STATE OF RHODE ISLAND

Governor Daniel J. McKee

Economic Development Tax Incentives Evaluation Act:

Evaluation of

Rebuild Rhode Island Tax Credit Act

(R.I. Gen. Laws Chapter 42-64.20)

and

Rhode Island Tax Increment Financing Act of 2015

(R.I. Gen. Laws Chapter 42-64.21)

Tax Years 2019 Through 2021

Office of Revenue Analysis

May 8, 2024

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Executive Summary

This report is an evaluation of the "Rebuild Rhode Island Tax Credit Act" (Rebuild RI) and the "Tax Increment Financing Act of 2015" (TIF) programs conducted by the Department of Revenue, Office of Revenue Analysis (ORA) in accordance with Rhode Island General Laws Chapter 44-48.2. The report provides estimates of the economic and fiscal impacts of these tax incentives for tax years 2019 through 2021. ***ORA found that the combined Rebuild RI and TIF programs break even in terms of general revenues if at least 83.0% of economic activity generated by firms receiving Rebuild RI and TIF incentive benefits exist because of this tax incentive.*** ORA relied primarily on data provided by the Department of Revenue, Division of Taxation (Taxation) and the Rhode Island Commerce Corporation (CommerceRI) to conduct this analysis.

The evaluation of these two programs was combined because their application process is linked. Those involved in a real estate project that are interested in either incentive must apply using the Rebuild RI tax credit application; there is no separate application for the TIF. Instead, those that are interested and qualify may be considered by CommerceRI for a TIF agreement after reviewing the project for the Rebuild RI program. As a result, the first hurdle to qualify for both incentives is a demonstrated need through a financing gap. Projects may qualify for one or both tax incentives[1], and to evaluate them separately would overestimate the effectiveness of each incentive. The following is a summary of this evaluation:

<u>The Tax Incentives Provision:</u>

The Rebuild Rhode Island Tax Credit Act program (R.I. Gen. Laws Chapter 42-64.20) provides a tax credit against the business corporation tax (R.I. Gen. Laws Chapter 44-11), the public service corporation tax (R.I. Gen. Laws Chapter 44-13), the taxation of banks (R.I. Gen. Laws Chapter 44-14), the taxation of insurance companies (R.I. Gen. Laws Chapter 44-17), and/or the personal income tax (R.I. Gen. Laws Chapter 44-30) for eligible development projects that have a financing gap. The project cost must be at least $5,000,000, and the maximum credit is the lesser of 20% of the total project cost or the amount needed to close a project financing gap.[2] The sunset date of this program is December 31, 2024.[3]

After applying for the Rebuild RI program, some project developers are also considered for the Rhode Island TIF program (R.I. Gen. Laws Chapter 42-64.21). The TIF program provides capital for a qualified development project facing a financing gap by rebating a portion of the new state tax revenue generated by the project. After meeting the program's eligibility criteria and receiving an approval for the TIF, a project developer is required to enter into a TIF agreement with CommerceRI, under which, in exchange for the benefits of the funding derived from qualification, the developer agrees to perform any work or undertaking necessary for a qualified development project. The tax revenue rebate may not exceed 30% of total development project costs, with an

[1] Two Rebuild RI recipients analyzed in this report have also received TIF incentives.
[2] Applicants may receive additional tax credits of not more than 10% of the project cost (for a total of not more than 30%) based on criteria established in R.I. Gen. Laws § 42-64.20-5(g).
[3] The governor's recommended budget proposes to extend this sunset date to December 31, 2025.

exemption for public infrastructure and utilities, or 75% of the projected annual incremental revenues. The sunset date of this program is December 31, 2024.[4]

The Main Goals and Objectives of the Tax Incentives:

1. *Rebuild Rhode Island Tax Credit Act:*

The stated goals and objectives for this program are to:

- Promote the creation of new jobs, attract new business and industry, and stimulate growth in real estate developments and/or businesses that are prepared to make meaningful investment and foster job creation in Rhode Island.
- Stimulate business expansion and attraction, create well-paying jobs for its residents, assist with business, commercial, and industrial real estate development; and generate revenues for necessary state and local governmental services.

2. *Tax Increment Financing Act of 2015:*

The stated goals and objectives for this program are to:

- Stimulate growth in real estate developments and/or businesses that are prepared to make meaningful investment that would promote the retention and expansion of existing jobs.
- Attract new business and industry to the state to create well-paying jobs for Rhode Island's residents, and generate revenues for necessary state and local governmental services.

The Report's Key Findings:

- According to Taxation, total Rebuild RI tax incentives received in tax years 2019 to 2021 were $36,816,741 and the total TIF amounts were $2,741,207 for the same period.
- Data from Taxation indicated that two of the Rebuild RI recipients have also received TIF incentives in tax years 2019 to 2021.
- Nearly 80% of Rebuild RI tax credit program awardees were mixed and commercial projects and 87.5% of awardees of TIF agreements were commercial projects.
- Based on tax credit data provided by Taxation for total tax years 2019-2021, for each dollar of Rebuild RI received an additional $0.23 of other Rhode Island tax incentives were received. Similarly, for each dollar of TIF received, an additional $0.48 of other Rhode Island tax incentives were received.
- Based on the companies' agreements provided by CommerceRI, the total costs of the projects under both Rebuild RI and TIF programs was $888,390,825, of which $206,399,271 were soft costs and $681,991,554 were hard costs.
- The job creation requirement specified for Rebuild RI lacks clarity and the median wage of employees of many Rebuild RI recipients was found lower than the Department of Labor and Training industry-specific median wage in the year for which the tax credit was received.

[4] The governor's recommended budget proposes to extend this sunset date to December 31, 2025.

- The evaluation of the Rebuild RI and TIF programs was conducted using a combination of actual and projected data. Taxation provided actual data on Rebuild RI and TIF amounts received by companies during the time frame subject to this analysis. Similarly, CommerceRI provided projections for both tax incentives that are expected to be received by the companies during their commitment period.
- ORA conducted a combined "breakeven" analysis to estimate the minimum percentage of the net economic activity created by the Rebuild RI and TIF incentive beneficiaries that would have to be new to the Rhode Island economy, and thus, would not exist without these tax incentives, in order for the tax incentives to "pay" for themselves. This "breakeven" analysis considered the impact of the projects that utilized these tax incentives during the 2019 through 2021 time period, and also over the entire time frame that Rebuild RI tax credits and/or TIF payments would be received. ORA estimated these minimum percentages as follows:
    1. With respect to Rhode Island net general revenues, in the aggregate, the Rebuild RI tax credit and TIF incentive programs breaks even if at least 83.0% of the economic activity generated is attributable to the two tax incentives.
    2. With respect to Rhode Island Gross Domestic Product, in the aggregate, the Rebuild RI tax credit and TIF incentive programs break even if at least 8.3% of the economic activity generated by the incentive recipients is net new to the state economy and wouldn't exist without these tax incentives.
    3. With respect to Rhode Island total employment, in the aggregate, the Rebuild RI tax credit and TIF incentive programs break even if at least 6.8% of the economic activity generated by the incentive recipients is net new to the state economy and wouldn't exist without these tax incentives.
  - It should be noted that these breakeven results are heavily dependent on the projections data provided by CommerceRI and any change to this data will change the results.

<u>Overall Assessment and Recommendations</u>

ORA recommends that the Rebuild RI and TIF programs be retained at this time. ORA does recommend adjustments be made in accordance with the following recommendations:

- Applicants should not be allowed to use the same created jobs to fulfill New Qualified Jobs Act agreements and Rebuild RI agreements.
- Rebuild RI agreements should specify a level of job creation for the post-construction phase of commercial projects and should specify that those jobs be maintained throughout the commitment period and be paid at or above the median industry-specific wage.
- TIF projects should also set ongoing job and wage goals for completed projects.
- Annual reports for program participants should be more detailed, specifying the names and wage of employees, to facilitate economic analysis.

Foreword

The evaluation of the" Rebuild Rhode Island Tax Credit Act" and the "Rhode Island Tax Increment Financing Act of 2015" programs, *Tax Years 2019 through 2021*, was prepared at the request of Matthew McCabe, Chief of the Rhode Island Department of Revenue, Office of Revenue Analysis, in accordance with Rhode Island General Laws § 44-48.2-4. Madiha Zaffou, *Ph.D*., Deputy Chief in the Office of Revenue Analysis was project leader for the production and writing of this report, under the guidance of Mr. McCabe. Ms. Zaffou was assisted by Anoushka Mohnot, Economic & Policy Analyst in the Office of Revenue Analysis.

Much of the information needed to complete the analysis contained in this report was provided by the Rhode Island Department of Revenue, Division of Taxation, under the direction of Neena Savage, State Tax Administrator. The compilation of the data that was provided to the Office of Revenue Analysis was due to the tremendous efforts of Tracy Wunder, Data Analyst III in the Division of Taxation. Tracy was assisted in this task by Donna Dube, Chief Revenue Agent, Forms, Credits and Incentives.

In addition, the Office of Revenue Analysis would like to thank the Rhode Island Commerce Corporation (CommerceRI), under the direction of Elizabeth Tanner, Secretary of Commerce, for providing information pertaining to this tax incentive program.

The Office of Revenue Analysis is appreciative of the efforts made by the Division of Taxation and the Rhode Island Commerce Corporation to provide us with the best information available at the time this report was written.

Part I: Introduction

Pursuant to Rhode Island General Laws (R.I. Gen. Laws) § 44-48.2-4, titled *Rhode Island Economic Development Tax Incentives Evaluation Act of 2013,* the Chief of the Office of Revenue Analysis (ORA) is required to produce a report that contains analyses of economic development tax incentives as listed in R.I. Gen. Laws § 44-48.2-3(1). According to R.I. Gen. Laws § 44-48.2-4(1), the report "[s]hall be completed at least once between July 1, 2014, and June 30, 2017, and no less than once every three (3) years thereafter."

