sectors that we believe, based on our analysis, should be targeted for development in the District.

## **Financial Services/Investment Management**

Security Brokerage, Investment Advice, and related Financial Services SICs have consistently appeared at or near the top of every list in the data analysis. They have grown in Rhode Island throughout the latter 1990s, in some cases transforming from little or no presence to becoming an economic base sector, exporting services to the rest of the region or even nation.

Despite the temporary setbacks associated with the recent national recession, more Financial Services growth is predicted for Rhode Island. Although prognostications about how the September 11 tragedy may affect facility locations are probably overblown, the effect on Financial Services, whether large or small, will be to promote further dispersal of facilities away from major metro areas (and especially from Manhattan) to secondary metro areas like the Providence/Warwick MSA.

In fact, this area seems especially well poised to attract any new facilities in this sector. Our interviews indicate that these facilities require:

- State-of-the-art telecommunications
- Competitive access to a large and well-educated labor pool, implying:
  - Centrality to educated metro-area labor shed
  - Easy auto access with adequate free parking
  - Proximity to upper middle class residential choices
  - Appealing surroundings around office sites
  - Access to restaurants and other amenities
- Good access to the major financial markets and/or to their own corporate management offices
- Competitive tax and regulatory treatment of their business
- Cost-competitive space and related costs

Even if security concerns cause significant dispersal of these facilities, this list of priorities will limit that dispersal to reasonably developed population centers. Companies may want multiple facilities to ensure redundancy and continuity, and they may want to move non-essential operations out of highly visible places like Manhattan. But they can achieve these goals in mid-size metro areas without risking the kind of labor shortages and other well-known problems that have plagued Citibank in South Dakota.

Prime examples of competition and/or benchmark developers for this sector: Delaware, Nevada (primarily Las Vegas), and most recently, Rhode Island. In fact, Rhode Island has successfully established clear competitive strength for this sector, and Warwick would be wise to take advantage of this opportunity.

Specific State-level assets to promote include<sup>2</sup>:

➤ **One-Factor Formula to Compute Corporate Income**

Income of Regulated Investment Companies and Securities Brokerage Services may be apportioned to Rhode Island using a one factor formula based on the ratio of gross sales to Rhode Island residents to gross sales everywhere. RIGL 44-11-14.2

➤ **Passive Investment Tax Exemption**

A corporation's investment income may be exempt from the RI Income Tax if it confines its activity to the maintenance and management of its passive intangible assets, maintains an office in Rhode Island, and employs at least five persons in Rhode Island.

➤ **Tax Exemption of International Investment Management Fee Income**

Companies with at least 500 employees in Rhode Island will not be taxed on fee income derived from international investment management services rendered to investors not domiciled in the United States, effective for tax years commencing after July 1, 1998. International investment management services include investment advice, investment research, investment consulting, portfolio management, administration or distribution services rendered to or on behalf of non-U.S. persons and non-U.S. investment funds.

➤ **Intangible Personal Property Sales Tax Exemption**

Sales or transfers of intangible personal property such as stocks, bonds, accounts receivable, money, or insurance policies are exempt from the sales tax.

➤ **Tangible Property Tax on Office Equipment -- Local Option**

Cities and towns have the option of exempting office equipment such as computers and communications equipment.

In addition, Warwick may promote the quality of its proposed development, access to an excellent labor pool and to strong educational programs (at Bryant College and URI, among others) that concentrate on producing Financial Services professionals, an excellent telecommunications system, and, of course, transportation.

This last element, transportation, must be qualified, with this and most other potential development targets. Because the synthesis of Air, Rail, and Highway at Warwick Station is so unusual, we have paid special attention to assessing its appeal to prospective investors in every sector considered. They have told us two things, essentially without exception:

- Access to good commercial air service is a significant advantage, and they prefer a location that allows them convenient access to T.F. Green specifically, Amtrak, and/or the MBTA service.
- “Convenient access” can mean anything from 10 minutes to 45 minutes away. *No one among the business executives or development professionals we interviewed felt that being across the street, i.e. in the District, conferred any measurable advantage over being 10 to 15 minutes away. Although no one disliked the idea of “people mover” access to Green, not one interviewee considered it to be a significant location factor.*

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<sup>2</sup> Taken from materials prepared by Rhode Island Economic Development Corporation.

