



A Limited Liability Partnership

January 2, 2019

The Honorable Marvin L. Abney
Chairperson of the House Committee on
Finance
Rhode Island State House
82 Smith Street
Providence, RI 02903

The Honorable William J. Conley, Jr.
Chairperson of the Senate Committee on
Finance
Rhode Island State House
82 Smith Street
Providence, RI 02903

Dear Mr. Chairpersons,

Pursuant to R.I. Gen. Laws § 42-64-10(e), please find enclosed an economic impact analysis, conducted pursuant to R.I. Gen. Laws § 42-64-10(a), in relation to tax credit agreements between the Rhode Island Commerce Corporation, Gotham Greens Providence, LLC, and Gotham Greens Butterhead, LLC under the Rebuild Rhode Island Tax Credit Act and the Rhode Island Qualified Jobs Incentive Act.

Should you have any questions or concerns, please contact the undersigned at 401-272-1400.

Very truly yours,

Christopher J. Fragomeni, Esq.

cc: Sharon Reynolds Ferland, House Fiscal Advisor
Stephen Whitney, Senate Fiscal Advisor
Scott R. Jensen, Department of Labor and Training
Neena S. Savage, Division of Taxation

1080 Main Street
Pawtucket, Rhode Island 02860
p 401.272.1400 f 401.272.1403

www.shslawfirm.com

Rhode Island Commerce Corporation
Rebuild Rhode Island and Qualified Jobs Incentive Tax Credits –
Economic Impact Analysis
Gotham Greens Holdings, LLC Application

Introduction

The Rhode Island Commerce Corporation (the “Corporation”) may issue Rebuild Rhode Island and Qualified Jobs Incentive tax credits to Gotham Greens Holdings, LLC (“the Company”), a Brooklyn, New York-based producer of high-quality greenhouse-grown vegetables and herbs. The credits would be issued in connection with the Company’s decision to develop and operate a 95,000 square-foot commercial greenhouse in Providence that would employ 68 people. The total development cost of the project is estimated to be \$12.65 million.

The Company is seeking Rebuild Rhode Island tax credits valued at approximately \$1.3 million, and Qualified Jobs Incentive tax credits with an estimated value of approximately \$935,000.

This analysis was prepared by Appleseed, a consulting firm with more than twenty years of experience in economic impact analysis.

Jobs Analysis

Construction

As shown in Table 1, the Company’s estimate of total project cost is approximately \$12.65 million.

Table 1: Estimated total project cost (in \$ millions)

Component	Estimated cost
Land acquisition	\$2.70
Hard cost	\$6.69
Soft costs	\$0.33
Equipment, fixtures and furnishings	\$2.18
Working capital	\$0.75
Total	\$12.65

After excluding certain costs that for purposes of this analysis do not have a direct, current impact on Rhode Island's economy (such as land acquisition, some equipment and working capital), the remaining hard and soft costs total approximately \$8.0 million. Appleseed estimates that direct expenditures of \$8.0 million will directly and indirectly generate:

- 53 person-years¹ of work in Rhode Island;
- \$3.2 million in earnings (in 2018 dollars);
- Approximately \$9.1 million in statewide economic output²; and
- A one-time increase of \$4.8 million in Rhode Island's GDP.

These impacts are summarized below in Table 2. The project's *direct impact* is the impact of the company's direct spending on design and construction. Its *indirect impact* is the effect of spending by contractors for goods and services (insurance, construction materials, etc) purchased from other Rhode Island businesses.

Table 2: Direct and indirect impact of construction spending (employment in person-years; income, value-added and output in millions of 2018 dollars)

	Employment	Earnings	Value added	Output
Direct Effect	40	\$2.5	\$3.6	\$7.2
Indirect Effect	13	0.7	1.2	1.9
Total Effect	53	\$3.2	\$4.8	\$9.1

In addition to the impacts cited in Table 2, direct expenditures of \$8.0 million would directly and indirectly generate a projected one-time increase of approximately \$328,000 in taxes paid to the State during construction. This increase would include approximately:

- \$141,000 in state sales and use taxes paid on construction materials and greenhouse and office fixtures, furniture and equipment;
- \$120,000 in state personal income taxes paid by Rhode Island workers employed on the project, or whose jobs are indirectly attributable to the project;
- \$52,000 in state sales taxes paid on those workers' taxable household spending; and
- \$15,000 in state business taxes paid by companies directly or indirectly working on the project.

Most of the activity reflected in Table 2 is expected to occur in 2018. The anticipated wage rates for construction jobs are shown below in Table 3. Anticipated wage rates are the median hourly wage for these occupations in Rhode Island.

