

City of Providence
ANNUAL TAX STABILIZATION REPORT FY2023

Tax Stabilization Name: 220 Blackstone Street

Ordinance No. (if any): No. 492

Plat/Lot(s): Plat 45, lots 85, 797 & 833

Current Owner: 220 Blackstone Street, LLC

Mailing Address: C/O The Aspen Group, Inc., 100 Riverpark Drive, North Reading, MA 01864

Phone Number: 508 320 1470

Email Address: bkelleher@aspengroupinc.net

Final Construction Cost: TBD; see description of project status below

Property Current Value: \$2,025,000 (estimate)

Stabilized Current Tax: \$85,983 (Fiscal 2023)

How many years remaining on TSA? 14 years (as of November 22, 2023)

Have any TSA extensions been granted by the City Council?? No

Are all property taxes current? Yes/No Yes

Are all Monitoring fees current? Yes/No Yes

Are all Parks/Rec fees current? Yes/No Yes

IN CITY COUNCIL
JAN 18 2024

READ
WHEREUPON IT IS ORDERED THAT
THE SAME BE RECEIVED.

Tim L. Mastrosimone CLERK

Is the construction phase complete?? No; see description of project status below

If yes, when did you obtain a Certificate of Occupancy? No

If not, what percentage has been completed? 0%; see description of project status below

How much has been spent on permitting fees??

Building: \$0; see description of project status

Electrical: \$0; see description of project status

Mechanical: \$0; see description of project status

Plumbing: \$0; see description of project status

Provide the number of construction jobs created from this project: \$0; see description of project status

Provide the % of apprenticeship jobs provided: \$0; see description of project status

Provide the % of MBE/WBE contractors hired for this project: \$0; see description of project status

How many full-time jobs have been created by Providence Residents?? \$0; see description of project status

Provide brief description of project status: Since Aspen was selected by the PRA to develop this Site and secured a Tax Stabilization Agreement from the City Council, we have spent millions of dollars and expended thousands of hours to get a project under construction. This site has presented challenges both from environmental and geotechnical perspectives for which we were able to find solutions, although at a significant cost, to be able to move forward with development. The following provides a summary of activities which Aspen has undertaken over the past few years to prepare the site to be as shovel ready as possible and initiate a project construction:

- Performed significant due diligence evaluations including environmental testing, soils / geotechnical testing, title review, utilities capacities and availabilities, zoning and permitting reviews, market studies, surveys, and site engineering reviews.
- Performed a hotel feasibility study in conjunction with the nearby hospitals.
- Completed the architectural design and site engineering for a Medical Office Development consisting of 100,000 SF of medical office space in twin four-story buildings with a center courtyard at the corner of Blackstone and Gay Streets.

- Met with local neighborhood groups and secured Master Plan Approval from the City Planning Commission for the Medical Office Development.
- Fenced in and secured the subject site, performed miscellaneous repairs as needed, and maintained the subject property in clean condition.
- Engaged Hayes & Sherry as brokers for the Medical Office Development and met with numerous prospects.
- We experienced a decided lack of tenant interest in the Medical Office Development contributed to by the poor financial condition of the two major hospital systems that have been more in contraction versus expansion mode and effectively surround the subject site. This was heightened particularly during COVID coupled with the decision by Partners Healthcare to pull out of the acquisition of Care New England. The lack of tenant interest was supported by the fact that no new commercial space has been developed within the Hospital District in more than a decade (possibly longer) and both Hospitals continue to be extremely cautious about future expansion.
- At the request of the PRA and due to the lack of interest in the Medical Office Development, we switched direction from medical office to multi-family residential and spent a significant amount of time, effort, and money in the attempt to redevelop the site for multi-family residential use.
- Aspen teamed up with an experienced multi-family residential development company, AR Building Company.
- We performed additional due diligence efforts as well as completed the architectural re-design and site re-engineering for a 178-unit Multi-Family Residential Project.
- Met for a second time with local neighborhood groups and secured Final Plan Approval from the City Planning Commission (CPC) for a 178-unit market rate Multi-Family Residential Project.
- In order to achieve a financial project, the PRA offered and approved providing an alternative tax treaty targeted for new ground up multi-family development that involved a complex land sale/leaseback structure and the set aside of 15% of the units as affordable units.
- We processed and received full environmental approvals from RIDEM for the Multi-Family Residential Project.
- Due to the steep rise in interest rates, the dramatic increase in material costs (especially lumber costs), and less favorable lending market for new ground up multi-family development, AR Building Company decided not to proceed and backed out of the project in October 2022.
- Aspen reinitiated efforts for a Multi-Family Residential Project and met in early 2023 with the CPC to explore the potential to modify the approved project scope to offset the impacts of increased interest rates and material costs. This involved a modification in the unit mix, a modest increase in the number of units, a modest increase in parking spaces, and the assumption of a more favorable lending market for new ground up multi-family development.
- Aspen met with the PRA new leadership in mid-2023 to review project status.
- As it became evident that the financing market for new ground up multi-family development was not improving and confirmation from the City in late-August 2023 that the PRA alternative tax treaty would not be available, the PRA asked that we explore alternative options for the property.

- In mid-September 2023, Aspen met with the PRA to present the option of Affordable Housing Development, like Copley Chambers, as a viable alternative for the subject site. This approach would address a severe housing need within the City, is consistent with realities of the current multi-family housing and real estate financing markets and was likely best able to achieve positive development at the subject site in the relative near term.
- Due to the specialty nature of affordable housing projects, this would involve Aspen selling its interests in the subject site to an affordable housing developer.
- In late September 2023, Aspen came to a tentative agreement to sell the subject site to Marathon Development Company, the developer of Copley Chambers, subject to various approvals by the PRA and the City.
- In November 2023, the PRA approved the concept of the sale of the subject site from Aspen to Marathon Development.
- Aspen and Marathon are proceeding cooperatively through a due diligence period as Marathon gets up to speed on the details of the subject site and proceeds with firming up financing commitments for the development thereof.

In summary, The Aspen Group has worked long and hard to make this project a success and to bring much needed development to South Providence and the Hospital District. Aspen has acted in good faith to redevelop the 220 Blackstone Street property in collaboration with the PRA throughout the process, and we remain committed to contribute the time and financial resources necessary to bring this development opportunity to fruition. Aspen's efforts have created significant value that positions the site to be "shovel ready" which will hopefully facilitate the closing of the sale to Marathon Development Company and the near-term development of a significant project at the subject site.