

EXHIBIT 3

Rhode Island Commerce Corporation
Rebuild Rhode Island Tax Credit – Economic Impact Analysis
110 North Main LLC/110 North Main Management LLC Application

Introduction

The Rhode Island Commerce Corporation (the “Corporation”) may issue Rebuild Rhode Island Tax Credits to 110 North Main LLC and 110 North Main Management LLC (the “Sponsor”). The credits would be issued in connection with Sponsor’s proposed investment in the development of The Edge Providence, which includes construction of a new, mixed-use 15-story building at 169 Canal Street (122,775 gross square feet), and rehabilitation of existing buildings at 100 North Main Street (21,360 gross square feet) and 106-108 North Main Street (11,175 gross SF). The project is anticipated to create 247 residential units and approximately 10,000 square feet of retail space.

The Sponsor estimates the total cost of The Edge to be approximately \$56.9 million. The Sponsor is requesting a Rebuild Rhode Island Tax Credit of \$3,000,000, along with an exemption from state sales and use taxes on construction materials and certain other eligible costs totaling \$1,000,000.

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 Sponsor’s estimate of total project cost is approximately \$56.9 million.

Table 1: The Edge estimated total project cost (\$ millions)

Component	Estimated cost
Land acquisition	\$9.5
Construction (hard costs)	38.7
Soft costs	8.7
Total	\$56.9

After excluding certain expenditures (such as property acquisition and interest payments) that do not have a direct, current impact on Rhode Island’s economy, direct spending on construction (both hard and soft costs) is estimated to total approximately \$45.6 million. Appleseed estimates that direct expenditures of approximately \$45.6 million will directly and indirectly generate:

- 334 person-years¹ of work in Rhode Island, with \$19.8 million in earnings (in 2017 dollars);
- Approximately \$56.2 million in statewide economic output²; and
- A one-time increase of \$29.9 million in Rhode Island’s GDP.

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.

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

Table 2: Direct, indirect and induced impact of construction and related spending (employment in person-years; income, value-added and output in millions of 2017 dollars)

	Employment	Earnings	Value added	Output
Direct Effect	253	\$15.3	\$22.7	\$44.2
Indirect Effect	81	\$4.5	\$7.2	\$12.0
Total Effect	334	\$19.8	\$29.9	\$56.2

In addition to the impacts on employment, earnings, output and state GDP cited above, direct spending of \$45.6 million would generate a projected one-time increase of approximately \$1.161 million in taxes paid to the State during construction, including:

- \$743,000 in state personal income taxes paid by Rhode Island workers employed on the project, or whose jobs are indirectly attributable to the project;
- \$324,000 in state sales taxes paid on those workers' taxable household spending;
- \$94,000 in state business corporation taxes

Most of the activity reflected in Table 2 will occur during 2017 and 2018. The anticipated wage rates for construction jobs are shown below in Table 3.

Table 3: Anticipated wages during construction

Occupation	RI median hourly wage ³
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

After construction is completed, ongoing operations at The Edge will include:

- The operations of tenant business (or businesses) occupying the proposed 10,087 square feet of street-level commercial space; and
- Management, operations and maintenance of the two buildings.

The Sponsor estimates that when fully operational the first-floor restaurant, café and fitness center tenants will directly employ 9 people full-time and 17 part-time. Assuming that all part-time workers will be employed half-time, we can estimate that ground-floor tenants will employ 17.5 people, on a full-time-equivalent basis. The Sponsor also estimates that 3 workers will be employed full-time and 2 part-time in the management, maintenance and operations of the two buildings.

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

Applesseed estimates (as shown below in Table 4), that when the project is completed and fully occupied (which for purposes of this analysis is assumed to occur in the fall of 2018), it will directly and indirectly account for:

- 31 FTE jobs in Rhode Island;
- Approximately \$886,000 in annual earnings (in 2018 dollars);
- Approximately \$2.573 million in annual statewide economic output; and
- An increase of approximately \$1.487 million in Rhode Island's annual GDP.

Table 4: Direct and indirect annual impact of ongoing operations (employment in FTE; income, value-added and output in millions of 2018 dollars)

	Employment	Earnings	Value added	Output
Direct Effect	28 ⁴	\$0.689	\$1.115	\$1.942
Indirect Effect	3	0.197	0.372	0.631
Total Effect	31	\$0.886	\$1.487	\$2.573

In addition to the impacts cited in Table 4, ongoing operations at The Edge would directly and indirectly generate a projected increase of approximately \$52,000 in taxes paid annually to the State. These taxes would include approximately:

- \$33,000 in state personal income taxes paid by Rhode Island workers employed directly at The Edge, or whose jobs are indirectly attributable to tenant and building operations;
- \$15,000 in state sales taxes paid on those workers' taxable household spending; and
- \$4,000 in state business corporation taxes directly or indirectly attributable to building and tenant company operations.

Workers who fill restaurant, fitness center and building services jobs at The Edge are expected to be drawn primarily from Providence or from other nearby communities.

Impact

The state fiscal impact of the requested tax credits and sales and use tax exemptions is up to \$4,000,000 in foregone state revenue. Direct and indirect economic and fiscal benefits of the proposed project include the estimated one-time, construction-related increase in state GDP of \$29.9 million, followed by an increase in annual state GDP of \$2.57 million, the estimated associated job creation, and the gross increase of \$1.78 million in state personal income, sales and business corporation tax revenues during the construction phase and during the twelve years following the completion of the project. 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 several other ways.

- Providing an attractive new residential option for students, located within a short walk from the Rhode Island School of Design and Brown University's College Hill campus.
- Shifting students' demand for off-campus housing away from the broader housing market.
- Increasing local real property tax revenues.

⁴ In addition to direct employment in tenant businesses and building management and maintenance, this estimate includes direct employment with contract service providers.

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. 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 requested tax credits and sales and use tax exemption would be reduced accordingly.