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Downtown Development as a
Strategy for Revitalization in Providence, Rhode Island

By

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Submitted to the Department of Urban Studies and Planning in Partial Fulfillment of the
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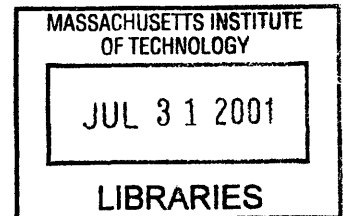
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ABSTRACT

This thesis examines the incidence of benefits resulting from downtown development in Providence, Rhode Island. Despite the acclaim accorded to the recent downtown development, there have been very few assessments of the project. Drawing on the critiques of the corporate center approach, which resulted in uneven spatial development and neighborhood decline, this study establishes a framework for analyzing revitalization that explicitly addresses whether neighborhood residents have access to the social and economic benefits conferred by development.

The findings of this study suggest that downtown development in Providence has to some extent succeeded in repositioning the city as a regional economic and destination center through the development of tourism and service-based industries. In addition, it has successfully eradicated the physical characteristics of blight and transformed the landscape. Nevertheless, analysis of tax revenues demonstrates that the downtown development has not resulted in a strong net fiscal benefit to the city. Moreover, the project has failed to link the benefits of development in a direct and systematic manner to surrounding neighborhoods, particularly low-income communities.

This study suggests strategies for Providence and other cities to ensure a more equitable distribution of economic benefits from downtown development, as well as ways to improve project assessment and fiscal returns to the public sector. It concludes by offering a new model for downtown development that identifies both neighborhood and downtown outcomes as indicators of successful revitalization..

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INTRODUCTION

Downtown Redevelopment

The attempts of American cities over the last fifty years to revitalize their downtown districts have been based on the assumption that a thriving downtown is critical to the functioning and vitality of not just the city, but the region as a whole. While many of these initiatives have achieved a certain measure of success in attracting new investment and in transforming the image of blighted areas, the persistence of poverty and segregation of opportunities in many central cities affirm the need to examine the benefits conferred by downtown revitalization and to consider new economic development strategies.

As deindustrialization triggered employment loss and depopulation of cities, and as suburbia gained in popularity, downtowns across the northeastern United States deteriorated physically and economically. With the decline of property values and the erosion of tax bases, increasingly resource-constrained governments found it difficult to provide services to the growing low income and minority populations in central cities.

For many cities, this limitation of resources prompted and justified downtown redevelopment strategies that focused on increasing the economic competitiveness of the city overall. Cities often advocated pro-business or corporate center approaches that would have multiplier effects on the local economy by stimulating job growth and generating revenue for the municipality.

However, in failing to address the fundamental causes of decline and in neglecting to link the benefits of development in the core to the neighborhoods, this approach resulted in uneven spatial economic development and further neighborhood decline.

By promoting stable neighborhoods so that they can provide labor and house consumers, cities can help sustain the gains achieved at the center. In this sense, downtown

development that succeeds as a strategy for revitalization must be based on an understanding of the symbiotic relationship between the core and the neighborhoods.

The Case of Providence

Downtown Providence, with its riverfront park, gleaming buildings and upscale restaurants is, for many, the embodiment of successful urban revitalization. An important commercial center during the industrial revolution that became one of the leading textile manufacturing bases in the country, Providence declined after World War II as the economy shifted away from traditional manufacturing and firms relocated to areas with lower business costs. As employment and residents abandoned the city, retail declined and the downtown experienced severe disinvestment, the physical signs of which were evident in vacant buildings and deteriorating infrastructure. Adjacent to the central business district, the area later known as the Capital Center District faced similar decline; concrete parking lots, choked roads and blight characterized this former site of railroad tracks and sidings.

However, massive public and private investment has transformed the degraded downtown landscape into one that exudes prosperity and vitality. The extensive development that occurred in the Capital Center district during the eighties and nineties demonstrated city officials' intense commitment to regenerating the downtown area. The strategy was not a new one, but it seemed to work. The renovated waterfront area has attracted private investment and increased tax revenues. Moreover, it has helped Providence generate one third of the payroll that is taxed by the state, adding up to more than \$4bn a year ("Waterfront Revitalization" 1).

Thus, from the perspective of many city leaders, the business community and residents, the Capital Center project has been an overwhelming success and has legitimized the next phase of the renewal. Known as the New Cities initiative, this ambitious plan seeks to redevelop more than 500 acres of deteriorated industrial property at a cost of billions (City of Providence 1).

Research Questions

Amidst these glowing testaments of achievement, perhaps lies another story that focuses on whether public benefits from the substantial amounts of public investment have extended to Providence's neighborhoods. The question of whether downtown development has succeeded as a strategy for revitalization should be measured not just in terms of its impact on downtown property values and revenue generation, but also in terms of whether neighborhoods - in particular low-income communities - have access to the benefits of this development.

The notion of access can be examined within a framework that includes economic, social and political elements. This framework prompts questions such as: who is employed by the new development, what type of jobs were created, who is using the facilities, and whether the downtown is generating investment and development beyond the immediate area. There is also an issue concerning who had the power to influence and share in the decisions that guided the development process, the extent to which the massive concentration of resources in the downtown limited the ability of the city to intervene in the neighborhoods and whether the type of development that resulted met the needs of residents and the goals of economic development.

These questions are important because there appears to be very little research concerning the incidence of benefits resulting from the downtown revitalization. Moreover, although city officials and other observers tout the Capital Center as a success, it is striking that there have been very few assessments of the project. Though HUD's recent *Strategies for Success* report identifies Providence as one of ten cities around the country that have adjusted to rapidly changing times and excelled, the report fails to evaluate the project according to its established goals and benchmarks, or in terms of its impact on neighborhood development (95-98).

This investigation is thus important in that it attempts to fill a gap in research concerning downtown development in Providence. However, its application is broader since it establishes a set of objectives that make direct reference to diversifying the benefits from

publicly-initiated projects and uses this as a framework for analysis of revitalization. In doing so, this study suggests a model for downtown development that cities can adopt in order to encourage more even spatial development.

Methodology Overview

This study evaluates the downtown development in Providence according to criteria that address the comprehensive nature of revitalization. Specifically, the project's success in transforming the physical environment, generating revenue, increasing property values and private investment are examined. In addition to these more downtown-focused outcomes, this study assesses the extent to which neighborhoods have benefited from downtown development by analyzing the users of the project facilities and the level of formal hiring and community benefits conferred by the project. Finally, the study examines whether the project has accomplished the goals of city officials and community leaders.

This investigation relies on a qualitative and quantitative approach to understanding this issue. The research strategy for assessing each indicator is discussed in greater detail in Chapter 1. As an overview, this study focuses on analyzing project data, reviewing planning documents and articles, as well as conducting semi-structured interviews with key participants. Implicit in the various strategies employed is the understanding that the notion of revitalization is a complex one that necessitates the synthesis of a diverse set of approaches. Underlying this research is the notion that the city has neglected to address the incidence of benefits in what has been deemed a successful case of downtown redevelopment.

Framework

Chapter 1 examines the decline of the American downtown and the various government responses this situation elicited. Following urban renewal, many cities adopted a corporate center approach that focused on reestablishing the downtown as a regional

business and shopping center. The limitations of this approach are discussed within the context of the need for neighborhood development. The chapter concludes by proposing a more comprehensive definition of revitalization and how it could be measured.

The experience of Providence in responding to employment and population loss is detailed in Chapter 2. Faced with a declining downtown, the mobilization of the business community was critical in shaping the vision for a revitalization downtown. This chapter describes how the subsequent public private partnership initiated the Capital Center District project, an ambitious and costly plan that embodied the corporate center approach to downtown development. Despite the depressed conditions of the neighborhoods, planning resources converged on the downtown area, ensuring uneven spatial development.

Chapter 3 presents this study's findings and analysis. The Capital Center project in Providence is assessed according to its impacts on the downtown area, followed by the extent to which benefits derived from the physical transformation and generation of new economic activity have extended to the neighborhoods.

Drawing on these findings and analysis, Chapter 4 concludes with a discussion of the success of Providence's downtown initiative as a strategy for revitalization. The corporate center approach of the project is reviewed in the context of the neighborhood development. This chapter offers recommendations that focus on linking neighborhood to downtown development in a more systematic manner so as to diversify downtown benefit provision and so as to directly address economic development needs of low-income communities. In its conclusion, this chapter highlights lessons from the Providence experience that can be applied to urban development through the application of a new model for downtown development.

CHAPTER 1

DOWNTOWN REDEVELOPMENT

The Decline of the Downtown

“Downtowns are seen as definitive of overall city identity, so cities of all sizes and in all regions are committed to successful downtown redevelopment” (Robertson 429).

The decline of the American downtown over the last fifty years prompted a series of redevelopment efforts that sought to reassert the position of the downtown as the center of regional commercial and cultural activity. The various federal, state and local policies and programs implemented, reevaluated and amended demonstrate not just the importance of downtown revitalization as an economic development strategy, but also, the failure of existing approaches at successfully revitalizing the complex and dynamic arena of cities.

The deterioration of American downtown districts was inextricably linked to the rise of suburbia in the 1950s, a trend that continues to prove difficult to reverse. As state and federal programs funded highway building, preferential mortgage lending, tax breaks to homeowners and to relocating businesses (Zielenbach 5), and as automobile usage increased, Americans left the cities in pursuit of new opportunities and improved standards of living in newly created suburbs.

The move to the suburbs, which was a “relative trickle” (Krumholz 213) before World War II, rose dramatically after the war and has accelerated further between 1980 and 1990. Perhaps the key factor in determining the fate of cities was the loss of economic opportunities as technology advanced and the economy responded. Deindustrialization in central cities, combined with the growth of light manufacturing that favored suburban locations, resulted in massive job losses in cities that had once enjoyed a competitive advantage. “As central-city factories closed, blue-collar workers lost good-paying jobs and seemingly had little hope of success in the new service economy of the postindustrial

city...” (Teaford 302). Between 1980 and 1990, suburbs captured 120 percent of the net job growth in the manufacturing sector (Hughes and Sternberg qtd. in Krumholz 213). Moreover, cities began to lose their advantage for office location as suburbs offered an array of place-based inducements. In 1950, central cities contained 57 percent of metropolitan-area residents and 70 percent of metropolitan-area jobs. By 1990, central cities contained only 37 percent of all metropolitan residents and 45 percent of all metropolitan-area jobs (Krumholz 213).

The statistics, however, conceal the economic, social and physical ramifications of such marked population loss on the fabric of cities. The flow of affluence and opportunities to the suburbs, resulted in the concentration of poverty in the cities. As property values declined and the tax base eroded, city governments were increasingly resource-constrained, and the pressures of providing services to growing low-income and minority communities exacerbated this situation. Moreover, suburbs ensured that low-income households would be restricted to the cities by adopting exclusionary zoning and other land-use regulations that make housing too costly for the poor (Krumholz 213). Thus, as suburbs became enclaves of opportunities, central cities were increasingly characterized by poverty, older neighborhoods, crime, neglected infrastructure, blight and despair.

Government responses to decline

Urban Renewal

Although the response of government to the decline of cities was at times ineffective and at times detrimental to the already distressed urban environments, the response was generally swift and dynamic as policymakers sought to revise programs over time. Galvanized by the federal urban renewal program and the efforts of local growth coalitions, downtown redevelopment programs flourished in the 1950s (Judd qtd. in “Downtown Redevelopment” 104). However, the reliance on urban renewal dollars – which was not a program of direct public investment for revitalization but rather a means for cities to acquire land through eminent domain and assemble it for sale to private

developers – typically resulted in single downtown projects “designed to stabilize property values and boost investor confidence in central business districts” such as in Pittsburgh’s Golden Triangle or Baltimore’s Charles Center (“Downtown Redevelopment” 104). Given that private developers sought to maximize profits, and given that public redevelopment authorities were dependent on developers in initiating and carrying out these projects, “the upshot was that urban renewal investment was rarely targeted to cities’ most distressed neighborhoods (“Politics” 20).

Corporate Center Approach

By the 1970s, many cities in the Frostbelt area were undergoing deindustrialization and fiscal distress, which rendered them unable to deal effectively with the deteriorating conditions of central cities. Their lack of resources prompted a rethinking of urban policies and justified a new approach to downtown redevelopment that focused on increasing the economic competitiveness of the city overall rather than promoting redistributive programs such as affordable housing, which would only serve to attract more low-income individuals and families (Zielenbach 6). In this context, the presence of a more “politicized business community” influenced cities to embark upon a more “entrepreneurial” strategy of economic development (“Downtown Redevelopment” 104) and many cities began to advocate a pro-business or corporate center approach.

The physical consequences of this approach were revealed as cities attempted to distance themselves from their manufacturing pasts and reinvent their downtowns as glittery destinations for upscale consumers, particularly tourists, “...the future of urban America was not in factories but in service, and one of the service industries most pregnant with possibilities was tourism” (Teaford 274). Thus, beginning in the 1970s and extending into the 1980s and 1990s, cities built hotels, tourism-convention facilities, high-end residences and corporate centers in their downtowns in an attempt to transform their decaying images and attract the mobile capital of the new economy.

Of particular note was the “Rouse-ification” of downtowns as the Rouse company built festival marketplaces across the country in cities such as Boston, New York, and Baltimore to name a few (“Politics” 24). These marketplaces not only improved the physical appearance of downtowns, but also contributed to the growth of the hospitality industry, which relied on large numbers of unskilled workers – an asset in abundance in older cities. For many mayors across the North East, this approach seemed to be the panacea for their urban woes: “older cities could come back if they became exciting magnets for the tourist dollar” (Teaford 274).

The arguments for adopting this corporate center approach, as outlined by Levine in “Downtown Redevelopment as An Urban Growth Strategy,” focused on the provision of four main public benefits (104):

- 1) Symbolic Enhancement of the Local Business Climate: ostentatious downtown revitalization projects would enhance the public sector’s ability to leverage private investment by attracting potential investors to a city undergoing positive change.
- 2) Direct Job Creation and Tax Base Broadening: new employment opportunities would boost the economy, offset job losses in the manufacturing sector and create entry-level positions for low-income residents. In addition, new commercial development would augment property values and broaden the city tax base, which would increase revenues and the capacity of the city to provide public services.
- 3) Ripple Effects: once a “critical mass of downtown investment is leveraged,” it would stimulate economic growth in the rest of the city through spill over or trickle down effects. This argument, combined with the benefit of direct job creation and tax base broadening, is critical to understanding how proponents of the downtown-centered approach could thwart more neighborhood-centered revitalization attempts.
- 4) Spearheading Economic Adjustment: as the economy became more service-based, downtown became increasingly attractive as a central location for corporate offices,

which could benefit from the agglomeration tendencies of the advanced services sector.

Limitations of Corporate Center Approach

However, despite the popularity of these downtown revitalization projects, the quality and pervasiveness of these benefits – particularly in terms of reaching low-income communities – is debatable, and may not outweigh the costs. It is important not just to calculate the aggregate costs incurred by a city in terms of packaging land parcels, selling them below fair market price, assisting with environmental remediation, offering sales and property tax abatements or reductions, and funding infrastructure improvements, but also to consider the cost to surrounding neighborhoods. For, by concentrating its resources on downtown initiatives, a city is unable to focus on other areas or programs and thus “neighborhoods have often been neglected” (Keating 3).

The failure of many cities to conduct systematic cost-benefit analyses, to perform evaluations of public expenditures, or to fully consider alternatives to such a massive commitment of public resources in relatively small areas, has, for many critics of downtown development, resulted in uneven urban growth and the persistence of structural problems facing Frostbelt cities (“Downtown Redevelopment” 105). As city planning agencies focused on identifying private investment opportunities, many failed to examine the quality of jobs that would be created and how development opportunities in the downtown area would be linked to the development needs in surrounding neighborhoods. Cities made neighborhood development reliant on trickle-down benefits from central business districts, a policy that fell short of the alleviating conditions in distressed communities.

Not only did downtown development fail to spill-over into neighborhoods and create employment opportunities, but the emphasis on tourism-convention and advanced services industries proved “deficient anchors of a local economy” (“Downtown Redevelopment” 140).

As Stanback and Noyelle point out, the income distribution in such economies tends to be two-tiered, with few occupational ladders and middle-income jobs bridging the tiers. The downtown services sector tends to be isolated from the local component of a city economy; limited linkages to small and medium-sized local firms mean that there are few ripple effects in neighborhood economic development (Stanback and Noyelle 140 –142). What is more, the kinds of jobs created in downtown corporate centers are unlikely to provide employment opportunities for urban poor and minorities. (“Politics” 26)

Where downtown development initiatives did create jobs that low-income communities could access, critics have argued that these jobs tended to be entry-level and paid far less than the manufacturing jobs they replaced. Indeed, the real winners from revitalization have been the developers, investors and suburbanites who have filled the quality employment positions (“Politics” 26).

Moreover, the argument that successful redevelopment would increase revenue and allow cities to fund social programs is not a persuasive one. According to Levine’s redevelopment studies, there is little evidence to suggest that such redistribution occurs in Baltimore and other “austerity-minded” cities; instead, “the returns from downtown growth are generally recycled into further redevelopment activity” (“Politics” 28). Economic development policies, in particular tax increment financing, contribute to this uneven spatial investment areas by pledging the tax revenue stream from future redevelopment to pay for initial construction financed by bonds. This policy only serves to widen the disparity between downtown and neighborhoods, particularly low-income communities.