Because there are, and will continue to be, highly competitive real estate alternatives, even within a 15 minute radius of the District, Warwick cannot compete on its unique transportation resource alone.

**Table 12: Scale of Typical Financial Services Office in Rhode Island**

<b>Rhode Island Average</b>	Average Employees Per Unit	Average Wage Per Employee
SIC 621 Security Brokers and Dealers 1	18	\$77,597
628 Security and Commodity Services 2	12	\$78,851
637 Pension, Health, and Welfare 1 Funds	14	\$52,803

Source: Calculated from es-202 data provided by RIDLT, LMI Office

Table 12 shows the average number of employees and the average annual wage per person for the target facilities. These are simple arithmetic mean averages calculated using State data totals for year 2000, excluding only those units for which other data was suppressed.

Two characteristics are immediately clear. First, average wages per employee are quite high, making this an especially desirable target. Second, the average facility is relatively small. Considering that Fidelity alone is roughly 100 times this size, we know that there is considerable variation, ranging from a few people in a retail broker's office to a major processing and support center. Obviously, Warwick should be prepared to accommodate as wide a range as possible, within the context of its own development plans.

**Chart 1: Size of Existing Financial Services Offices in the Boston/Providence Metro Areas**

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Source: County Business Patterns 1999; US Census Bureau

Chart 1, drawn from U.S. Census business survey data for 1999, (and, unfortunately, using the different but reasonably comparable NAICS classification system), confirms the existence of about 250 offices in the region with 20 to 50 employees; another 100 with 50 to 250 employees; and 14 offices of 1000 or more.

## **Commercial Banking**

Commercial Banking operations are also a good target for Warwick Station District. Although Banking does not come with the same strong growth numbers as Financial Services, there is reason to believe that the more can be achieved. Economic forecasts, reasonably, consider the extraordinary job losses in Banking that resulted from the bank collapse of 1991. Indeed, even the extraordinary growth in this sector since 1996/97 only *almost* makes up for the earlier loss. In most forecasts, this would translate into net stability, and the State forecasts a very small decline in employment through 1998.

Indeed, Banking has been relatively unstable as an employer nationally, and it is possible that unforeseen national or global economic forces, automation and other structural change in the industry, or even a change in the State's legislative and regulatory climate might lead to stagnation or decline in Banking employment.

Yet, the 1991 collapse is very unlikely to repeat itself, simply because it revealed problems in a way that made correcting them absolutely inescapable. And, despite the uncertainties in the national Banking market, Rhode Island's mid-1990s legislative strategies did, in fact, attract over 4,000 new jobs. The remarkable finding here isn't that Rhode Island lost the jobs between 1991 and 1995, but that we regained almost all of them in three later years. Combine this with the continuing advantage that those legislative changes established; comments from interviewees in Banking and related sectors about their growth expectations; and the presence and successful growth of Citizens Bank's facilities in and around the District (demonstrating the area's suitability), and Warwick should certainly consider this a solid target sector.

Based on our employer and related professional interviews, the District can promote to this target along several lines:

➤ *Access to labor:*

The District is close to the center of the Rhode Island labor market. Frankly, many prospects, especially from Massachusetts, appear to think of this labor shed as stopping at the providence or Cranston line, so there is a marketing task to undertake. But brokers and businesses that have actually evaluated or located in the area South of this line recognize it as a highly advantaged place from which to recruit mid-level, skilled office workers. This is critically important to Banking.

➤ *Accessibility:*

Central location, good highway access (with some need for simplification), and eventually, MBTA service, *in that order*, will attract Bank service and processing centers to the District. And our business interviewees were clear: it is not the delay in establishing MBTA service that ranks it last on this list, but the preferences of workers and employers. Bankers express interest in proximity to the commuter line as an employee recruitment tool. But while the MBTA is appealing, they *demand* good street access and free parking.

➤ *Favorable State Tax Treatment:*

As with Financial Services, Rhode island offers a number of advantages to banks in its tax code.

