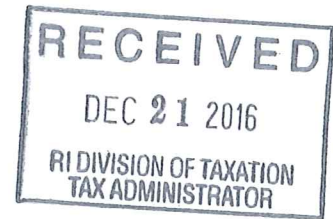




*A Limited Liability Partnership*



December 20, 2016

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

The Honorable Senator Daniel DaPonte  
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 and AT Cross Company under the Rhode Island Qualified Jobs Incentive Act of 2015, the Rebuild Rhode Island Tax Credit Act of 2015, and the First Wave Closing Fund Program.

Should you have any questions or concerns, please contact 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

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**Rhode Island Commerce Corporation**  
**Economic Impact Analysis**  
*A.T. Cross Company Application*

**Introduction**

The Rhode Island Commerce Corporation (the "Corporation") may issue Rebuild Rhode Island and Qualified Jobs Incentive tax credits, as well as grant up to \$200,000 from the First Wave Closing Fund, to A.T. Cross Company (the "Company"), a corporation that currently maintains its headquarters and some light manufacturing operations at its facilities in Lincoln, Rhode Island. A.T. Cross is a portfolio company of Clarion Capital Partners, a New York City-based private equity firm. The credits would be issued in connection with the Company's decision to relocate from its property in Lincoln to leased space on Promenade Street in Providence, to invest \$2.1 million in improvements to this leased space, and over the next three years to increase employment from 105 at its current location to 140 at its proposed new location in Providence.

The average annual earnings of the Company's 105 Rhode Island employees currently exceed \$75,000. We estimate (based on data provided by the Company) that the median salary for the 35 additional jobs to be created during the next three years will be \$88,000; that annual wages for all 35 of these jobs will exceed Rhode Island's current median annual wage (\$39,024); and that spending by the Company associated with its 35 new employees will indirectly support 19 full-time-equivalent jobs elsewhere in Rhode Island.

The Company is requesting a Rebuild Rhode Island tax credit of \$400,000, a sales and use tax exemption for eligible construction and build-out costs estimated to be worth \$67,000, and a Qualified Jobs Incentive tax credit estimated to be worth approximately \$1.2 million. In addition to these tax benefits, the Company is requesting a grant of \$200,000 (tied to the projected job creation) through the First Wave Closing Fund to be disbursed upon receiving a certificate of occupancy. This analysis was prepared by Appleseed, a consulting firm with more than twenty years of experience in economic impact analysis.

**Jobs Analysis**

**Construction**

The Company's estimate of the total cost of the proposed improvements to its leased space is \$2.1 million. Appleseed estimates that direct expenditures of \$2.1 million will directly and indirectly generate:

- 17 person-years<sup>1</sup> of work in Rhode Island;
- Approximately \$900,000 in earnings;
- \$2.6 million in State-wide economic output<sup>2</sup>;

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<sup>1</sup> A person-year is equivalent to the time worked by one person who is employed full-time for a year. It could for example 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.

- A projected one-time increase of approximately \$35,000 in personal income taxes paid to the State during construction; and
- A one-time increase of \$1.4 million in Rhode Island's GDP.

These impacts are summarized below in Table 1. 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 1: Direct and indirect impact of construction spending (employment in person-years; income, value-added and output in millions of 2016 dollars)**

	Employment	Earnings	Value added	Output
Direct Effect	13	\$0.7	\$1.1	\$2.1
Indirect Effect	4	\$0.2	\$0.3	\$0.5
<b>Total Effect</b>	<b>17</b>	<b>\$0.9</b>	<b>\$1.4</b>	<b>\$2.6</b>

Most of the activity reflected in Table 1 will occur during a three-month construction period expected to begin in June 2016. The anticipated wage rates for construction jobs are shown below in Table 2. Anticipated wage rates are the median hourly wage for these occupations in Rhode Island.

**Table 2: Anticipated wages during construction**

Occupation	RI median hourly wage <sup>3</sup>
Architect	\$41.70
Construction manager	\$52.12
Carpenter	\$19.70
Electrician	\$23.21
Plumber	\$24.03
Painter	\$16.07
Laborer	\$16.77

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 would be drawn primarily from the Providence-Warwick RI-MA New England City and Town Area (NECTA).

#### **Annual operations**

Appleseed estimates that when the Company's 35 new jobs are fully phased in (which is expected to occur in 2018), they will directly and indirectly account for:

- 54 full-time equivalent jobs in Rhode Island;
- Approximately \$4.8 million in annual earnings (in 2016 dollars);

<sup>2</sup> 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.

<sup>3</sup> Rhode Island DLT, Occupational Employment Statistics, 2014

- \$17.6 million in annual statewide economic output;
- A projected gross increase of \$2.2 million in personal income taxes paid to the State during a commitment period of not less than twelve years (in addition to the \$35,000 in personal income tax revenues cited above that would be generated by spending on construction); and
- An increase of \$7.0 million in Rhode Island’s annual GDP.

**Table 3: Direct and indirect impact of annual operations (employment in FTE; income, value-added and output in millions of 2016 dollars)**

	Employment	Earnings	Value added	Output
Direct Effect	35	\$3.3	\$4.8	\$13.9
Indirect Effect	19	\$1.5	\$2.2	\$3.7
<b>Total Effect</b>	<b>54</b>	<b>\$4.8</b>	<b>\$7.0</b>	<b>\$17.6</b>

### Benefits

Benefits provided in conjunction with the newly-created jobs would include health insurance; health care and dependent care flexible spending accounts; long-term disability and life insurance; a 401k plan, and other benefits.

### Hiring

After new positions are approved, job descriptions, recruiting plans and selection criteria will be developed. A.T. Cross will post positions internally for ten days, and then post them externally at Cross.com, on LinkedIn and on local job boards.

### Impact

The state fiscal impact of the requested incentives and state sales and use tax exemption is up to \$1.9 million in foregone state revenue, including the value of the \$200,000 grant cited above. Direct and indirect economic and fiscal benefits of the proposed project include an estimated \$7.0 million increase in Rhode Island’s annual GDP; the associated job creation; and a gross increase of approximately \$2.2 million in personal income tax revenues directly and indirectly generated by the project during construction and during a twelve-year commitment period.

In addition to the economic and tax revenue impacts cited above, the proposed project would benefit Rhode Island in other ways.

- Relocation to more compact space in Providence will help the State retain a company that has operated in Rhode Island since 1846, along with 105 existing, high-quality jobs.
- A.T. Cross is also planning to have its distribution service provider relocate its operations from Franklin, Massachusetts to Warwick, Rhode Island. This move will bring 7 to 8 full-time jobs to Rhode Island, along with 50 temporary/seasonal jobs. Cross would also take about 12,000 square feet at the Warwick location for its R&D model shop and its service and repair operations.

Based upon the foregoing analysis, the Corporation anticipates that the issuance of the tax credits will have a positive impact on the State's revenues, as indicated in the estimate of net income tax revenues provided above. Beyond the fiscal impact noted above, there is no anticipated financial exposure to the state. In addition, various features of the program mitigate risk to the state. In particular, the completion risk (i.e. the risk that the project is not completed) is mitigated by the fact that the tax credits will be payable only upon completion of the development. The risk of project cost overruns is mitigated by the fact that the tax credits are capped at the amount set forth above. In addition, if project costs come in lower than anticipated, the tax credits to be paid will be reduced accordingly. As the Qualified Jobs tax credit amounts are limited to reasonably expected W-2 withholdings for the new, directly-created jobs, any potential exposure for State taxpayers, or any other foreseeable negative contingency, is limited.