By failing to address both population and employment loss as causes of downtown decline, the corporate center approach was flawed from the outset. The exclusive focus on generating new economic activity without attempting to draw residents back to the city fostered uneven spatial development. Moreover, by not directly linking economic gains at the center to surrounding communities, the approach guaranteed that downtown development would occur in isolation and that neighborhoods would deteriorate.

The Case for Neighborhood Development

“Neighborhoods are the lifeblood of any city” (Witold qtd. in Moe and Wilkie 101).

The importance of ensuring that low-income communities benefit from revitalization efforts is clear. A well-functioning downtown relies on stable neighborhoods that provide a reliable supply of labor to industry, help lower the costs of business and house consumers who can afford to consume goods and services. In contrast to suburban commuters, these inner city communities have a direct stake in the economic and social health of the city.

By not improving poor communities, cities erode their competitiveness; the existence of concentrated poverty, crime, and illiteracy, deters investors who seek to locate in areas with skilled workforces and buying power (Zielenbach 11). These same negative attributes also discourage potential middle-income residents from locating near downtown and push existing residents to the suburbs once they have the resources to do so, thereby contributing to sprawl.

Moreover, inner city decay and its corollary of regional sprawl impose severe costs on society in terms of infrastructure. Not only does infrastructure in neglected neighborhoods become obsolete, requiring the municipality to rebuild it at replacement cost elsewhere in the region, but the costs associated with sprawl are also massive and, to some extent, unnecessary.

Revitalization

Definition

“In city after city, redevelopment has been associated with a ‘tale of two cities’: pockets of revitalization surrounded by areas that experience growing hardship” (“Politics” 25).

While many of the downtown redevelopment initiatives have achieved a certain measure of success in attracting new investment and in transforming the image of blighted areas, the persistence of poverty and segregation of opportunities in many central cities affirm the need to examine the benefits conferred by downtown revitalization and to consider new economic development strategies.

In order to evaluate what constitutes successful revitalization, it is first necessary to define the concept within the framework of publicly initiated development projects. Both the definition and measurement of revitalization are complex, somewhat problematic and certainly not universally agreed upon.

The most popular approaches to revitalization tend to fall within two categories: people or individual-based, and place-based (Zielenbach 30). The individual-based approach assesses the neighborhood wealth in social, psychological and economic terms and relies on improving local institutional capacity, program development and trickle-down economic growth as means to achieve revitalization. By placing the emphasis on individual development, fostering the long-term viability of the neighborhood as a geographic place becomes less of an important goal than enabling residents to leave the neighborhood in order to pursue better opportunities elsewhere. Indeed, the outcome of such an approach could be the further deterioration of the neighborhood as it loses the social and economic capital of its departing residents.

The place-based approach focuses more on improving the economic viability of the area, rather than the capacity of the residents in the neighborhood. As such, gentrification, incumbent upgrading and adaptive reuse constitute revitalization (Zielenbach 23). With the goal of increasing property values, this approach tends to drive out existing residents who can no longer afford the increased costs of living. Thus, in contrast to the individual-based approach, which is a variant on anti-poverty programs, under the place-based scenario, poverty is displaced not alleviated. The corporate center approach, with its emphasis on increasing property values through upscale redevelopment, exemplifies a place-based strategy.

Clearly, any discerning definition of revitalization requires the synthesis of the individual and place-based approach in order to offer a more holistic understanding of the term. Improving residents' access to jobs without improving the neighborhood in which they live essentially undermines comprehensive economic development as residents choose to relocate to areas that better fit their enhanced economic status. Or, in the case of downtown development, improving the place by generating new economic activity and implementing physical improvements does not lead to revitalization if residents lack the capacity to access new opportunities.

In the case of neighborhood development, Zielenbach comments, "recognizing the inherent interplay between investment in a neighborhood and improved conditions for local residents" leads to the following definition of revitalization: "the improvement of economic conditions for existing residents and the reintegration of the neighborhood into the market system" (31). While this definition addresses poverty reduction, it does not go far enough in addressing explicitly the physical aspects of revitalization and it does not take into account the provision of public benefits and amenities that downtown development must necessarily confer.

This provision of public benefits as part of what constitutes successful revitalization, assumes more significance given the role that the downtown plays as the principal place where people exchange goods and services and enjoy the amenities that the region has to offer. Downtown revitalization should be framed not just in terms of it operating as a successful unit, but in terms of the extent to which it serves the city as a whole, especially the neighborhoods. Thus, while redevelopment should focus on physical transformation, including the provision of public space and amenities and also on economic improvements, the benefits of new economic activity should extend to the neighborhoods. For residents to access these gains, cities must focus on program development that enables individuals to compete for employment opportunities and not rely on trickledown as proposed by the corporate center model.

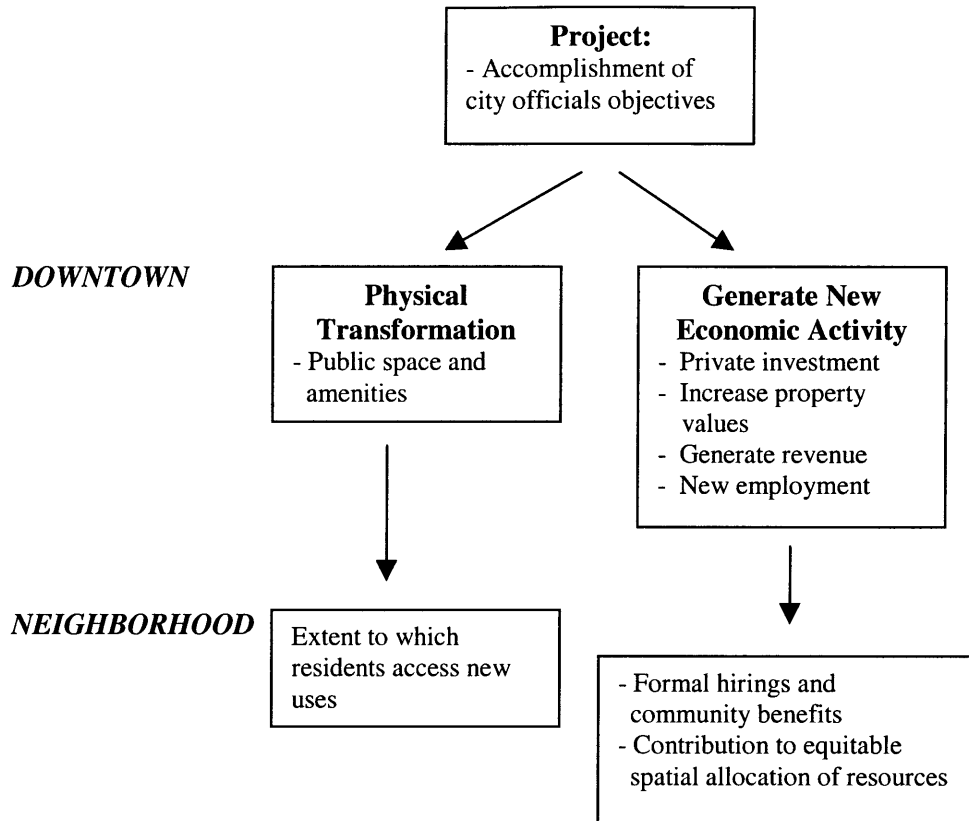
If downtown development is to succeed as a strategy for revitalization, it must address the fundamental causes of decline. By tackling the loss of population as well as economic activity, the downtown can reestablish itself as a regional center. Many initiatives have focused on the economic but neglected the demographic aspect. Implicit in this more comprehensive approach to revitalization is an understanding of the critical role that neighborhoods and their residents play in supporting a stable downtown as employees and consumers. Thus, rather than framing the debate as downtown versus the neighborhoods, cities should recognize the reinforcing nature of the relationship and encourage the development of both.

Measurement

Given the complex, multifaceted nature of revitalization, it is necessary to draw on a range of indicators to determine success. In formulating a framework for analysis, this study acknowledges the limitations of the corporate center approach, as outlined by Levine and applies this critique to understanding the case of Providence. Where Levine focused exclusively on economic impacts, this study attempts to additionally assess physical and social impacts of revitalization. While Pagan and Bowman in *Cityscapes and Capital* do take into account the change in physical appearance and class of user in their assessment of revitalization, they fail to explicitly address impacts on the neighborhood or indeed the need for ensuring an equitable distribution of benefits.

By synthesizing the physical and the economic, the downtown and the neighborhood, this study attempts to supplement the aforementioned approaches with a more detailed set of objectives shown in figure 1.1 that cities should use in the planning and evaluating of downtown development projects.

Figure 1.1: Indicators of Revitalization



Downtown-focused outcomes

In emphasizing physical change and new economic activity, these outcomes reflect to some extent the goals of the corporate center approach towards downtown development.

- 1) Change in Physical Appearance of Area: assessing the extent to which the blighted area has undergone quality physical transformation and created public space and amenities.

Research Approach: This study sought to compare pre and post revitalization assessor maps and photographs, as well as draw on impressionistic data collected during interviews.

- 2) Increase in private investment and property values: this impact is not limited to the specific project area, but extends to adjacent areas and is exemplified through multiplier effects.

Research Approach: In order to assess levels of private investment, this study relied on data compiled by the Capital Center Commission, documented in articles and relayed by key participants during interviews. Although this study initially sought to use property assessment records in evaluating property values, the reassessment underway in Providence at the time research was conducted meant that an analysis of office rents was used as a proxy for this indicator.

- 3) Net revenue generation: measured using city official's revenue generating benchmark rather than optimal returns and defined as city revenues from the project exceeding the public cost of the project.

Research Approach: By comparing early planning documents prior to the revitalization effort with property assessment records, this study intended to comment on the success of the project in generating additional tax revenue.

Neighborhood-focused outcomes

In assessing the extent to which project benefits extend to the neighborhoods, this analysis diverges from the corporate center approach and attempts to establish a more holistic approach to understanding successful revitalization.

- 1) Examine diversity of users of project facilities and amenities.

Research Approach: This study used data compiled by researchers as well as impressionistic evidence relayed by key participants during interviews.

- 2) Assess formal hirings, types of jobs created and analyzing target population for new employment opportunities.

Research Approach: Interviews were conducted with key participants, particularly representatives of community development corporations and data collected from reports.

- 3) Evaluating community benefits resulting from project.

Research approach: By conducting interviews with officials from the city, business and nonprofit sector, this study examined the extent of community benefit provision.

- 4) Allocation of resources: extent to which downtown development has assisted neighborhood development, particularly in terms of city resource designation.

Research approach: This study relied on information and data collected during interviews with city officials and representatives from community development/finance corporations.

Limitations

Measuring revitalization presents a number of issues that relate to the complicated nature of the concept. Firstly, it is important to understand that complete data is not easily obtainable at geographical units smaller than the citywide and zip code level. This limitation makes it difficult to assess the impact of a redevelopment project alone. Linked to this is a causal issue in that it is difficult to determine the extent to which the redevelopment project, and not another factor, caused, for example, an increase in property values.

There is also an issue in that while accomplishment of city officials' vision and goals comments on the ability of the city officials to implement a vision, this assumes that the vision was a good one and that the public was fully represented in its crafting. If this is not the case, this indicator is invalid as a measurement for successful revitalization. Revenue generation also presents a problem in that it is based on a cost benefit analysis. Not only does this assume that the city performs such an analysis, but that, ideally, it also takes into account the social costs and benefits of a project, which are difficult to

quantify. It also assumes that the city will channel revenue from the project into social programs and not merely reinvest the returns from downtown growth into projects that assist the resource wealthy.

While the tools are not perfect, taken together, they do provide a useful framework to evaluate revitalization. Given the vast resources that cities have committed to downtown redevelopment, it seems that attempts to assess the success of these initiatives play an important role in appraising past policies and in determining future approaches to economic development.

CHAPTER 2

The CASE for REVITALIZATION in PROVIDENCE

Providence, the capital of Rhode Island is the largest city in the state with a population of 174,000 people (US Census). As the third most populous city in New England after Boston and Worcester, its economy exerts regional influence as the business, finance, governmental and cultural center of a metropolitan area of over 1,000,000 persons (RIEDC 1). Providence boasts a major port, as well as six colleges and universities and is one of the regional leaders in the production of machinery and jewelry.

Downtown Providence, located at the confluence of the Moshassuck and Woonasquatucket Rivers and facing the head of the Narangansett Bay, consists of approximately 150 acres and is surrounded by the College Hill, Smith Hill, Federal Hill and South Providence neighborhoods (Appendix A). Housing the State Capitol and the impressive Providence Place Mall, the downtown emanates a monumental quality that transitions into a dense central business district characterized by historic mid-rise and more recent high-rise buildings.

Founded in 1636, the city became an important commercial center during the industrial revolution when it was one of the leading textile manufacturing bases in the country. Its preeminence in the hierarchy of cities peaked in 1940s as its textile and jewelry industries boomed and its population numbered approximately 253,000 (Whitmire 22). The signs of a flourishing economy were evident in Providence's physical environment as resources poured into new development: "That money financed the construction of beautiful homes, massive factories, shiny storefronts, and sturdy brick office buildings" (Nifong 25).

Forces of Decline

However, as the industrial age waned after World War II, Providence experienced a major decline in its economic competitiveness. The shift in the economy away from heavy manufacturing combined with the locational flexibility of existing and emerging industries severely impacted the city. Textile and manufacturing businesses closed and relocated their operations to Rhode Island's suburbs or to the southern states where labor costs, land, taxes and utilities were cheaper (Motte and Weil 9).

From the early 1950s, the city's manufacturing employment, industrial output and gross retail receipts declined on a consistent annual basis (Motte and Weil 9). The loss in employment opportunities precipitated the depopulation of the city and the trend toward central city disinvestment. Between 1940 and 1970, the city's population declined by almost 40% as nearly 100,000 residents relocated, primarily in suburban areas of nearby towns where single-family homes were being built in extensive subdivisions (Motte and Weil 9).

The impact of losing its manufacturing base was exacerbated by Providence's loss of retail and service industries. By the early 1970s, surrounding municipalities, capitalizing on their strategic advantages, had built suburban shopping malls and office parks that lured business from the city. Just eight miles south of Providence along Interstate 95, two large suburban malls, the Rhode Island and Warwick, seized an increasing share of the state's retail dollars (Motte and Weil 9). In 1977, the 45 retail establishments in the Warwick mall generated sales of \$75.1 million whereas the CBD retail sales totaled \$70.9 million (United States 55).

The fact that Providence could also not compete for industries in emerging sectors compounded the trend toward disinvestment as new resources were channeled away from the city and into adjacent locations. Suburbs often won state funding for the construction of business parks that were "tailored toward the reorientation of Rhode Island's economy to emerging global communications industries" (Motte and Weil 9). The city saw its

share of new commercial construction in Rhode Island decrease from 32 percent in 1967-68 to 14 percent in 1977-78 (United States 56), and its share of the state payroll decline from 38.7% in 1970 to 33.4 percent in 1977 (United States 54).

The demise of Providence as a regional center for commerce, and its related population loss, affected the downtown area, in particular, economically and physically. Between 1972 and 1977, retail sales in the central business district (CBD) decreased by 13.9% and the number of retail establishments declined from 293 to 255 compared to an overall increase in Rhode Island retail sales of 37.9% (United States 55). Moreover, the total number of persons working in the downtown area was estimated at 25,631 in 1977, an average annual decrease of 2.7% since 1970 when downtown employment was 31,769 (United States 54). Buildings were boarded up, additional businesses, including the Biltmore hotel were due to close, and no new development was occurring as investors “looked elsewhere” (Olson 37). According to Ron Marsella, the first director of the downtown development oriented Providence Foundation¹ “people didn’t believe in Providence” (Interview with Marsella).

Providence in many ways typified the experience of declining central cities that underwent considerable population loss in the 1970s and 80s, with devastating impacts upon local economies. Unlike other cities, however, Providence had not only escaped the implementation and legacy of urban renewal, but also retained significant resources that would later help stimulate revitalization.

Government Response to decline

“Twenty years ago, Providence was a case study for the decline of industrial, Northeastern cities. It was dirty and decrepit, and its grimy image was further soiled by the notoriety it gained as the headquarters of the mob” (Whitmire 22).

¹ An affiliate of the Providence Chamber of Commerce, the Foundation is a private sector advocate for downtown economic development.

Despite the downward spiraling economic trend since the 1950s, it was not until the mid-1970s that the governmental dialogue surrounding urban policy shifted toward downtown revitalization. The influence of the business community in initiating and framing this dialogue is significant in that it impacted the goals and outcomes of redevelopment in a manner that spoke to the interests of ensuing public-private partnerships.

Mayor Doorley, the predecessor of current Mayor Cianci, “had shown neither interest nor leadership in matters relating to downtown during the preceding decade” (Motte and Weil 10). The administration had failed to pursue the federal aid that might have slowed the decline of downtown Providence. It is perhaps fortunate though that the city lacked the will and the capital to pursue the Planning Department’s *Downtown Providence 1970* plan since it advocated widespread urban renewal. Published in 1960, the redevelopment plan called for clearance of many older, historically and architecturally significant buildings to make way for new construction of civic, office and residential complexes (American Planning Association 2). Nevertheless, the Doorley administration’s overall policy of indifference stood in sharp contrast to the approach of many other northeastern cities which were “responding to decline in creative ways” (Motte and Weil 10).

The events of 1973, however, highlighted the need for a carefully defined downtown revitalization plan. The relocation of Rhode Island’s largest independent insurance group to neighboring Johnston, combined with the judicial system’s plan to move the state court complex to the suburbs, as well as the closure of two of Providence’s largest department stores, were indicators of the city’s rapid deterioration. “The trend threatened to evaporate the critical mass necessary to sustain a viable downtown economy, which it seemed would no longer survive under the tacit city policy of benign neglect” (Motte and Weil 10).