- Rhode Island’s Bank Deposits Tax was repealed in 1995.
- Banking institutions that engage only in credit card business may elect to have net income apportioned on the basis of the domicile of its credit card holders.
- Rhode Island allows out of state banks to operate branch offices in Rhode Island as long as the same opportunities are offered to Rhode Island banks as in their home state.
- Rhode Island has no cap on credit card transactions and authorizes any interest rate agreed upon between lender and debtor.
- Banks are eligible for the “Traded Services” Investment Tax credit provided the facility generates more than half its income from outside Rhode Island.
- Cities and towns have the option of exempting office equipment such as computers and communications equipment. (**Local Option**)

**Table 13: Scale of Typical Banking Offices in Rhode Island**

Rhode Island Average		Average Employees	Average Wage
SIC	Title	Per Unit	Per Employee
6021	National Commercial Banks	37	\$35,188
6036	Savings Institutions, Not Federally Chartered	88	\$61,871
6062	Credit Unions, Not Federally Chartered	19	\$28,099
6141	Personal Credit Institutions	15	\$45,475
6162	Mortgage Bankers and Brokers	9	\$40,543
6163	Loan Brokers	8	\$42,590

Source: Calculated from es-202 data provided by RIDLT, LMI Office

Although Table 13 shows “average” facilities based on statistical data, these sector categories mask a variety of different facility types. For example, while there might be one or more retail branches in the District, branches are not a target. Rather, the City should work to attract processing, service, and support centers much like the existing, and very successful, Citizens Bank facilities already in the area.

**Chart 2: Size Distribution of Bank Offices in the Boston & Providence Metro Areas**

Depository Services    Nondepository Credit

Source: County Business Patterns 1999; US Census Bureau

In the new language of NAICS, commercial banks have become “Depository Credit Intermediation” businesses; “Nondepository Credit Intermediation” covers to most other kinds of bank-like activity, including credit card services and sales, consumer, real estate, and secondary market financing. Again, while differing from the SIC code system and based on different data, this information is useful in describing the target SIC.

Predictably, there are many more Depository offices (about 2,500) in the Metro corridor than Nondepository offices (about 780). Most of the former are bank branches with 5 to 20 employees, and these are not our targets. But there are also 170 facilities that employ 50 or more people in this “Bank” category, most of which would be processing, support, or other similar target operations. Of these 75 employ more than 100 people, and ten employ more than 500.

Among almost 800 Nondepository offices, 642 employ 20 or fewer people, and 52 employ between 50 and 500 people. None employs more than 500.

## **Computer-Related Services**

The State has targeted Software and computer-related services for development, and has designed incentives for this sector much like those for Financial Services. We do find that Warwick can attract some elements of this industry to the District, but we do not recommend making this a core target for development. Why is this?

First, although the State has had some success growing Software in percentage terms, the actual number of jobs created has been very small. Tremendous success would still mean relatively few jobs or square feet of new space. With sustained effort, (which the State has *never* applied to growing this sector), it may well be possible to leverage the talent at Brown, proximity to Route 128, and our overall cost-competitiveness versus Massachusetts to achieve the critical mass that this industry requires.

Second, it is by no means clear that the State has the will for sustained effort, with very small initial returns but longer-term potential, to achieve critical mass. Once a certain (hard-to-define) level of activity is achieved, brilliant entrepreneurs should stop migrating to other software Meccas (where potential partners and understanding venture investors are easier to find) and start generating growth here. Until and unless this happens, software growth is more likely to be sporadic at best.

So consider the data: Programming Services and Packaged Software have about the *half* the national average presence in this area, and that relative presence actually declined during the 1990s. Integrated Systems Design increased its relative presence (i.e. grew faster than the national average), but only up to about one-quarter of the national average level of concentration.

Finally, even if (as is possible) the State focuses consistently and intelligently on growing Software, and even if the sector responds as the global marketplace recovers from the events of the last two years, Warwick Station District faces a very real disadvantage for this industry within the Providence/Warwick market. This is the cost of real estate.

