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PAWTUCKET TAP SUMMARY

Urban Smart Growth, LLC, a Los Angeles, California based real estate development company, in cooperation with the City of Pawtucket and various community stakeholders, is currently exploring redevelopment concepts for the Conant Thread Company and the Coats & Clark Thread Factory complex (“the Thread Factory”), located in Pawtucket and Central Falls, Rhode Island. Consisting of over one million square feet in seven buildings on over seventeen acres, the Thread Factory was previously occupied by The Schoolhouse Candy Company and the Paramount Line, Inc. until it was recently purchased by Urban Smart Growth as an opportunistic redevelopment site.

Urban Smart Growth asked ULI Boston, to consider the Thread Factory complex for a Technical Assistance Panel (“TAP”) project. The Pawtucket TAP convened on May 29, 2008 at the Thread Factory. This report summarizes the ULI Boston Technical Assistance Panel’s findings and recommendations.

TECHNICAL ASSISTANCE PANELS

ULI’s TAP program is designed to provide objective, expert advice to municipal and community-based organizations that have requested assistance in addressing land use challenges on the feasibility, design or implementation of development initiatives. The TAP program provides a way for organizations with more limited resources to focus local ULI members’ expertise on a specific problem at a nominal cost.

THE URBAN LAND INSTITUTE

The Urban Land Institute (“ULI”) is a 501(c)(3) nonprofit research and education organization supported by its members. Founded in 1936, ULI now has more than 40,000 members worldwide, working in private enterprise and public service and representing the entire spectrum of land use and real estate development disciplines.

As the preeminent, multidisciplinary real estate forum, ULI facilitates the open exchange of ideas, information and experience among local, national and international industry leaders and policy makers dedicated to creating better places. ULI’s mission is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.

THE PAWTUCKET TAP PROCESS

ULI Boston's Pawtucket, Rhode Island TAP consisted of a diverse group of professionals, representing several disciplines related to land use. Members were selected on the basis of the specific request for assistance on issues related to the redevelopment of the Thread Factory project.

Members of the Pawtucket TAP included:

Jeremy Wilkening (TAP Co-Chair)	Corcoran Jennison
Maria Meleschnig (TAP Co-Chair)	Haley & Aldrich
Tracy Smith	ULI Boston
Larry Koff	Larry Koff & Associates
Bill Lyons	Traffic Solutions
Melissa Robin	Commonwealth of Massachusetts
Jeff Glew	The Concord Group
Albert Rex	MacRostie Historic Advisors LLC
Dennis C. Rieske, AIA	BTA+ Architects
Larissa Brown	Goody Clancy
David Hancock	CBT Architects
Zachary Darrow	Darrow Everett LLP
Pamela Sherrill	Pare Corporation
Mike Tilford	MIT Center for Real Estate
Jennifer Parkes	CRA International

ULI Boston reviewed the TAP request and other materials submitted by Urban Smart Growth and City of Pawtucket. An information gathering session was held on site between Fred Kramer and Tracy Smith of ULI Boston and key community stakeholders. This information was disseminated to the TAP members for their review in advance of the formal TAP meeting. The day long TAP session started at the Thread Factory site with brief oral presentations from Urban Smart Growth, the City of Pawtucket, the City of Central Falls, The Pawtucket Foundation and the Pawtucket Citizens Development Corporation.

Presenters included:

Lance Robbins	Urban Smart Growth
Ron Wierks	Marketing and Leasing, Urban Smart Growth
Richard Davis	Executive Director, The Pawtucket Foundation
Michael Cassidy	Director, City of Pawtucket
Arthur Hanson	Director, City of Central Falls
Nancy Whit	Pawtucket Citizens Development Corporation

The presentations were followed by questions from the TAP panel. At the conclusion of the information gathering session, Lance Robbins of Urban Smart Growth lead the panel on a tour of the Thread Factory complex as well as the nearby Hope Artiste Village development. After the tours, the TAP convened a closed door working session to consider the following issues related to the redevelopment of the Thread Factory:

- Development concepts including the reproduction of the Hope Artiste Village, the creation of an institutional campus or landmark civic building or museum, an urban agricultural facility, and other concepts
- The relationship between Urban Smart Growth and the City of Pawtucket
- The impact and integration of a proposed Commuter Rail stop in Pawtucket
- The nature and potential sources of public/private partnerships
- Project visibility and marketing
- The demands of local population and trade demographics
- Financing options including the use of Rhode Island historic tax credits
- Project phasing
- Green space and pedestrian connectivity
- The concerns of community stakeholders including the Pawtucket Foundation and the Pawtucket Citizens Development Corporation

PAWTUCKET TAP FINDINGS

The Thread Factory site presents an opportunity for Urban Smart Growth and the local community that is matched only by the project's size and complexity. The project has substantial in place value, an experienced and creative developer and the enthusiastic support of the local community and municipal governments. The site is challenged, however, by difficult local economic conditions, constrained pedestrian and vehicular access and the risks inherent in a project of this size and scope. After considering a broad range of issues related to the redevelopment of the site, the Pawtucket TAP focused on the following key facts and findings in making its final recommendations.

The Need for a Refined Concept: Urban Smart Growth is in the process of redeveloping 650,000 square feet of industrial property similar to the Thread Factory, known as the Hope Artiste Village in Pawtucket, Rhode Island. The Hope Artiste Village is occupied by a combination of light manufacturing pods, small business incubator space, restaurants, retail space and artist live/work space. While the mixed use Hope Artiste concept could be used at the Thread Factory, the TAP attempted to consider other defined uses to more clearly direct the scope of development efforts. The following uses were considered:

Education or Institutional Campus: The site was considered as a potential "develop to suit" opportunity for a large scale institution that could use a large amount of space.

Art Museum or RISD Incubator: The site could be developed as a museum and art space for The Rhode Island School of Design.

Government or Municipal Campus: The panel considered the Thread Factory as a potential site for a consolidated government campus that could accommodate local and state agencies.

Social Services: The panel considered various social services and affordable housing concepts that could be integrated into the site.

Urban Agriculture: The site was considered as a potential candidate for an urban agriculture facility that would employ hydroponic farming to grow local, organic produce.

Medical or Research Campus: The site could accommodate a large medical or research user serving the southern New England region.

The decision to develop the site with a defined final use or as a speculative mixed use development similar to the Hope Artiste Project, has a substantial impact on strategic development considerations including financing, phasing, design and leasing.

The Transit Opportunity: The Rhode Island Department of Transportation ("RIDOT") is in the process of conducting feasibility studies for the construction and operation of a Massachusetts Bay Transportation Authority ("MBTA") commuter rail stop in Pawtucket. A commuter rail stop would make Pawtucket and the Thread Factory project accessible and relevant to the entire Southern New England market. Initial findings indicate that the commuter rail could make 23 daily stops in Pawtucket with no interruption to existing service. The two potential sites, The Pawtucket and Worcester Rail Yard ("the Rail Yard") and the Pawtucket and Central Falls Train Depot ("the Train Depot"), are shown in attached Exhibit 1. Based

on the RIDOT feasibility study, The Rail Yard site is best suited for a modern commuter rail stop. The Rail Yard site is located less than one mile from the Thread Factory project by way of Cross Street as shown on Exhibit 1. The proposed commuter rail stop would require at least \$25 million dollars to develop as well as an agreement between Amtrak and the Massachusetts Bay Railway Company (“MBRC”) on service standards. While the Train Depot site is a landmark of substantial local interest, it is not ideally suited for modern commuter rail service standards.

Historic Tax Credits: Urban Smart Growth paid a fee to extend the Thread Factory’s candidacy for the now terminated Rhode Island State Historic Tax Credit Program. Urban Smart Growth has used historic tax credits in other projects and often relies on the associated benefits to finance their developments. However, if a project incorporates more than 35% non profit use, it can be deemed ineligible to receive the historic tax credits.