As significant businesses abandoned Providence, the “business community began to organize a response to the disintegration of the functional and physical fabric of the CBD (Motte and Weil 10). A small group of Providence business leaders approached Doorley in the fall of 1973 with the idea of establishing a public-private partnership with the city.

After discussions between the mayor and the Providence Chamber of Commerce, the Providence Foundation was created with the goal of creating, planning and facilitating feasible downtown development projects.

The change in mayoral leadership in 1975 signified a turning point in city policy toward downtown. Despite his support for the establishment of the Providence Foundation, Doorley's administration had demonstrated little enthusiasm for downtown initiatives, or indeed planning for the city as a whole:

Doorley often seems to look only at the bottom line, checking the cost figures, and often ignoring what are sometimes termed civic needs or social benefits...Neighborhoods are deteriorating, yet it seems the Doorley administration's only response is to tear down more abandoned houses. The city's port, though profitable, has been decaying through lack of repairs. The mayor has never demonstrated much interest in urban planning of any kind. (Bailey G1)

Upon assuming office, Cianci sought to distinguish himself from his predecessor, charging that the previous administration had "abdicated its responsibility to Downtown Providence" (Wood qtd. in Motte and Weil 11). With the backing of the Chamber of Commerce, the Mayor and the Providence Foundation proceeded to redirect attention to revitalizing the downtown. Over the next few years, they achieved a number of notable successes. First, the partnership persuaded the governor to keep the state court system in Providence by building a new downtown court complex. Second, the historic Biltmore hotel, which had closed and was being considered as possible housing for the elderly, was renovated for continued use as a hotel (Interview with Baudouin). Third, the old Loews theatre was saved from demolition and, with the infusion of city dollars, converted into the Providence Performing Arts Center. Fourth, the Providence Arcade (the oldest shopping mall in the U.S. dating back to 1828) was refurbished and reopened (Motte and Weil 12).

While these projects were small both in scope and in their impact on the downtown economy, they were nevertheless important developments. Not only were these projects

completed without any federal or state money (instead relying on low interest loans and city bond issues), they demonstrated to potential investors the ability of the Foundation and Mayor to achieve success, even with unconventional financing (Motte and Weil 12). The next phase of development though was much more ambitious and would transform the landscape of downtown.

Downtown Planning

Although the city did not implement *Downtown Providence 1970*, the plan did influence the course of downtown redevelopment. It was the first scheme to promote relocating the railroad tracks, which acted as a barrier to the cohesion of the city by separating the State House, downtown and the northern part of the city. As visible in Appendix D, Exhibit 3, the railroad tracks, their sidings, service facilities and buffer zone “carved a quarter mile swathe through downtown, literally dividing it in half...” (Motte and Weil 11). Not only did this create a physical obstacle to vehicular or pedestrian circulation since there was no road or bridge over the tracks, but the tracks “were an impediment to development” (Interview with Shamoan). By submerging the tracks and relocating the train station, over 60 acres would be opened up for redevelopment.

Downtown Providence 1970 also influenced the course of downtown development in that its proposed clearance of significant buildings prompted several professors from the Rhode Island School of Design to craft an alternative, *Interface Providence*. Published in 1974, this transportation and circulation study advocated intermodal transportation alternatives as a tool for downtown revitalization (American Planning Association 2). The plan suggested a ring-road and satellite parking garages to alleviate congestion in the core, and improving road and pedestrian linkages between the financial district, the historic retail core, the government district and the surrounding residential neighborhoods of College Hill and Smith Hill (Motte and Weil 11).

Interface Providence also recommended recapturing the city’s waterfront. With three downtown rivers largely covered by roadways, bridge, freight yards and parking lots, the

plan recommended reclaiming the Woonasquatucket River and establishing a new small lake, and framing these with a large green space that would be created between the existing railroad tracks and the State House (American Planning Association 2). This idea of reclaiming the river and creating new parks resurfaced in later plans and eventually was implemented, though in a different form to the original proposal.

While *Interface Providence* plan did not explicitly advance relocating the railroad tracks, it prompted discussion around the issue of redevelopment in the downtown. This discussion gained momentum as entrepreneurs in Providence seized an opportunity to access federal funding and redirect it to meet their redevelopment goals. With a huge energy crisis looming in the late 1970s, the federal government had responded by making millions of dollars available to upgrade railroad infrastructure through the North East Corridor Improvement Project (Interview with Shamoon).

After conducting a feasibility study to assess the potential costs of relocating the railroad tracks, Ron Marsella, then director of the Providence Foundation, determined that the federal government's \$15 million budget for rehabilitating the tracks might be enough to cover the costs of submerging the tracks underground. Marsella mobilized private and public sector leaders to support the objective of a unified downtown based on railroad relocation, then presented the proposal to the Federal Railroad Administration (FRA). With the help of Rhode Island Senator Pell (Interview with Shamoon), the FRA agreed to the proposal subject to a demonstration of physical and fiscal feasibility, and, by the summer of 1979, the US Department of Transportation conditionally approved the track relocation (Motte and Weil 14).

It is interesting to note the process by which the city assembled land for redevelopment, since it had the potential to be a highly contentious and complicated operation. Instead of having to recommend land condemnation, the Foundation secured a Master Property Conveyance Contract which "demonstrated that a series of property swaps would ensure that all land owners with titles to property abutting the new track locations would benefit from the deal" (Motte and Weil 13). Each landlord maintained ownership rights in order

to earn a profit from redevelopment. The Providence-Worcester Railroad held a “lionshare of the land” and ensured long-term participation by refusing to sell and opting for 99 year leases (Interview with Shamoan). Much of the build-out in the area did end up occurring on this land, and the Providence Worcester Railroad, or Capital Properties as it became know, benefited from its early decision to retain control.

Capital Center District and Development Initiatives

In 1978, at a Providence Foundation Executive Board meeting, Marsella first made reference to the Capital Center District as the 60-acre tract of land that would be created by the railroad relocation. The Capital Center Special Development District was established by State enabling legislation in 1981 and by city ordinance in 1982 (Capital Center Commission 1), with a governing board that included the Mayor, the Governor and the Providence Foundation.

The objectives and projected benefits of the project are outlined in more detail in Chapter 3, but can be summarized as the following:

- 1) To create new and marketable commercial land without demolishing existing downtown structures in order to attract major new users who might not otherwise locate in the Capital City.
 - 2) To enhance vehicular access to the project area, the State House and downtown.
 - 3) To create an ordered sense of public spaces. The District was intentionally created as a high density urban district where large contiguous structures would define the diversity of space.
 - 4) To create a visual and physical linkage between downtown and the State House, emphasizing the radial view to the State House Dome.
- (Capital Center Commission 1)

The design and architecture firm, Skidmore, Owens and Merrill, hired by the Capital Center Commission, completed the original plan in 1979 for the Capital Center District which was updated periodically to “refine the redevelopment concept and to reflect and accommodate changes such as the river relocation project” (Capital Center Commission 1).

During the eighties, redevelopment ensued in downtown Providence at an impressive rate as economic and political resources converged on the area. Following the Capital Center designation, the railroad tracks were relocated (1985-1987), Amtrak opened a new station (1987), 60 acres of land were cleared for redevelopment, highway ramps were constructed to link State Routes 6 and 10 and Interstate 95 directly to downtown (1988), a street furniture and beautification plan was implemented (1989-1993), and a new road and bridge linking Capital Center to the historic core at Francis Street were put in place (1989) (Motte and Weil 16).

The land clearance and infrastructure upgrades paved the way for the next phase of development in the nineties, which included the tremendously important River Relocation project. A summary of development is provided in Appendix C. By moving the confluence of the Woonasquatucket and Moshassuck Rivers from near Exchange Street to Steeple Street at Memorial Square and uncovering the Providence River (Appendix D, Exhibit 1) several hundred feet to the east of its original location (American Planning Association 4), land opened up for Waterplace Park and a downtown ring-road, Memorial Boulevard (Motte and Weil 16). Additional development included the construction of the Rhode Island Convention Center and parking garage in 1993, the Westin Hotel in 1994, a series of vehicular and pedestrian bridges over the Providence River which linked downtown to bordering neighborhoods on the East side (1993-1996), Memorial Park in 1996 and the Providence Place Mall in 1998-1999 (Motte and Weil 16).

Corporate Center Approach

While Providence's downtown redevelopment initiative did not initially focus on the festival marketplace or tourism-oriented approach that other northeastern cities adopted, it nevertheless was a response of the business sector to the changing economy. "...A small cadre of private sector businessmen and their staff representatives at the Foundation" (Motte and Weil 14) initially crafted the vision for a revitalized downtown, and it was only later that the balance in the public-private partnership shifted toward the public sector.

The decision to focus on the service sector stemmed from an understanding of the macro-economy's transformation. The Capital Center project's stated objectives and conclusions made clear the need for Providence to adapt its economic base in order to compete regionally:

As a recent report by the Urban Land Research Foundation states, 'In the face of national decline in manufacturing employment, the key to economic vitality for most cities will lie in the service sector...those cities which have established or can establish themselves as major regional service nodes will be much better than those which have not or cannot.
(Providence Foundation 5)

It is interesting that the Capital Center commission focused on office development as the means for expanding its tax base, and not a strategy that included retail. Indeed, when the Capital Center plan was first conceived, office was the exclusive use: "department stores were prohibited" (Interview with Wender). Apparently, this was a "political not a planning decision" as the retailers in the old downtown district were concerned about competition (Interview with Shamoon). Later, the commission amended the plan to allow for retail and housing.

The dominance of business interests resulted not just from their having initiated the early discussions, but from the Mayor supporting their efforts. By advocating a downtown redevelopment strategy over one that focused on the neighborhoods, the Mayor

reinforced the position of business interests. Despite acknowledging when he first came into office that Providence was “in dire straits” with the “downtown...deserted and the neighborhoods were in tough shape” (Kelly A10), Mayor Cianci pursued a downtown-oriented approach.

The absence of neighborhood or opposing interests in the debate was deliberate and necessary to achieving the city’s vision of a redeveloped downtown. By 1977, Cianci had consolidated almost total control over the community development process by appointing all the members of the Citizens Advisory Council on community development. “On the few occasions in which neighborhood activists on the CAC presented any challenge to Cianci, “he simply appointed more supporters” (Motte and Weil 15). Moreover, the democratic city council repeatedly challenged the Mayor’s use of community development funds and his emphasis on downtown, but to no avail; Cianci proceeded to designate “downtown as a separate eligible neighborhood and reserved more than half of CDBG monies for ‘mayor’s priorities’ ... and that came increasingly to focus on prestigious projects downtown” (Motte and Weil 15). By the early 1980s, the remaining opposition to the Mayor had been defeated, and “business interests were generally the only organized presence in the debate over downtown” (Motte and Weil 15).

The Case for Neighborhood Development

As the city focused its planning efforts and resources on the downtown area during the eighties, the situation in many of the neighborhoods, particularly those with low-income and ethnically diverse populations, deteriorated. A study conducted by the Providence Plan, a nonprofit organization that tackles issues surrounding poverty throughout the city highlighted this decline in its *1994 Neighborhood Factbook*.

Three communities, all located close to downtown that underwent particular distress were Upper South Providence, Elmwood and Olneyville. Heads of community development corporations in each of these communities were interviewed as part of this current investigation.

Table 2.1: Providence Citywide and Neighborhood Statistics

Median Family Income*					
	1980		1990		1980-1990
	Amount (\$)	%	Amount (\$)	%	% Change
Providence	\$14,948	-	\$28,342	-	89.6
Upper South Providence	\$9,928	0.66	\$11,604	0.41	16.9
Olneyville	\$12,730	0.85	\$16,857	0.59	32.4
Elmwood	\$10,734	0.72	\$19,552	0.69	82.2
* entries in % column refer to the ratio of neighborhood value to citywide value					
Persons Below Poverty					
	1980		1990		1980-1990
	Amount	%	Amount	%	% Change
Providence	29,941	20.4	34,120	23	14
Upper South Providence	1,338	41.8	1,967	50.7	47
Olneyville	1,800	27.6	2,208	37.4	22.7
Elmwood	3,115	30	3,846	35.1	23.5
Unemployment Rate					
	1980		1990		1980-1990
	Amount	%	Amount	%	% Change
Providence	6,632	9.2	7,008	9.2	5.7
Upper South Providence	174	11.5	274	18.5	57.5
Olneyville	439	15.6	272	11.3	-38
Elmwood	473	11.3	649	14.1	37.2

Source: Providence Plan

As the data in Table 2.1 indicates, the three neighborhoods did not fare well in comparison to the city as a whole during the 1980 to 1990 period. In Upper South Providence, the median family income in 1989 was the lowest in the city at \$11,604, nearly 60% lower than the citywide median family income. In addition, the unemployment rate had increased during the period 1980-1990, from 11.5% to 18.5%, more than twice the citywide rate of 9.2% and the percentage of persons below poverty increased from 41.8% in 1980 to 50.7% in 1990.

The profile of Olneyville confirmed a similar story of decline. The incidence of poverty had increased sharply for all demographic groups during the period. At \$16,857, the median family income was 41% percent lower than the citywide figure. Population had declined and less than half (42%) of all persons aged 25 or older had completed high school in 1990.

Elmwood fared marginally better than Upper South Providence and Olneyville, but still experienced severe distress, particularly in relation to the city as a whole. In 1990, median family income was reported as \$19,522, approximately one third lower than the city statistic. The percentage of persons below poverty increased from 30% in 1980 to 35.1% in 1990, with a 14.1% unemployment rate in the latter year.

Clearly, these neighborhoods required the mobilization of immense resources if their conditions were to improve. However, with business interests tilting the balance of planning in Providence towards downtown development, and with the role of the city planning department in this process restricted to “acquisition for the redevelopment agency and to approving vision” (Interview with Deller), opportunities for these communities were limited.

Thus, while the Capital Center District was an ambitious and complex undertaking that required an immense planning effort, its failure to include the needs of neighborhoods in framing the issue or in reviewing the project was problematic. As the city focused on redeveloping the downtown area, it neglected to conceive of linkages that would distribute gains from new economic activity to the surrounding communities. Despite substantial investment in Providence, conditions in many neighborhoods continued to decline.

CHAPTER 3

FINDINGS AND ANALYSIS

The findings and analysis presented in this section comment on the success of the revitalization project in achieving a diverse set of objectives. This diversity specifically recommends that not only should the downtown area be served by redevelopment but that neighborhoods should also access the economic and physical benefits conferred by the project.

In assessing the extent of physical change and generation of new economic activity through revenue collection, increases in private investment and property values, the first set of outcomes discussed in this chapter refer more to the impact of the project on downtown. This narrow focus reflects more the objectives of the corporate center approach toward downtown redevelopment.

The second set of outcomes address the extent to which the benefits of downtown development have impacted neighborhood development. By assessing economic spillover, diversity of users and formal hirings and community benefits, it is possible to comment on the success of the project in achieving a more comprehensive type of revitalization than the corporate center approach prescribes.

It should be pointed out that while the project is not yet complete, it is nevertheless possible to assess the initiative in terms of intent, in terms of phased goals set forth in the original plans and in terms of the substantial infrastructure and public/private development that has occurred.

CHANGE IN PHYSICAL APPEARANCE OF AREA

Prior to redevelopment, the area that became the Capital Center consisted largely of elevated railroads and switching yards that were no longer in use and converted into parking lots (Appendix D, Exhibit 2). The tracks prevented development and reuse of the land between the State House and downtown, thereby contributing to the lack of aesthetic cohesion and integration with the historic core, in particular. Whereas the core reflected an urban quality with its high densities and mix of uses, the Capital Center area with its sprawling parking lots and prohibitive railroad infrastructure, failed to negotiate the transition between the core and the monumental quality of the State House (Appendix D, Exhibit 3)

Moreover, the railroad structure, storage sheds and parking lots obstructed axial views to the State House from downtown. Views from the northeastern corner of Kennedy Plaza, Memorial Square, Dorrance and Fulton streets were poor (United States 120). The desolate nature of the environment was exacerbated by the city's failure to capitalize on its opportunity to engage with its riverfront. Indeed, the city had "put sections underground or between concrete banks" (HUD 96).

The experience for the pedestrian in attempting to traverse this terrain was especially problematic. The 1981 Final Environmental Impact Statement (EIS) of the railroad relocation project clearly documented the hazardous nature of this encounter:

Pedestrian exchange between the retail center of the downtown and the governmental and university buildings on the State House hill is nominal. The distance between the State House and the corner of Westminster and Dorrance Streets is approximately 1,500 feet. More discouraging to the pedestrian, however is the change in grade which must be negotiated, the barrenness of the at-grade parking which separates the two activity centers, numerous conflicts with automobiles, and the unpleasantness of passing beneath existing railroad viaducts. The qualitative deficiencies in the downtown pedestrian environment have been identified by survey as major

inhibitors to people coming into the downtown area for shopping, cultural and civic activities. These deterrents are related to perceptions of poor maintenance and lack of personal security. (United States 48-9)

The efforts over the last 20 years to revitalize the Capital Center district have transformed the physical nature of the environment in a multitude of ways. Following the relocation of the station and tracks, the streets have been reconfigured significantly to enhance highway access as well as to improve the pedestrian environment. New highway ramps were constructed, Exchange Terrace extended, Gaspee and Francis Streets relocated and Memorial Boulevard introduced as a downtown ring road. Francis Street is particularly important since it links the district to the historic core and provides direct pedestrian access to the State House. Moreover, the axial views to the State House have improved with excellent view corridors along Francis Street (Appendix D, Exhibit 4) and Exchange Street in particular.