The additional analysis as required by R.I. Gen. Laws § 44-48.2-4(1) shall include, but not be limited to the following items as indicated in R.I. Gen. Laws § 44-48.2-5(a):

1) A baseline assessment of the tax incentive, including, if applicable, the number of aggregate jobs associated with the taxpayers receiving such tax incentive and the aggregate annual revenue that such taxpayers generate for the state through the direct taxes applied to them and through taxes applied to their employees.
2) The statutory and programmatic goals and intent of the tax incentive, if said goals and intentions are included in the incentive's enabling statute or legislation.
3) The number of taxpayers granted the tax incentive during the previous twelve-month (12) period.
4) The value of the tax incentive granted, and ultimately claimed, listed by the North American Industrial Classification System (NAICS) Code associated with the taxpayers receiving such benefit, if such NAICS Code is available.
5) An assessment and five-year (5) projection of the potential impact on the state's revenue stream from carry forwards allowed under such tax incentive.
6) An estimate of the economic impact of the tax incentive including, but not limited to:
    i. A cost-benefit comparison of the revenue forgone by allowing the tax incentive compared to tax revenue generated by the taxpayer receiving the credit, including direct taxes applied to them and taxes applied to their employees.
    ii. An estimate of the number of jobs that were the direct result of the incentive.
    iii. A statement by the Chief Executive Officer of the Commerce Corporation, as to whether, in his or her judgment, the statutory and programmatic goals of the tax benefit are being met, with obstacles to such goals identified, if possible.[5]
7) The estimated cost to the state to administer the tax incentive if such information is available.
8) An estimate of the extent to which benefits of the tax incentive remained in state or flowed outside the state, if such information is available.

[5] Public Law 2023 Chapter 294 § 7 and Chapter 295 § 7 removed the requirement for a statement from the CEO of the Commerce Corporation. ORA intends to voluntarily include these statements in this round of analysis and exclude them going forward.

9) In the case of economic development tax incentives where measuring the economic impact is significantly limited due to data constraints, whether any changes in statute would facilitate data collection in a way that would allow for better analysis.
10) Whether the effectiveness of the tax incentive could be determined more definitively if the General Assembly were to clarify or modify the tax incentive's goals and intended purpose.
11) A recommendation as to whether the tax incentive should be continued, modified, or terminated; the basis for such recommendation; and the expected impact of such recommendation on the state's economy.
12) The methodology and assumptions used in carrying out the assessments, projections and analyses required pursuant to subdivisions (1) through (8) of this section.

The current report is one part of a series of reports for each one of the tax incentives to be analyzed according to R.I. Gen. Laws § 44-48.2-3(1). This report concerns R.I. Gen. Laws § 42-64.20 entitled "Rebuild Rhode Island Tax Credit Act" (Rebuild RI) and R.I. Gen. Laws § 42-64.21 entitled "Rhode Island Tax Increment Financing Act" (TIF) and measures the economic impact of these tax incentives received during tax years 2019 through 2021 and also their long-term economic impact through tax year 2040 using the projected incentives amounts from CommerceRI. This analysis is performed at the micro level using information provided by Taxation and CommerceRI.

This report is divided into five sections. Section I provides a detailed description of the tax incentives and their statutory programmatic goals and intent. Section II presents some background regarding these tax incentives. Section III presents a description of the data provided and used in the analysis by ORA. Section IV assesses the economic impact generated under the Rebuild RI tax credit and TIF incentive programs. Section V discusses relevant policy recommendations that could help in the decision-making process as to whether the tax incentives should be continued, modified, or terminated.

1. Description of the Rebuild RI Program

The Rebuild RI tax credit program provides a tax credit against the business corporation tax (R.I. Gen. Laws Chapter 44-11), the public service corporation tax (R.I. Gen. Laws Chapter 44-13), the taxation of banks (R.I. Gen. Laws Chapter 44-14), the taxation of insurance companies (R.I. Gen. Laws Chapter 44-17), and/or the personal income tax (R.I. Gen. Laws Chapter 44-30) for eligible development projects that have a financing gap. The project cost must be at least $5,000,000 (except for a qualified development project[6] located in a Hope Community or redevelopment area

[6] According to R.I. Gen. Laws § 42-64.20-3(23), "Qualified development project" means "a specific construction project or improvement, including lands, buildings, improvements, real and personal property or any interest therein, including lands under water, riparian rights, space rights and air rights, acquired, owned, leased, developed or redeveloped, constructed, reconstructed, rehabilitated or improved, undertaken by a developer, owner or tenant, or both, within a specific geographic area, meeting the requirements of this chapter, as set forth in an application made to the commerce corporation."

designated under R.I. Gen. Laws § 45-32-4[7]), and the maximum credit is the lesser of 30% of the total project cost or the amount needed to close a project financing gap.

The program is primarily administered by the CommerceRI. To be eligible for this tax credit, an applicant must demonstrate the following:

- The applicant has committed a capital investment or owner equity of not less than 20% of the total project cost;
- There is a project financing gap in which the project is not likely to be accomplished by private enterprise without obtaining this tax credit;
- The project fulfills the following planning objectives and priorities:
    - a tax stabilization agreement will be obtained (at the discretion of CommerceRI) from the municipality in which the real estate project is located;
    - a *commercial development* should consist of at least 25,000 square feet of space, occupied by at least one business employing at least 25 full-time employees after construction;
    - a *multi-family residential development* in a new, adaptive reuse, certified historic structure, or recognized historical structure should consist of at least 20,000 square feet of space and have at least 20 residential units in a Hope Community[8];
    - a *mixed-use development* in a new, adaptive reuse, certified historic structure, or recognized historical structure should consist of at least 25,000 square feet of space occupied by at least one business.

Separate streamlined application processes are developed by CommerceRI for the issuance of Rebuild RI tax credits for qualified development projects that involve certified historic structures[9], recognized historical structures[10], at least one manufacturer, and affordable housing or workforce housing.

The credit allowed cannot reduce the tax due for any taxable year by more than 50% of the tax liability that would be payable and for corporations to no less than the minimum tax as set in R.I. Gen. Laws § 44-11-2(e).[11] The amount that exceeds the taxpayer's tax liability may be carried forward for credit against the taxes imposed for the succeeding four years, or until the full credit is used, whichever occurs first.

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[7] Under R.I. Gen. Laws § 45-32-4, a redevelopment area is an area, or areas, that are designated by the legislative body of a municipality.

[8] According to R.I. Gen. Laws § 42-64.20-3(14), "Hope community" means "a municipality for which the five-year average percentage of families with income below the federal poverty level exceeds the state five-year average percentage, both as most recently reported by the U.S. Department of Commerce, Bureau of the Census."

[9] According to R.I. Gen. Laws § 42-64.20-3(7), "Certified historic structure" means "a property located in the state of Rhode Island and is: (i) Listed individually on the national register of historic places; or (ii) Listed individually in the state register of historic places; or (iii) Located in a registered historic district and certified by either the Rhode Island Historical Preservation and Heritage Commission created pursuant to § 42-45-2 or the Secretary of the Interior as being of historic significance to the district."

[10] According to R.I. Gen. Laws § 42-64.20-3(24), "Recognized historical structure" means "a property located in the state of Rhode Island and commonly considered to be of historic or cultural significance as determined by the Commerce Corporation in consultation with the State Historic Preservation Officer."

[11] As of January 1, 2017, the minimum tax assessed on any filer subject to R.I. Gen. Laws § 44-11-2(e) is $400.

At the discretion of CommerceRI, projects which have been deemed eligible to receive Rebuild RI tax credits may be exempt from sales and use taxes imposed on furniture, fixtures and equipment, except automobiles, and materials, including construction materials and supplies to the extent they are utilized directly and exclusively on the project in question and are necessary to the project. The sales and use tax exemption is a rebate of sales and use tax paid by a developer upon application to and approval by Taxation.

In the 2016 Session, the General Assembly capped the Rebuild RI tax credit at $15,000,000 for any qualified development project, including projects completed in phases or as multiple projects. However, projects that would develop land or buildings on the "I-195 land"[12] as a separate qualified development project may be exempt from the maximum credit allowed of 30% of the total project cost if the maximum credit amount allowed is less than the amount needed to close a project funding gap. Additionally, the maximum aggregate credits authorized under this program were set at $150 million.

In the 2019 Session, the General Assembly required that any amounts awarded for any sales and use tax exemptions be incorporated under the established per project cap of $15 million. In addition, the General Assembly raised the maximum aggregate tax credits cap to $210 million, including the cost of any sales and use tax rebates paid to a project developer. The revised $210 million maximum aggregate tax credits cap excludes Rebuild RI tax credits issued for projects on the I-195 land. The project cap for a project on I-195 land was set at $25 million, also inclusive of any sales and use tax rebates received by a developer[13].

Effective January 1, 2023, construction projects that are higher than $10 million are required to pay all construction workers in accordance with the wages and benefits required pursuant to chapter 13 of title 37 ("prevailing wage") with all contractors and subcontractors required to file certified payrolls on a monthly basis for all work completed in the preceding month on a uniform form prescribed by the director of the Department of Labor and Training.[14] In addition, no Rebuild RI credits can be awarded unless CommerceRI receives confirmation from the Department of Labor and Training that there has been compliance with the prevailing wage requirements. The maximum aggregate cap was raised to $225 million excluding Rebuild RI tax credits issued for projects on the I-195 land.

Finally, Rebuild RI provides tax credits to qualified development projects for an eligibility period of five years. Credits may be assigned or sold, and the credit recipient may also request a refund of credits in whole or in part, for 90% of the credit amount. The sunset date was extended to December 31, 2024. An application form for this program is attached in Appendix A

[12] According to R.I. Gen. Laws § 42-64.24-3(6), "I-195 land" means "the surplus land within the City of Providence owned by the I-195 District Commission and any other property any portion of which abuts, is located across the street from, or is within five hundred feet of said surplus land."
[13] The cap was $25 million for the project for which the I-195 redevelopment district was authorized to enter into a purchase and sale agreement for parcels 42 and P4 on December 19, 2018.
[14] Public Law 2022 Chapter 271 § 1 and Chapter 272 § 1.