Speed and flexibility are absolutely critical, and cash flow (referred to as “burn rate” because the flow is almost entirely outbound most of the time) is central. Software executives have a reputation for preferring attractive, “funky” real estate because it facilitates creativity. But they really want rock-bottom rents to conserve cash for talent, technology, and marketing. And the last thing most of them want, in a business where a product may be obsolete just a few months after introduction and markets can disappear literally overnight, is a five-year lease.

This is the other, hard reason why Software goes to rehabbed mill buildings in older urban neighborhoods. Warwick Station, if it is to achieve any of its other strategic goals, will certainly set a development standard that will require rents that most of these businesses will not pay, financed by leases they will not sign. Indeed, emerging land speculation appears to be raising the price of land in the District in ways that could threaten the ability to develop price-competitive property for other targets, and will almost certainly price all but the most promising software and computer-related businesses out of the District.

**Table 14: Scale of Typical Computer Industry Offices in Rhode Island**  
**Rhode Island Average**

SIC		Average	
		Employees Per Unit	Average Wage Per Employee
7371	Computer Programming Services	4	\$60,564
7372	Prepackaged Software	8	\$81,570
7373	Computer Integrated Systems Design	7	\$54,402
7378	Computer Maintenance And Repair	3	\$31,560
7379	Computer Related Services, nec	8	\$69,530

Source: Calculated from es-202 data provided by RIDLT, LMI Office

The Rhode Island-wide average data appear to confirm that the typical Computer sector facility is quite small, although the smallest average employment is for Maintenance & Repair, also the lowest-wage sector in the industry.

**Chart 3: Size Distribution of Computer Offices in the Boston & Providence Metro Areas**

Source: County Business Patterns 1999; US Census Bureau

Chart 3 is different from those for Finance or Banking. It shows the size distribution for the single NAICS sector, “Computer Systems Design & Related Services” for the entire corridor, and then separately for the Boston and Providence MSAs. We show this to indicate the difference between Massachusetts, where the sector has achieved critical mass, and Rhode Island, where it has not. First, the number of units of *any* size in the Providence MSA (totaling 257 in 1999) is dwarfed by those in the Boston MSA (total = 4,112) in every size class. Second, while the industry is dominated by very small facilities in both markets, Boston has 64 offices that employ 100 or more people each, and two employing more than 1,000 people. The Providence MSA has six office that employ more than 50 people. Of these, five employ between 100 and 250, and none employs more than 250 people.

These figures certainly demonstrate that larger Computer facilities *can* operate successfully here. But the data are also consistent with anecdotal and historical evidence that when and if these firms grow to need more talent and stronger financing, we lose them to the “gravity” created by Boston’s critical mass.

**Insurance**

Although absolute employment growth in Property & Casualty Insurance was of great benefit to Rhode Island’s economy, we do not recommend active targeted marketing to this sector, or necessarily that the District be designed with this sector explicitly in mind. There are several reasons for this conclusion.

First, although our employer interviews revealed some very positive expectations for growth in Rhode Island’s Insurance sector, both formal economic forecasts indicate otherwise. Our own analysis of recent historical growth data show that, while we have out-performed the nation in both Life and Property Insurance, Life actually lost net employment (albeit more slowly than the industry nationwide), and other sectors created more jobs than Property Insurance on net.

Second, and of much greater importance, interviewees with direct Insurance facility location expertise point out that our existing, significant Insurance carriers all have their own inventory of prepared land, and we expect most or all of them will use that for any foreseeable expansion.

This is not to say that Warwick cannot or should not compete for Insurance facilities on an opportunistic basis. Indeed, the Station District might prove highly competitive for some types of facility. There have been a number of facility location searches in recent years to place satellite operation centers for Insurance Carriers, and Rhode Island has certainly competed well for these.

Keyport Insurance in Lincoln is an example that is paying an economic development dividend as it grows following acquisition by SunLife-USA. Of course, it also proves the rule -- Keyport came here as a satellite, rumored to relate to a desire to “domicile” (i.e. legally headquarter) a subsidiary operation of its former parent in Rhode Island for regulatory advantages. It’s parent did not follow, because it is much harder to move some kinds of Insurance out of some States, especially Life Insurance out of Massachusetts, once a company’s domicile is established there. Now, because Keyport is established in Rhode Island, expansion has become much likelier.

