

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

Immunex Rhode Island Corporation Application

Introduction

The Rhode Island Commerce Corporation (the “Corporation”) may issue Rebuild Rhode Island and Qualified Jobs Incentive tax credits and a Tax Stabilization Incentive to Immunex Rhode Island Corporation (“the Company”), based in West Greenwich. The Company is a wholly-owned subsidiary of Amgen, Inc., based in Thousand Oaks, California. The credits would be issued in connection with the Company’s decision to establish a new facility in Rhode Island to manufacture a variety of biologic therapeutic products. The Company would build the new facility at its existing manufacturing complex in West Greenwich, at an estimated total project cost of \$165.1 million. When fully operational (expected to occur in 2022), the new facility would employ approximately 126 people, rising to 146 in 2025, with a median annual salary of \$77,000.

The Company is requesting request incentives with a total value of nearly \$12.9 million, including:

- \$3,450,000 in Rebuild Rhode Island tax credits;
- An exemption from sales and use taxes due on construction materials and furnishings, with an estimated value of \$3,255,000;
- \$6,000,000 in Qualified Jobs Incentive tax credits; and
- A Tax Stabilization Incentive valued at \$179,829.

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 Company estimates the total cost of building and equipping its new, 85,000 square-foot facility at \$165.1 million.

Table 1: Immunex Rhode Island estimated total project cost (\$ millions)

Component	Estimated cost
Design	\$12.3
Construction	112.7
Equipment	36.2
Other	3.9
Total	\$165.1

After excluding costs that do not have a direct impact on Rhode Island’s economy (such as manufacturing process equipment, which we assume will be procured out-of-state, technology transfer fees and interest paid during construction), Appleseed estimates that the Company will spend \$122.8 million in Rhode Island on construction of the plant. Appleseed estimates that direct expenditures of approximately \$122.8 million will directly and indirectly generate:

- 944 person-years¹ of work in Rhode Island, with \$62.3 million in earnings (in 2019 dollars);
- Approximately \$150.1 million in statewide economic output²; and
- A one-time increase of \$87.0 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, indirect and induced impact of construction and related spending (employment in person-years; income, value-added and output in millions of 2019 dollars)

	Employment	Earnings	Value added	Output
Direct Effect	775	\$51.6	\$70.5	\$122.8
Indirect Effect	169	\$10.7	\$16.5	\$27.3
Total Effect	944	\$62.3	\$87.0	\$150.1

In addition to the impacts on employment, earnings, output and state GDP cited in Table 2, direct spending of \$122.8 million would generate a projected one-time increase of approximately \$3.648 million in taxes paid to the State during construction, including:

- \$2.334 million in state personal income taxes paid by Rhode Island workers employed on the project, or whose jobs are indirectly attributable to the project;

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.

- \$1.019 million in state sales taxes paid on those workers' taxable household spending;
- \$295,000 in state business taxes

Most of the activity reflected in Table 2 is assumed occur during 2018 and 2019. 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.

Table 3: Anticipated wages during construction

Occupation	RI median hourly wage³
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

As noted above, the Company intends employ 126 full-time workers at its new Rhode Island facility when it is fully operational (which for purposes of this analysis is assumed to occur in 2022), rising to 146. Table 3 summarizes the categories in which these jobs will be created, and average salary for each category.

Table 3: Projected employment, fourth year of operation

Job category	New positions (Year 4)	Median salary
Quality & manufacturing managers	10	\$131,000
Quality specialists	20	86,000
Engineers	13	73,000
Technicians	83	62,000
Administrative/other managers	20	108,000
Total	146	\$77,000

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

Based on data provided by the Company, and using the IMPLAN input-output modeling system, Appleseed estimates that in year 4, ongoing operations associated with the 146 full-time jobs the Company would be committed to creating and maintaining will directly and indirectly support:

- 218 jobs in Rhode Island;
- \$18.8 million in annual earnings (in 2022 dollars);
- \$65.5 million in statewide economic output; and
- An increase of \$33.6 million in Rhode Island’s annual GDP.

These impacts are summarized below in Table 4.

Table 4: Direct, indirect and total annual impact of ongoing operations (employment in FTE; income, value-added and output in millions of 2022 dollars)

	Jobs	Earnings	Value added	Output
Direct Effect	146	\$12.2	\$23.5	\$49.2
Indirect Effect	72	6.5	10.0	16.3
Total Effect	218	\$18.7	\$33.5	\$65.5

In addition to the impacts on employment, earnings, output and state GDP cited above, the Company’s operations in Rhode Island would generate a projected increase of approximately \$1.096 million in annual state tax revenues, including:

- \$701,000 in state personal income taxes paid by workers newly employed by the Company in its new Rhode Island facility, or by Rhode Island workers whose jobs are indirectly attributable to the Company’s new facility;
- \$306,000 in state sales taxes paid on those workers’ taxable household spending; and
- \$89,000 in state business corporation taxes.

Benefits

Immunex Rhode Island provides a comprehensive package of employee benefits. They include medical, dental and vision coverage, incentives for healthy living, retirement and savings plans, sick leave, long- and short-term disability insurance, life insurance, paid time off (including paid time off for volunteer work), an employee assistance program, and career development and coaching services.

Hiring

The Company’s workforce at its new facility will consist primarily of locally-hired technicians, engineers and management personnel. All available positions are posted on the parent

company's internal website. Jobs for which candidates are being recruited externally are posted at Amgen.com, on other sites and on social media. Following a review of resumes, telephone interviews are conducted with selected applicants, with some candidates then being scheduled for a round of interviews with the hiring team. When interviews are completed the team makes a final selection, subject to background checks.

Impact

The state fiscal impact of the requested tax credits, sales tax exemption and tax stabilization incentive is estimated to be nearly \$12.9 in foregone state revenue and direct outlays. Direct and indirect economic and fiscal benefits of the proposed project include the estimated increase in annual state GDP of \$33.5 million in the fourth year of operation, the estimated associated job creation, and a gross increase of nearly \$16.6 million in personal income, sales and business tax revenues during the initial construction period and the twelve-year commitment period. These benefits are detailed in the foregoing analysis.

In addition to the economic and tax revenue impacts cited above, the Company's new facility would benefit Rhode Island in other ways, including:

- Highlighting Rhode Island's attractiveness as a U.S. location for life sciences companies and for advanced manufacturing facilities
- Providing new opportunities in manufacturing for Rhode Island residents
- Developing the state's life sciences and biomanufacturing workforce
- 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. Various features of the Rebuild Rhode Island program mitigate risks to the state. In particular, the completion risk (i.e. the risk that the project is not completed) is mitigated by the fact that Rebuild Rhode Island tax credits will be issued only upon completion of construction work. The risk of project cost overruns is mitigated by the fact that the credits would be capped at the amount set forth above. In addition, if project costs come in lower than anticipated, the value of the credits would be reduced accordingly.

Various features of the Qualified Jobs Incentive program similarly mitigate risk to the state. The value of Qualified Jobs Incentive tax credits would be determined on the basis of the number of people actually employed and the wages actually paid by the Company; and the Company would be obligated to maintain the projected level of employment in Rhode Island through the twelve-year commitment period. Moreover, the Company has stated that it is committed to maintaining this level of employment for twenty years, rather than the twelve years required under the Qualified Jobs Incentive program.