2. Statutory and Programmatic Goals and Intent of the Rebuild RI Program

According to R.I. Gen. Laws § 42-64.20-2, "the General Assembly finds and declares:

a) …that due to long-term and short-term stagnant or declining economic trends in Rhode Island, businesses in the state have found it difficult to make investments that would stimulate economic activity and create new jobs for the citizens of the state. Moreover, such economic trends have caused business closures or out-of-state business relocations, while other out-of-state businesses are deterred from relocating to this state. This situation has contributed to a high rate of unemployment in the state. Consequently, a need exists to promote the retention and expansion of existing jobs, stimulate the creation of new jobs, attract new business and industry to the state, and stimulate growth in real estate developments and/or businesses that are prepared to make meaningful investment and foster job creation in Rhode Island.

b) Through the establishment of a Rebuild Rhode Island Tax Credit program, Rhode Island can take steps to stimulate business development; retain and attract new business and industry to the state; create good-paying jobs for its residents; assist with business, commercial, and industrial real estate development; and generate revenues for necessary state and local governmental services."

3. Description of the TIF Program

The TIF program provides capital for a qualified development project by rebating a portion of the new state tax revenue generated by the project to the developer of the project. A qualified development project is defined as a "construction project or improvement, including lands, buildings, improvements, real and personal property or any interest therein, including lands under water, riparian rights, space rights and air rights, acquired, owned, leased, developed or redeveloped, constructed, reconstructed, rehabilitated or improved, undertaken by a developer, owner or tenant, or both, within a specific geographic area." For a geographic area to be considered as a TIF area, it should have the potential to generate, preserve or otherwise enhance jobs and housing units. In addition, the ability of the project to generate or preserve manufacturing jobs or promote a targeted industry,[15] as well as its location in a targeted area,[16] is factored into determining whether a qualified development project is a priority.

Under the TIF incentive, an eligible project must demonstrate a need through a financing gap.[17] CommerceRI's approval decision for a TIF applicant, according to R.I. Gen. Laws § 42-64.21-6(1), is based on the following conditions:

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[15] A detailed description of targeted industries is provided in Appendix B.

[16] According to R.I. Gen. Laws § 42-64.21-3(14), a targeted area is a "Location in a port or airport district; Location in an industrial or research park; Location in a transit oriented development area; Location in a Hope Community; Location in an area designated by a municipality as a redevelopment area; and Location in an area within land approved for closure under any federal commission on (military) base realignment and closure action."

[17] According to R.I. Gen. Laws § 42-64.21-3(8), a project financing gap means: "(i) The part of the total project cost that remains to be financed after all other sources of capital have been accounted for, including, but not limited to, developer-contributed capital, which shall be defined through rules and regulations promulgated by the commerce corporation; or (ii) The amount of funds that the state may invest in a project to gain a competitive advantage over a viable and comparable location in another state by means described in this chapter."

> "(i) The applicant has submitted a completed application as developed by the commerce corporation;
>
> (ii) The chief executive officer of the commerce corporation has provided written confirmation to the commerce corporation board (A) that the commerce corporation has reviewed the application and any determination regarding the potential impact of the project in relation to the programmatic goals; (B) identifying the boundaries of the TIF area, length of the TIF agreement and the percentage of incremental revenues to be allocated under the TIF agreement; and (C) that the Division of Taxation has provided certification of the revenue increment base.[18]
>
> (iii) That the secretary of commerce provides written confirmation to the commerce corporation board that the recommendation of the commerce corporation is consistent with the purposes of this chapter."

Once a project receives approval to participate in the TIF program, the project developer enters a TIF agreement with CommerceRI. The TIF agreement stipulates that the project developer agrees to do what is necessary for the development project in exchange for the financial benefits provided for in the TIF agreement.

Under the TIF program, the tax revenue rebate may not exceed 30% of total development project costs—with an exemption for public infrastructure and utilities—or 75% of the projected annual incremental revenues.[19] Taxation pays the developer incremental state revenues "directly realized from projects or businesses operating in the qualifying TIF area from the taxes assessed and collected under chapters 11, 13, 14, 17, 18, 19, and 30 of Title 44 of the general laws or realized from venue ticket sales or parking taxes that are established and levied under state law," according to the TIF agreement. In addition, some significant taxpayers can make payments in lieu of taxes (PILOTs) directly to an escrow account managed by CommerceRI for the benefit of the financing.

CommerceRI must "report to the governor, the speaker of the house, the president of the senate, the chairpersons of the house and senate finance committees, and the house and senate fiscal advisors the address and incentive amount of each agreement entered into during the previous state fiscal year" by the first day of each year starting January 1, 2017. In addition, CommerceRI must report on the economic impact of the TIF agreements to the state.

According to CommerceRI, certain projects that receive tax incentives through these programs, might include repayment and other taxpayer protection provisions. The program is set to sunset on December 31, 2024 and CommerceRI cannot enter into any agreement after this date.

[18] According to R.I. Gen. Laws § 42-64.21-3(11), "Revenue increment base" means the amounts of all eligible revenues from sources within the qualifying TIF area in the calendar year preceding the year in which the TIF agreement is executed, as certified by the division of taxation."

[19] According to R.I. Gen. Laws § 42-64.21-3(6), "Incremental" means "(i) net new revenue to the State of Rhode Island as defined by the commerce corporation, in consultation with the department of revenue as established in chapter 142 of title 42, or (ii) existing revenue at substantial risk of loss to the State of Rhode Island as defined by the commerce corporation in consultation with the department of revenue."

4. Statutory and Programmatic Goals and Intent of the TIF Program

The statutory and programmatic goals and intent of the TIF incentive are included in R.I. Gen. Laws § 42-64.21-2. Interestingly, except for the words "Rebuild Rhode Island Tax Credit," for which the words "tax increment financing" are substituted, the statutory and programmatic goals and intent of the TIF program are word-for-word the same as the statutory and programmatic goals and intent of the Rebuild RI tax credit. Given the identical objectives of the two programs, ORA decided it was best to analyze these programs simultaneously in order to fully capture their impact.

Part II: Benchmarking and Background

The benchmarking and background section provides information useful for understanding how the Rebuild RI Tax Credit Program and the TIF program function and the economic environment in which they operate. This section offers some information on the availability of similar tax incentives in neighboring states, as well as discussion of local economic factors that may be related to the programs. Where appropriate, this section provides data on Rhode Island, other New England states, and the United States. Data generally are compiled from public sources such as the U.S. Department of Labor, Bureau of Labor Statistics, U.S. Department of Commerce, Census Bureau, and the U.S. Department of Treasury, Internal Revenue Service.

Basis for Rebuild RI Program

The federal government offers the New Markets Tax Credit (NMTC) to attract private investment to distressed communities.[20] The program allows "individual and corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments in specialized financial intermediaries called Community Development Entities (CDEs)."[21] Investors get a tax credit equal to 39% of the original investment amount which is claimed over a seven-year period.[22]

The CDEs determine what projects get funded and use the Qualified Equity Investments (QEI)[23] to make a loan or equity investment in a project or business. The financing proceeds can be used for a variety of purposes and are often used to construct or rehabilitate real estate projects. These investments can help to bridge financing gaps and provide a cushion against cash flow obstacles as projects reach stabilized operation.

[20] A "distressed community" consists of contiguous census tracts where the individual poverty rate is at least 20% or where median family income does not exceed 80% of the area median.
[21] According to the St Louis Federal Reserve, a Community Development Entity (CDE) is any "domestic corporation or partnership that: (1) has a mission of serving, or providing investment capital for low-income communities or low-income persons; (2) maintains accountability to residents of low-income communities through its representation on a governing board of or advisory board to the entity; and (3) has been certified as a CDE by the" Community Development Financial Institutions (CDFI) Fund.
See https://center.stlouisfed.org/courses/common/glossary/glossary.htm@idproject=19.htm
[22] https://www.cdfifund.gov/programs-training/Programs/new-markets-tax-credit/Pages/default.aspx
[23] A Qualified Equity Investment (QEI) is the actual cash investment made by the investor to the Community Development Entity if: "(1) Such investment is acquired by the investor at its original issue (directly or through an underwriter) solely in exchange for cash; (2) Substantially all (at least 85%) of the cash is used by the CDE to make qualified low-income community investments; and (3) The investment is designated by the CDE as a QEI on its books and records using any reasonable method." https://www.irs.gov/pub/irs-utl/atgnmtc.pdf

Developers and business owners also benefit from more flexible financing. CDEs are required to offer financing with non-traditional or more flexible terms than conventional financing. As a result, borrowers benefit from below market interest rates and underwriting terms. Many CDEs will only fund transactions that either could not qualify for any conventional financing or could not qualify for enough conventional financing to cover the entire cost of the project.

The NMTC has facilitated millions of dollars in investment to distressed communities throughout the country. The table below provides the total number of qualifying projects receiving NMTC allocations, the aggregate amount of allocations, and the percentage of NMTC allocations invested in urban areas, for each New England state.

New Markets Tax Credit Impact on New England States
(2001-2021)

State	Total NMTC Projects Reported	Total NMTC Amount (Millions)	Projected NMTC Amount (Millions)	NMTC Allocation Invested in Urban Areas (%)
Connecticut	35	$451	$937	91.4
Massachusetts	301	$2,314	$3,247	100.0
Maine	41	$468	$1,058	48.8
New Hampshire	23	$295	$529	17.4
Rhode Island	71	$474	$820	100.0
Vermont	26	$298	$322	50.0
Average	**83**	**$717**	**$1,152**	**67.9**

Source: U.S. Department of the Treasury, Community Development Financial Institutions Fund, accessed at https://www.cdfifund.gov/programs-training/programs/new-markets-tax-credit

Note:
The data above display aggregated state-level information about projects receiving New Markets Tax Credits (NMTCs) from the Community Development Financial Institutions (CDFI) Fund from 2001 to 2021.

