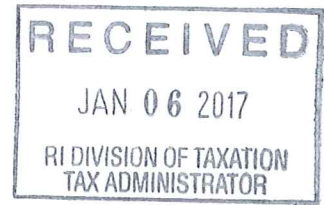




A Limited Liability Partnership



January 4, 2017

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 a tax credit agreement between the Rhode Island Commerce Corporation and Capital Cove Development, LLC under the Rebuild Rhode Island Tax Credit Act of 2015.

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

Rebuild Rhode Island Tax Credit – Economic Impact Analysis

Application of John M. Corcoran & Company LLC

Introduction

The Rhode Island Commerce Corporation (the “Corporation”) may issue Rebuild Rhode Island tax credits to John M. Corcoran & Company LLC and Trilogy Development (together, “the developers”), both of which have extensive experience in residential development in New England. The credits would be issued in connection with the developers’ decision to invest \$54.085 million in the development of The Commons at Providence Station, a 169-unit residential project (with approximately 170 structured parking spaces), to be constructed on a 2.85-acre site adjacent to the Providence Amtrak and MBTA Station. The developers are requesting a Rebuild Rhode Island tax credit of \$5,583,333 as well as a sales and use tax exemption on eligible construction and build out costs. The actual credit amount to be paid will be reduced by one dollar for each dollar in sales and use tax exemption received.

This analysis was prepared by Appleseed, Inc., a consulting firm with more than 20 years of experience in economic impact analysis.

Jobs Analysis

Construction

As shown below in Table 1, the developers’ estimate of the total cost of the proposed expansion is \$54,084,726.

Table 1: Estimated cost of developing The Commons at Providence Station

Component	Estimated cost
Land	\$4,293,000
Construction (including contingency)	\$40,155,550
Design, engineering and supervision	\$1,391,000
Construction interest, carrying costs	\$3,966,736
Financing fees	\$1,268,600
Overhead and developers’ fees	\$2,350,000
Other	\$659,840
Total	\$54,084,726

For purposes of this analysis we exclude land acquisition and interest and carrying costs as expenses that do not have a direct, current impact on Rhode Island’s economy. The remaining costs total \$45,824,990.

Appleseed estimates that over the course of a two-year construction period, this expenditure will directly and indirectly generate:

- 375 person-years¹ of work in Rhode Island;
- Approximately \$20.149 million in earnings;
- \$62.283 million in State-wide economic output²;
- A projected one-time increase of approximately \$755,573 in personal income taxes paid to the State during construction; and
- A one-time increase of \$32.193 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 thousands of 2017 dollars)

	Employment	Earnings	Value added	Output
Direct Effect	225	\$13,351.0	\$20,950.1	\$45,825.0
Indirect Effect	150	\$6,797.6	\$11,242.4	\$16,458.3
Total Effect	375	\$20,148.6	\$32,192.5	\$62,283.3

Most of the activity reflected in Table 2 will occur during a two-year construction period (spring 2016 through spring 2018). The anticipated wage rates for construction jobs are shown below in Table 3. For construction managers, anticipated wage rates are the median hourly wage for these occupations in Rhode Island; for construction laborers and skilled tradespersons, anticipated wage rates are Rhode Island's prevailing wage rates for these occupations.

Table 3: Anticipated wages during construction

Occupation	RI median hourly wage ³	RI prevailing wage ⁴
Architect	\$40.29	
Construction manager	\$52.12	
Carpenter		\$34.56
Electrician		\$35.83
Plumber		\$36.88
Laborer		\$28.05

¹ 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.

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.

³ Rhode Island Department of Labor & Training, Occupational Employment Statistics, 2014

⁴ U.S. Department of Labor, *Wage Determinations OnLine* 2015

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

The developers estimate that when The Commons at Providence Station is completed and occupied, the complex will directly employ 3 full-time workers, as shown in Table 4.

Table 4: developers' estimate of number of jobs and annual pay by job title

Job title	Number of jobs	Annual pay
Manager	1	\$59,587
Leasing consultant	1	\$35,350
Maintenance manager	1	\$64,327
Total	3	
Total above RI median	2	

Additional employment will be created through contracted services.

Appleseed estimates that when the project completed and occupied, spending on management, operations and maintenance will directly and indirectly account for:

- 10 full-time equivalent jobs in Rhode Island;
- Approximately \$462,900 in annual earnings (in 2019 dollars);
- \$1.099 million in annual State-wide economic output;
- A projected increase of approximately \$208,305 in personal income taxes paid to the State during the first twelve years of operation (in addition to the \$753,259 in personal income tax revenues cited above that would be generated by spending on construction); and
- An increase of \$702,800 in Rhode Island's annual GDP.

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

	Employment	Earnings	Value added	Output
Direct Effect	9	\$410.5	\$608.5	\$938.0
Indirect Effect	1	\$52.4	\$94.3	\$161.4
Total Effect	10	\$462.9	\$702.8	\$1,099.4

Based on information provided by the developers, we estimate that the cost of benefits provided to employees in the three direct jobs shown in Table 4 will equal approximately 42 percent of their direct wages.

Workers who fill these jobs are likely to be drawn primarily from the City of Providence and surrounding communities.

Impact

The state fiscal impact of the tax credits is up to \$5,583,333 in forgone state revenue and/or state expenditure. Direct and indirect state fiscal and economic benefits of the project, including the estimated GDP increase of \$32.193 million and the estimated associated job creation, are detailed in the foregoing analysis. Induced impacts (the impact associated with household spending by Rhode Islanders employed on the project) are not estimated in the foregoing analysis, but they would increase the fiscal and economic benefits of project. In addition to the economic and tax revenue impacts cited above, the proposed project would benefit Rhode Island in several other ways:

- Respond to a growing demand for rental housing in the Providence area, which has seen a sharp decline in the vacancy rate for rental units since 2009.
- Provide a new use for a parcel that has been vacant for several years.
- Add to the City of Providence's tax base.
- Increase density and development in a key, transit oriented area in proximity to an Amtrak and commuter rail train station.
- Provide a signal to other developers of the attractiveness of the local housing market, thereby having the potential to increase private investment.

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.