¹ A person-year is equivalent to the time worked by one person who is employed full-time for a year. For example, it could represent the work of two people who are each employed full-time for six months; or the work of one person who is employed half-time for two years.

² Output is a measure of the total sales by Rhode Island companies (including the "sale" of labor by Rhode Island households) generated by the project.

Table 3: Anticipated wages during construction

Occupation	RI median hourly wage³
Architect	\$42.50
Construction manager	\$50.86
Carpenter	\$22.42
Electrician	\$25.26
Plumber	\$24.84
Painter	\$18.69
Laborer	\$18.68

Fringe benefits associated with these jobs are expected to be in accordance with industry norms, with the cost of such benefits generally ranging between 22 and 28 percent of wages. Workers who fill these jobs are expected to be drawn primarily from the Providence-Warwick RI-MA New England City and Town Area (NECTA).

Annual operations

As noted above, the Company intends to hire 68 employees at its new facility in Providence by December 2019. Table 4 summarizes the categories in which these jobs will be created, and median earnings for each category.

Table 4: Projected employment, end of 2019

Job category	New full-time positions	Median earnings
Management and administrative	9	\$65,000
Front-line supervision	6	\$50,000
Production, distribution and logistics	53	\$27,040
Total jobs/median earnings	68	\$29,640

Based on data provided by the Company, and using the IMPLAN input-output modeling system, Appleseed estimates that by the end of 2019, ongoing operations associated with the 68 full-time jobs the Company is committing to creating and maintaining will directly and indirectly support:

- 75 full-time-equivalent (FTE) jobs in Rhode Island;
- \$2.8 million in annual earnings (in 2019 dollars);
- \$7.8 million in statewide economic output⁴; and

³ Rhode Island Department of Labor and Training, Occupational Employment Statistics, 2016

- An increase of \$6.4 million in Rhode Island’s annual GDP.

These impacts are summarized below in Table 5.

Table 5: Direct and indirect annual impact of ongoing operations (employment in FTE; income, value-added and output in millions of 2019 dollars)

	Employment	Earnings	Value added	Output
Direct Effect	68	\$2.5	\$6.0	\$7.2
Indirect Effect	7	0.3	0.4	0.6
Total Effect	75	\$2.8	\$6.4	\$7.8

In addition to the impacts on employment, earnings, output and state GDP cited above, the Company’s operations in Providence would generate a projected increase of approximately \$164,000 in annual state tax revenues, including:

- \$105,000 in state personal income taxes paid by workers newly employed by the Company in its new operations in Rhode Island, or by Rhode Island workers whose jobs are indirectly attributable to the Company’s facility in Providence,
- \$46,000 in state sales taxes paid on those workers’ taxable household spending; and
- \$13,000 in state business taxes.

As noted below, workers employed by the Company are expected to be drawn primarily from Providence and neighboring communities.

Benefits

The Company provides its employees with a health insurance plan that is fully compliant with the Affordable Care Act.

Hiring

The Company’s goals in Providence will include hiring residents of the neighborhood where the new facility will be located. (In New York City, 100 percent of the Company’s team members live within an eight-mile radius from its facilities.) The Company will work with local economic development organizations to identify candidates for employment.

⁴ Output is a measure of the total sales by Rhode Island companies (including the “sale” of labor by Rhode Island households) generated by the Center’s operations.

Impact

The state fiscal impact of the requested tax credits is estimated to be approximately \$2.2 million in foregone state revenue. Direct and indirect economic and fiscal benefits of the proposed project include the estimated increase in annual state GDP of \$6.4 million in 2019, the estimated associated job creation, and a gross increase of nearly \$2.3 million in personal income, sales and business tax revenues during construction and during the twelve-year commitment period beginning in 2019. These benefits are detailed in the foregoing analysis. In addition to the economic and tax revenue impacts cited above, the Company's new facility would benefit Rhode Island in other ways, including:

- Returning to productive use a site that has been inactive for more than twenty-years
- Supporting the city's and Rhode Island's continued development as a center for culinary innovation
- Responding to consumer demand for regionally-grown fresh food
- Supporting local efforts to improve access to fresh food
- Providing health and environmental education services

Beyond the fiscal impact noted above, there is no anticipated financial exposure to the state. Various features of the Rebuild Rhode Island and Qualified Jobs Incentive programs mitigate risk to the state. Rebuild Rhode Island tax credits are not issued until the proposed development is completed; and Qualified Jobs Incentive tax credits will be determined on the basis of the number of people actually employed and the wages actually paid by the Company.