Favorable Political Environment: The Thread Factory project is supported by a positive and enthusiastic political environment. The City of Pawtucket, the City of Central Falls, The Pawtucket Foundation and multiple other community groups support Urban Smart Growth’s efforts and the redevelopment of the Thread Factory. According to Urban Smart Growth’s Principal, Lance Robbins, “the political support here in Rhode Island is overwhelming, unlike in California.” This rare level of community involvement and support is a tremendous asset for the Thread Factory project especially because the State of Rhode Island is currently in a budget crisis and will likely be unable to provide substantial financial support for related infrastructure improvements.

The Black Stone River Asset: The nearby Blackstone River is a valued and unique local amenity that provides numerous recreational opportunities for potential tenants of the Thread Factory complex.

Demographics and Gentrification Concerns: Nancy Whit of the Pawtucket Citizens Development Corporation expressed concern about maintaining mixed income housing should a commuter rail stop be built in Pawtucket. There is some community concern that a commuter rail stop will attract affluent professional commuters from Boston or Providence and make local real estate unaffordable. Ms. Whit proposed that any residential development at the Thread Factory contain a portion of 30 year deed restricted, affordable units.

INITIAL RECOMENDATIONS

After the information gathering session and site tour, members of the Pawtucket TAP convened a closed door working session to consider key findings and the condition of the Thread Factory project. The Pawtucket TAP recommends the following actions and considerations:

Create an Entrance: The Thread Factory complex should have a principal point of ingress and egress for both pedestrians and automobiles that enhances the development's profile and creates a sense of arrival. The entrance should be selected based on the final location of the commuter rail stop and surrounding traffic patterns and other applicable infrastructure constraints. While Cross Street is a likely candidate for an access corridor and main entry, it is limited to two lanes with on street parking and limited street lighting. Accordingly, Cross Street should be enhanced with new sidewalks, street lights and streetscape to help emphasize the Thread Factory entrance and accommodate peak traffic to and from the proposed Rail Yard commuter rail stop. Further, the city should explore limiting on street parking in order to increase the traffic capacity of Cross Street.

Consider All Transit Options and Enhance Connectivity: In addition to aggressively pursuing the commuter rail stop, Urban Smart Growth and the Cities of Pawtucket and Central Falls should work to enhance the transportation networks of the surrounding community. Public buses, bicycle paths and enhanced pedestrian corridors will help connect the surrounding neighborhood, mitigate traffic impacts and increase the functionality of the Thread Factory project. All transit improvements should be designed to help connect the Thread Factory development with the surrounding community and local amenities including Jenks Park and the Higginson Recreation Area. The TAP focused on the following points of connection that should be considered in the final design process:

- **Vehicular Access**
 - Cross Street & Rand Street
- **Pedestrian Connections**
 - All Surrounding Neighborhoods
 - Lonsdale/Dexter Retail
 - Rail Station
 - Broad Street
 - Reservoir and Mill Pond
 - Adjacent City Parking Lot
- **Accommodate Truck Access and Loading Areas**

Include Publicly Accessible Amenities: The Thread Factory project should include development amenities that are accessible to both tenants of the development as well as the general public. In addition to green space, amenities could include sports courts, a sculpture park and historic and interpretive features and signage.

Balance Green Space And The Need For Parking: While green space is a very desirable amenity, it needs to be considered in the context of the parking requirements of the project. The Thread Factory will likely require substantial available parking to attract a large tenant or numerous small tenants. The site has a disproportionately small ratio of surface space to building square footage that must be considered when planning for the development of green space.