The streetscape improvements have also helped change the environment. The city has built new sidewalks, added Victorian style street lamps both in the district and the historic core, and planted trees throughout the district. The lamps are particularly noteworthy since they give downtown Providence a definite character and aesthetically link the historic core to the Capital Center. The rehabilitation of the former station and the addition of a new building in the same red brick style at the intersection of Exchange Terrace and Exchange Street has also helped maintain the heritage of the area and enhanced the quality of Exchange Terrace.

The construction that has occurred in the district has clearly transformed the physical landscape. Major developments include the Center Place apartments, Marriott Courtyard, Citizens Plaza building, American Express building and of course the Providence Place mall. By introducing retail and restaurants, the mall attracts users after 5pm and thus contributes to nighttime activity and a sense of security in the area. The mall also boasts the skybridge link to the Westin Hotel which adds an interesting aesthetic element to the environment (Appendix D, Exhibit 5).

The city's efforts to celebrate its rivers have impacted the area tremendously. The River Relocation project entailed exposing segments of the rivers and diverting their course to "converge at an aesthetically strategic point around the Capital Center property" (HUD 96). The extent of this transformation can be seen in Appendix D, Exhibit 1, which shows the former and current location of the rivers. The city lined the rivers with pedestrian walkways, constructed bridges and restored a river basin area, now known as Waterplace. Containing a park, amphitheater and restaurants, Waterplace is the location for the Waterfire, an annual event featuring bonfires on the rivers that draws thousands to the area.

The physical characteristics that indicated disinvestment and urban blight have largely been eradicated through redevelopment. The environment is friendlier to pedestrians than it was previously and vehicular circulation has also benefited from street reconfiguration and improved highway access. The decision to focus on the waterfront was inventive and shrewd, and helped Providence gain national media attention: "Urban planners across America say Providence's \$1.5 billion facelift is increasingly seen as a model for urban revival in the 21st century (Tye B1). The creation of significant public space at Waterplace Park and at the mall is important in that it attracts a variety of users to the area and contributes to street animation.

In assessing the extent to which revitalization has transformed the physical environment, it is important to consider both the magnitude and quality of these improvements. Despite the clear accomplishment of magnitude, the project has not fully achieved its design and development potential. The Capital Center Development Plan, prepared by Skidmore, Owings and Merrill, stated the following:

One of the overriding concerns of the plan is to insure that development reaches urban densities and that land uses relate to each other in urbane ways. The notion of urban design demands a strict relationship of street to building lot. In the plan, commercial buildings are situated on streets, in contrast to suburban development, where buildings attempt to sit in landscapes. (25-26)

Unfortunately, some of the development that has occurred is low-density and suggestive of the suburban environment. A local broker characterized the American Express structure (Appendix D, Exhibit 6) as a “suburban building in an urban setting” (Interview with Hayes). With 4 floors and a typical floor size of 28,250 sq ft, this low-rise building contrasts sharply with the Citizens Plaza building, which has 12 floors and a typical floor size of 17,732 sq ft. It also contrasts with the more dense nature of the central business district where buildings tend to have smaller floor sizes, 4 or more floors and are infill rather than stand-alone structures (Appendix D, Exhibit 7). The open concrete landscaping connecting the American Express building to the station has reinforced this suburban feel.

Moreover, in terms of urban density and relationships, the Capital Center district lacks a cohesiveness and concentration of activity that is found in the historic core. Upcoming projects, however, are likely to address this issue. With the mixed-use development on Parcels 2 and 9, which includes ground floor retail, the District can expect to develop as a more urban environment. The introduction of retail, restaurants, a hotel, residential and office space should contribute to 24-hour activity in the area.

Design is also an issue in the Capital Center district. While the development on Exchange Terrace and the Providence Place Mall demonstrate high design standards through the use of quality materials and attention to detail, the older buildings, in particular, lack the same positive attributes. Despite the oversight of the Capital Center Design Review Committee, certain developments have compromised the design integrity of the district. In addition to the American Express structure, the plain and imposing façade of the adjacent Center Place apartment building contributes to a dull setting. Although “the jury is still out” in terms of design (Interview with Shamoan), it seems that as the District becomes more attractive to developers, the Design Review Commission will be able to exercise more control over design elements.

Finally, it is important to analyze in more depth the pedestrian environment. While the removal of obstructing infrastructure and the addition and upgrading of streets mark an improvement over the existing condition, circulation between the central business district and Capital Center remains an issue. The fast flowing nature of the six-lane Memorial Boulevard makes for a somewhat hazardous trip, particularly at the intersections with Exchange Street and Francis Street. Given the location of the mall at Francis Street, safety at this interchange is particularly important as families attempt to cross within a limited timeframe. Although the Skybridge is meant to carry foot traffic over the side of the intersection that is closest to the highway ramp, not everyone uses this and often pedestrians are caught in the middle of the road. It seems that the mall as a whole was built more for the suburban or automobile dependent user than it was for the pedestrian or urban visitor. Although the mall has several entrances for foot traffic, they lack prominence and to an extent accessibility.

GENERATOR OF NEW ECONOMIC ACTIVITY

Private Investment

“Relocation of the railroad tracks and the appropriate development of the Capital Center District will leverage the public investment to create opportunities for substantial private investment” (Providence Foundation 6).

By investing public funds into land clearance, assemblage and infrastructure improvements, the Capital Center Commission hoped to create new and marketable commercial parcels that would attract major new users to the area. The ability to leverage significant private investment was thus an early objective, though the Commission did not detail specific goals regarding the extent of leverage.

Table 3.1: Private Investment in the Capital Center District (1985-2000)

Development	Amount
Former Union Station Renovation/Expansion	\$30,000,000
Citizens Plaza Building	\$38,000,000
Center Place Apartments	\$47,000,000
Boston Financial	\$18,000,000
Providence Place Mall	\$450,000,000
Marriott Courtyard Hotel	\$20,000,000
Total	\$603,000,000

Source: Capital Center Commission

To date, private investment in the Capital Center totals approximately \$603,000,000. The recent Providence Place Mall accounts for the largest investment in the area, perhaps signaling increasing investor confidence in the Capital Center district. Indeed, the mall has been credited with generating additional investment in the area: “the success of Providence Place and the likelihood it will continue to spur economic development projects, such as more hotels and retail center in its shadows is a terrific story” (“Downtown” 1).

The goal, according to the Providence Foundation, is to generate over \$1 billion in private investment over a 20-year build out (Interview with Baudouin). Three major projects are nearing approval for Parcels 2, 4E and 4W and 9. With no new office or residential construction on the site since the early 1990s, these projects represent a crucial new phase of development in the Capital Center district. With Parcel 2’s \$150 million mixed-use development set to break ground in the fall of 2001, and with additional projects to follow (Appendix C), the Capital Center district is on its way to achieving its goal.

While the level of private investment is impressive, in order to gauge its significance, it is important to place this figure within the context of investment as a whole in the district, as well as to examine private investment and development in surrounding areas.

Although comparable data is not available on a per project basis in the Capital Center District, information pertaining to public investment over a period of time makes such a

comparison possible. There are various estimates available for portions of the project, including one that estimated \$42 million in federal highway funds for track relocation, and the new station and underground garage construction (Kelly A10).

Perhaps the most useful figure for the purpose of understanding public versus private investment is that, “between 1986 and 1998, the city spent \$1.75 billion, approximately 90% of which was from federal sources on public infrastructure improvements, including a convention center, a hotel, rail and road upgrades, the relocation of two rivers to create a park and urban design and landscaping projects (Motte and Weil 10). By deducting the cost of the convention center (it does not officially fall within the Capital Center district) and by adding the mall tax breaks, the total public investment for this period is approximately \$1.68 billion, giving a public private investment ratio of 1: 0.38. With over \$1bn of private investment needed at this point to bring it to the level of public investment, the lack of leverage seems problematic.

Two qualifications however, should be made regarding this leverage estimate. First, it is unclear how much public investment was designed to directly stimulate private investment. Second, given that the public sector needed to commit funds for infrastructure upfront, whereas private investment is projected over a longer timeframe with additional large projects anticipated, the ratio could improve. Nevertheless, the massive total cost of the project should not be overlooked.

Increase in Property Values

In addition to examining increases in private investment, it is important to assess whether revitalization has positively impacted property values. Given the extent of development devoted to office space in the Capital Center and central business district (CBD) area, and given the lack of property sales in the Capital Center, this study assumed that a comparison of office rents would yield the most valuable data.

Table 3.2 : Class A office space rent/ sq ft 1988-2000

Capital Center				
Year	1988	1993	1998	2000
Rent*/Sq Ft	\$24.50	\$25.20	\$26.74	\$28.75
% Increase over 1988		2.88%	9.12%	17.35%
Central Business District				
Rent*/ Sq ft	\$20.75	\$21.51	\$22.27	\$23.16
% Increase over 1988		3.80%	7.50%	11.79%

* weighted average

Source: Hayes and Sherry

As Table 3.2 shows, Class A rents in the Capital Center have consistently been higher and increased at a faster rate than those in the CBD district since the revitalization project began. The Capital Center’s weighted average rent for 2000 amounts to a 17.35% increase over the 1988 value, compared to the CBD increase of 11.79% over the same period. In fact, the actual increase could be higher if the artificially high rents for the Capital Center in 1988 are taken into account. As the table in Appendix E shows, properties on Exchange Terrace did not lease up until 1993 when the asking rents had decreased. If rents in 1988 were adjusted to reflect market demand and willingness to pay, the percentage increases in the Capital Center for the 1988-2000 period would be greater.

The current Capital Center real estate market is “excellent” according to Ron Marsella, with rental rates the “highest in the state” (Interview with Marsella). The Citizens Plaza building is the most expensive office real estate in Providence with an average rent of \$32/sq ft. While rents in downtown Providence do not yet compare to Boston’s average rent of \$50.00 - \$85.00/ sq ft (*Office Market Survey 2000 2*), the increases signify a healthy and growing market.

Although local brokers and real estate developers commented on the success of the Capital Center in becoming the highest office rental district, those interviewed hesitated in attributing these rents to project success. Rather than revitalization resulting in higher rents, general economic forces have impacted the real estate market in this area. As the

economy has driven companies to expand and relocate, the Capital Center has been there to “receive” this market (Interview with Marsella). And, the lack of recent construction in the downtown area has “created a shortness of supply” which in light of increasing demand has caused rents to rise (Interview with Hayes). Moreover, Providence as a whole has become more “livable” and this has increased the willingness of companies to locate in the Capital Center district (Interview with Hayes).

While determining causality is a complicated and problematic task, it is nevertheless difficult to imagine that the improvements in the Capital District have not in some way contributed to rising rents in the District. The revitalization project has successfully transformed the area into a sought-after location. According to a local broker: “The Capital Center District has become a particularly desirable area because of proximity to Providence Place and other anticipated developments...” (Richard Alden qtd. in Healy and Costello 5). The fact that the Providence Place mall and additional developments are all located within the Capital Center district attest to some level of the project success.

Indeed, according to the Hayes and Sherry’s *Providence Office Market Survey 2000*, the new development rates are projected in the “upper \$30’s” (2). If it is assumed that rents in the central business district act as a proxy for what might have occurred in the absence of improvement, then there is a clear indication that the Capital Center with its greater rent increases is a more attractive option for location. While the district has certainly benefited from an improved economy that has created demand for Class A office space in particular, revitalization in the Capital Center seems to have positively impacted rents.

There is also the issue of whether the Capital Center development has helped to build demand in the downtown area as a whole. With Class A vacancy down from 9.46% in 1999 to an all time low of 3.97% in 2000 (*Office Market Survey 2000 2*), and downtown Providence measuring a positive absorption of 129,073 sq ft during 2000 (Healy and Costello 5), the market is certainly healthy. If it is assumed that the mall and anticipated development has boosted the image of Providence and increased its desirability as a

location, then it would appear that the Capital Center project has contributed to at least maintaining, if not improving, the office market.

Revenue Generation

The original benchmarks that planners and other city officials set for revenue generation were clear and optimistic. In 1980, the *Providence Sunday Journal Magazine* reported the following:

The advantages in tax revenue and new jobs would be enormous. By the mid-1990s, the city would be collecting up to \$5 million annually in additional property taxes, and the yield might rise to \$10 million annually when all construction is completed, according to one analysis. (Collins 10)

Similarly, the 1981 EIS projected that by the year 2000, annual tax revenues would be \$6.1m to \$6.8m higher than the other alternatives discussed, which included a no-build scenario (United States 133). This increase was based on the assumption that rail relocation would have a positive impact on land values due to the proposed public investments in the new station, parking, streets, utilities and other improvements in the area, as well as the new development that would occur (United States 133).

The impact of the project on retail sales and sales tax revenue was considerably less than the figures projected for increased property tax revenue. In acknowledging the decline of retail sales in the downtown area, the EIS clarified that development planned for the Capital Center District would include “only minor retail activities in support of the offices and their tenants” and would “not compete with downtown retailers” (United States 132). Instead, the “expanded population of downtown workers would...provide a much larger market for stores, restaurants and other downtown institutions” (Collins 10). By estimating \$400 to \$500 annual downtown retail sales per employee, the EIS predicted that the 4800 new employees in the project area would increase downtown retail sales by approximately \$1.9m to \$2.4 million annually (United States 132).

While increases in property tax revenue have been realized, the gains fall short of the projected figures. In 2000, the city collected \$3.9m in property taxes from the Capital Center area compared to \$0.8m in 1988, an increase of \$3.1m². Although this is \$1.9m less than the lower estimate of \$5m, it could be argued that the project is behind schedule and that the yield could conceivably rise to \$10m or more once all the construction is complete.

The discussion however surrounding increased property tax revenue resulting from the revitalization project is more complex than the above data suggests. Not only have tax assessment practices resulted in the city's failure to capture significant increases in land and building values, but the structure of certain tax stabilization agreements have severely impacted the city's ability to benefit from potential tax revenue.

While a comprehensive property reevaluation is currently underway, the City of Providence's last full reevaluation was in December of 1987. During the intervening period, assessment increases have been linked to an index. The problem that this practice has presented for the Capital Center is that values are based on the last assessment, rather than appraised according to market value (Interview with Marino). Although this practice might result in underappraisal for the entire city— indeed it seems that the most recent appraisal might have increased property values throughout Providence by three or four times (Interview with Hayes) – the issue is more critical in the Capital Center area, which has seen major improvements as well as new development.

² Author's own calculations based on data collected from the City of Providence Tax Assessors Office.

Table 3.3: Proposed Reevaluation for Selected Capital Center Properties (2001)

Lot#	Owner	Address	Total Assessed 2001	Assessed Value Increase 2000-2001	Rent Increase 1998-2000
49	GP Chamber Realty	30 Exchange Terrace	\$5,131,390	110%	17.65%
102	Capital Properties Inc	18 American Express	\$8,210,520	20%	
103	Capital Properties Inc	1 Citizens Plaza	\$32,940,000	17.17%	4.92%
105	Avalon Properties	50 Center Place	\$24,465,400	31.84%	
108	Capital Properties Inc	1 American Express	\$14,821,100	52.04%	
113	Capital Properties Inc	6 Moshashuck	\$2,153,990	19.49%	
114	Capital Properties Inc	5 Moshashuck	\$3,166,080	19.44%	
115	Capital Properties Inc	65 Park Row (LBO1)	\$3,102,200	0.20%	
115	Capital Properties Inc	65 Park Row (LL01)	\$6,856,200	260.00%	
118	Capital Properties Inc	1 Moshashuck	\$4,194,780	19.44%	
139	Hennessey Real Estate	36 Exchange Street	\$2,979,800	75.24%	13.51%

As table 3.3 indicates, the 2001 reevaluation proposed substantial increases over the 2000 assessment. It is possible to gauge the extent of these increases by comparing the data for the highlighted Class A office properties with rent increases in these properties. Given that the 2000 assessment is based on the certified tax base established as of December 31, 1998, comparing these assessment figures to the 1998-2000 rent period is valid. The disparity between the proposed reevaluation increases and the actual rent increases is marked and suggests substantial forfeiture of tax revenue. Whereas the rent increase for 30 Exchange Terrace is 17.65%, the reevaluation seeks to raise the total assessed value by 110%. This large increase represents change over a 10-year period that, due to a lack of frequent evaluations, is essentially being realized in one year. The subsequent loss of intervening tax revenue is substantial and impacts the city's capacity to provide public services.

Although the frequency of property reevaluation is established by the state, it is in the city's interest to work with the state on establishing a better system. Prior to new legislation in 1997, Rhode Island had a ten-year reevaluation cycle. Under the new law, the state requires communities to conduct an assessment every nine years, along with statistical updates in the third and sixth year (RIPEC 1). However, this legislation may not go far enough since communities can delay reevaluations or updates. The Rhode Island Public Expenditure Council recommends that "the General Assembly consider a process by which the State would conduct (through contracted services) either the reevaluation or statistical update should a municipality intend to delay its reevaluation or update" (RIPEC 7). Given the costs to the municipality of conducting reevaluations, many communities have delayed the process and thereby reduced their ability to capture the revenue from increasing property values.