CDEs exchanged NMTCs for private investments in 497 qualifying projects located in New England between 2001 and 2021. Nearly 68% of the projects receiving NMTC investments are in urban census tracts, on average. Rhode Island has the second highest number of NMTC projects and the second highest total amount of NMTCs issued in New England. Rhode Island leads New England in the percentage of NMTC allocation that is invested in urban areas at 100%.

In the same vein as the federal program, the Rebuild RI Tax Credit program is part of an effort to stimulate new investment and economic growth through tax incentives. The Rebuild RI program helps developers fill financing gaps for commercial, residential, or mixed-use projects that are not likely to be accomplished by private enterprise alone. While the Rebuild RI program does not specifically target distressed communities, the bar to qualify for the tax credit is lower for projects located in a Hope Community or a redevelopment area designated as such in accordance with R.I. Gen. Laws § 45-32-4.

In addition to federal incentives, ORA investigated the availability of tax incentive programs like the Rebuild RI program in neighboring states. Connecticut, Maine, and Massachusetts offer some type of tax credit to incentivize real estate development. While some of these programs target specific industries or communities or have specific job creation criteria to qualify for the tax credit, comparison to the Rhode Island incentive program is still useful and informative. The following table contains the name of the tax incentive of the selected comparison program in each state, a legal citation, a brief description of credit features, as well as information on any identified credit cap and carryforward provisions.

Rebuild RI Tax Credit Program in Rhode Island and Selected Comparison States

	Rhode Island	Connecticut	Maine	Massachusetts
Credit Name	Rebuild Rhode Island Tax Credit Act	Urban and Industrial Site Reinvestment Tax Credit	New Markets Capital Investment Credit	Community Investment Tax Credit
Statutory Reference	R.I. Gen. Laws Ch. 42-64.20	Conn. Gen. Stat. § 32-9t	Me. Rev. Stat. Ann tit. 36, § 5219-HH	Mass. Gen. Laws Chs. 62, §6M and 63, § 38EE
Credit Features	Qualified development projects may receive a tax credit of up to 20%, and in some cases 30%, of the project cost allowable in up to five annual increments. Certain qualified projects may also be exempt from sales and use taxes imposed on the purchase of certain materials used directly in the project.	A tax credit is available for investments in eligible industrial site investment projects or eligible urban reinvestment projects. The tax credit is redeemable at an amount equal to a percentage of the approved investments in accordance with a set schedule over ten years.	This credit mirrors the federal New Markets Tax Credit and allows investors to receive a state tax credit on equity investments they make in Community Development Entities. Eligible tax credit recipients may receive refundable state income tax credits of up to 39% of their eligible investment, which may be taken in increments over seven years.	This is a refundable credit that provides a tax credit equal to 50% of the total qualified investments against state tax liability for those who invest in a community development corporation's community investment plan, which invest in economic opportunities for low- and moderate-income households.
Cap	The lesser of $15,000,000; 30% of the total project cost; or the amount needed to close a project financing gap.	The sum of all tax credits granted shall not exceed $100,000,000 with respect to a single eligible project approved by the commissioner. The sum of all tax credits granted shall not exceed $950,000,000.	Up to $500,000 or the total amount of tax liability otherwise due	No tax credit shall be allowed to a taxpayer that makes a qualified investment of less than $1,000. The total value of the tax credits authorized in this section, together with those authorized in section 6M of chapter 62, shall not exceed $6,000,000 in each of taxable years 2015 to 2018.
Carryforward	Up to 4 years	Up to 5 years	Up to 7 years	Up to 5 years
Source	http://webserver.rilin.state.ri.us/Statutes/TITLE42/42-64.20/42-64.20-5.HTM	https://www.cga.ct.gov/current/pub/chap_578.htm#sec_32-9t	https://legislature.maine.gov/statutes/36/title36sec5219-HH.html	https://malegislature.gov/Laws/GeneralLaws/PartI/TitleIX/Chapter63/Section38ee

Note: Credit characteristics reflects current policy as identified by ORA in January 2024. This table presents a single comparison credit program for each comparison state determined by ORA to be most like the Rebuild RI Tax Credit program.

Tax credits can sometimes mean the difference between a well-funded real estate project and one that can't get off the ground. Under the right conditions, they can generate the equity needed to bridge a gap in financing and bring desirable development to a community. The programs described in the above table demonstrate these states' attempts to entice private investment and spur economic growth through tax incentives. These tax credits can help to offset the heightened risk of, or lower returns from, investing in low-income or otherwise underserved areas, thus encouraging private financiers to develop neighborhoods ordinarily overlooked by traditional market forces.[24]

Businesses move to new locations for a variety of reasons including but not limited to the need for more space, facility modernization, access to a better skilled and available workforce, less costly operating costs, and business-friendly environments.[25] As businesses consider relocation, economic incentives weigh into their decision. These incentives can help to offset the initial capital outlay of a businesses' investment in a new facility as well as the ongoing costs for operating a facility. Further, more vibrant communities can drive improved real estate fundamentals, creating new investment opportunities.[26]

State investment through programs such as the Rebuild RI program become especially important as we start to see indicators of slower growth, and in turn, a softer real estate market. During a slowdown it may become increasingly difficult for developers to demonstrate project viability to lenders and investors. The Rebuild RI program can help developers close financing gaps in order to finish projects in the state that may otherwise not happen, or would happen on a smaller scale, without state support.

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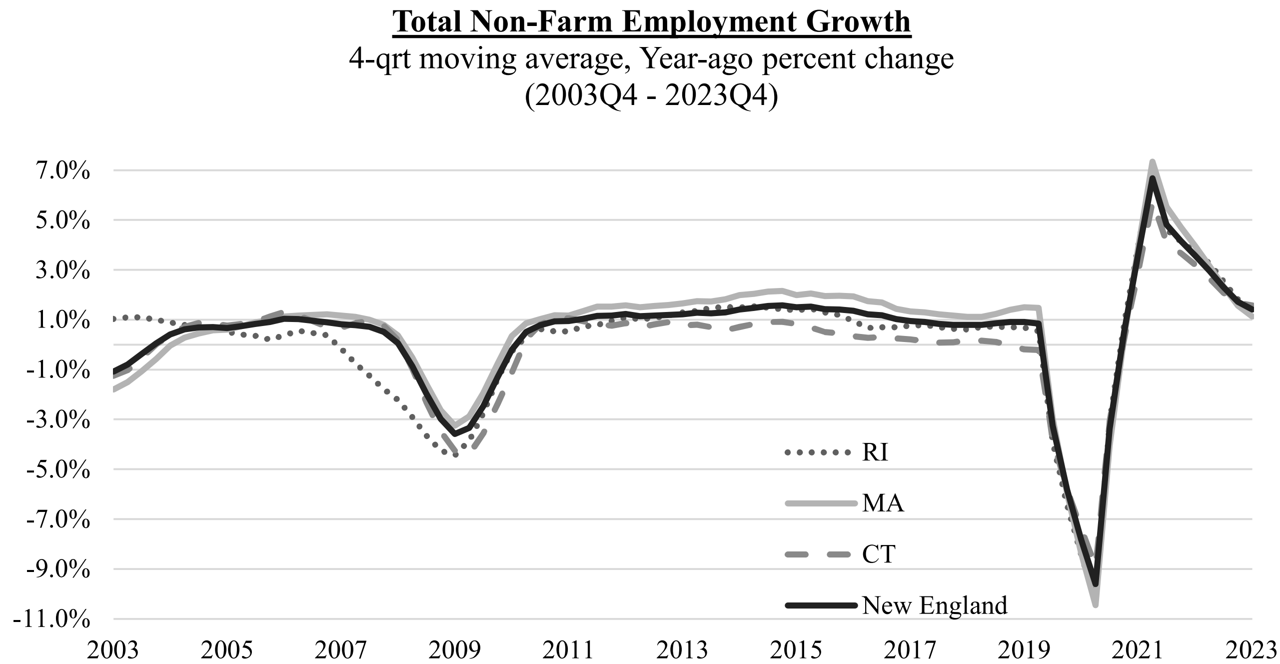
[24] Hula, R.C. and Jordan, M.P. (2018), Private Investment and Public Redevelopment: The Case of New Markets Tax Credits. Poverty & Public Policy, 10: 11-38. doi:10.1002/pop4.204
[25] *Economic Incentives Influence Commercial Real Estate Decisions*. Wolf Commercial Real Estate. September 2018. https://wolfcre.com/economic-incentives-influence-commercial-real-estate-decisions/
[26] https://www.cbre.us/research-and-reports/opportunity-zones/opportunity-zones-guide