When such opportunities do arise, the District can position itself to compete strongly. First, by planning employment center development for Financial Services and Banking, Warwick can simultaneously plan the kind of parcelization and infrastructure that Insurance is likely to require. That is, one doesn’t preclude the other. Insurance operations will also look for these advantages:

- Competitive access to a large and well-educated labor pool, implying:
  - Centrality to educated metro-area labor shed
  - Easy auto access with adequate free parking
  - Proximity to middle class residential choices
  - Appealing surroundings around office sites, especially conveying a sense of personal safety
- State-of-the-art telecommunications
- Competitive tax and regulatory treatment of their business
- Cost-competitive space and related costs
- Ability of real estate to retain value over time

As with Financial Services and Banking, Rhode Island offers significant legal, tax, and regulatory advantages to Insurance Carriers that locate primary offices here.

➤ **Income Taxes**

Insurance companies are taxed at a rate of 2 percent of gross insurance premiums paid by Rhode Island-based customers. Insurance companies paying the premiums tax are *not* subject to the Rhode Island Corporate Income Tax. In other words, location of a facility here does not generate *any* income tax nexus for Insurance Companies.

➤ **Protected Cell Companies**

The protected cell act facilitates insurance securitization transactions, and rent-a-captive formation through its protected cell structure. These features are available to domestic insurance companies, domestic reinsurance companies, and domestic captive insurance companies. This act also amends Rhode Island captive insurance company laws to allow the formation of reciprocal captives.

➤ **Captive Insurance Act Amendments**

Our new captive statute is designed to make Rhode Island an attractive jurisdiction for captive formation and operation:

- Authorizes reciprocal captive insurance companies
- Authorizes rent-a-captive insurance companies
- Reduces captive's gross premiums tax to the lowest in the nation

➤ **Deregulation of Commercial Lines**

This law exempts qualified commercial insurance lines from specific state review requirements including: filing policy forms, casualty insurance rating requirements, and certificate of compliance requirements.

➤ **Port of Entry Legislation for Non-U.S. Insurance Companies**

In the growing worldwide market for insurance there are many non-U.S. insurers seeking to do business in the United States. An insurer seeking to come to the United States must obtain a license in each state in which it intends to do business. In most states it is more difficult for a non-U.S. company to obtain a license than it is for a U.S. company to obtain a license. The Rhode Island Port of Entry Act passed in 1997 allows a non-U.S. company to become licensed in Rhode Island and then, as long as it maintains its base of U.S. operations in Rhode Island, be treated as a Rhode Island domiciled insurance company for the purposes of obtaining licenses in other states.

➤ **Mutual Holding Companies**

The Rhode Island Mutual Holding Company Act effectively permits Mutuals to access capital through stock issues without threatening policy holder rights or sacrificing the benefits of the mutual form of ownership.

➤ **Investment Tax Credit**

Because Insurance carriers pay the Gross premiums Tax instead of the Corporate Income Tax, Rhode Island permits them to apply any Investment Tax Credit earned against their Premiums Tax liability, *provided* they earn the ITC by investing *here*. Insurance executives are sometimes impressed when governments figure this out.

**Table 15: Scale of Typical Insurance Carrier Offices in Rhode Island**  
**Rhode Island Average**

SIC	Average	
	Employees Per Unit	Wage Per Employee
6311 Life Insurance	10	\$51,011
6321 Medical Service and Health Insurance	ND	ND
6331 Fire, Marine, and Casualty Insurance	44	\$54,027

Source: Calculated from es-202 data provided by RIDLT, LMI Office

Typical facility size in this sector is moderate; smaller offices typically will locate without the awareness of economic developers, simply to establish a service presence in each State or metro area. The real potential targets would be somewhat larger. Wages in this industry are mid- to higher level, although are often a number of semi-skilled processing and support positions as well. The presence of an existing base of experienced Insurance workers is an important selling advantage; the industry requires specialized technical knowledge that can be expensive to teach, and recruitment of line workers and technically qualified people is a high priority.