The issue of tax exemptions and stabilizations is important in that it also represents lost revenue for the city and the state. Although private investment in the Providence Place mall amounts to approximately \$450 million, it has benefited from substantial public subsidies, particularly in the form of tax breaks (Motte and Weil 16). The tax stabilization agreement with the municipality approved \$136 million in property tax relief over 30 years (West and Orr 4). The magnitude of this tax break becomes more apparent when comparing the mall's annual abatement of \$4.53 million a year to the city's total tax revenue from the Capital Center of \$3.9 million and the marginal increase in tax revenue of \$3.1 million. The city has essentially ceded more in tax breaks than it has been able to generate in increased tax revenues. While the direct public investment in the project was largely from state and federal highway funds, by offering somewhat excessive indirect subsidies, the city has foregone substantial revenue from development in area that will no doubt appreciate over the next 30 years.

The state's subsidies of the mall project are also noteworthy. Not only did developers build the mall on donated state-owned land, but the state also agreed to grant the developer \$72 million in sales tax relief over 20 years (West and Orr 4). In addition, the state exempted the developers from paying an estimated \$7 million in sales taxes on

construction materials (Motte and Weil 16). While the mall is performing well with sales at \$400/sq ft, occupancy at 92%, and is on target to meet sales tax revenue goals (Interview with Koechel), the forfeited city and state tax revenue is considerable.

The extent to which the city is not maximizing tax revenue is also evident by comparing the total private investment in the Capital Center District (\$603 million) to the total assessed value of all properties in the District (\$346 million) per the 2000 assessment. With private investment exceeding assessed value by a factor of 1.7, the city is clearly not capturing the full value of property in the area and thus is not able to benefit from increased tax revenue. This is not merely an issue of infrequent evaluations but also reflects the magnitude of tax incentives that were provided to attract development. While the mall accounts for \$460 million of private investment, it is only valued at \$76 million per the 2000 assessment.

For the city officials interviewed in this study, the Capital Center's generation of tax revenue indicates its success. However, there has been no attempt to modify revenue goals in light of the revised development. Moreover, there seems little discussion or analysis at the government level of the forfeited revenue resulting from underappraisal and tax breaks. While it is clear that the city and state needed to offer incentives to private developers in order to revitalize downtown, it is unclear if the extent of subsidies in the form of tax exemptions were excessive.

Economic Spillover

The issue of spillovers and generating new economic activity in the neighborhoods is important because it addresses both private and public approaches to resource allocation and development. While the notion of spillover seems somewhat unintended, city agencies can determine to a large extent whether new economic activity will be channeled to other neighborhoods, particularly those that are distressed, or whether redeveloped downtowns will be “merely ‘islands of renewal in seas of decay’” (Berry

qtd. in “Downtown Redevelopment” 105). Although many of the findings presented in this section are impressionistic, the preponderance of opinion suggests that not only has downtown development failed to spur economic development throughout the city, as suggested by the corporate center approach, but that it has also focused resources on the downtown to the detriment of neighborhood development.

In addition to spurring development within the district itself, the Capital Center project has stimulated interest in the area west of the I-95, and in particular in the Foundry area. The former Brown and Sharpe mills were at one point the largest such operation in the states, with 16,500 employees during the 1940s working in 1,000,000 square feet of industrial space. With the post World War II decline of manufacturing, the foundry was sold in 1968 and its new owner embarked upon on rehabilitation in the late eighties and the nineties of 550,000 square feet of office space. According to a local real estate broker, the Capital Center has not only increased the value of the Foundry and increased rents in the renovated portion of the office complex, but it has also generated interest in the remaining two buildings that are not yet renovated (Interview with Hayes). It is possible that developers will renovate the 180,000 square foot building for residential use, and the 300,000 square foot building for office use (Interview with Hayes).

Some neighborhoods have also benefited from the ripple effects of development in the Capital Center project. According to the Director of the Providence Foundation, the increased number of visitors attracted to the District’s amenities and events such as Waterfire have helped develop Federal Hill as a restaurant community, drawn people to Wickendon Street on the Eastside and increased knowledge of Fox Point (Interview with Baudouin). Moreover, Broad Street, which links downtown to South Providence, has benefited from the revitalization with very few vacancies or open parcels, and a majority of Latino-owned businesses (80%) (Interview with Karlin). By improving conditions along Broad Street, the downtown development has helped create a “gateway” to South Providence (Interview with Wills).

However, in Downcity, the city's historic core, there has been little development stimulated by the adjacent Capital Center project. The vacant storefronts and deteriorating structures in parts of Downcity testify to this area's disinvestment and neglect (Appendix D, Exhibit 8). While Capital Center may have prompted thinking about Downcity (Interview with Deller), there "has not been the direct beneficial relationship" that would have resulted in creating "momentum" for development (Interview with Marsella). Recent initiatives, however, seek to change this situation with the Rhode Island Foundation investing \$10 million in the area, and the convergence of city and state resources in the hope that Downcity will flourish as an art and entertainment district. However, as the Providence Business News pointed out, compared to the Capital Center's cost of "well over a billion dollars," this investment is "hardly enough" since "there are too many vacant storefronts, too many merchants suggesting that crime is indeed a problem, too many absentee landlords" ("Downtown" 1).

Moreover, the focus of resources on downtown has negatively impacted neighborhood development, particularly in low-income communities. In West Elmwood, the local CDC has been trying to put together an economic development plan. However, policymakers at the state and city level responded that the CDC should "come back in five years," because, according to the CDC director, "everyone is paying attention to downtown and the suburbs" (Interview with Wells). The director of Olneyville Housing Development Corporation shares this view, "the neighborhood feels neglected...the resources of government and planning agencies are aimed at downtown." The economic development that is occurring in South Providence has largely resulted from community-based efforts and has not been tied to the downtown project. In bringing new commercial development to the area such as fish market and grocery store, South Providence "had to import wealth and revitalize itself" without the assistance of the city or spillover effects from the mall (Interview with Wills).

The disparity between economic development and commercial activity in the Capital Center versus Downcity and the neighborhoods relates not just to current policy practices but also to the original plan. In its conception, the Capital Center proposal did not address

spillover of economic activity into adjacent neighborhoods or how this spillover might be directed towards alleviating distress in low-income communities.

In discussing the proposal's impact on adjacent neighborhoods, the EIS highlighted that demand for housing would increase in proportion to job opportunities, and that this would lead to "positive economic improvements within those neighborhoods" (135). The report also stated that negative social impacts of the economic displacement of low- or fixed-income households would occur during the 1990s as a result of development, but that with the population losses projected for the city over the next 20 years, "relocation of these households should not be a problem, and this potential induced impact is not considered significant" (135). The report did not state, however, how economic activity in the project area could link to surrounding neighborhoods. While the EIS analyzed revenue, employment, assessed value and other economic indicators for the project area, it "never took into account activity outside of the Capital Center district" (Interview with Marsella). According to the city's former deputy planning director, the Capital Center project was "development in isolation" and did not concentrate on low-income communities (Interview with Deller).

This failure to consider neighboring low-income communities at the planning and implementation stage of the project has been perpetuated by subsequent disinvestment. For many of the representatives interviewed from community development corporations and from the city, the fear that resources would be focused on downtown and neighborhoods neglected has proved to be the case (Interviews with Wills, Shea and Wells). Indeed, with so much attention on downtown, "people have forgotten to look at the neighborhoods" (Interview with Deller).

This neglect continues as initiatives continue to direct resources downtown: "the city has serious problems with disinvestment in poorer neighborhoods" but the "proposed projects send dollars downtown" (Interview with Shamon). Without a serious attempt to link development in downtown to development in the neighborhoods, or to redirect attention to low income communities in particular, the disparity is set to widen.

Formal Hiring and Community Benefits

The City of Providence has no formal hiring or benefit requirements in funding and/or permitting agreements with developers. For the Capital Center district, this policy has resulted in limited formal hiring of minority and female workers, limited provision of on-site public benefits and no direct apportioning of community benefits to surrounding neighborhoods. Where specific projects in the Capital Center have required minority and female worker utilization, it has been due to the application of the State Minority Business Enterprise statute, or to the negotiation of special agreements between the City and developers.

In 1986, the State passed the Minority Business Enterprise law (RI Gen Laws 37-14.1-1) that required 10% participation by disadvantaged businesses in all state construction and procurement contracts. An MBE is legally defined as a small business at least 51% of which is owned and operated in daily management by African-Americans, Hispanics, Portuguese, Asians, Indians or women (Silver 1). An immediate goal of the law was to “involve minority business enterprises fully in contracts and programs funded by the state” and it included a 5% bidding allowance to assist qualified MBEs to compete on offers. This goal reflected the legislature’s opinion that state business had previously excluded these firms and that their underrepresentation in various industries was partly due to past discrimination (Silver 10).

The state’s funding support for the Providence Place Mall project triggered the MBE statute for minority and women contractor utilization in the infrastructure phase of the mall’s construction. Although there was a “widespread effort to ensure goals for minority participation were met...unfortunately the goals were missed by a large margin” (Interview with Barges). The 3% minority participation in the project fell far short of the required 10%. One explanation for this discrepancy is that many of the small minority contractors did not have the equity or capacity to compete for such a large project (Interview with Barges). Thus, while the Minority Investment Development Corporation (MIDC) organized job readiness workshops that covered business practices such as the

financial statements that would be required if a contractor was selected, many of the entrepreneurs lacked the resources to meet these requirements (Interview with Barges).

In terms of the shell construction of the mall, the developers were under no obligation to fulfill MBE or labor force requirements because private sources of funding dominated this phase (Interview with Newton). However, Rhode Island's Economic Development Corporation's Minority Business Enterprise program in collaboration with the Black Contractor Association secured a contractor and labor force agreement that was tied to the city's generous tax concession. The agreement set forth a 10% MBE goal and a 20% minority and women workforce participation goal (Interview with Newton). The attempt to diversify hirings achieved some degree of success: minority workers comprised 12% of the workforce, but women made up only 2% (West and Orr 4).

In terms of tenant hiring, there was no guarantee for placing city residents, although the Providence Place Training Initiative set out appropriate goals. Initiated by the South Providence Development Corporation (SPDC), the program was an ambitious attempt to connect residents of low-income communities to employment opportunities at the mall:

SPDC initially advocated for increased participation for the benefit of minority contractors in the building trades with limited success. Building upon past advocacy efforts, we organized a coalition of businesses, state and federal agencies and community groups for delivering a unified model job training initiative benefiting both the disenfranchised residents of the capital city and Providence Place merchants. (Wills 3)

After talking with potential employers, SPDC secured three training partners who would help deliver a quality workforce. Although initially the program was open only to all Providence residents, with special emphasis placed on recruiting Enterprise Community residents, it eventually recruited statewide because it included federal funding. The program's goal was to train and place 215 people: 45 in food service/hospitality; 150 in retail/customer service and 20 in building maintenance. As of July 2000, when the Providence Plan conducted a final program assessment, the placement goals had not been

met. Out of 254 applicants, 87 enrolled in one of the training classes. Of the 87 enrolled participants, 64 completed training (74% completion rate). Of the 64 who completed training, 47 were placed (73% completion rate) (*Program Assessment 1*). Of those placed, 32 secured jobs at or above the living wage of \$7.75/hour (HRIC 7).

The Providence Place Training Initiative faced a number of challenges, which impacted its ability to meet placement goals. With 22 partners and 3 main streams, issues relating to coordination and the different requirements of the funders proved difficult to tackle. There was also a disparity between the skill set of the applicant pool and the required skill set, with the applicants facing more barriers to employment than anticipated. The program also faced capacity issues in that it was understaffed, lacked funding for the development and maintenance of required computer systems and could not offer support services after placement (*Program Assessment 5*).

In terms of other large projects in the Capital Center, formal minority and female hirings have been minimal. While the Marriott Courtyard project, which was approved by the city entailed MBE and laborforce requirements, the Citizens Plaza and Center Place projects contained no minority contracting or labor language (Interview with Newton). The case of the Citizens Plaza building is interesting because it highlighted an ambiguity in the law as to whether or not it covered quasi state agencies. However, per the subsequent interpretation by the state's legal department, the law does not specifically cover quasi state agencies (Interview with Newton). Since the land for the Citizen's Place building was transferred to a quasi state agency, and since the development company was funding the construction, there was subsequently no MBE or labor force requirement. According to the Director of the MBE program, cases which involve land transfers from state ownership should include MBE language since "in general minority citizens and businesses have not been involved in the overall development in any way that's beneficial" (Interview with Newton).

Community benefits resulting from the Capital Center project have been on-site and limited in scope. The Providence Place mall project has provided a number of benefits

according to its manager, which have included a RIPTA bus layby, 500 high occupancy vehicle spaces, a city information booth, and an Academy for 11-12th graders that is due to start in the Fall of 2001. It is unclear however the extent to which the developer versus the public sector subsidized each benefit since this information is confidential (Interview with Koechel). Moreover, it is important to bear in mind that amenities such as the skybridge, which links the Westin to the mall, was built by the state using \$1.25 million of taxpayer's money (Lockwood 1).

Overall, the extent of formal minority and women hiring and provision of community benefits has been limited. The city could have set more stringent hiring goals for projects that utilized city funding or subsidies. However, in contrast to hiring goals, the provision of community benefits exerts a greater financial impact and so it is perhaps unfair to evaluate the revitalization effort on the basis of this measurement tool. Unlike the strong business and real estate climate in Boston which has enabled the city to implement a fairly stringent linkage program, the climate in Providence has not afforded the city the same clout: "The city has not been able to demand impact fees etc in the same way Boston can, it hasn't gone over that threshold and the city can't afford to lose that type of investment" (Interview with Deller). The director of the Rhode Island Local Initiatives Support Corporation shared this view: "I always thought we could get a linkage program but there has not been enough activity" (Interview with Karlin).

While this argument may hold true for the period during which projects such as the Citizens Plaza building, Center Place Apartments and even the Providence Place mall were planned and negotiated, it is unclear if this same argument can be applied today. With major projects underway in the Capital Center, and with the city and the state about to revitalize Downcity, perhaps a more intensive and structured discussion surrounding the provision of community benefits could begin. For low-income neighborhoods located away from this concentration of resources and investment, the benefits discussion assumes greater importance: "at this point, the city should be attractive enough that developers are lining up; demands should include jobs and affordable housing" (Interview with Shea).

In terms of formal hirings and contractings, there appears to be capacity issues as well as access issues. While the state's MBE's statute provides a necessary benchmark for minority and women-owned business participation, there is clearly a gap in developing the capacity of these enterprises, particularly in the construction industry. The bidding structure for contracts compounds this effect by "not lending itself to include opportunities of access for minority contractors" (Interview with Wills). Apparently, this problem exists statewide. A recent study of the Rhode Island State Government Contracting with Minority- and Women-Owned Businesses concluded:

In virtually no industry does state utilization of minority and women-owned business enterprises approach the availability of these firms in the local market. The disparity between MBE utilization and availability is greater than that predicted by chance and thus, probably reflects residual or even present discrimination. (Silver 1)

In the absence of MBE requirements, the bidding process for minority contractors is perhaps more prohibitive. In reference to the Providence Place Mall's supplier opportunities, the MIDC commented that it "has businesses able to deliver – linens could be done by people in the community - but they're never given the chance...it comes down to a political bidding process" (Interview with Barges). Although the SPDC is involved in a cardboard recycling initiative in which it shares in revenue (Interview with Koechel), there are numerous linkages that could be forged between local suppliers and mall employers and management.

While the city or state does not track mall employment, particularly in terms of employee place of residence, ethnicity or other socio-economic category, interviews with several local planning and community development officials revealed important anecdotal evidence. There is an impression that not only are a lot of the hirings at the mall not Providence residents (Interviews with Shamoan and Harrington), but that "a lot of the minority numbers are reached with people outside of the State" (Interview with Karlin). This presents an interesting issue given the state and federal participation in the project, and brings into question to what extent should the mall be considered an engine of state or regional economic development rather than the city's. Without hiring data, it is

difficult to assess the employment impact. However, it is clear that while the state benefits from the mall in that it receives all sales tax revenue, the city may not benefit to the same extent since it does not currently receive any property tax. Given the levels of poverty and unemployment in Providence neighborhoods, it does seem that the economic benefits conferred by hirings and contractings should have been more formally targeted to Providence residents, particularly low-income individuals.

DIVERSITY OF USERS

The Capital Center project has certainly attracted new users to an area that was previously blighted, but the question remains as to the diversity of this group, particularly in terms of including neighborhood residents. Interviews with CDCs yielded a largely negative response to this issue, with the mall drawing specific criticism for its focus on attracting middle to upper income users.

From its inception, the mall was designed to target a certain socio-economic group, “Developers publicly touted the mall as an upscale project that would offer retail and entertainment options not available elsewhere within the state and that the mall would attract a more upscale clientele of shoppers” (West and Orr 6). By securing Nordstroms, Filenes and a host of other upscale tenants, the mall positioned itself as a destination center, hoping to lure suburban shoppers back to the city.

This perception of the mall as a somewhat exclusive amenity was reiterated in interviews with CDCs situated in low-income neighborhoods: “People without disposable income can’t shop there” (Interview with Wills). Directors at CDCs in both South Providence and Olneyville commented that their constituents do not shop at the mall (Interviews with Wills and Shea). Moreover, according to the director of the Minority Investment Development Corporation, the mall has not attracted lower-middle class groups either: “in general, the lower middle class does not come into the city unless for work; it used to be that the lower middle class shopped here” (Interview with Barges). The restaurants in

this area have also targeted an upscale clientele in that they “bring in middle and upper middle class for events and dining” (Interview with Barges).

