

Rhode Island Commerce Corporation
Rebuild Rhode Island and Qualified Jobs Incentive Tax Credits –
Economic Impact Analysis

Agoda Travel Operations USA, Inc. Application

Introduction

The Rhode Island Commerce Corporation (the "Corporation") may issue Rebuild Rhode Island and Qualified Jobs Incentive tax credits to Agoda Travel Operations USA Inc. ("the Company"), the U.S. arm of Agoda.com, an Asian-based worldwide hotel reservations website and a brand of The Priceline Group, the world's largest online travel company. The Company's U.S. operations are currently based in Delaware. The requested credits would be issued in connection with the Company's decision to establish a new, 25,000 square-foot facility for its Customer Experience Group in leased space at 500 Exchange Street in Providence.

The Company is planning to invest approximately \$5.1 million to fit out and equip its new facility. The Company would begin hiring in Rhode Island in 2017 with its Rhode Island headcount reaching 200 new full-time employees by 2018. The Company is requesting:

- Rebuild Rhode Island Tax credits valued at \$1,018,374; and
- Qualified Jobs Incentive tax credits with an estimated value of \$3,039,394 over ten years.

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

Jobs Analysis

Facility investments

As noted above, the Company estimates that it will spend approximately \$5.1 million in 2017 on leasehold improvements, fixtures and furnishings, and purchase and installation of IT equipment. A breakdown of this expenditure is shown below in Table 1.

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

Component	Estimated cost
Tenant improvements – hard costs	\$2.9
Tenant improvements – soft costs	\$0.4
Furniture and fixtures	\$1.0
IT equipment	\$0.7
Total	\$5.1

For purposes of this analysis we assume that most of the spending summarized above would occur in Rhode Island; IT equipment, however, would be procured from out-of-state sources. Based on these assumptions we estimate that in-state spending on the Company's new facility would total \$4.5 million.

We estimate that direct spending of \$4.5 million will directly and indirectly support:

- 32 person-years¹ of work in Rhode Island;
- \$2.0 million in earnings;
- \$5.2 million in statewide economic output²; and
- A one-time increase of \$2.8 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 renovation and fit-out. 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 renovation and fit-out (employment in person-years; income, value-added and output in millions of 2017 dollars)

	Employment	Earnings	Value added	Output
Direct Effect	24	\$1.5	\$2.1	\$4.0
Indirect Effect	8	\$0.5	0.7	\$1.2
Total Effect	32	\$2.0	\$2.8	\$5.2

Most of the activity reflected in Table 2 is expected to occur in 2017. 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. In this case, 22 person-years of direct employment could for example represent 22 workers employed full-time for one year, or 44 employed full-time for six months.

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	\$40.76
Construction manager	\$54.17
Carpenter	\$21.04
Electrician	\$24.86
Plumber	\$23.54
Painter	\$18.10
Laborer	\$18.33

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).

In addition to the impacts on employment, earnings, output and state GDP cited above, direct spending of \$4.5 million would generate a projected one-time increase of approximately \$115,000 in taxes paid to the state during construction and fit-out, including:

- \$74,000 in state personal income taxes paid by Rhode Island workers employed on the project, or whose jobs are indirectly attributable to the project;
- \$32,000 in state sales taxes paid on those workers' taxable household spending;
- \$9,000 in state business corporation taxes.

Annual operations

The Company plans to begin hiring at its new facility in 2017, increasing its headcount to 200 by 2018. Table 4 summarizes the estimated annual impact of the Company's operations in Providence when it reaches its target of 200 employees.

Based on data provided by the Company, Appleseed estimates that ongoing operations associated with the 200 full-time jobs the Company is expects to have created in Providence in 2018 will directly and indirectly support:

- 311 full-time-equivalent (FTE) jobs in Rhode Island;
- \$14.6 million in annual earnings (in 2017 dollars);
- \$46.7 million in statewide economic output⁴; and
- An increase of \$19.5 million in Rhode Island's annual GDP.

³ Rhode Island Department of Labor and Training, Occupational Employment Statistics, 2015

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.

These impacts are summarized below in Table 4.

Table 4: Direct and indirect annual impact of ongoing operations (employment in FTE; income, value-added and output in millions of 2017 dollars)

	Employment	Earnings	Value added	Output
Direct Effect	200	\$8.3	\$9.1	\$29.2
Indirect Effect	111	6.3	10.4	17.5
Total Effect	311	\$14.6	\$19.5	\$46.7

In addition to the impacts on employment, earnings, output and state GDP cited above, in 2018 the Company's operations in Providence would generate a projected increase of approximately \$856,000 in annual state tax revenues, including:

- \$548,000 in state personal income taxes paid by workers employed by the Company at its new location, or by Rhode Island workers whose jobs are indirectly attributable to the Company's operations at that site;
- \$239,000 in state sales taxes paid on those workers' taxable household spending; and
- \$69,000 in state business corporation taxes.

Workers employed by the Company in Providence are expected to be drawn primarily from the Providence-Warwick RI-MA New England City and Town Area (NECTA).

Benefits

The Company offers a package of benefits that include health, dental and vision care insurance, a retirement plan, pre-tax flex spending accounts and transportation benefits, and paid vacation, sick leave and family leave.

Hiring

The Company is using several approaches to recruiting employees for its new Providence location, including:

- Posting available positions on job sites such as jobrapido.com, Glassdoor, Indeed.com and Zip Recruiter
- Social media blasts via Facebook, Twitter and LinkedIn
- Career fairs at the University of Rhode Island and elsewhere
- Collaboration with Brown University, Johnson & Wales University, Rhode Island College, Providence College, Community College of Rhode Island and Salve Regina University
- Employee referrals

Impact

The state fiscal impact of the requested tax credits is up to \$4.1 million in foregone state tax revenues. Direct and indirect economic and fiscal benefits of the proposed project include the estimated increase in annual state GDP of \$19.5 million by 2018, the estimated associated job creation, and the gross increase of approximately \$10.4 million in personal income, sales and business corporation tax revenues during renovation and during the twelve-year commitment period beginning in 2018. These benefits are detailed in the foregoing analysis. In addition to the economic and tax revenue impacts cited above, the proposed project would benefit Rhode Island in other ways:

- Strengthen the state's reputation as an attractive location for customer service operations, and for internet-based businesses more broadly
- Help diversify the state's economy

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. Completion risk is mitigated by the fact that Rebuild Rhode Island tax credits will be issued only after construction is completed. The risk of project cost overruns is mitigated by the fact that tax credits and the value of the requested sales tax exemption are capped at the amounts set forth above. In addition, if project costs come in lower than anticipated, the value of the sales and use tax exemption could be reduced.

Moreover, Qualified Jobs Incentive tax credits will be determined on the basis of salaries and wages actually paid.