

Rhode Island Commerce Corporation
Rebuild Rhode Island Tax Credits – Economic Impact Analysis
OneMetro, LLC Application

Introduction

The Rhode Island Commerce Corporation (the “Corporation”) may provide Rebuild Rhode Island tax credits to OneMetro, LLC (the “Sponsor”). The credits would be provided in connection with the Sponsor’s proposed investment in the development of OneMetro, LLC, a new, 75,000 square-foot office building, to be located in Warwick.

The Sponsor estimates the total cost of the project to be \$19.003 million. The Sponsor is requesting Rebuild Rhode Island tax credits totaling \$3.0 million, and an exemption from sales and use taxes payable on purchases of construction materials, valued at approximately \$500,000.

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 \$19.0 million.

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

Component	Estimated cost
Property acquisition	\$3.0
Construction (hard costs)	11.0
Soft costs	2.0
Tenant improvements	3.0
Total	\$19.0

After excluding certain expenditures that do not have a direct, current impact on Rhode Island’s economy (such property acquisition), spending on development of the proposed project is estimated to total approximately \$16.0 million.

Appleseed estimates that direct expenditures of \$16.0 million will directly and indirectly generate:

- 111 person-years¹ of work in Rhode Island, with \$6.7 million in earnings (in 2020 dollars);
- Approximately \$20.0 million in statewide economic output²; and
- A one-time increase of \$10.7 million in Rhode Island’s GDP.

These impacts are summarized below in Table 2. The project’s *direct impact* is the impact of the Sponsor’s direct spending on construction, including both hard and soft costs. 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	85	\$5.2	\$8.2	\$16.0
Indirect Effect	26	1.5	2.5	\$4.0
Total Effect	111	\$6.7	\$10.7	\$20.0

In addition to the impacts on employment, earnings, output and state GDP cited in Table 2, direct spending of \$16.0 million would generate a projected one-time increase of approximately \$394,000 in taxes paid to the State during construction, including:

- \$252,000 in state personal income taxes paid by Rhode Island workers employed on the project, or whose jobs are indirectly attributable to the project;
- \$110,000 in state sales taxes paid on those workers’ taxable household spending; and
- \$32,000 in state business taxes.

The activity reflected in Table 2 will occur primarily in 2019 and 2020.

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, as of 2017.

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.

Table 3: Anticipated wages during construction

Occupation	RI median hourly wage ³
Architect	\$40.36
Construction manager	\$47.10
Carpenter	\$22.82
Electrician	\$27.42
Plumber	\$27.71
Painter	\$18.85
Laborer	\$19.39

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

OneMetro, LLC, and the tenant businesses assumed to occupy the project’s commercial space, are expected to begin operating in 2021. Based on information provided by the Sponsor, Appleseed assumes that the building’s office tenants will include a mix of technology, medical, financial and professional services firms. Assuming an occupancy rate of 95 percent, and an average density of 4.5 employees per square feet, we estimate that the building will accommodate approximately 312 office-tenant employees, plus 7 café and fitness center employees.

Based on these assumptions, we estimate (as shown in Table 4) that in 2021, ongoing operations would directly and indirectly support:

- 463 full-time-equivalent jobs in Rhode Island, with approximately \$40.2 million in annual earnings (in 2020 dollars);
- \$74.2 million in annual statewide economic output; and
- An increase of \$42.8 million in Rhode Island’s annual GDP.

Table 4: Direct, indirect and total impact of building and commercial tenant operations, 2021 (employment in FTE; earnings, value-added and output in millions of 2021 dollars)

	Employment	Earnings	Value added	Output
Direct Effect	319	\$31.5	\$29.7	\$52.9
Indirect Effect	144	8.7	13.1	21.3
Total Effect	463	\$40.2	\$42.8	\$74.2

³ Rhode Island Department of Labor and Training, Occupational Employment Statistics, 2017

In addition to the impacts on employment, earnings, output and state GDP cited in Table 4, ongoing operations would generate a projected gross increase of approximately \$2.358 million in taxes paid to the state in 2020, including:

- \$1.509 million in state personal income taxes paid by Rhode Island workers employed by tenant businesses, or whose jobs are indirectly attributable to the operations of those businesses;
- \$658,000 in state sales taxes paid on those workers' taxable household spending;
- \$191,000 in state business taxes.

Workers employed by tenant businesses at project location would be drawn primarily from communities throughout the Providence-Warwick RI-MA NECTA.

Impact

The state fiscal impact of the requested tax credits and sales tax exemption is approximately \$3.5 million in foregone state tax revenue. Direct and indirect economic and fiscal benefits of the proposed project include an estimated increase in annual state GDP (in 2021) of approximately \$42.8 million; the associated job creation; and a gross increase of approximately \$28.7 million in personal income, sales and business tax revenues directly and indirectly generated by the project during the construction phase, and by ongoing operations during the twelve years from 2021 through 2032.

In addition to the economic and tax revenue impacts cited above, the proposed project would benefit Rhode Island in several other ways:

- By increasing the supply of new office space available to support the continued growth of the state's office-based industries
- By supporting the continued growth of the area around T.F. Green Airport as a business location
- By increasing local real property and personal property taxes

While the project is likely in the near term to be occupied in part by tenants relocating or expanding from elsewhere in Rhode Island, it will over time help the State meet a continuing demand for new space that is suited to the needs of its growing office-based industries. Over the life of the requested tax credits, the project can therefore be seen as accommodating growth that might not otherwise occur in Rhode Island.

Beyond the fiscal impact noted above, there is no anticipated financial exposure to the state. Various features of the Rebuild Rhode Island program mitigate other 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 the requested tax credits will be issued only upon completion of the development. The risk of project cost overruns is mitigated by the fact that state's participation would be capped at the amount set forth above.