Explore All Financing Options: The infrastructure surrounding the Thread Factory requires improvement and repair to ensure the success of the proposed project. While the City has already engaged in a successful, low cost loan campaign designed to improve and maintain the private property surrounding the site, numerous other infrastructure projects will need to be financed including the repair of the Conant Street Bridge, improvement to the Cross Street entrance corridor and other streetscape projects to help improve and reinforce the edges of the Thread Factory project. With the state of Rhode Island in a budget crisis, it is critical that Urban Smart Growth and the Cities of Pawtucket and Central Falls actively pursue funding from all potential sources. The Pawtucket TAP recommends the following potential sources:

- Federal Tax Credits
- Façade Easements
- Low Income Senior and Family Housing Tax Credits
- New Market Credits
- Workforce Homeownership Subsidies
- Tax Exempt Bonds for Infrastructure
- Direct Federal Appropriations
- Federal Transportation Funding
- Tax Increment Financing

Relocate the Central Falls Housing Authority Site: While the Thread Factory development should be a mixed income project that accommodates existing residents of the local community along a range of incomes, it should work with the Central Falls Housing Authority (“CFHA”) to relocate their existing subsidized housing project adjoining the Thread Factory site. The CFHA site is located at the most likely entrance to the Thread Factory project. Subsidized housing is likely not the highest and best use of the land and could limit the success of the Thread Factory project and the impact of the entrance. Urban Smart Growth should work with the CFHA to relocate the facility and provide an affordable housing element in the Thread Factory development once the project is stabilized.

Create a Legislative Delegation: Urban Smart Growth, The Pawtucket Foundation and the Cities of Pawtucket and Central Falls should create a legislative delegation to promote the Thread Factory project and pursue the recommended alternative funding sources. The delegations should be balanced and composed of delegates willing to stay active for as long as it takes to secure federal and alternative financing sources. The delegation should be a united voice for the financial and political interests of the Southern New England region, local community and the Thread Factory project.

Development Phasing: Without a single major tenant, the Thread Factory project will need to be developed in phases. The nature of the phasing plan depends on whether Urban Smart Growth develops the site with a defined final use or as a market driven speculative development. The following phasing plan was recommended by the Pawtucket TAP as a possible scenario.

Phase I

- Site Improvements
- Double Loaded Flex Retail/Courtyard
- Upper Floors
 - Building 3- Office Emphasis
 - Building 4- Residential Live/Work

- Storehouse Residential
- Shop/Community Focal Point

Phase II

- Building 8- Incubator
- Building 5 and 6- Institutional Flex Space

Continue to Foster the Public Private Partnership: The productive and cooperative relationship between Urban Smart Growth and the local community is critical to the success of the Thread Factory project. The Thread Factory project and associated community improvements are beneficial to both the developer and the community. Continued cooperation will help ensure a well designed, functional and successful development that will provide an improved tax base, local employment and a point of civic pride. Urban Smart Growth will need the assistance of the Cities of Pawtucket and Central Falls to help reinforce the edges of the proposed development, seek alternative financing for infrastructure and provide reasonable support for required entitlement and permitting actions. The Thread Factory project is a tremendous opportunity to showcase the benefits of productive public/private relationships.

NEXT STEPS

The Thread Factory project will take years to fully develop, but it is critical to start implementing many of the recommendations proposed by the Pawtucket TAP in the near term. Many of the improvements being considered by the Cities of Pawtucket and Central Falls require a great deal of time to design and develop, particularly in light of the State of Rhode Island's budgetary constraints. Urban Smart Growth and the surrounding community should focus on implementing the following long term initiatives.

Seek Agreement between Amtrak and the MBRC: Urban Smart Growth and the Cities of Pawtucket and Central Falls should focus on seeking a service agreement between Amtrak and the MBRC for commuter rail service. This agreement will likely take a long time and may require political influence and support. The effort to help consummate an agreement between Amtrak and the MBRC should run concurrent with the ongoing RIDOT study.

Form a Legislative Delegation: A delegation to actively lobby for state and federal financial and political assistance should be formed immediately to promote the Southern New England Region, local community and the Thread Factory project.

