

**Rhode Island Commerce Corporation**  
**Rebuild Rhode Island Tax Credits – Economic Impact Analysis**  
***BAC CVP Aloft LLC Application***

**Introduction**

The Rhode Island Commerce Corporation (the “Corporation”) may provide Rebuild Rhode Island tax credits to BAC CVP Aloft LLC (the “Sponsor”). The credits would be provided in connection with the Sponsor’s proposed investment in the development of the Aloft Providence Hotel, a new 169-room select-service hotel that would be located on a site adjacent to the life sciences complex that is being developed in the I-195 Redevelopment District.

The Sponsor estimates the total cost of the project to be \$55.2 million. The Sponsor is requesting Rebuild Rhode Island tax credits totaling \$100,000 (gross), an exemption from sales and use taxes payable on purchases of construction materials, valued at approximately \$1.5 million, and a tax increment financing (TIF) loan of \$6.75 million.

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 \$55.2 million.

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

<b>Component</b>	<b>Estimated cost</b>
Property acquisition	\$1.0
Construction (hard costs)	40.2
Soft costs	8.0
Fixtures, furniture and equipment	6.0
<b>Total</b>	<b>\$55.2</b>

After excluding certain expenditures that do not have a direct, current impact on Rhode Island’s economy (such property acquisition and interest costs), spending on development of the proposed project is estimated to total approximately \$53.2 million.

Appleseed estimates that direct expenditures of \$53.2 million will directly and indirectly generate:

- 347 person-years<sup>1</sup> of work in Rhode Island, with \$21.8 million in earnings (in 2020 dollars);
- Approximately \$62.9 million in statewide economic output<sup>2</sup>; and
- A one-time increase of \$33.5 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 2020 dollars)**

	Employment	Earnings	Value added	Output
Direct Effect	262	\$16.8	\$25.5	\$49.6
Indirect Effect	85	5.0	8.0	\$13.3
<b>Total Effect</b>	<b>347</b>	<b>\$21.8</b>	<b>\$33.5</b>	<b>\$62.9</b>

In addition to the impacts on employment, earnings, output and state GDP cited in Table 2, direct spending of \$53.2 million would generate a projected one-time increase of approximately \$1.279 in taxes paid to the State during construction, including:

- \$819,000 in state personal income taxes paid by Rhode Island workers employed on the project, or whose jobs are indirectly attributable to the project;
- \$357,000 in state sales taxes paid on those workers' taxable household spending; and
- \$103,000 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.

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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. 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.

<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.

**Table 3: Anticipated wages during construction**

<b>Occupation</b>	<b>RI median hourly wage<sup>3</sup></b>
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***

The Aloft Providence Hotel and its restaurant tenant are assumed to begin operating in late 2020. Based on information provided by the Sponsor, Appleseed estimates that upon stabilization in 2022, the hotel itself will directly employ 63 workers; and the restaurant will directly employ 37.

Based on these projections, we estimate (as shown in Table 4) that in 2022, ongoing operations would directly and indirectly support:

- 118 jobs in Rhode Island, with approximately \$4.9 million in annual earnings (in 2022 dollars);
- \$15.1 million in annual statewide economic output; and
- An increase of nearly \$9.3 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)**

	<b>Employment</b>	<b>Earnings</b>	<b>Value added</b>	<b>Output</b>
Direct Effect	100	\$3.8	\$7.5	\$12.0
Indirect Effect	18	1.1	1.8	3.1
<b>Total Effect</b>	<b>118</b>	<b>\$4.9</b>	<b>\$9.3</b>	<b>\$15.1</b>

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 \$1.649 million in taxes paid to the state in 2022, including:

- \$1.129 million in state hotel taxes

<sup>3</sup> Rhode Island Department of Labor and Training, Occupational Employment Statistics, 2017

- \$231,000 on restaurant and bar sales taxes
- \$185,000 in state personal income taxes paid by Rhode Island workers employed by the hotel and restaurant, or whose jobs are indirectly attributable to the operations of those businesses
- \$81,000 in state sales taxes paid on those workers' taxable household spending
- \$23,000 in state business taxes

Workers employed by the hotel and restaurant would be drawn primarily from Providence and surrounding communities.

## **Impact**

The state fiscal impact of the requested tax credit and sales tax exemption is approximately \$1.6 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 2022) of approximately \$9.3 million; the associated job creation; and a gross increase of approximately \$20.969 million in hotel, 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 hotels available to support continued growth in the Innovation District and DOWncity Providence
- By creating jobs that will be accessible to workers with a high school education
- By increasing local real property and personal property taxes

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 amounts set forth above.