**Chart 4: Size Distribution of Insurance Offices in the Boston & Providence Metro Areas**



Source: County Business Patterns 1999; US Census Bureau

Although there are many very small offices in the distribution for all three of the significant Carrier types, the overall distribution of employment falls more broadly than for any of the other sectors. Ten facilities overall employ more than 1,000 persons each; another 96 employ between 100 and 1,000 each. In part, this may reflect the tendency of this Industry to try to grow at one or a few locations, where they manage their own real estate as a long-term asset. But when, as they will do, these facilities are highly desirable targets for recruitment, and Warwick should certainly be prepared to respond.

## APPENDIX & METHODOLOGY

The following people were interviewed for this analysis. Interviewees were selected to provide marketplace experience with the location requirements of businesses in the Providence/Warwick Metro Area and/or for specific types of business facility in the “target universe” of potential development prospects for the Warwick Station District. These include business executives as well as real estate professionals and economic developers who work in both the private and public sectors in Rhode Island.

Interviews were conducted on a confidential basis, in order to obtain honest comments. NEEDS, Inc. then drew upon this information to analyze the area marketplace directly, to test hypotheses drawn from other observations and/or data, and to strengthen our overall findings and recommendations.

### Interviews

<u>Firm</u>	<u>Interviewee</u>	<u>Type</u>	<u>Location</u>
Beacon Mutual	Jeff Johnson	Insurance	Metro Center
Citizens Bank	Community Relations	Headquarters	Warwick
	Jerry Curtin; Facility Location Director	Commercial Banking	
GTECH	Richard Seges	Lottery Management Software	West Greenwich & Coventry
Integrated Technologies	Corporate Real Estate	& Hardware	East Providence
	Tom Aldous Principal	IT Client Training	
McKenna & Remington	Matt McKenna Principal	IT Management Systems	Pawtucket
Metropolitan Property & Casualty Telesis/Towers-Perrin*	Dick Sitkus Facilities Director	Insurance HQ Call Center & Warehouse	East Greenwich
CB/Richard Ellis	Kevin Hively Senior Consultant	Management Consulting	Providence
	Charles Francis Principal	Commercial Broker	Providence
CB/Richard Ellis	Alden Anderson	Commercial Broker	Providence
Hayes & Sherry	Karl Sherry Principal	Commercial Broker	Providence
Integlia & Co.	Mike Integlia President	Developer	Providence

\*The parent company has since closed this division globally. Mr. Hively spoke in the context of the facility as it existed in Providence, and of his general experience consulting to a wide range of similar firms.

(Continued from prior page)

<u>Firm</u>	<u>Interviewee</u>	<u>Type</u>	<u>Location</u>
Central RI Chamber of Commerce	Lauren Slocum Executive Director	Chamber of Commerce	Warwick
Independant Insurance Agents of RI	Fred Federici Executive Director	Business Association	Warwick
NE Institute of Technology	Seth Kurn	College of Technology	Warwick
City of Warwick	William Facente Development Director	City Economic Development Office	
RI Economic Development Corp.	Dennis Maloney Business Attraction	State Economic Development Agency	
RI Economic Development Corp.	Paul Harden Business Development	State Economic Development Agency	
RI Economic Policy Council	Kip Bergstrom Executive Director	State Policy Advisor	
RI Export Assistance Center	Maureen Mezei Assistant Director	Export Assistance Services	

### **Target Universe of Business Types for Analysis**

We began with a “Target Universe” of business sectors for screening analysis. Although current and future business data in North America, including the US, is organized using the North American Industrial Classification System (NAICS), historical US business data, as well as government forecasts based on this data, are still organized according to the Standard Industrial Classification (SIC) code.

The SIC codes cover *all* legal economic activity, public and private. Our goal is to narrow this “universe” to a very few sectors for focused economic development effort. Less is more.

At this level, certain Major Categories and other sets of SICs could be eliminated from consideration based on the project specifications:

Agriculture, Mining, similar businesses are eliminated for obvious incompatibility.

All Government SICs were eliminated because they are exempt from local taxes, and offer no fiscal benefit to Warwick. It is possible to attract some Government facilities that generate *economic* benefit (NUWC in Newport is an obvious example), but such efforts would distract resources from a core task, growing the *fiscal* base.