Seek to Relocate the CFHA site: Urban Smart Growth should immediately seek to negotiate with the CFHA to relocate the subsidized housing project and assist in any feasible way to help ensure a smooth transition of existing residents.

PROPERTY SPECIFICS

I. Conant Thread Company and the Coats & Clark Thread Factory Complex

Formerly the world’s largest twine factory, the Conant Thread Company and Coats & Clark Thread Factory is an imposing one million square foot complex. The seven timber and masonry buildings are in various states of repair and are not interconnected. Unlike the one story Hope Artiste Village, the two to four story Thread Factory complex will require a tenant composition that can be vertically oriented.



II. Pawtucket and Central Falls Train Depot

While the Pawtucket and Central Falls Train Depot (“Train Depot”) is a landmark structure of substantial local interest, it is unlikely to be the location of the proposed commuter rail stop. Having been built directly above the railroad tracks, the Train Depot would require substantial capital expenditure to make the building serviceable for ADA standards. The majority of the interior has been stripped of anything of historical significance and the current owner believes it would cost \$20 million dollars to bring the building to a serviceable, vanilla shell condition. Rehabilitation work could not take place while the commuter rail was running, creating substantial additional expense. While the Train Depot may not serve as the actual commuter rail stop, it is an important local, historic amenity that should be preserved.



III. The Mill Pond

Located immediately adjacent to the Thread Factory complex, the Mill Pond is a scenic asset that could be incorporated into proposed green space or used as an amenity for a free standing restaurant site. While the Mill Pond is owned by the neighboring Millco factory, Urban Smart Growth believes the pond could be incorporated into the Thread Factory project. There are no known environmental hazards and the water is clean in appearance and surrounded by vegetation.



IV. The Hope Artiste Village

The 650,000 square foot, Hope Artiste Village has been built out in phases and is currently occupied by an active and diverse tenant base that includes a furniture manufacturing collective, a yoga and Pilates studio, a popular restaurant and bar and a used book store. Drawing heavily on the idea of the rising of the “creative class”, Urban Smart Growth allowed the Hope Artiste Village to be defined organically by local artists and entrepreneurs. This approach is a reflection of Urban Smart Growth’s belief that they should not try to define the market or development concept too specifically, but should instead build an open platform and let a community of local tenants who benefit from proximity to one another create the final development concept. While this has been a highly successful and unique approach, it may not be an appropriate model for the Thread Factory.



CONCLUSION

The Thread Factory is a landmark site defined by local historic significance and substantial future potential. The Cities of Pawtucket and Central Falls, along with the Pawtucket Foundation, appreciate the potential community benefits of redeveloping the site. Urban Smart Growth has a proven track record of redeveloping industrial sites and is willing to undertake the necessary risk and effort to make the Thread Factory project a success. However, the fundamental question of whether to develop the Thread Factory with a defined final use or as a market driven, speculative development has significant design and planning implications. Ultimately, the course of development will be determined by Urban Smart Growth based on active community input and market realities. Once a strategy is determined, a more specific course can be defined but it is important for the local community to realize that large mixed use projects are highly sensitive to the constantly shifting fortunes of local market realities. Accordingly, any plan should be considered with the understanding that it will likely change over time requiring patience, thoughtful flexibility and a commitment to the vision of the completed project from all parties.

The Pawtucket TAP recommends that the following actions be made a priority to help ensure the success of the project and enhance the local community:

1. Seek agreement between Amtrak and the MBRC to allow a new commuter rail stop
2. Form a well organized political delegation devoted to seeking funding for critical infrastructural improvements
3. Begin discussions with the CHFA to relocate their existing facility and to gain greater understanding of the communities need for affordable housing

Regardless of the development strategy, the Thread Factory project has broad implications for Southern New England and the local community. The Pawtucket TAP focused on findings and recommendations that will benefit the project and community no matter how the development strategy is implemented. This report seeks to emphasize applicable best practices and encourages the continued cooperation between the developer and community that has defined the project so far and will help guarantee the Thread Factory project's future success.