

20 Lewis St.
Providence, RI 02906
April 10, 2024

House Finance Committee
Room 35
Rhode Island State House
82 Smith St
Providence, RI 02903

Dear Chairman and Committee members:

The Kennedy Plaza Resilience Coalition is strongly opposed to H7491, the bill authorizing huge borrowing for the Providence bus hub relocation project. The overall project of relocating the Providence hub is widely rejected by bus riders, but H7491 is especially bad. H7491 will be a disaster for taxpayers, for the state of Rhode Island, and for bus riders.

The bill's borrowing is wildly imprudent and dangerous

One part of the bill scraps the borrowing limits that are embedded in state law for RIPTA. Under current law RIPTA is not allowed to issue debt that takes more than 30 years to pay off, and needs the governor's signature to issue debt if the payments are expected to cost more than 50% of RIPTA's revenue per year. And current law absolutely forbids RIPTA debt if they payments are expected to be more than 80% of revenue per year. This bill scraps these limits: RIPTA can issue debt of any size (even over 80% of revenue!!) with no signoff from the governor. The debt can last up to 40 years – and with debt that's so long-term, the total interest payments dwarf the size of what's borrowed.

RIPTA IS IN NO POSITION TO GO INTO DEBT. It has no credit rating, and is struggling for funding. Bond investors and banks will not do large-scale lending to RIPTA unless there is some kind of implicit or explicit taxpayer backstop. So if the Providence hub relocation project goes bad, taxpayers will be asked to bear the burden, which is likely to be in the tens or hundreds of millions.

The Providence hub relocation project, despite being unwanted by actual riders, is HUGELY expensive. A document presented to the RIPTA board's Finance Subcommittee meeting on December 15, 2022 stated that "Total estimated cost of the project is between \$200-\$250 million." But that number could grow much larger. RIPTA admits they have no firm idea what the hub relocation project will cost. On page 140 of the RFP for this project (RFP 23-22), RIPTA says that they expect the contractor to give a cost estimate for the project's cost later on, but RIPTA adds that this to-be-determined cost estimate is still expected to be inaccurate: they say the true cost could end up being as much as 100% higher or 50% lower. There's no guarantee that the actual cost will stay within even this wide range.

There has been talk of looking for federal grants to help finance the hub relocation project, but RIPTA officials have told us that they expect borrowing will likely be needed to make up the cost even if federal grants are obtained. This borrowing – which lacks the governor's signoff – is likely to end up as a huge cost to taxpayers if the project undergoes major cost overruns, as seems to be contemplated.

The hub relocation project is designed to aid a few insiders, not transit users or the public

But this bill isn't really designed to help RIPTA's transit mission. The bill takes the drastic step of changing RIPTA's mission so that it's no longer focused on transit, but instead gets a new goal of promoting "transit-oriented development". The bill makes explicit that RIPTA is now allowed to borrow money, in the tens or hundreds of millions, for projects even if the projects don't help transit at all and instead just help so-called "transit-oriented development". Similarly, the bill adds that RIPTA's ability to seize property from current owners under eminent domain could be used for the sake of projects that only assist so-called "transit-oriented development", not actual transit (page 4, line 8 of the bill, expanding RIGL 39-18-6).

The bill gives RIPTA many of the powers of a community redevelopment agency. But RIPTA has no real estate expertise. Under this bill, the contractor and other developers can induce RIPTA to seize properties and to invest in them with RIPTA's borrowed money. RIPTA doesn't have the real estate skills to protect itself from being taken advantage of in these deals. Again, taxpayers are likely to end up on the hook.

The bill also defines the hub relocation project so that it includes not only RIPTA's part of the proposed facility, and not only the non-RIPTA parts of that building, but also transit-oriented development that's "adjacent" to the building, as well as "related infrastructure"(page 2, line 1-2). So RIPTA could be paying to invest in other nearby pieces of real estate that aren't even part of the same building as its proposed new hub.

It's well known that the main force behind the hub relocation project is a few private developers – not bus riders, not taxpayers, and not RIPTA, even though RIPTA has been put in the position of endorsing this bill. These developers will make out very well under this bill – RIPTA, not so much.

When the bill talks about starting a "public-private partnership" for the hub relocation project, it makes clear that this so-called partnership is really (as the bill puts it) "to facilitate a private entity's participation in a project" (page 6, line 10). So RIPTA is being asked to take steps to facilitate the private entity's participation. The goal is not to benefit transit but to facilitate participation of a preferred developer. That's no real partnership.

Again, RIPTA is in no financial state to take on these risks.

A bad bidding process

The bill changes state law on bidding to remove the usual safeguards protecting taxpayer money. The bill says that it is enabling a new way of putting projects out to bid, called "progressive design-build". But under the bill, key taxpayer protections from the law on State Purchases, RIGL 37-2, would be overridden. This bill effectively sneaks in a new and potentially more corrupt form of bidding large contracts that is not currently allowed in state law.

Some other states allow progressive design-build, while others (for good reason) ban it completely. But this bill sets up a highly imprudent form of progressive design-build, in which there is no upper limit on how much a bidder can end up charging after they win the contract (total costs would not be known at the time the bid is awarded). California, for instance, allows progressive design-build but includes a statutory requirement for a "guaranteed maximum price". This bill doesn't mention anything about a guaranteed maximum price, putting Rhode Island in a much riskier situation.

The hub relocation project is a disaster waiting to happen

Proposals to move the bus hub without adequately consulting bus riders have been circulating for years, and many of them have been shot down. All these proposals benefit a few private developers on a large scale; none of them offer a good deal for taxpayers, as shown by the avoidance of public input. RIPTA has never – not once – held a meeting where the public, or bus riders, were asked whether they wanted to go ahead with this hub relocation project. The RIPTA board has often taken key votes on this hub relocation project in closed executive session. But fundamentally, the RIPTA board is being pushed into going along with projects that have no transit benefit.

RIPTA has so little power in this arrangement that it will not be able to look out for its constituents, bus riders. The process seems designed to allow huge amounts of money to be funneled to the contractor and to other developers even if taxpayers don't benefit.

Please do not pass this H7491 bill. Taxpayers will not be thanking you if you do.

Sincerely,

Kennedy Plaza Resilience Coalition