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics, as of April 2024

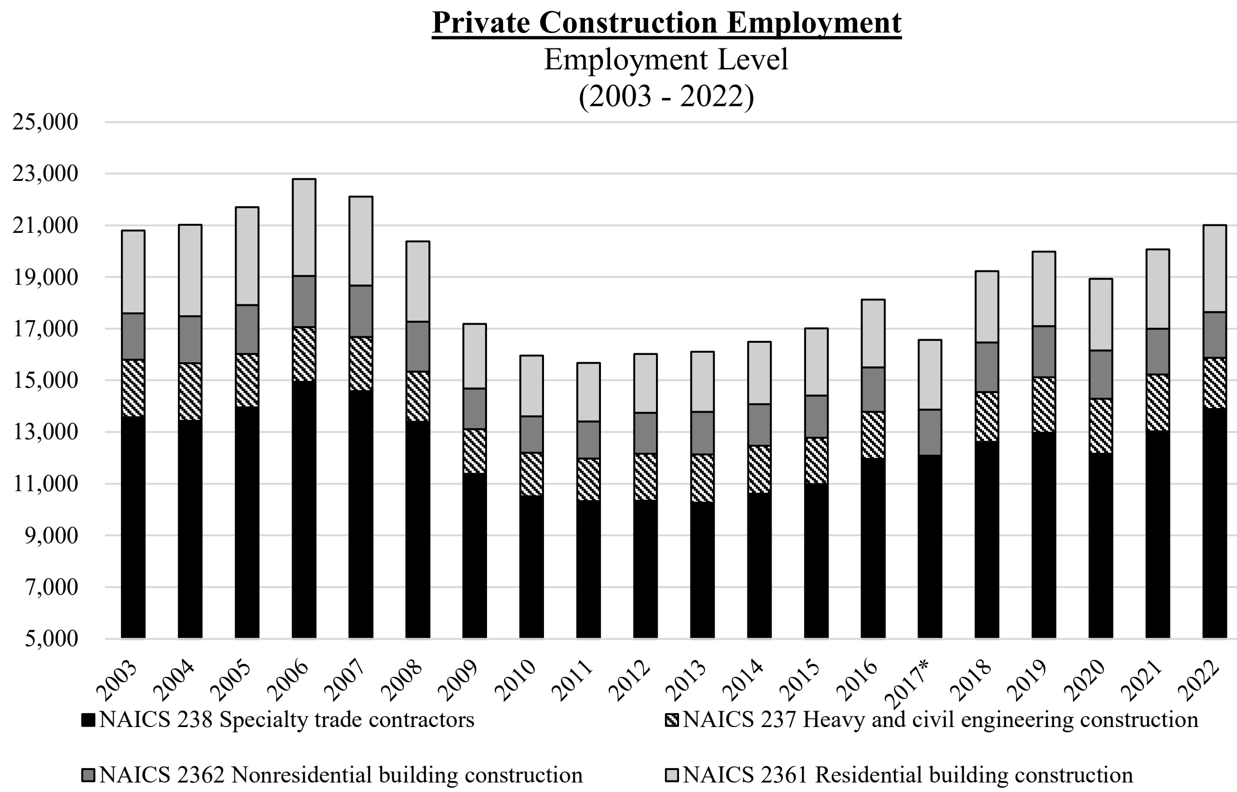
Over most of the last ten years, Rhode Island employment growth has underperformed regional peers such as Massachusetts. Nevertheless, the Ocean State has enjoyed several years of solid employment growth tracking closely to the regional pace, and at times exceeding peers such as Connecticut. Rhode Island experienced steady job gains between mid-2010 and the end of 2019, during which time year-over-year job growth averaged 1.0%. The Rebuild RI tax credit program was enacted in 2015 in part to address "long-term and short-term stagnant or declining economic trends in Rhode Island" that have made it difficult for businesses in the state "to make investments that would stimulate economic activity and create new jobs for the citizens of the state."[27]

Rhode Island experienced record-breaking employment in February 2020 with the highest job count on record as of that point. But, in March of 2020, the COVID-19 pandemic caused many businesses to shut down or limit in-person activity causing the large negative changes in employment in the chart above. The state regained the jobs lost during the pandemic by the end of 2022.

The construction industry is one that can be heavily impacted by programs like Rebuild RI and TIF. Construction employment was still striving to make up for losses suffered between 2006 and 2011. In 2019, total construction employment—which consists of construction of buildings, heavy and civil engineering construction, and specialty trade contractors—was 12.4% below its 2006 peak. This decline was largely driven by employment in construction of buildings, which was 15.4% below its 2006 high, and closely related specialty trade contractors, which was 13.2% below its peak. Specialty trade contractors include framing, masonry, and roofing contractors, among

[27] R.I. Gen. Laws § 42-64.20-2(a)

others, who also work on building construction. Heavy and civil engineering construction is the only construction sub-sector where employment was higher in 2019 than 2006, showing a 1.9% increase.



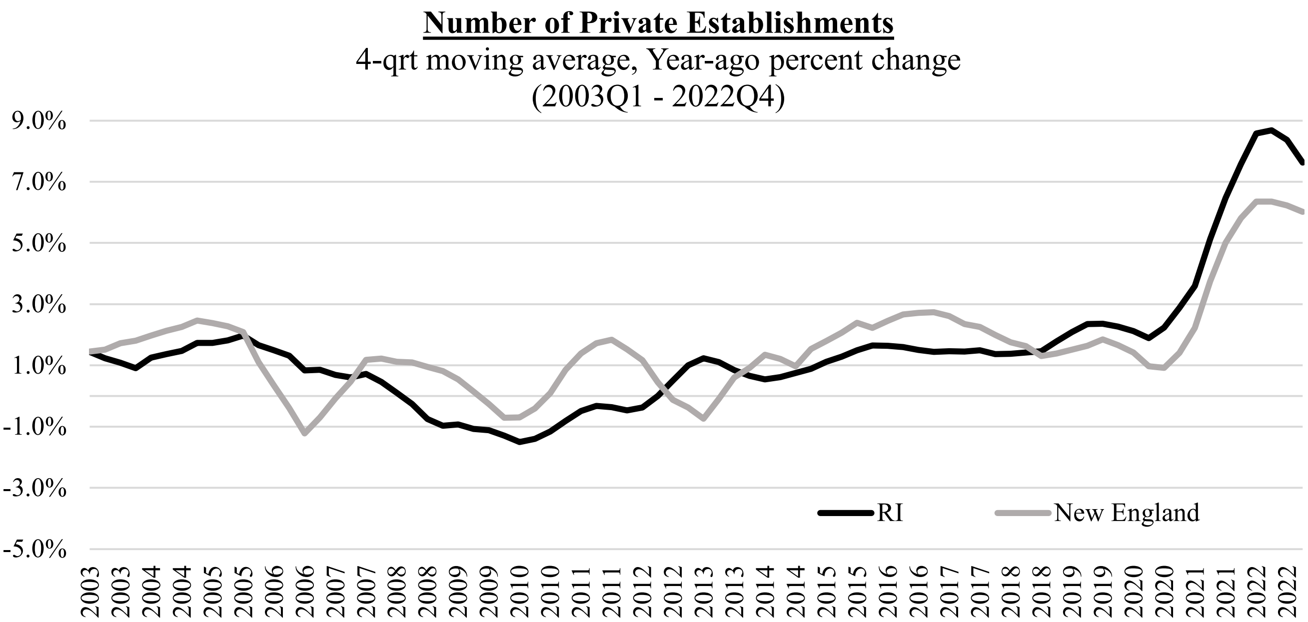
Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, as of April 2024
Note: * 2017 data for heavy and civil engineering construction is not disclosable as the data do not meet BLS or State agency disclosure standards..

The housing crash during the Great Recession has had ongoing consequences, constraining recovery in building construction. In 2019, employment in residential building construction remained 23.0% below its 2006 level while employment in nonresidential building construction was 1.0% below its 2006 level. In addition, construction costs are rising nationally; at the beginning of 2020, the Producer Price Index (PPI) for final demand construction, which tracks price changes for new construction and maintenance and repair construction sold to final demand, indicated costs have risen 29.3% from their 2010 level.[28] By comparison, the producer price index (PPI) for overall final demand increased 17.8% over the same period.[29]

Just like the rest of the country, the 2020 pandemic had a significant impact on construction activities in Rhode Island. The rising construction costs and other challenges such as interrupted supply chains and labor shortages may have discouraged some developers from investing in Rhode Island over the last several years. This resulted in an employment decline in each one of the four

[28] U.S. Bureau of Labor Statistics, PPI Commodity data for Final demand construction, seasonally adjusted
[29] U.S. Bureau of Labor Statistics, PPI Commodity data for Final demand, seasonally adjusted

subsectors described in the chart below. However, in 2021, the state's economy started returning to its pre-pandemic level and resuming work on construction-related projects. This trend continued in 2022 where the total construction employment was the highest since 2007.



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW), as of April 2024

Growth in the number of private establishments is a good indication of entrepreneurship and investment. Gains in private establishments in Rhode Island lagged the regional average over most of the last 15 years but in the last two years establishment growth has pulled ahead of the New England average.

Basis for TIF Program

The TIF program provides a flexible way for local governments to promote local economic development. Every U.S. state except for Arizona has tax increment financing type statutes, with various rules, regulations and limitations specific to each state.[30]

What is TIF?

TIF statutes center around a "TIF district," or a geographic area designated by the local government as a target for redevelopment. State laws define the criteria for creating a TIF district. Local governments use TIF for many different purposes, including attracting new business, promoting downtown redevelopment, aiding blighted areas, relieving fiscal distress, providing off-budget

[30] https://www.cdfa.net/cdfa/cdfaweb.nsf/resourcecenters/tif.html

financing to avoid political opposition, capturing tax revenues from overlapping jurisdictions, and retaining or expanding existing businesses.[31]

TIF is favored by many local governments because it is considered a "self-financing" way to pay for economic development projects. When tax increment finance is available, local governments do not have to impose new taxes to fund development projects. Instead, these projects are financed with the new tax revenues generated by development.[32] Municipalities can also issue bonds backed by the expected TIF revenue. In this case local governments use the proceeds from the sale of TIF bonds in the municipal securities market to finance development projects and the TIF proceeds are used to pay back the bonds. In most states, tax increment bonds are not subject to municipal debt limits or public referendum requirements like traditional general obligation bonds. This means local governments have much more discretion to sell TIF securities than they do general obligation securities, and it gives them more debt capacity to finance infrastructure improvements.[33] Developers benefit from the sale of TIF bonds because lower interest rates and more generous repayment terms in the municipal securities market means the cost of borrowing is lower than if the developer had to get financing from a bank or capital markets. This debt is then repaid primarily with the incremental tax revenues derived from the taxes levied within the TIF district.[34] The incremental revenue is not a new tax, but rather a reallocation of a portion of the tax revenues. When the TIF agreement ends, the incremental revenue reverts to the typical taxing districts.