Manufacturing was eliminated as a Major Category, because the vast majority of Manufacturing activity is incompatible with both the proposed vision for District development and because proposed development density, uses, and market real estate prices would deter most forms of Manufacturing.

Wholesale Trade was eliminated because, although some SICs might demand proximity to the Airport, there are more appropriate properties in the vicinity, and these facilities require truck access that would very likely conflict with desired Office and Commercial uses, as well as with passenger transportation uses at the Airport and Train Station.

Most Transportation SICs were eliminated because they would either locate on or adjacent to the Airport or Station sites directly, or elsewhere altogether. These also will tend to locate more strictly on the basis of transportation infrastructure rather than development strategies in the District. Two Transportation SICs, Travel Agencies and Freight Arrangement, were analyzed as possible exceptions, but eventually eliminated based on the analysis. A related Service SIC, Passenger Car Rental, was similarly retained for analysis, although this sector's development is already being managed as an integral issue related to the Station project itself, and therefore not explicitly targeted.

Finally, Retail, Finance, Insurance, and Services were narrowed for analysis on a case-by-case basis. For example, most Personal Services, and almost all Health Services, are by their nature unlikely targets for the District. Most forms of Real Estate businesses, normally grouped with Finance and Insurance in the SIC system, are also unlikely targets, and so were excluded.

The resulting Target Universe is as follows:

SIC	Title
4724	Travel Agencies
4731	Arrangement Of Transportation Of Freight And Cargo
5810	Eating & Drinking Places
6021	National Commercial Banks
6036	Savings Institutions, Not Federally Chartered
6062	Credit Unions, Not Federally Chartered
6141	Personal Credit Institutions
6160	Mortgage Bankers and Brokers
6211	Security Brokers, Dealers, And Flotation Companies
6282	Investment Advice
6311	Life Insurance
6321	Medical Service and Health Insurance
6331	Fire, Marine, and Casualty Insurance
6371	Pension, Health, and Welfare Funds
6411	Insurance Agents, Brokers, And Service
7011	Hotels And Motels
7311	Advertising Agencies
7323	Credit Reporting Services
7330	Mailing, Reproduction, and Stenographic Services*
7334	Photocopying and Duplicating Services
7336	Commercial Art And Graphic Design
7338	Secretarial And Court Reporting Services
7342	Disinfecting And Pest Control Services
7349	Building Cleaning And Maintenance Services, nec
7359	Equipment Rental And Leasing, nec
7371	Computer Programming Services
7372	Prepackaged Software
7373	Computer Integrated Systems Design
7378	Computer Maintenance And Repair
7379	Computer Related Services, nec
7381	Detective, Guard, And Armored Car Services
7382	Security Systems Services
7384	Photofinishing Laboratories
7389	Business Services, nec

*(Continued from prior page)*

SIC	Title
7514	Passenger Car Rental
7832	Motion Picture Theaters, Except Drive-in
7841	Video Tape Rental
7991	Physical Fitness Facilities
7997	Membership Sports And Recreation Clubs
7999	Amusement And Recreation Services, nec
8111	Legal Services
8611	Business Associations
8621	Professional Membership Organizations
8631	Labor Unions And Similar Labor Organizations
8711	Engineering Services
8712	Architectural Services
8713	Surveying Services
8721	Accounting, Auditing, And Bookkeeping Services
8730	Research and Testing Services*
8731	Commercial Physical And Biological Research
8732	Commercial Economic/Sociological/Educational Research
8733	Noncommercial Research Organizations
8734	Testing Laboratories
8741	Management Services
8742	Management Consulting Services
8743	Public Relations Services
8748	Business Consulting Services, nec
TOTAL	Kent & Providence Counties

## Data Sources

The underlying data, except where noted otherwise, comes from “es-202” reports. These reports are filed all employers who pay into Unemployment Insurance. Therefore, this is not survey data but offers roughly universal coverage of each sector. Both because of this universality, and because es-202 reports usually provide more recent coverage than other sources, we prefer to use it whenever possible. Data are collected accordingly to federal policies, and collection is funded by the federal government. However, the actual collection, data maintenance, and reporting is done by each State’s Labor office, and specific categories of data available vary among States.

