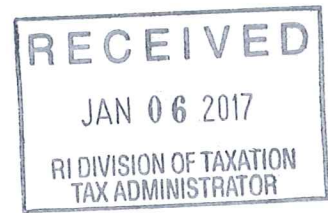




*A Limited Liability Partnership*



January 4, 2017

The Honorable Marvin L. Abney  
Chairperson of the House Committee on  
Finance  
Rhode Island State House  
82 Smith Street  
Providence, RI 02903

The Honorable Senator Daniel DaPonte  
Chairperson of the Senate Committee on  
Finance  
Rhode Island State House  
82 Smith Street  
Providence, RI 02903

Dear Mr. Chairpersons,

Pursuant to R.I. Gen. Laws § 42-64-10(e), please find enclosed an economic impact analysis, conducted pursuant to R.I. Gen. Laws § 42-64-10(a), in relation to tax credit agreements between the Rhode Island Commerce Corporation and D'Ambra Warwick Hotel, LLC under the Rebuild Rhode Island Tax Credit Act of 2015, and the Tax Increment Financing Act of 2015.

Should you have any questions or concerns, please contact undersigned at 401-272-1400.

Very truly yours,

Christopher J. Fragomeni, Esq.

cc: Sharon Reynolds Ferland, House Fiscal Advisor  
Stephen Whitney, Senate Fiscal Advisor  
Scott R. Jensen, Department of Labor and Training  
Neena S. Savage, Division of Taxation

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**Rhode Island Commerce Corporation**  
**Rebuild Rhode Island Tax Credits and Tax Increment Financing –**  
**Economic Impact Analysis**  
***D’Ambra Warwick Hotel LLC Application***

**Introduction**

The Rhode Island Commerce Corporation (the “Corporation”) may issue Rebuild Rhode Island tax credits to D’Ambra Warwick Hotel LLC (the “Sponsor”), an entity controlled by Michael D’Ambra, founder of D’Ambra Construction Company of Warwick. The credits would be issued in connection with the Sponsor’s decision to invest in the development of a new, 120-room Hyatt Place Hotel at 800 Jefferson Boulevard in Warwick. The total cost of the proposed project is estimated to be slightly more than \$23.8 million.

The Sponsor is requesting a Rebuild Rhode Island Tax Credit of \$1,366,991, and a sales and use tax exemption on eligible construction and build-out costs, estimated at \$345,000. If the actual value of the sales and use tax exemption exceeds this estimate, the amount of the Rebuild Rhode Island Tax Credit shall be reduced by the amount of the exemption in excess of \$345,000.

The Sponsor is also seeking tax increment financing totaling \$3.5 million, with the TIF loan(s) to be repaid from the stream of state sales and hotel tax revenues that that the operations of the hotel would generate over a twenty-year period.

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 \$23.8 million.

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

Component	Estimated cost
Property acquisition	\$2.2
Building construction (hard cost)	\$16.5
Other construction costs	\$1.3
Furnishings, fixtures & equipment	\$2.0
Financing	\$0.5
Other costs	\$1.3
<b>Total</b>	<b>\$23.8</b>

After excluding certain costs that for purposes of this analysis do not have a direct, current impact on Rhode Island’s economy (such as land acquisition and interest costs), the remaining hard and soft costs total \$21.1 million. Appleseed estimates that direct expenditures of \$21.1 million will directly and indirectly generate:

- 147 person-years<sup>1</sup> of work in Rhode Island;
- \$8.6 million in earnings;
- Nearly \$24.7 million in statewide economic output<sup>2</sup>;

<sup>1</sup> A person-year is equivalent to the time worked by one person who is employed full-time for a year. For example, it could 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.

- A projected one-time increase of approximately \$323,000 in personal income taxes paid to the State during construction; and
- A one-time increase of nearly \$13.0 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 and indirect impact of construction spending (employment in person-years; income, value-added and output in millions of 2017 dollars)**

	Employment	Earnings	Value added	Output
Direct Effect	111	\$6.7	\$9.8	\$19.5
Indirect Effect	36	1.9	3.2	5.2
<b>Total Effect</b>	<b>147</b>	<b>\$8.6</b>	<b>\$13.0</b>	<b>\$24.7</b>

Most of the activity reflected in Table 2 is expected to occur between mid-2016 and mid-2017. 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 May 2015.

**Table 3: Anticipated wages during construction**

Occupation	RI median hourly wage <sup>3</sup>
Architect	\$40.76
Construction manager	\$54.17
Carpenter	\$21.04
Electrician	\$24.86
Plumber	\$23.54
Painter	\$18.10
Laborer	\$18.33

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 Sponsor states that when it is completed and fully operational (expected to occur in the fall of 2017), the proposed hotel will employ 26 people in jobs ranging from general manager, front office manager and sales manager to room attendants and bell persons. Using IMPLAN, Appleaseed estimates that the hotel will directly and indirectly account for:

- 32 full-time equivalent jobs in Rhode Island;
- Approximately \$1.4 million in annual earnings (in 2018 dollars);
- Approximately \$4.6 million in annual statewide economic output (in 2018 dollars);

<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.

<sup>3</sup> Rhode Island Department of Labor and Training, Occupational Employment Statistics, 2014



- An increase of approximately \$54,000 in personal income taxes paid annually to the State; and
- An increase of nearly \$3.0 million in Rhode Island's annual GDP.

**Table 4: Direct and indirect annual impact of ongoing operations (employment in FTE; income, value-added and output in millions of 2018 dollars)**

	Employment	Earnings	Value added	Output
Direct Effect	26	\$1.1	\$2.4	\$3.7
Indirect Effect	6	0.3	0.6	0.9
<b>Total Effect</b>	<b>32</b>	<b>\$1.4</b>	<b>\$3.0</b>	<b>\$4.6</b>

Workers who fill managerial jobs at the new hotel are expected to be drawn primarily from the Providence-Warwick RI-MA New England City and Town Area (NECTA). Housekeeping, service and maintenance workers are likely to be drawn primarily from Warwick or from other nearby communities.

### Impact

The state fiscal impact of the requested tax credits is up to \$1,366,991 in foregone state revenue. The state would also forego hotel tax revenues that will be used to repay the proposed TIF loan(s). Direct and indirect economic and fiscal benefits of the proposed project include the estimated increase of \$3.0 million in annual state GDP, the estimated associated job creation, and the gross increase of approximately \$971,000 in personal income tax revenues during the construction phase and ongoing operations during the twelve years following the completion of the project. These benefits are detailed in the foregoing analysis. In addition to the economic and tax revenue impacts cited above, the proposed project would benefit Rhode Island in several other ways.

- Increase the supply of hotel rooms that are available in the area around T.F. Green Airport, increasing customer service during periods of inclement weather.
- Make the hotel easily accessible for people traveling through the airport, via a new ground-level connection between the hotel to an existing airport parking garage.
- Increase local real property tax revenues.

Beyond the fiscal impact noted above, there is no anticipated financial exposure to the state. In addition, various features of the program mitigate risk 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 tax credits and tax increment financing will be payable only upon completion of the development. The risk of project cost overruns is mitigated by the fact that the tax credits are capped at the amount set forth above. In addition, if project costs come in lower than anticipated, the tax credits to be paid will be reduced accordingly.