Typically, when a TIF district is established, the "base" amount of tax revenue generated in the fixed geographic area is recorded and used as the status quo before improvements. If development goals are successful, property values and economic activity rise, leading to an increase in tax receipts above the base. The base amount of tax revenue (the level before redevelopment investments) continues to fund local services while the increase in tax revenue is used to repay debt and reimburse investors.[35] The incremental increase in property, sales, or other types of taxes in the district can be either captured by the district as revenue or used to fund development, depending on individual state laws and the TIF agreement.

The chart below depicts how taxes generated in a TIF district are allocated before the TIF agreement is created, through the duration of the TIF agreement, and after the TIF agreement has been terminated.

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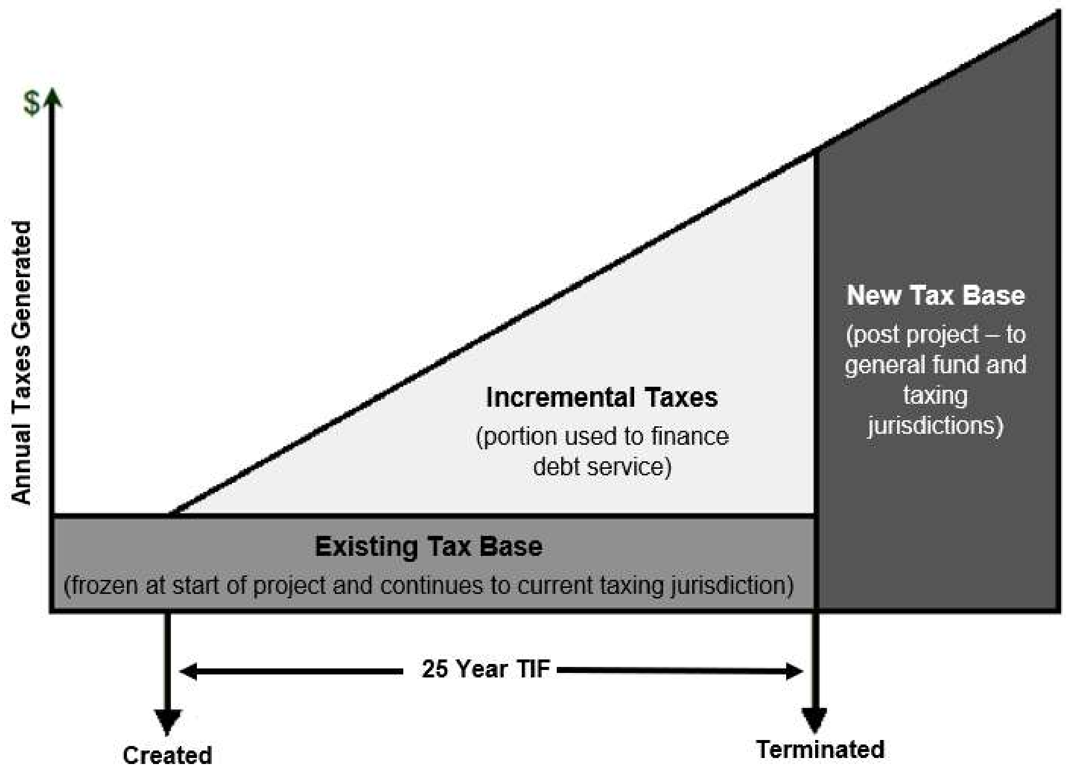
[31] Natalia Ermasova and Amanda George. *Tax Increment Financing: Learning from research and municipal "best practice."* Issue Brief. Illinois Municipal Policy Journal, 2017, Vol. 2, No. 1, 135-145.
[32] *Tax Increment Financing (TIF)*. National Association of Realtors. November 2002. http://www.growsmartri.org/training/TIF%20Report%20by%20Robinson%20and%20Cole.pdf
[33] *Tax Increment Financing (TIF)*. National Association of Realtors. November 2002. http://www.growsmartri.org/training/TIF%20Report%20by%20Robinson%20and%20Cole.pdf
[34] *Tax Increment Financing (TIF)*. National Association of Realtors. November 2002. http://www.growsmartri.org/training/TIF%20Report%20by%20Robinson%20and%20Cole.pdf
[35] *Tax Increment Financing: The Basics*. The National Housing Conference. https://www.nhc.org/policy-guide/tax-increment-financing-the-basics/

Basic TIF Model



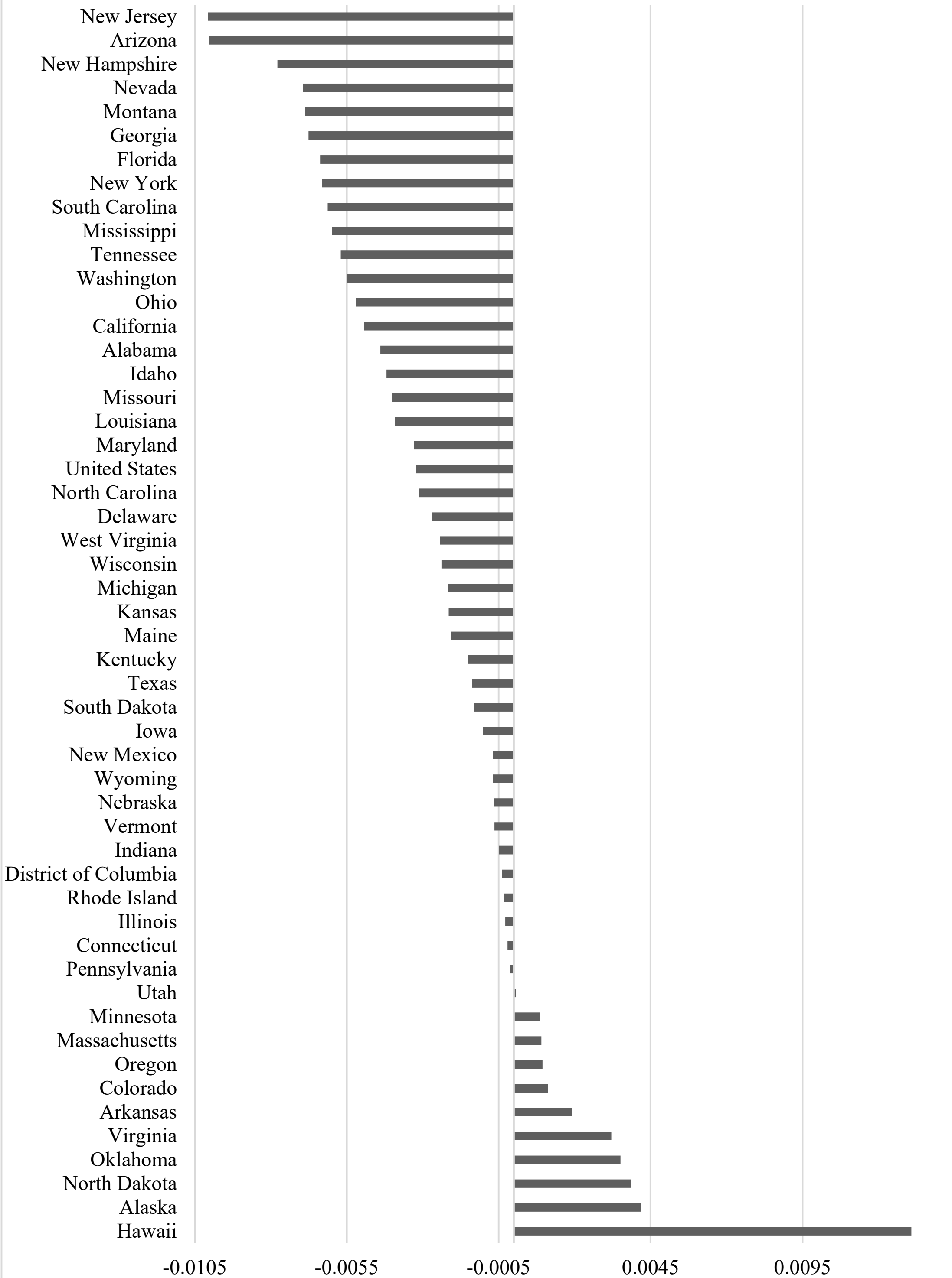
Source: Tax Increment Finance Best Practices Reference Guide. Council of Development Finance Agencies and International Council of Shopping Centers

The Rationale for TIF

As can be seen in the table below, state and local capital spending as a share of GDP fell throughout the country between 2006 and 2021. Nationally, state and local infrastructure spending as a share of GDP declined by one-third of a percentage point over this 15-year period. The decline in New England was 0.17 percentage points on average across the six states, with the largest drop in New Hampshire, showing a decrease of 0.78 percentage points. Massachusetts was the only state in New England to boast an increase in capital spending as a share of GDP between 2006 and 2021; although the increase was miniscule at 0.02 percentage points. Capital spending as a share of GDP in Rhode Island fell 0.03 percentage points, declining less than the regional average.