The issue of the mall is interesting because a recent study of the demographics of frequent mall visitors suggests that shoppers are more diverse than expected. Based on telephone interviews conducted May 6 through May 9 of 2000, with a random sample of 329 Providence adults, West and Orr found that frequent mall visitors tend to be more minority than the population as a whole³. According to 1990 Census figures, Providence is 70 percent white and 30 percent non-white. Among frequent mall visitors, 55 percent are white, 42 percent non-white and 3 percent did not answer. In terms of income level, the findings suggest that “the vision of the upscale shoppers has not been fully realized” (West and Orr 8). With a majority (59%) having family incomes of \$50,000 or less and only 30% of frequent shoppers reporting family incomes of more than \$50,000, the mall seems to be attracting less upper income users than anticipated. Finally, the study found that the mall is attracting a younger clientele than the population as a whole. While 36% of the city is between 18 and 34, 57% of mall visitors fall within this age range. And, while 21% percent of the Providence’s population is 55 years or older, only 11 percent of frequent mall visitors are over 55 (West and Orr 7).

Based on the findings of West and Orr’s study, there appears to be a divergence between the perception and reality of the types of people the mall is attracting. This could be partially explained by the mall’s mix of stores. While the mall remains an upscale destination, it nevertheless comprises a number of affordable stores as well as a popular food court and entertainment complex that includes a 16 screen cinema and an IMAX theatre. Given the lack of entertainment in downtown as a whole, the mall serves as the primary draw for consumers of entertainment in the area. In addition, West and Orr’s study did not examine the frequency or magnitude of purchases per person. Without this data, it is impossible to determine the extent to which users are actually making purchases at the mall versus using it as a destination facility. Indeed, it could be the case

³ Frequent mall visitors were those who had visited the mall at least once a month over the past six months and accounted for 41% of the sample.

that residents from nearby low-income neighborhoods use the amenities of the food hall and entertainment complex without making expensive or frequent purchases. Clearly, more research is needed in this respect.

In terms of other amenities within the Capital Center, such as Waterplace Park, the lack of research on user demographics combined with the winter timing of this study makes the issue of user diversity difficult to assess. While the SPDC commented that neighborhood residents “do make use of affordable amenities such as Waterplace Park and the Providence Performing Arts” (Interview with Wills), the executive director of Olneyville Housing Corporation felt that residents in his community did not use amenities and that events such as Waterfire had a more suburban or regional draw (Interview with Shea). Moreover, when asked if neighborhood residents used the downtown cultural and recreational amenities, the director of West Elmwood CDC responded only that they made use of the bus system (Interview with Wells). Again, more research is needed to determine the extent to which amenities in the Capital Center attract a diverse set of users.

It is however important to comment on the nature of upcoming development within the context of diversity. First, there seem to be no significant public amenities planned for the District, with the emphasis on commercial and some residential development. Second, the proposals seek to reinforce the upscale character of the district. For example, the mixed-use project on Parcel 2 targets middle to upper income groups with no attempt to introduce mixed-income tenants in the residential portion of the development. If future development in the district does not aim to attract middle to lower income users of residential, employment or recreational opportunities, and if no attempt is made to link new economic activity to the neighborhoods, it is unclear how new projects will benefit a broader population.

ACCOMPLISHMENT OF CITY OFFICIALS OBJECTIVES

In trying to establish whether the Capital Center project accomplished what it intended to do at the time of project initiation, this study includes a review of early planning documents which identify objectives, as well as interviews with city officials. Both approaches are important; interviews with city officials might yield responses that comment on changes in objectives, but their understanding of the original goals might be flawed or biased towards rendering the project outcomes as successful. Conversely, early planning documents provide benchmarks by which the project success can be measured but will not include how the project or objectives have been modified over time.

The main sources for early planning objectives are the *Capital Center Project: Objectives and Conclusions*, the *Final Environmental Impact Statement* and the extensive article by William Collins in the *Providence Sunday Journal Magazine* covering the plan. Many of the goals as expressed in these articles have been discussed in the preceding sections and are summarized in Table 3.4.

OBJECTIVES	IMPACTS
<p>ECONOMIC <i>Assessed value and tax base expansion</i> Positive impact on land values. By year 2000, annual tax revenues projected to be \$6.1 to \$6.8m higher</p>	<p>Proposed 2001 property assessment indicates marked increase in land values. Additional tax revenue in 2000 of \$3.1m</p>
<p><i>Business and Economic Development</i> To improve the city's competitive position as a location for commercial development by building first class office space</p>	<p>Capital Center district has become highest office rent district in Rhode Island While additional Class A office development is anticipated, the district has become mixed use with retail as a major component. \$603,000,000m private investment to date.</p>
<p><i>Employment</i> Estimate 4800 jobs created by new development, adding an estimated \$49.7m to the annual payroll by 2000</p>	<p>3,800 jobs created by year 2000.</p>
<p>URBAN DESIGN and DEVELOPMENT <i>Circulation and Accessibility</i> To improve vehicular and pedestrian circulation between the project area and the State House, and downtown.</p>	<p>Vehicular and pedestrian circulation improved over existing conditions, but concerns remain regarding pedestrian environment.</p>
<p><i>Identity and linkage</i> To establish a special visual identity for downtown Providence and to create a visual and physical linkage between downtown and the State House.</p>	<p>Successful establishment of visual identity with Waterplace Park and distinctive mall. Low density and inconsistent design is an issue.</p>

In many ways, the original objectives of the plan have been or will be achieved once full build-out is attained. The Capital Center District is generating additional tax revenue, has attracted private investment and boasts the highest office rents in Rhode Island. Moreover, the site had undergone a tremendous physical transformation that has improved vehicular and pedestrian circulation and created a unique visual identity for the area that has garnered it the name Renaissance city.

For various officials interviewed, the project has implemented the early vision. In attempting to create a parcel for private redevelopment, provide good public infrastructure, transportation and public amenities, the project has “been very successful” (Interview with Baudouin). The project has also developed properties and land “for meaningful development to provide jobs” (Interview with Shamoan) and has generated “tax dollars that the city never got before” (Interview with Deller).

The importance of an improved visual identity was mentioned not only by city officials but also by representatives of various community development corporations and institutions. The project “has been successful in terms of redefining Providence” (Interview with Barges) and in giving the city a “better appearance and more competitive advantage (Interview with Wills). Residents have a “greater sense of pride in the city” and the revitalized downtown has “had a fabulous impact of what goes on in the state; everyone wants to live in Rhode Island” (Interview with Karlin).

It is interesting to note that the early simple vision of creating an office district evolved over time into a more complex plan that encompasses a mix of uses. Ultimately, this development has allowed the area to play a broader economic role in the region. To date, the development of Class A office space has been eclipsed by the mall construction which arguably serves a greater number and broader section of the population than either office or residential development.

A major concern however that surfaced during these interviews however was the concentration of development in one area. For both city officials and community representatives, the Capital Center project has diverted resources away from downtown and away from the neighborhoods. The city has yet “to meet its objective for the rest of downtown” with the Capital Center having “drained the energy of downtown” (Interview with Shamoon). Interestingly, critics of the original plan expressed similar concerns but supporters countered that “the construction of a ‘new city’ of office buildings will not lead to the economic downfall of the ‘old city” (Collins 11). Not only were there two separate markets for the historic buildings and new ones, but the old core would have almost a decade to capture demand for office space before development on the Capital Center would begin (Collins 11). While the old core continues to boast a relative healthy office market, the diversion of resources can be observed in its deteriorating infrastructure, vacant retail spaces and departing businesses.

Although the original plan did not include the goal of linking development to the downtown or neighborhoods explicitly – it merely referenced general improvements that would occur in Providence’s economy and the spillover effects that an expanded office population would have on the downtown service and retail sectors – it can nevertheless be critiqued for its failure to do so from the outset and from its failure to incorporate this objective at a later date. As conditions deteriorated in the neighborhoods during the eighties, the project proceeded on its original course (apart from the addition of the retail component), and neglected to fully consider the impact on downtown and the neighborhoods or examine how their needs might be met by development in the Capital Center.

Thus, while the project can be judged a success to some extent in achieving many of its objectives, not only are there issues with, for example, design and the pedestrian environment, but there were serious omissions concerning assessing comprehensively the project impacts and linking benefits to downtown and the neighborhoods.

CHAPTER 4

CONCLUSION and RECOMMENDATIONS

Revitalization

Successful downtown revitalization requires a careful synthesis of various factors that seek to draw population back by highlighting the uniqueness of the place. By building on its locational competitive advantage, eradicating blight, attracting investors, developing employment opportunities, and creating public spaces and amenities, downtown can reposition itself as the preferred location for mobile capital, workers, residents and tourists. However, a healthy and thriving downtown does not merely encourage and rely on centripetal forces, but must extend economic activity and benefits outwards in order to sustain its own stability and to foster growth. A robust downtown will eventually decline if surrounding neighborhoods, because of poor housing stock, lack of amenities and crime, can not attract the labor and consumers to support this economy. In this sense, neighborhoods and downtown have a symbiotic relationship and rather than viewing this association as an antagonistic one, planning initiatives should seek to reinforce it.

In Providence, Rhode Island, downtown development has in many ways succeeded in positioning the city as a regional economic center through the development of tourism and service-based industries. The project has produced new economic activity through attracting private investment, increasing property values, generating revenue, creating employment opportunities and stimulating some investment and development adjacent to the project area. Of particular note is that the Capital Center district has succeeded in establishing itself as the prime location in Rhode Island for Class A office space and has attracted suburban shoppers back to the downtown. With new development planned, the District will be able to meet demand for quality commercial and residential space.

In addition, the project successfully transformed the landscape from one that was cluttered with obsolete railroad infrastructure and parking lots which rendered it

unattractive and unsafe to one that is more accessible for automobiles and pedestrians and offers a more pleasant environment. By engaging the rivers through walkways, bridges and Waterplace Park, the city has created a significant public space that has both an urban, suburban and national draw. The mall also seems to attract a diverse set of users who can take advantage of a range of stores, a food court and an entertainment complex.

However, the findings suggest that though the project is incomplete, it has not met its full potential in terms of generating new economic activity or in terms of creating an area appropriate to the urban environment. It does not seem that the city is maximizing its revenue from the Capital Center, particularly given the generous tax break to the mall which, when annualized, exceeds the total annual tax revenue for the district. Moreover, the costs of the project have been enormous and the data concerning the financing implies that public investment has not, as of yet, resulted in leverage of private investment. Design aspects of the project are also questionable in that the low density and space between certain buildings give the district a suburban quality. In addition, the emphasis on automobile access and circulation has to some extent compromised the pedestrian experience.

Limitations of Corporate Center Approach

Perhaps the most troubling element of the project has been its failure to link the benefits of development in the core in a direct and systematic manner to the neighborhoods, particularly low-income communities. As city and state planning efforts have focused on the Capital Center district, in the absence of formal mechanisms to provide community benefits, resources have been diverted away from neighborhood development. The impact of persistent disinvestment in neighboring communities has been exacerbated by the lack of employment opportunities created within the district for residents of these neighborhoods. Although the Providence Place Training Initiative sought to place residents at the mall, it did not meet its objectives. Moreover, lower paid less skilled service jobs such as those at the mall and hotels are not adequate replacements for the jobs lost with the decline of the manufacturing industry.

With its focus on an upscale environment that provides opportunities in the service sector weighted towards middle and upper income employees, the Capital Center project in many ways typifies the corporate center approach to downtown development. The revitalization effort focused on symbolic enhancement of the business climate by committing massive public funds to infrastructure development as a means to attracting private investment. The resulting ostentatious development would, its supporters asserted, create jobs, broaden the tax base and stimulate economic growth throughout the city.

The Need for Neighborhood Development

The corporate center approach however was flawed from the outset. First, in focusing on the service sector as a replacement for manufacturing, the approach offered limited opportunities at the citywide level and ensured an inequitable distribution of economic benefits. The eagerness of the city to embrace office development tied into its willingness to relinquish the manufacturing industry. While some shrinkage of manufacturing was unavoidable, the city did not fully explore ways to retain some sectors as an option to preserving a diversity of economic uses and better paying jobs. Second, in failing to examine how development in the center could be linked to development needs in surrounding areas, and in relying on the trickledown effect, the city's plan ensured spatially uneven economic development.

The focus on the downtown has reduced the capacity of the city and private sector to undertake development in the neighborhoods and has delivered benefits that primarily target a narrow sector of the population. The disparity in resource allocation and development is not sustainable. As the downtown continues to receive investment, the concurrent neighborhood decline will ultimately undermine the gains achieved at the center:

The long-term sustainability of Providence's community revival will depend on the ability to revitalize the neighborhoods and communities which surround the core. Inattention to the neighborhoods will eventually erode the work done at the core. (*Empowerment Zone Application 10*)

Clearly, Providence could benefit from reconsidering the issue of neighborhood development in relation to downtown and waterfront focused efforts. In addition to the remaining development in the Capital Center District, the Downcity and New Cities initiatives provide an opportunity for the city to address neighborhoods needs in a more direct and formal way.

The New Cities initiative in particular has the potential to positively impact low-income communities since it proposes physical redevelopment that extends into these neighborhoods. The project plans to redevelop more than 500 acres of deteriorated industrial property adjacent to the Capital Center district, create 30,000 new jobs and generate more than \$100 million in taxes (City of Providence 1). The Promenade site extends from Providence Place Mall to Olneyville Square and the Westminster Crossing site would link downtown to Federal Hill, the West End and South Providence.

However, this ambitious undertaking presents a number of issues. The project, which includes 7 million gross square feet of new office space, four new hotels with 1,254 rooms, 400,000 square feet of new trail space and 4,335 new residential units, will require massive investment. Not only has the city declined to estimate the total cost or how it would fund it (Grillo F1), but it is also unclear if the market could absorb this amount of new development. In addition, the upscale nature of the development, which features a marina and a seven-acre series of formal gardens might preclude low-income communities from accessing newly created opportunities.

RECOMMENDATIONS

The recommendations are intended to provide guidelines for current and future development in Providence. While these suggestions range from focusing on neighborhood revitalization, to improving project tracking, to investing in Downcity, the emphasis is placed on the city to assume more of an active role in overseeing development that delivers benefits at the citywide level.

Focus on Neighborhood Development

The corporate center approach of recent downtown development in Providence has negatively impacted adjacent neighborhoods. It is suggested that the city rethinks its policy towards neighborhood development and, through the implementation of indirect and direct mechanisms, assists low income communities in particular.

➤ *Establish Formal Hiring Requirements*

In order to link the new economic activity in the center to neighborhoods, the city should establish formal contracting and hiring requirements for projects that have utilized direct or indirect sources of city funding. As such, all projects – ranging from those that receive Community Development Block Grants to those that receive tax breaks – would be required to hire minority and female city residents as a set percentage of their contractors and workforce participants.

➤ *Institutional Support and Program Development*

So that neighborhood residents may take full advantage of new contracting and employment opportunities, the city should support institutions engaged in capacity and skill development. The experience of the Providence Place Mall demonstrated not only that minority contracting firms lack the equity and capacity to compete for large projects but that segments of the workforce require substantial training to be eligible for even low-skilled service sector jobs. By supporting local community focused institutions such as the Minority Investment Development Corporation, the Providence Plan, and local CDCs, and by helping forge partnerships with local colleges, the city can ensure that hiring and contracting goals are met with residents who are competent and job ready.

➤ *Review Formal Neighborhood Benefit Requirement*

The city should assess whether it is in a position to require private provision of public benefits such as impact fees, inclusionary zoning and other community benefits. Development to this date has not conferred substantial community gains; indeed, the

city sought a very narrow set of benefits that were mainly on-site in exchange for public assistance and funding. The undeveloped parcels in the Capital Center as well as the New Cities Initiative could provide an opportunity for the city to leverage more from developers.

➤ *Emphasize neighborhood revitalization*

Although the Providence Plan, MIDC and various CDCs, continue to work on neighborhood development, the City's focus on large scale downtown development has diverted resources from low-income communities in particular. Before embarking on the costly New Cities Initiative, the city should assess neighborhoods needs and devise a series of well-organized strategies for revitalization. These should include examining program, place-based as well as innovative approaches to economic development.

➤ *Collaborate with Community Development Corporations*

By virtue of their location and objectives, the various CDCs in Providence each have a unique understanding of needs and opportunities in their neighborhoods. The City should take advantage of the CDC network in a number of ways. First, by involving CDCs at an early stage in downtown development initiatives, the City can connect neighborhoods to the core, thereby conferring benefits and fostering a sense of neighborhood ownership over downtown. Second, by capitalizing on the local knowledge of CDCs, the City can more effectively support economic development in the neighborhoods. For example, both West Elmwood and Olneyville Housing Development Corporations have revitalization plans that need city support. In Olneyville, the CDC director is assessing how conversion of mill buildings can take advantage of development pressures in other parts of the city that are forcing out the arts community, as well as meet the needs of the neighborhood.

Improve Project Assessment

➤ *Measure Costs and Benefits*

As with the multitude of similar downtown development projects that proliferated during the eighties and nineties, Providence has not undertaken a systematic effort to measure the benefits of the project against the substantial public and social costs.

Although performing a comprehensive social cost-benefit analysis can prove to be an immense and complicated task, the massive cost of the project should warrant this assessment. The city should consider undertaking such an analysis for the New Cities Initiative given the scope and nature of this project.

➤ *Establish objectives for public leverage of private investment*

It is advisable that the city thoroughly assesses the level of public investment in the Capital Center project in relation to the amount of private investment it was intended to leverage. It is critical to examine all forms of public subsidies, including tax breaks such as those granted to the mall and to separate out public funding that was not designed to directly generate private investment. This analysis could guide future development deals in which public subsidies are required to attract private investors.

