



Stop Providence's risky, foolish trolley project

By Joseph R. Paolino Jr.

May 13, 2015

Tomorrow at 6 p.m., the Providence City Council's Finance Committee will be holding a hearing to authorize a special tax incremental financing, commonly known as a TIF, in order to borrow \$57 million to finance a trolley. Taxes will go up for an unnecessary and risky project.

A tax incremental financing district means that the city will borrow money to pay for infrastructure improvements and then the increased tax revenue caused by the economic development will be used to pay back the money borrowed.

What's flawed about the TIF for the trolley is that the city has no idea where the \$57 million we are borrowing will actually come from. Even worse, there seems to be no plan for where the \$40 million that won't be covered by either the federal grant or the TIF agreement will be coming from.

I have some experience with tax incremental financing. The first TIF in New England was brought to me in 1986. At that time, a real estate developer named Robert Freedman came to me with the idea of taking the old Corlis Landing Factory building and turning it into 69 high-end condos and 14 commercial units. That empty building was paying the city \$30,000 a year in taxes, while the new condominium development would pay approximately \$300,000 a year.

The only way Freedman would renovate the building was if the city made improvements to the surrounding area -- improving the roads, putting gas lanterns on the streets, creating a new park, and repairing the docks for easy public access.

We financed those improvements with a \$2.1 million bond taken out in August 1986 and it has been fully paid off. That was an example of good incremental financing because the revenue from Corlis Landing, which we knew would be built, could pay back the bond.

Looking at downtown Providence, it's clear no development is happening right now.

There are no cranes in the air, no shovels in the ground, and no plans by any business to start building once a streetcar is installed.

If the trolley is built and nobody uses it, there will be no additional income and the city will add \$57 million onto its long-term debt obligations. Additionally unless the city charges to use the trolley, which would make far fewer people ride it, all of the maintenance costs will be borne directly by Providence.

Proponents say trolleys work great in Portland, Ore.; Dallas; Charlotte and other cities outside of New England. But those cities have never experienced a winter like ours last year, which would have created millions of dollars in unexpected maintenance if the trolley had been up and running.

Also, the economic impact of those trolleys is disputed by experts. For example, Portland claims its trolley created billions in economic development, but an analysis by the Cato Institute argues that Portland's generous tax subsidies for building near the streetcar, not the streetcar itself, was mostly responsible for that development.

I implore the City Council and Mayor Jorge Elorza to recognize that the streetcar is unaffordable, and that the proposed TIF deal will not work. Instead, they should explore other projects to create jobs and solve the challenges we have -- the vacant Superman building, the unused 195 land, roads plagued by potholes, the lack of parking downtown and our struggling schools and high car taxes.

All of these would be better uses for the city's money than a trolley financed by a hope and prayer that development will take place despite none being currently planned. If we really want to be imaginative, let's fight for high-speed rail, such as in Europe and Asia, that could get you from Providence to New York in an hour and 20 minutes. That would bring long-term, high-paying jobs.

I recommend people come to the public hearing and speak against the trolley TIF because it's not good urban planning, good economic development, or good fiscal stewardship.

It's a champagne dream for a city with a beer budget, and I hope we have the good sense to reject this risky, needless project. I urge that residents call their City Council representatives and voice their opposition.