

# Rhode Island Commerce Corporation

## Qualified Jobs Incentive Tax Credits – Economic Impact Analysis

### *United Natural Foods, Inc. Application*

#### **Introduction**

The Rhode Island Commerce Corporation (the "Corporation") may issue Qualified Jobs Incentive tax credits to United Natural Foods Inc. (UNFI, "the Company"), a distributor of natural, organic and specialty foods in the U.S. and Canada that has its headquarters in Providence. The credits would be issued in connection with the Company's decision to establish a new operations center in leased space in the Providence metropolitan area.

The Company intends to hire 100 new employees at this facility by July 2018, rising to 150 by 2020; and expects to invest approximate \$2.5 million in facility improvements and IT infrastructure. The Company is requesting Qualified Jobs Incentive tax credits with an estimated value of \$1,873,805 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**

##### ***Construction***

As noted above, the Company estimates that it will spend approximately \$2.5 million over five years on leasehold improvements and IT build-out at its new location. We estimate that direct spending of \$2.5 million will directly and indirectly support:

- 18 person-years<sup>1</sup> of work in Rhode Island;
- \$1.1 million in earnings;
- \$3.3 million in statewide economic output<sup>2</sup>; and
- A one-time increase of \$1.6 million in Rhode Island's GDP.

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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. In this case, 12 person-years of direct employment could for example represent an average of 2.4 workers employed full-time each year for five years.

<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.

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 renovation and fit-out (employment in person-years; income, value-added and output in millions of 2019 dollars)**

	Employment	Earnings	Value added	Output
Direct Effect	12	\$0.8	\$1.1	\$2.5
Indirect Effect	6	0.3	0.5	0.8
<b>Total Effect</b>	<b>18</b>	<b>\$1.1</b>	<b>\$1.6</b>	<b>\$3.3</b>

In addition to the impacts on employment, earnings, output and state GDP cited above, direct spending of \$2.5 million would generate a projected one-time increase of approximately \$62,000 in taxes paid to the state during construction, including:

- \$40,000 in state personal income taxes paid by Rhode Island workers employed on the project, or whose jobs are indirectly attributable to the project;
- \$17,000 in state sales taxes paid on those workers' taxable household spending;
- \$5,000 in state business corporation taxes.

### **Annual operations**

As noted above, the Company intends to relocate and/or hire 100 new employees at its new facility by July 2018, rising to 150 by 2020. Table 2 summarizes the categories in which these jobs will be created, and median earnings for each category.

**Table 2: Projected employment, fiscal year 2020**

	Employees	Median Earnings
Staff	136	\$33,500
Supervisors	9	\$53,000
Managers	6	\$85,000
<b>Total Effect</b>	<b>150</b>	

Based on data provided by the Company, and using the IMPLAN input-output modeling system (an economic modeling tool commonly used in economic impact analyses), Appleseed estimates that ongoing operations associated with the 150 full-time jobs the Company is committing to creating and maintaining will directly and indirectly support:

- 179 full-time-equivalent (FTE) jobs in Rhode Island;
- \$7.1 million in annual earnings;
- \$17.1 million in statewide economic output<sup>3</sup>; and
- An increase of \$9.7 million in Rhode Island's annual GDP.

These impacts are summarized below in Table 3.

**Table 3: 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	150	\$5.6	\$6.6	\$12.1
Indirect Effect	29	1.5	3.1	5.0
<b>Total Effect</b>	<b>179</b>	<b>\$7.1</b>	<b>\$9.7</b>	<b>\$17.1</b>

In addition to the impacts on employment, earnings, output and state GDP cited above, the Company's operations in its new location would generate a projected increase of approximately \$414,000 in annual state tax revenues, including:

- \$265,000 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;
- \$116,000 in state sales taxes paid on those workers' taxable household spending; and
- \$33,000 in state business corporation taxes.

Workers employed by the Company 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, including health insurance, prescription drug coverage, dental and vision coverage, a company wellness program, flexible spending accounts, life and disability insurance, a 401K retirement plan, tuition reimbursement and travel assistance.

<sup>3</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 Center's operations.

## **Hiring**

UNFI posts all available positions on its own website and on other sites such as LinkedIn and Indeed.com. Received resumes are reviewed, and phone interviews are conducted with selected applicants. Those whom the hiring manager selects for further consideration will then be scheduled for a second interview. After the second interview, offers are extended. Once the offer of employment is accepted, background checks and a pre-employment drug test are conducted.

## **Impact**

The state fiscal impact of the requested tax credits and other incentives is up to \$1.9 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 \$9.7 million, the estimated associated job creation, and the gross increase of approximately \$4.8 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 including by increasing local real property and tangible personal property tax revenues.

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