The data have some limitations:

- Most importantly, States are required by federal law to suppress data if the number of companies in a geographic unit for a sector that would otherwise be reported is so small that the information might be identifiable as for a specific firm. The smaller the geographic unit, the more suppression occurs.
- Different States provide different levels of access. Rhode Island’s Office of Labor Market Information at RI Department of Labor and Training provides very good service, and was exceptionally helpful to NEEDS, Inc. in this work. We were unable to obtain comparable access to data for Massachusetts, despite considerable effort. We have turned to alternative data sources, not fully comparable but still adequate, to fill this gap.
- Employers whose employees are not eligible for Unemployment Insurance do not file es-202 reports, and this data for the economy is therefore missing. However, this group consists of fishermen, some agricultural workers, and some similar categories that are not directly relevant to this project.

We have addressed data suppression using these conventions

1. Estimate Total Employment and Wages based on available quarters where only some, but not all, quarters are suppressed.
2. Exclude SICs w/ four-quarter suppression for any year or quarter. Look at change individually for these as appropriate.
3. A “\*” indicates that the sum of appropriate 4-digit sectors at the 3-digit level was used for US comparison, because national total was not reported at this level.

Average Employment Per facility and Wage Per Employee were calculated for the Boston/Providence/Warwick Corridor, because this is the most likely source market for development prospects. In order to secure both good Facility Size data and to obtain Massachusetts data, we turned to business survey data from County Business Patterns, produced by the US Census Bureau. Although this is survey-based and not universal, data are current only to 1999. Both are reasons why we used es-202 data in our earlier analysis of the Warwick area itself.

Beginning in 1998, the Census started using NAICS in County Business Patterns. It is possible, but very difficult and sometimes misleading, to reconcile NAICS data for 1998 and 1999 with earlier data reported by SIC, also making it difficult to use County Business Patterns for historical growth analysis during this period of data transition.

**Numerical Data for Charts**

The NAICS categories, chosen to match our SIC categories as closely as possible, and the data underlying our charts in the report itself follow.

**Chart 1 Data: Facility Size Distribution in Boston & Providence MSAs**

NAICS:	523	525
Title:	Security, Commodity & Like	Funds & Trusts
1-4 Employees	1,302	44
5-9	272	4
10-19	151	8
20-49	136	6
50-99	52	2
100-249	50	2
250-499	11	1
500-999	7	0
1000+	14	0
Total Units	1,995	67

Source: County Business Patterns 1999, US Census Bureau

**Chart 2 Data: Facility Size Distribution in Boston & Providence MSAs**

NAICS:	5221	5222
Title:	Depository Services	Nondepository Credit
1-4 Employees	377	356
5-9	1,046	181
10-19	658	105
20-49	245	88
50-99	95	30
100-249	49	16
250-499	16	6
500-999	5	0
1000+	5	0
Total Units	2,496	782

Source: County Business Patterns 1999, US Census Bureau

**Chart 3 Data: Facility Size Distribution in Boston & Providence MSAs**

NAICS:	5415	For Boston MSA	For Providence/Warwick MSA
Title:	Computer Systems Design & Related		
1-4 Employees	2,949	2,758	191
5-9	430	401	29
10-19	324	301	23
20-49	236	228	8
50-99	104	103	1
100-249	46	41	5
250-499	15	15	0
500-999	6	6	0
1000+	2	2	0
Total Units	4,112	3,855	257

Source: County Business Patterns 1999, US Census Bureau

**Chart 4 Data: Facility Size Distribution in Boston & Providence MSAs**

NAICS:	524113	524126	524114
Title:	Life Carriers	Property & Casualty	Health & Medical
1-4 Employees	116	121	14
5-9	43	53	7
10-19	56	50	3
20-49	38	43	13
50-99	20	33	6
100-249	16	30	6
250-499	6	12	11
500-999	4	5	6
1000+	6	4	2
<b>Total Units</b>	<b>305</b>	<b>351</b>	<b>68</b>

Source: County Business Patterns 1999, US Census Bureau