➤ *Review benchmarks and track data*

The city should track the performance of public private development projects according to established benchmarks. In the case of the Capital Center, the project has not generated the revenue anticipated. However, city officials have commented on the project success in this respect without referencing goals or actual revenue received. In order to ensure that the project is achieving its full potential, the city should review its performance annually according to benchmarks.

In addition, the city has neglected to track critical employment and income data for the project area that would allow more thorough assessment of the project. For projects that receive public funding in particular, such as the Providence Place Mall, it is recommended that the city compile and follow-up on data relating to employee

place of residence, ethnicity and wage. Collection and analysis of this data is essential to understanding the extent to which downtown development is driving economic development at the citywide level.

Link Future Development to Citywide Needs

➤ *Diversify Capital Center development*

The undeveloped parcels in the Capital Center District provide an opportunity for the city to diversify the provision of project benefits and to more effectively link economic activity in the core to the neighborhoods. By requiring mixed income housing in new residential construction and by establishing contracting and hiring goals, for example, the city can ensure that the new development targets a broader segment of the population, particularly low income residents.

➤ *Invest in Downcity revitalization*

The revitalization of the Downcity area, with its historic buildings and densely arranged mix of uses, has the potential to transform Providence into an economic and cultural center for the region. Although initiatives are underway to revitalize this area, they are inadequate and pale in comparison to the resources invested in the Capital Center project. It is recommended that the city reassesses its level of commitment to the Downcity area. Underlying this commitment should be the promotion of small business ownership and the encouragement of diverse uses and users, both of which currently characterize the area.

➤ *Examine alternatives to New Cities Initiative*

Implementation of the ambitious New Cities Initiative would certainly transform Providence, but the question remains as to whether this plan is financially feasible or desirable. It is unclear if Providence can access a similar level of public funds that proved necessary for the Capital Center project. Analysis of the Capital Center project has shown that the city has not achieved its core goals of substantially

increasing tax revenue and leveraging significant private investment, despite the massive commitment of public funds. Based on this experience, it is unlikely that the New Cities initiative could reach its stated economic goals. Moreover, it is unclear if the initiative would alleviate conditions in the city's poorer neighborhoods or simply continue the disinvestment that has occurred over the last twenty years.

Rather than investing in such massive redevelopment, perhaps the city should consider investing in improving the overall quality of life in Providence. By offering a more qualified workforce, enhanced public services and superior infrastructure, the city might be in a better position to attract investors.

➤ *Assess competitive advantages*

The decline of the manufacturing sector represented a loss of the city's competitive advantage as well as employment opportunities. The city should assess its competitive advantages and determine opportunities for growth in sectors that can offer quality employment creation. Clearly, more research is needed in this respect, but the concentration of educational and health industries in the downtown area offer possibilities for strengthening clusters and developing collaborations.

➤ *Focus on quality employment creation*

The challenge for the city is to create quality employment opportunities that will serve as adequate replacements for the jobs lost as a result of the decline of the manufacturing sector.

To date, many of the opportunities accessible to low or moderate income neighborhood residents have consisted of lower paying less skilled service jobs. The upcoming projects in the Capital Center and New Cities Initiative seem to reinforce this pattern by emphasizing upscale service based uses. Without workforce development initiatives, it is likely that the only opportunities for poor neighborhood residents will fall within the same category. By focusing on the creation of quality employment opportunities, and by offering training programs directed toward linking

young neighborhood residents to these new jobs, the city will promote a more equitable distribution of economic benefits.

➤ *Review tax assessment practices*

It is recommended that, in light of revenue lost and in anticipation of further large-scale development in the downtown area, the city work closely with the state to establish a more frequent and accurate property assessment. By collecting additional tax revenue, the city could allocate increased funding public services. While the 1997 legislation, which enacted a nine-year evaluation with two statistical updates, represents an improvement over the previous ten-year assessment cycle, there remains enough flexibility in the law for communities to delay reassessment and forfeit possible revenue gains realized from increased property values. As a guideline, Rhode Island could examine Massachusetts practices where tax assessments are conducted every three years.

Lessons for Urban Development

The experience of Providence in attempting to revitalize its downtown provides a number of lessons that might be of use to other cities facing similar urban development issues.

➤ *Creating a Destination Center*

The Capital Center project highlighted the importance of creating a destination center through the provision of retail facilities and recreational/cultural amenities. The retail component has not only lured suburban shoppers back to the city but it has also attracted a diverse set of urban users. Moreover, the revitalized riverfront area and associated festivals enjoy a regional and even national draw. By focusing on the position of downtown as a regional center for arts, culture, entertainment and recreation, cities can enjoy the benefits of increased economic activity and renewed prestige.

➤ *Encouraging a Mix of Concentrated Uses and Pedestrian Friendly Environment*

The modification of the original office-oriented Capital Center plan to include retail allowed Providence to develop a mixed-use district that has contributed to 24-hour activity and a diverse set of users. By adopting a flexible approach to land use, the city was able to add the Providence Place Mall, a development which has proved to be a vital component to the district and which will compliment the future arts and entertainment development planned for Downcity. The Capital Center District however has failed thus far to develop the intensity that arises from concentrated uses and an environment friendly to pedestrians.

As cities continue to devise strategies to compete with suburbs, proposing a mix of concentrated uses in the downtown is essential to recapturing the position that downtowns once played as regional centers for economic and cultural activity. Inherent in this concept is an understanding that concentrated activity distinguishes the urban from the suburban and that the pedestrian plays a key role in contributing to the dynamism of the downtown environment.

➤ *Reversal of physical characteristics of blight and image enhancement*

The importance of reversing the physical aspects of blight can not be underestimated. Providence's ability to transform the Capital Center not only improved the business climate and attracted new users to the area but also clearly redefined the image of the city and positively impacted the perception of residents and visitors.

While cities may not be able to access the same level of public funding for such large-scale projects as the Capital Center, cities can still overcome the physical characteristics of blight. By making smaller scale improvements to infrastructure, storefronts, streetscapes and by investing in business development, cities can enhance the downtown environment. Tools to implement these improvements might include establishing Business Improvement Districts and following the Main Streets program. In addition, cities can ensure design integrity by granting design and development oversight to a committee.

➤ *Diversifying the Economic Base and Assessing Competitive Advantage*

As cities continue to deal with the transition from traditional manufacturing to the newer more advanced economy, the need to maintain a diverse economic base remains a central issue. In adopting the Corporate Center approach, Providence neglected to fully consider how retaining manufacturing sectors and the associated better paying jobs would confer benefits at the citywide level. The focus on tourism-convention and service industries has targeted benefits to a narrow segment of the population and negatively impacted the opportunities of residents from low-income communities in particular to access economic gains from the new development.

By assessing the city's competitive advantages and basing a strategy for diversifying the economic base on this understanding, cities can not only compete more effectively with suburbs but can also sustain the gains of new economic activity. While the service sector is an important component of the local economy, developing and supporting the manufacturing industry should remain a goal for cities that seek to deliver a broad set of benefits from downtown development.

➤ *Investing in Workforce development*

Diversifying the economic base is only one side of the economic development equation; as new opportunities are created, cities need to ensure that residents, in particular those from low income communities can access employment. Although the city of Providence supported a training initiative for the new retail development, not only did it lack enforcement measures but it also prepared residents for the lowest paid service sector jobs.

By investing in workforce development, cities can link areas of need to areas of opportunity. By increasing median income levels in poor neighborhoods, the benefits of downtown development will have successfully trickled down and reduced income disparities at the citywide level.

➤ *Neighborhood Revitalization – acknowledging the tension with downtown development*

The need to engage in neighborhood revitalization is clear if cities are to reassert their positions of regional dominance. By neglecting to invest adequately in its neighborhoods and in channeling its resources towards downtown without establishing mechanisms that would distribute benefits at the citywide level, Providence ensured uneven economic development and further neighborhood deterioration that could destabilize the gains achieved at the core.

However, while the debate concerning urban development should not be framed in terms of the downtown versus the neighborhoods and instead should recognize the symbiotic relationship of the two, there is nevertheless a tension that arises from the scarcity of resources. Where cities can not directly allocate resources to both downtown and neighborhood development, the need to ensure that benefits of new economic activity generated by downtown development are linked to the neighborhoods assumes more importance.

➤ *Project evaluation – ex ante and post*

The experience of downtown development in Providence highlights the importance of project evaluation. While the Capital Center plan identified objectives in the conceptual stage, the city failed to perform adequate impact assessment before project implementation and neglected to evaluate the project in relation to its stated and more broadly defined goals. As such, the city has overstated the success of the development.

Where cities allocate public resources to downtown development, assessing potential impacts, identifying alternatives, establishing sensible objectives, tracking data and analyzing effects on neighborhoods in particular, should be a central goal of the project. Without this knowledge, cities lack accountability to the public and are likely to repeat costly mistakes.

➤ *Ensuring the Interests of the Public Sector*

The need to ensure that the public sector's interests are upheld is critical to fostering development that delivers benefits at the citywide level. The Capital Center project has not, as of yet, resulted in a strong net fiscal benefit to the city. By offering a considerable tax break to the mall project, which on an annual basis exceeds tax revenue from the district, the city is not maximizing its potential to gain economically from development in the district. Moreover, by failing to reassess property on a more frequent basis, the city has essentially subsidized private development and caused greater inequity in property values at time when it is making large public investments. And, when the level of private investment in the Capital Center project is gauged, it is exceeded by the level of public expenditures, resulting in negative leverage of public sector funds.

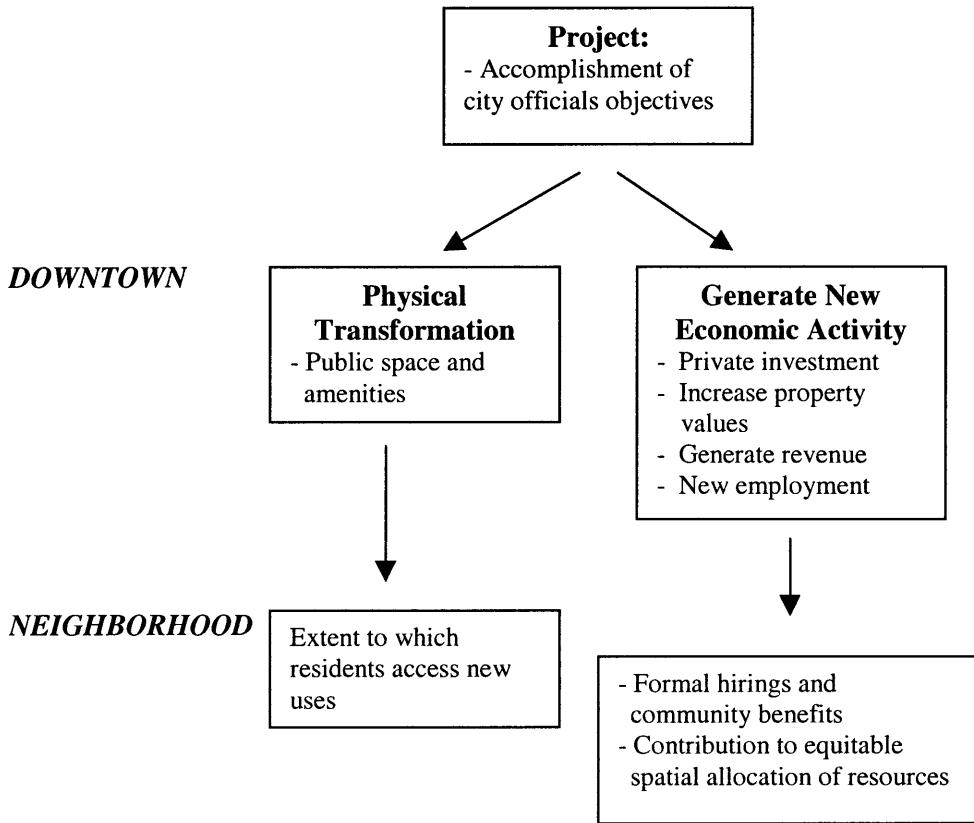
Cities seeking to invest in large scale or indeed small-scale projects need to carefully consider the costs and benefits of public investments and to establish clear benchmarks regarding private sector investment. Cities should include in this analysis public expenditures on items that often are overlooked such as infrastructure improvements and tax breaks. In addition, given that a primary goal of downtown redevelopment is to increase property values, cities should ensure that they are capturing the fiscal benefit of this change by reviewing tax assessment policies and establishing frequent reevaluations.

Towards a New Model for Downtown Development

The issue of who benefits from downtown development formed the central inquiry behind this investigation. The premise that the benefits of downtown development should extend to neighborhoods through the diversification of the economic base leads to a rejection of the corporate center approach as well as to the identification of a broader set of goals. How cities define the incidence of benefits thus becomes a critical factor in determining the direction in which downtown development proceeds. In assuming a comprehensive approach to revitalization that includes physical and economic improvements, this study has attempted to outline a model that links the downtown to

neighborhood development, as demonstrated in the flow chart below which is explained in Chapter 1:

Figure 4.1: Indicators of Revitalization



By setting these downtown and neighborhood-focused outcomes as goals, cities can establish a framework for planning as well as evaluating downtown development. This framework is one that should propose a mix of uses and industries in the downtown and should also provide neighborhood residents with access to the economic and social opportunities created by new development.

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Hayes, Peter. Real Estate Broker, Hayes and Sherry. Personal Interview. March 29, 2001

Koechel, Joseph. General Manager, Providence Place Mall. Personal Interview. February 20, 2001

Marsella, Ron. President, Marsella Development Corporation. Personal Interview. February 22, 2001

White, Janet. Vice President Economic Development, Greater Providence Chamber of Commerce. Personal Interview. March 29, 2001

Community and Non Profit Sector

Barges, Denise. Executive Director, Minority Investment Development Corporation Personal Interview. January 24, 2001

Karlin, Barbara Fields. Program Director, Rhode Island Local Initiatives Support Corporation. Personal Interview. February 20, 2001

Marino, Peter. Director of Policy, Rhode Island Public Expenditure Council. Phone Interview. February 15, 2001

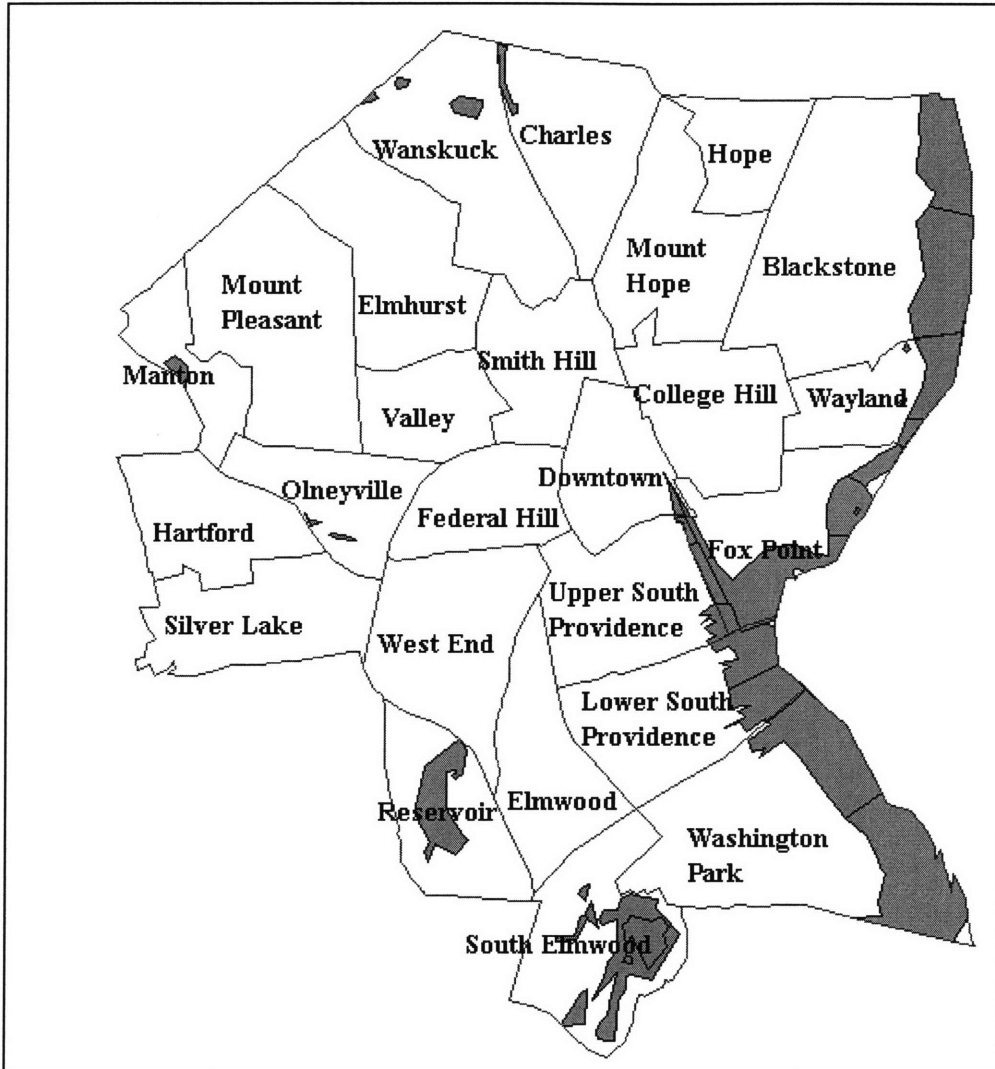
Murney, Dr. Gerlach. Director, The Rhode Island Historical Society. Personal Interview. February 22, 2001