Capital Spending by State

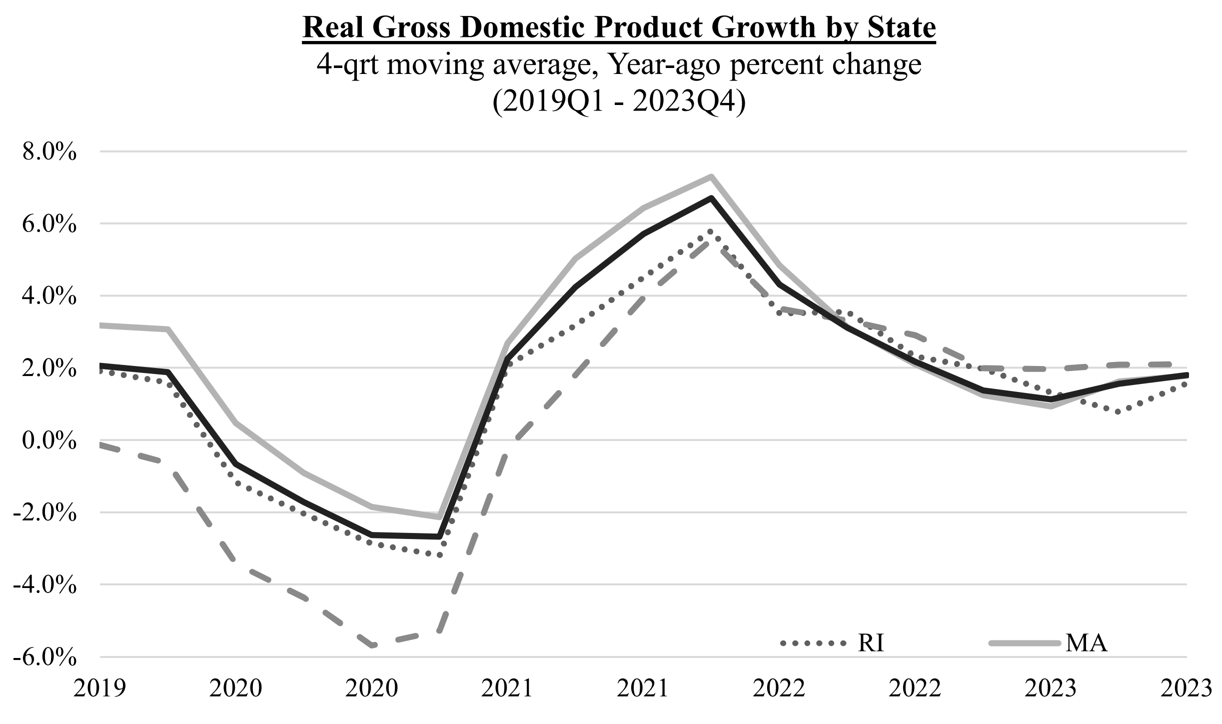
Percentage-point change in state and local infrasturcture spending as a share of GDP (2006 to 2021)



Note: Census Bureau data on capital spending include the costs of construction and the purchase of buildings, equipment, and land and of major alterations.

Source: U.S. Census Bureau (spending data); U.S. Bureau of Economic Analysis (GDP data), as of April 2024

With relative declines in public capital outlays to support the maintenance and construction of infrastructure, private/public partnerships have become increasingly utilized. TIF has been one tool employed by local governments to promote desirable development since it does not require large upfront expenditures. This can be especially helpful in areas that face slow or declining economic growth, which constrains tax revenues and makes large infrastructure projects more difficult. New England has a more mature economy compared to the South and West and thus tends to expand more slowly. Weaker economic growth can make it difficult for many New England states to finance large capital projects to update and maintain aging infrastructure. The recent slowdown in GDP growth, seen in the chart below, will further constrain government revenues and stymie public investment in many areas.



Source: U.S. Bureau of Economic Analysis, as of April 2024

As state and local government grapples with how to overcome weaker near-term economic growth and constrained tax revenues, programs such as tax increment financing, if designed correctly, can help to spur desirable development in struggling areas without large budgetary impacts.

Is TIF Effective?

Research on the effectiveness of tax increment financing is mixed. When used improperly, tax increment financing arrangements can shift economic activity and tax revenue from one location to another without creating net new growth, circumvent debt limits, or shift operating spending off budget. TIF projects can also increase the demand for city services but, due to the reallocation of new revenue under a TIF agreement, the ability of local governments and schools to fund those services with the base tax revenue is constrained. Additionally, cost overruns or revenue shortfalls can jeopardize a TIF project's financial feasibility and necessitate additional public subsidies.[36]

At the same time, supporters of TIF argue that public support of development sparks private investment in the area by improving real estate fundamentals and creating new investment opportunities. New interest in an area, fueled by public support, can help to usher in an era of sustained growth to a previously distressed community. Additionally, TIF offers a way to finance improvements to aging infrastructure without substantial upfront budgetary outlays.[37] With declining federal and state resources aimed at economic development, it has become increasingly important for local communities to find creative ways to facilitate investments. While California pioneered the first TIF program in 1952, it was not until the 1980s and 1990s, following the scaling back of federal funding for economic development, that the use of TIF became increasingly popular. During this time, many states adopted TIF programs and those that had them already significantly loosened restrictions on their use.[38]

TIF Provisions in the New England States

ORA investigated the TIF statutes available in New England states. The following table contains the name of the tax incentive of the selected comparison program in each state, a legal citation, a brief description of TIF features, as well as information on any identified incentive cap and carryforward provisions.

[36] *Tax Increment Financing: A Primer*. Citizens Budget Commission. December 2017. https://cbcny.org/research/tax-increment-financing-primer

[37] *An Examination of the State of Vermont Tax Increment Financing Program*. Vermont Legislative Joint Fiscal Office. January 2018. https://ljfo.vermont.gov/assets/docs/reports/79f1f110da/Final-TIF-Report-January-24-2018.pdf

[38] *An Examination of the State of Vermont Tax Increment Financing Program*. Vermont Legislative Joint Fiscal Office. January 2018. https://ljfo.vermont.gov/assets/docs/reports/79f1f110da/Final-TIF-Report-January-24-2018.pdf

Tax Increment Financing in Rhode Island and Selected Comparison States

	Rhode Island	Connecticut	Maine	Massachusetts	New Hampshire	Vermont
Incentive Name	Tax Increment Financing Act	Tax Incremental Financing Program	Tax Increment Financing	Tax Increment Financing Plan	Municipal Economic Development and Revitalization Districts	Statewide Tax Increment Financing
Statutory Reference	R.I. Gen. Laws Chapter 42-64.21	Conn. Gen. Stat. §32-285	Me. Rev. Stat. Ann tit. 30-A, §5227	Mass. Gen. Laws ch. 40, §59	NH Rev Stat § 162-K	24 V.S.A. chapter 053 §1891-1901
Incentive Features	Eligible projects can receive capital through a rebate of a portion of the new state tax revenue generated by the project.	A municipality can issue debt to finance self-sustaining significant economic projects. The tax increments generated from the increase in hotel, sales, cabaret, admissions and dues taxes can be retained to repay debt service on the municipal TIF bond.	A municipality or plantation may retain all or part of the tax increment revenues generated from the increased assessed value of a tax increment financing district for the purpose of financing the development program.	Any city or town may adopt and execute a tax increment financing agreement authorizing tax increment exemptions from property taxes for a specified term for any parcel of real property included in a TIF agreement	A municipality may adopt a tax increment financing plan for any TIF district development, allocating the use of tax increments for retirement of bonds and notes, operation, maintenance and improvements in the district and for general municipal purposes.	Municipalities with an active TIF district can use tax increment financing to fund improvements for public infrastructure. In each year for which the assessed valuation exceeds the original taxable value, the municipality shall retain that portion of all taxes paid that year on the real property in the district and use it for financing and related costs of improvements.
Cap	The tax revenue rebate may not exceed 30% of total project costs or 75% of incremental revenue generated.	Any agreed upon portion of the new taxes may be retained.	Any portion of the new taxes may be used to finance public or private projects for a defined period.	The tax increment exemptions may not exceed 100% and the term shall not exceed 20 years.	The captured assessed value may be used for retirement of bonds and notes or the operation and further development of the tax increment financing district. The remaining portion is returned to the tax lists.	Of the increased property tax revenue, up to 70% is retained by the municipality to finance infrastructure debt. A minimum of 30% of the increased revenue is sent to the Education Fund.
Carryforward	None	None	None	None	None	None
Source:	http://webserver.rilin.state.ri.us/Statutes/TITLE42/42-64.21/INDEX.HTM	https://www.cga.ct.gov/current/pub/chap_588n.htm#sec_32-285	https://legislature.maine.gov/statutes/30-A/title30-Asec5227.html	https://malegislature.gov/laws/generallaws/parti/titlevii/chapter40/section59	http://www.gencourt.state.nh.us/rsa/html/XII/162-K/162-K-mrg.htm	https://legislature.vermont.gov/statutes/chapter/24/053

Note: Incentive characteristics reflects current policy as identified by ORA in January 2024. This table presents a single comparison incentive program for each comparison state determined by ORA to be most like the Rhode Island TIF.

The TIF programs in the table above aim to increase financing for projects that will help to boost economic activity in the state and revitalize communities. However, they each have unique features that differentiate them. Every New England state has a TIF program centered around a designated geographic area and/or eligible project, but definitions of both vary from state to state. In Rhode Island, the basis of TIF eligibility is twofold. First, there must be a qualified development project, meaning a specific construction project or improvement within a specific geographic area. Second, the geographic area must be a qualifying TIF area, which is defined as an area containing a qualified development project identified by the CommerceRI as a priority because of its potential to generate, preserve or otherwise enhance jobs or its potential to produce, preserve or otherwise enhance housing units. Massachusetts describes TIF-eligible areas and TIF eligible projects similarly. In contrast, Connecticut's statute does not define the geographic area, only eligible projects and Vermont's statute only defines a TIF district. Maine does not define TIF-eligible projects, instead focusing on a development program for a tax increment financing district.

