

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

Infinity Meat Solutions LLC Application

Introduction

The Rhode Island Commerce Corporation (the “Corporation”) may issue Rebuild Rhode Island and Qualified Jobs Incentive tax credits to Infinity Meat Solutions LLC (“the Company”), which is owned by Retail Business Services LLC (RBS). RBS provides a range of support services to 2,100 stores and distribution centers in 23 U.S. states that are owned by or affiliated with RBS’s parent company, Netherlands-based Ahold Delhaize, one of the world’s largest food retailers. The credits would be issued in connection with the Company’s decision to locate a new facility in Rhode Island for preparation, packaging and distribution of fresh meat products. The new facility would supply Ahold-owned or affiliated stores, distribution centers and online retailers in New England and New York

The new facility would be developed in Quonset Business Park in North Kingstown, at an estimated total cost (excluding operating costs) of \$110.2 million. It would be staffed and operated by Cargill, Inc., a Minnesota-based worldwide provider of food, agricultural, industrial and financial products and services. By its third year of operation, the facility is expected to employ 702 full-time workers.

The Company is requesting:

- \$1.915 million in Rebuild Rhode Island tax credits;
- An exemption from sales and use taxes due on construction materials and furnishings, with an estimated value of \$1.8 million; and
- \$9.484 million in Qualified Jobs Incentive tax credits.

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, 200,000 square-foot facility at \$110.2 million.

Table 1: Infinity Meat Solutions estimated total project cost (\$ millions)

| Component | Estimated cost |
|--------------------------|-----------------------|
| Site development | \$15.3 |
| Building construction | 44.1 |
| Contingency | 10.0 |
| Process equipment, other | 40.8 |
| Total | \$110.2 |

After excluding certain costs that do not have a direct impact on Rhode Island’s economy (such as site acquisition and process equipment, which we assume will be procured out-of-state), Applesseed estimates that the Company will spend approximately \$64.8 million in Rhode Island on construction of the plant. Applesseed estimates that direct expenditures of approximately \$65.2 million will directly and indirectly generate:

- 469 person-years¹ of work in Rhode Island, with \$30.7 million in earnings (in 2019 dollars);
- Approximately \$76.0 million in statewide economic output²; and
- A one-time increase of \$44.2 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 | 405 | \$26.4 | \$37.4 | \$64.8 |
| Indirect Effect | 64 | 4.3 | 6.8 | 11.2 |
| Total Effect | 469 | \$30.7 | 44.2 | \$76.0 |

In addition to the impacts on employment, earnings, output and state GDP cited in Table 2, direct spending of \$64.8 million would generate a projected one-time increase of approximately \$1.798 million in taxes paid to the State during construction, including:

- \$1.151 million in state personal income taxes paid by Rhode Island workers employed on the project, or whose jobs are indirectly attributable to the project;
- \$502,000 in state sales taxes paid on those workers’ taxable household spending; and

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.

- \$145,000 in state business taxes.

Most of the activity reflected in Table 2 is assumed occur between the summer of 2018 and the fall of 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 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

As noted above, Cargill, Inc., the Company’s operating partner, would employ 378 full-time workers at the Company’s new Rhode Island facility in its first year (which for purposes of this analysis is assumed to be 2020), rising to 702 in its third year. Table 3 summarizes the categories in which these jobs will be created, and the median salary for each category. The median across all categories would be \$32,620.

Table 3: Projected employment, third year of operation

| Job category | New positions (Year 3) | Median salary |
|-----------------------------|------------------------|---------------|
| General management | 16 | \$83,660 |
| Operations and distribution | 637 | 32,070 |
| Engineers | 49 | 51,630 |
| Total | 702 | |

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 3, ongoing operations associated with full-time jobs the Company would be committed to creating and maintaining will directly and indirectly support:

- 963 jobs in Rhode Island;
- \$37.1 million in annual earnings (in 2022 dollars);
- \$252.1 million in statewide economic output; and
- An increase of \$58.3 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 | 702 | \$26.3 | \$38.9 | \$217.6 |
| Indirect Effect | 261 | 10.8 | 19.4 | 34.5 |
| Total Effect | 963 | \$37.1 | \$58.3 | \$252.1 |

In addition to the impacts on employment, earnings, output and state GDP cited above, new facility’s ongoing operations would generate a projected increase of approximately \$2.174 million in annual state tax revenues, including:

- \$1.391 million in state personal income taxes paid by workers newly employed by Cargill at the Company’s new Rhode Island facility, or by Rhode Island workers whose jobs are indirectly attributable to the new facility;
- \$607,000 in state sales taxes paid on those workers’ taxable household spending; and
- \$176,000 in state business taxes.

Benefits

Cargill, Inc. provides a comprehensive package of employee benefits that include medical, dental and vision coverage; wellness programs; 401(k) and employee stock ownership plans; health care and wellness programs; life, long-term disability and accidental death and dismemberment insurance; tuition reimbursement and adoption assistance.

Hiring

Cargill, Inc. has its own internal recruiting operation, which it supplements as needed with assistance from temporary staffing organizations, placement agencies and professional recruiters.

Impact

The state fiscal impact of the requested tax credits and sales tax exemption is estimated to be approximately \$13.199 million in foregone state tax revenue. Direct and indirect economic and fiscal benefits of the proposed project include the estimated increase in annual state GDP of \$58.3 million in the third year of operation, the estimated associated job creation, and a gross increase of \$26.496 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:

- Providing new opportunities in manufacturing for Rhode Island residents
- Increasing local payments in lieu of taxes and tangible personal property tax revenues
- Company donations to local food banks and other community organizations

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.