Shea, Frank. Executive Director, Olneyville Housing Development Corporation. Phone Interview. March 2, 2001

Wells, Sharon. Executive Director, West Elmwood Housing Development Corporation. Phone Interview. March 27, 2001

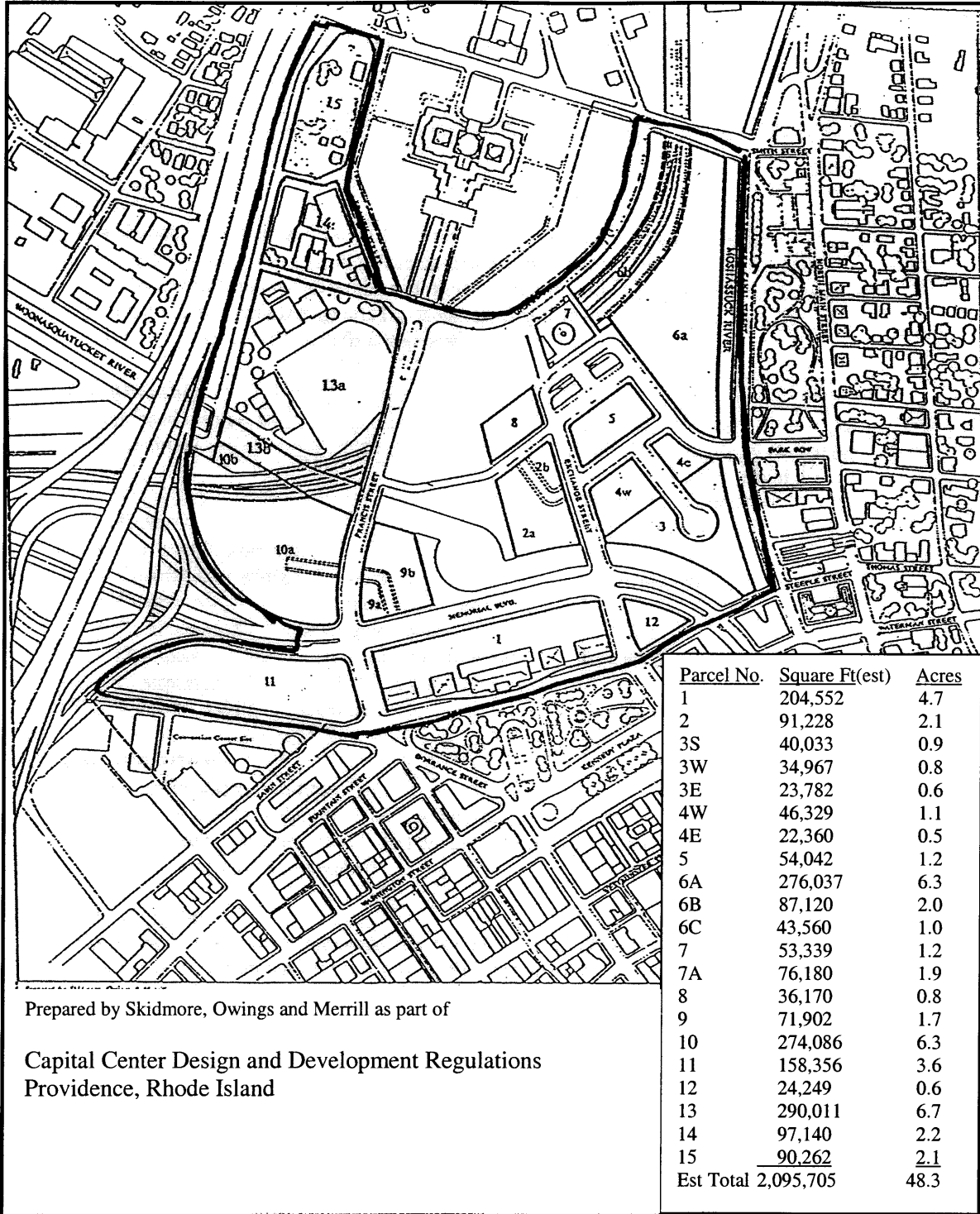
Wills, Judy. Director of Employment Services, South Providence Development Corporation. Personal Interview. January 17, 2001

APPENDIX A: Providence Downtown and Neighborhoods



Source: Brown University

APPENDIX B: Capital Center Project Boundaries and Parcel Plan



Source: Capital Center Commission

**APPENDIX C:
STATUS OF CAPITAL CENTER DEVELOPMENT PARCELS (2001)**

Parcel	Site Sq Ft	Completed/ Current Status	Projected
1	204,552	Restoration of former train station into office and restaurant space (150,000 sq ft). Interim parking for 60 cars	230,000 sq ft of building for office, retail and/or residential
2 (A & B)	91,228		225 room Hilton, 150 condominium units, 100,000 sq ft office, 450-500 parking spaces. Break ground in Fall 2001 (per broker)
3E	23,782	Interim parking for 90 cars	190 residential apartments presently under design review
3S	40,033	Citizens Plaza: 13 story, 234,000 sq ft office building with ground floor retail	
3W	34,967	Interim parking for 90 cars	350,000 sq ft office building/parking
4E	22,360	Interim parking for 70 cars	360 car garage presently under design review
4W	46,329	Interim parking for 70 cars	Apartment building on 4E and 4W: 20 stories, 185 units. Close to final approval
5	54,042	Center Place: 8 story, 225 luxury residential apartments; 450 underground structured parking garage	
6A, B & C	A: 276,037 B: 87,120 C: 43,560	Interim surface parking	4-story 1200 parking garage; townhouses, offices and/or retail
7	53,339	Amtrak Railroad Station; 360 underground parking garage	
8	36,170	Gateway (former American Express) building: 4 story, 110,000 sq ft office building, 150 underground parking spaces	
9	71,902		200,000 sq ft office, 70,000 sq ft retail, 265 car garage. Pending approval by the Capital Center Commission.
10 & 13	564,097	Providence Place Mall: 1,200,000 sq ft retail and 4,000 structures parking spaces	
11	158,356	Portion of Convention Center Complex: 363 room Westin Hotel and office complex, 1,700 structured parking spaces	350 room hotel or 256,000 sq ft office building
12	24,249		Specialty hotel with upper level condos.
14	97,140		Restoration/reuse of Masonic Temple as Renaissance Marriott Hotel
15	90,262		Office space with ground level support retail

Source: Capital Center Commission

Land Use Summary

Use	Completed Sq Ft/ Units	Projected	Total
Retail	1,200,000	70,000	1,270,000
Office	494,000	550,000	1,044,000
Housing	225	525	750
Hotel	363	225	588
Parking	,6,660	2,275	8,935

To be determined:

230,000 office, retail and/or residential townhouses
350 room hotel or 256,000 sq ft office bldg
Additional office space
Specialty hotel with upper level condos

**APPENDIX D: IMAGES of PRE and POST REVITALIZATION
Providence, Rhode Island**

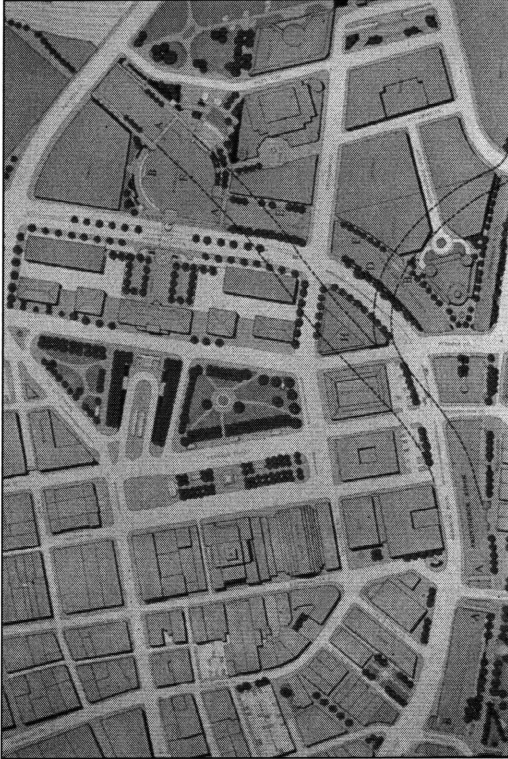


Exhibit 1: River Relocation Plan
----- former route

Source: Providence Foundation



Source: Providence Foundation

Exhibit 2: Pre Revitalization
Former station, switching yards and elevated tracks



Source: Providence Foundation

Exhibit 3: Pre Revitalization
Aerial View of Central Business District, Capital Center and State House



Exhibit 4: Post Revitalization
Axial View to the State House from Francis Street



Exhibit 5: Post Revitalization
Skybridge link between Providence Place Mall and Westin Hotel



Exhibit 6: Post Revitalization
American Express building: low density and suburban setting



Exhibit 7: Dense urban and historic environment of Downcity

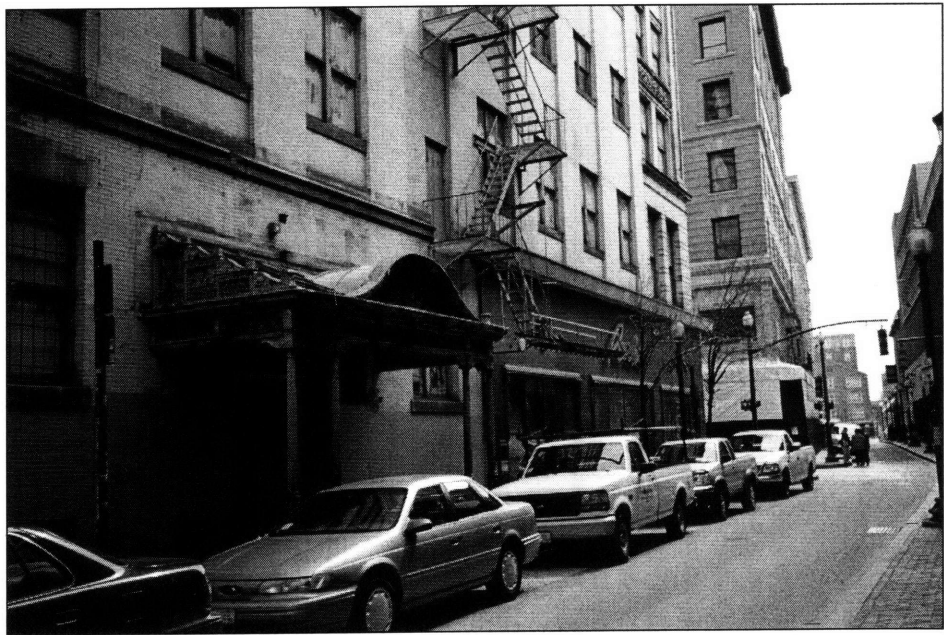


Exhibit 8: Deteriorating facades and vacant stores in Downcity

**APPENDIX E: OFFICE RENT ANALYSIS for CAPITAL CENTER and CENTRAL BUSINESS DISTRICT
(2000 and 1998)**

Capital Center District 2000

Street Address	Sq Ft	Rent/Sq Ft	Weighted Average	% Vacant
1 Citizens Plaza	212,782	\$ 32.00	\$ 6,809,024	4.7
30 Exchange Terrace	24,900	\$ 20.00	\$ 498,000	0
36 Exchange Terrace	16,818	\$ 21.00	\$ 353,178	0
50 Exchange Terrace	16,992	\$ 21.00	\$ 356,832	0
56 Exchange Terrace	36,710	\$ 23.00	\$ 844,330	0
Total	308,202	\$ 23.40	\$ 28.75	

Capital Center District 1998

Street Address	Sq Ft	Rent/Sq Ft	Weighted Average	% Vacant
1 Citizens Plaza	212,782	\$ 30.50	\$ 6,489,851	3.8
30 Exchange Terrace	24,900	\$ 17.00	\$ 423,300	0
36 Exchange Terrace	16,818	\$ 18.50	\$ 311,133	0
40 Exchange Terrace	46,291	\$ 27.00	\$ 1,249,857	0
50 Exchange Terrace	16,992	\$ 18.00	\$ 305,856	20.6
56 Exchange Terrace	36,710	\$ 19.00	\$ 697,490	20.4
Total	354,493	\$ 21.67	\$ 26.74	

Central Business District 2000

Street Address	Sq Ft	Rent/Sq Ft	Weighted Average	% Vacant
15 LaSalle Square	137,000	\$ 19.00	\$ 2,603,000	0
50 Kennedy Plaza	386,500	\$ 26.50	\$ 10,242,250	10.3
Providence Washington	140,000	\$ 27.00	\$ 3,780,000	0
15 Westminster Street	222,000	\$ 17.50	\$ 3,885,000	4.5
1 Financial Plaza	323,000	\$ 25.50	\$ 8,236,500	4.1
40 Westminster Street	263,086	\$ 24.00	\$ 6,314,064	0.5
76 Westminster Street	150,500	\$ 17.50	\$ 2,633,750	8
170 Westminster Street	57,043	\$ 17.00	\$ 969,731	14.2
10 Weybosset Street	125,000	\$ 25.00	\$ 3,125,000	8.3
Total	1,804,129	\$ 22.11	\$ 23.16	

Central Business District 1998

Street Address	Sq Ft	Rent/Sq Ft	Weighted Average	% Vacant
1 Hospital Trust Plaza	222,000	\$ 16.50	\$ 3,663,000	4.5
1 Hospital Trust Plaza	323,000	\$ 24.50	\$ 7,913,500	9.3
15 LaSalle Square	137,000	\$ 19.00	\$ 2,603,000	0
50 Kennedy Plaza	386,500	\$ 26.00	\$ 10,049,000	13.5
Providence Washington	140,000	\$ 24.00	\$ 3,360,000	11.4
40 Westminster Street	263,086	\$ 21.00	\$ 5,524,806	1.3
170 Westminster Street	57,043	\$ 17.00	\$ 969,731	6.1
10 Weybosset Street	130,000	\$ 22.00	\$ 2,860,000	23.5
Total	1,658,629	\$ 21.25	\$ 22.27	

**APPENDIX E: OFFICE RENT ANALYSIS for CAPITAL CENTER and CENTRAL BUSINESS DISTRICT
(1993 and 1988)**

Capital Center District 1993

Street Address	Sq Ft	Rent/Sq Ft	Weighted Average	% vacant
American Express Blvd	113,000	\$ 27.00	\$ 3,051,000	0
1 Citizens Plaza	212,782	\$ 28.50	\$ 6,064,287	23.6
30 Exchange Terrace	24,900	\$ 17.00	\$ 423,300	24.1
36 Exchange Terrace	16,818	\$ 17.00	\$ 285,906	31.8
40 Exchange Terrace	46,291	\$ 21.00	\$ 972,111	8.1
50 Exchange Terrace	16,992	\$ 17.00	\$ 288,864	31.7
56 Exchange Terrace	36,710	\$ 19.00	\$ 697,490	0
Total	467,493	\$ 20.93	\$ 25.20	

Capital Center District 1988

Street Address	Sq Ft	Rent/Sq Ft	Weighted Average	% vacant
36 Exchange Terrace	18,000	\$ 24.50	\$ 441,000	100
40 Exchange Terrace	33,000	\$ 24.50	\$ 808,500	100
50 Exchange Terrace	18,000	\$ 24.50	\$ 441,000	100
56 Exchange Terrace	38,000	\$ 24.50	\$ 931,000	78.9
Total	107,000	\$ 24.50	\$ 24.50	

Central Business District 1993

Street Address	Sq Ft	Rent/Sq Ft	Weighted Average	% vacant
10 Dorrance Street	188,000	\$ 16.50	\$ 3,102,000	0
1 Hospital Trust Plaza	222,000	\$ 19.00	\$ 4,218,000	4.5
1 Hospital Trust Plaza	323,000	\$ 24.50	\$ 7,913,500	17.7
7 Jackson Walkway	77,500	\$ 15.00	\$ 1,162,500	0
15 LaSalle Square	137,000	\$ 22.50	\$ 3,082,500	16.1
50 Kennedy Plaza	386,500	\$ 28.79	\$ 11,127,335	13.1
40 Westminster Street	263,086	\$ 21.00	\$ 5,524,806	36.5
111 Westminster Street	310,000	\$ 16.50	\$ 5,115,000	0
170 Westminster Street	57,043	\$ 17.50	\$ 998,253	8.9
Total	1,964,129	\$ 20.14	\$ 21.51	

Central Business District 1988

Street Address	Sq Ft	Rent/Sq Ft	Weighted Average	% vacant
10 Dorrance Street	188,000	\$ 17.25	\$ 3,243,000	16
200 Dyer Street	36,000	\$ 22.00	\$ 792,000	34.2
1 Hospital Trust Plaza	222,000	\$ 18.00	\$ 3,996,000	2.4
1 Hospital Trust Plaza	323,000	\$ 24.50	\$ 7,913,500	10.9
7 Jackson Walkway	77,500	\$ 15.00	\$ 1,162,500	0
15 LaSalle Square	137,000	\$ 22.50	\$ 3,082,500	0
50 Kennedy Plaza	358,000	\$ 26.20	\$ 9,379,600	7.5
76 Westminster Street	150,000	\$ 18.50	\$ 2,775,000	13.3
111 Westminster Street	310,000	\$ 16.50	\$ 5,115,000	0
170 Westminster Street	76,660	\$ 19.00	\$ 1,456,540	0
Total	1,878,160	\$ 19.95	\$ 20.72	