

Rhode Island Commerce Corporation
Rebuild Rhode Island Tax Credits – Economic Impact Analysis
Farm Fresh Rhode Island Application

Introduction

The Rhode Island Commerce Corporation (the “Corporation”) may provide Rebuild Rhode Island tax credits to Farm Fresh Rhode Island (the “Sponsor”), a non-profit organization currently based in Pawtucket. The credits would be provided in connection with the Sponsor’s planned development of a new, 60,000-plus square-foot food hub on a currently-vacant 3.2-acre site in the Valley neighborhood in Providence. The new facility would provide space for:

- Market Mobile, the Sponsor’s wholesaling and distribution business, which currently links more than 80 producers with more than 200 wholesale customers (retailers, restaurants, institutions)
- Harvest Kitchen, the Sponsor’s food processing operation, which creates value-added products from locally-sourced produce and provides job training for adjudicated youth
- A year-round, indoor retail farmers’ market
- Space for approximately eight or nine “co-locators,” small but growing food and food-related businesses that can benefit from proximity to Farm Fresh Rhode Island’s operations and to each other.

The total cost of the project is estimated to be \$15.5 million. The Sponsor is requesting Rebuild Rhode Island tax credits totaling \$2.2 million gross (\$2.0 million net).

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 \$15.5 million

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

Component	Estimated cost
Property acquisition	\$0.8
Construction (hard costs)	10.6
Soft costs	4.1
Total	\$15.5

After excluding certain expenditures that do not have a direct, current impact on Rhode Island's economy (such property acquisition, interest paid during construction and operating reserves), spending on development of the proposed project is estimated to total approximately \$13.8 million.

Appleaseed estimates that direct expenditures of \$13.8 million will directly and indirectly generate:

- 103 person-years¹ of work in Rhode Island, with \$6.6 million in earnings (in 2020 dollars);
- Approximately \$17.8 million in statewide economic output²; and
- A one-time increase of \$9.4 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	78	\$5.1	\$7.0	\$13.8
Indirect Effect	25	1.5	2.4	\$4.0
Total Effect	103	\$6.6	\$9.4	\$17.8

In addition to the impacts on employment, earnings, output and state GDP cited in Table 2, direct spending of \$13.8 million would generate a projected one-time increase of approximately \$611,000 in taxes paid to the State during construction, including:

- \$222,000 in state sales and use taxes on materials used in construction
- \$249,000 in state personal income taxes paid by Rhode Island workers employed on the project, or whose jobs are indirectly attributable to the project
- \$109,000 in state sales taxes paid on those workers' taxable household spending
- \$31,000 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

Farm Fresh Rhode Island and its tenant firms are expected to begin moving into the new facility in the fall of 2020, with stabilized operations being reached in 2022. With the move, the Sponsor and its tenants are expected to employ 70 full-time workers in Year One, and a total of 100 full-time workers by Year 5 (2025).

Using IMPLAN, and based on information provided by the Sponsor, Appleseed estimates (as shown in Table 4) that in 2025, ongoing operations would directly and indirectly support:

- 163 jobs in Rhode Island, with approximately \$9.8 million in annual earnings (in 2025 dollars);
- \$44.3 million in annual statewide economic output; and
- An increase of \$16.6 million in Rhode Island's annual GDP.

Table 4: Direct, indirect and total incremental impact of food hub and tenant operations, 2025 (earnings, value-added and output in millions of 2025 dollars)

	Employment	Earnings	Value added	Output
Direct Effect	102 ⁴	\$5.7	\$10.0	\$33.2
Indirect Effect	61	\$4.1	\$6.6	11.1
Total Effect	163	\$9.8	\$16.6	\$44.3

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

⁴ Includes 2 jobs supported by Farm Fresh spending on facility operations and maintenance

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 \$800,000 in taxes paid to the state in 2025, including:

- \$222,000 in state sales taxes on taxable goods and services sold by businesses operating at the food hub⁵
- \$370,000 in state personal income taxes paid by Rhode Island workers employed by Farm Fresh or by its tenants, or whose jobs are indirectly attributable to the operations of those businesses
- \$161,000 in state sales taxes paid on those workers' taxable household spending
- \$47,000 in state business taxes

Workers employed by the Sponsor and its tenants would be drawn primarily from communities throughout the Providence-Warwick RI-MA NECTA.

Impact

The state fiscal impact of the requested tax credits is approximately \$2.2 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 2025) of approximately \$16.6 million; the associated job creation; and a gross increase of approximately \$9.0 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 redeveloping and activating a vacant property in the Valley neighborhood of Providence
- By creating jobs in a low-income neighborhood
- By effectively connecting Rhode Island producers and consumers
- By improving access to healthy food, both in local community and statewide

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 awarded 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.

⁵ Assumes that 10 percent of all sales by these businesses are taxable