TIF-eligible projects receive some amount of incremental revenues, usually agreed upon in a TIF agreement. Rhode Island and Vermont cap the portion of incremental revenues that may be redirected to TIF eligible projects in their TIF statutes, and the Vermont statute further states that at least 30% of the increased revenue must be sent to the education fund. In contrast, statues in Connecticut, Maine and Massachusetts do not set a cap for the share of incremental revenues that may be redirected, except for Massachusetts noting that tax increment exemptions may not exceed 100% of received incremental revenue. The source of funding is also different for most states, with each state designating specific tax types as eligible incremental taxes that may be used to finance TIF projects. In Rhode Island, eligible incremental taxes include business taxes, sales and use taxes and personal income taxes generated by the project. Connecticut designates hotel taxes, sales taxes, and admissions, cabaret, and dues taxes generated as eligible incremental taxes, and Maine, Massachusetts, New Hampshire, and Vermont restrict eligible incremental taxes to property taxes.

Part III: Report Data Description

The analysis of the Rebuild RI and TIF programs in this report required an analysis of micro-level taxpayer data. To gain access to data while respecting confidentiality concerns, ORA entered into Memoranda of Understanding (MOU) with the Rhode Island Department of Revenue, Division of Taxation (Taxation), Rhode Island Department of Labor and Training (DLT), and Rhode Island Commerce Corporation (CommerceRI). These MOUs sought to preserve the confidentiality of individually identifiable taxpayers consistent with the statutory mandates regarding secrecy and confidentiality of taxpayer information. In this context, ORA relied on data provided by Taxation and CommerceRI, as required by Rhode Island General Law § 44-48.2-5(b). The data provided to ORA consisted of the following:

- Actual amounts of tax incentives used by recipients provided by Taxation for tax years 2019 through 2021.
- Projected amounts of tax incentives as provided by CommerceRI testimony during the November 2023 Revenue Estimating Conference (REC).

- Specific data on the projects contained in the tax incentives applications, agreements and certifications as provided by CommerceRI.
- Withholding tax payment records on file provided by Taxation in each tax year subject to the current analysis.
- Cost of administration of the tax incentives.

ORA made no attempt to verify the accuracy of the data provided and made minimal corrections to the data in order to be able to execute specific calculations for the report. The data included in this report are unaudited and reported as compiled.

The focus of this report is on the period encompassing tax years 2019 through 2021. Some tables include additional data outside this period when additional years of data were available and where ORA determined these additional data to be informative, timely, and reliable.

1. Number of Taxpayers Granted Tax Incentive

The following table provides a description of the number of recipients of the Rebuild RI tax credit program and the corresponding tax benefit amounts received in each tax year broken down by the type of benefit:

Rebuild RI
Amounts and Number of Recipients
(Tax Years 2019 – 2021)

	2019	2020	2021	Total	Average
Sales and Use Tax Exemption					
Dollars	$1,274,788	$4,011,150	$3,364,128	$8,650,066	$2,883,355
Tax Credit & Refund Redemptions					
Dollars	$4,890,097	$10,608,352	$12,668,226	$28,166,675	$9,388,892
Total					
Count *	<10	15	20	ND	ND
Dollars	$6,164,885	$14,619,502	$16,032,354	$36,816,741	$12,272,247

Source: Taxation
Note:
* ND: Not disclosed due to taxpayers confidentiality.
* Counts represent distinct number of companies that earned the tax incentive that was used in the reporting period.

According to Taxation, less than 10 companies received a tax incentive under the TIF in an average tax year 2019-2021 with an average value of $913,735. It should be noted that two TIF recipients have also received Rebuild RI incentive in the same time frame. The following table provides a description of the number of recipients of the TIF program and the corresponding tax benefit amounts received in each tax year.

TIF
Amounts and Number of Recipients
(Tax Years 2019 – 2021)

	2019	2020	2021	Total	Average
Sales and Use Tax					
Dollars	$481,652	$523,290	$1,379,789	$2,384,731	$794,910
Hotel Tax					
Dollars	$79,334	$80,534	$196,608	$356,476	$118,825
Total					
Count *	< 10	< 10	< 10	ND	< 10
Dollars	$560,986	$603,824	$1,576,397	$2,741,207	$913,735

Source: Taxation
Note:
* ND: Not disclosed due to taxpayers confidentiality.
* Counts represent distinct number of companies that earned the tax incentive that was used in the reporting period.

Given that both the Rebuild RI TIF tax incentives provide funding to projects over an extended period of time (even though the project itself is constructed and put in service upfront), ORA has modified its approach to estimating the break-even points for the three metrics for which it provides analytics: net general revenues, Rhode Island total employment, and Rhode Island Gross Domestic Product (GDP). To model the intertemporal aspects of these two programs, ORA used projected amounts of tax credits and incentives for the two programs provided by CommerceRI during the November 2023 Revenue Estimating Conference (REC) in addition to the actual tax incentive usage data displayed in the tables above. These tax credit and incentive amounts were allocated through tax year 2040 in the Regional Economic Models, Incorporated (REMI)[39] model to reflect the ongoing tax benefits of these agreements. ORA only included future incentive amounts for projects that received incentives in tax years 2019 through 2021[40].

2. Value of Tax Incentive Granted by NAICS Code

During tax years 2019 through 2021, the average amount of the Rebuild RI tax credit was $12,272,247. ORA matched each recipient firm to its corresponding industry code according to the North American Industry Classification System (NAICS). The following table depicts the average amount of the Rebuild RI tax incentive received by firms in each industry during tax years 2019 through 2021 broken down by benefit type:

[39] The Regional Economic Models, Incorporated (REMI) model is a dynamic forecasting and policy analysis tool that projects the future of a regional economy and predicts the effects on an economy when the user implements a change.
[40] According to the November 2023 REC, 51 projects were awarded Rebuild RI tax credits and eight projects were awarded TIF incentives.

Rebuild RI
Amounts by Industry
(Average Tax Years 2019 – 2021)

NAICS Code	Industry	Sales and Use Tax Exemption	Tax Credit	Combined
721	Accommodation	$254,079	$141,687	$395,766
311	Food manufacturing	$462,724	$275,393	$738,117
54	Professional, scientific, and technical services	$281,646	$2,045,738	$2,327,384
531	Real estate	$1,474,220	$5,042,576	$6,516,796
813	Religious, grantmaking, civic, professional, and similar organizations	$0	$433,141	$433,141
624	Social assistance	$0	$843,279	$843,279
42	Wholesale trade	$410,687	$607,078	$1,017,765
	All Industries	**$2,883,356**	**$9,388,892**	**$12,272,248**

Source: Taxation

Over the same period, the average amount of the TIF incentive received was $913,735. The following table depicts the amount of the TIF incentive received by firms in each industry during tax years 2019 through 2021:

TIF
Amounts by Industry
(Average Tax Years 2019 – 2021)

NAICS Code	Industry	Total
721	Accommodation	$807,758
315	Apparel manufacturing; Leather and allied product manufacturing	$2,616
722	Food services and drinking places	$80,457
531	Real estate	$14,835
42	Wholesale trade	$8,069
	All Industries	**$913,735**

Source: Taxation

3. Cost of Administration

ORA surveyed Taxation and CommerceRI to ascertain the cost for the administration of the Rebuild RI tax credit and the TIF. The table below provides information on the cost incurred by both entities during tax years 2019 through 2021 to administer each tax incentive.

Cost of Administration

(Tax Years 2019 – 2021)

Incentive	Cost-Incurring Entity	TY 2019	TY 2020	TY 2021	Total	Average
Rebuild Rhode Island Tax Credit Act	Division of Taxation	$16,865	$18,801	$17,942	$53,608	*$17,869*
	Commerce Corporation	$229,582	$227,383	$210,309	$667,274	*$222,425*
	Combined	***$246,447***	***$246,184***	***$228,251***	***$720,882***	***$240,294***
Tax Increment Financing Act	Division of Taxation	$5,753	$7,999	$8,034	$21,786	*$7,262*
	Commerce Corporation	$98,504	$74,251	$67,615	$240,370	*$80,123*
	Combined	***$104,257***	***$82,250***	***$75,649***	***$262,156***	***$87,385***
	Total Cost	***$350,704***	***$328,434***	***$303,900***	***$983,038***	***$327,679***

Source: Taxation and CommerceRI

CommerceRI cost of administration shown in the table above reflects the cost of all approved projects during tax years 2019 through 2021.

4. Number of Aggregate Jobs

Based on wages and employment data submitted by the Rebuild RI tax credit recipients to Taxation, ORA was able to compile the total number of employees for each recipient firm. The following table provides a description of the employment under the Rebuild RI tax credit program in tax years 2019 through 2021 by employee residency status:

Employees of Rebuild RI-Tax Credit Recipient Firms:
Identified Tax Filings by Residency Status

(Tax Years 2019 – 2021)

Residency	TY 2019	TY 2020	TY 2021	Total
Rhode Island	2,120	2,193	3,654	7,967
Out of State	325	303	461	1,089
Total Employees Reported	**2,445**	**2,496**	**4,115**	**9,056**

Source: Taxation

It should be noted that the total number of employees reported in this table was provided by Taxation and represents the total employment found for each tax credit project which could be higher or lower than the number of jobs indicated on the annual reports submitted by the incentive recipients (a copy of this report is attached in appendix D). Tax incentives beneficiaries only reported an aggregate number of jobs, and since they are not required to provide any identifying information for the employees, it is difficult for Taxation to identify the subset of jobs that are associated with the tax credit.

Similarly, the following table provides a description of the employment under the TIF incentive program in tax years 2019 through 2021 by residency status:

Employees of TIF-Incentive Recipient Firms:
Identified Tax Filings by Residency Status
(Tax Years 2019 – 2021)

Residency	TY 2019	TY 2020	TY 2021	Total
Rhode Island	145	265	525	935
Out of State	17	42	97	156
Total Employees Reported	**162**	**307**	**622**	**1,091**

Source: Taxation

It should be noted that, since two recipients of the TIF incentive also received a Rebuild RI tax credit, their total jobs created are also included in the previous table depicting employees of the Rebuild RI tax credit recipient companies.

5. Direct Taxes Paid by Recipients

Taxation provided ORA with data on taxes paid by the Rebuild RI recipient firms in tax years 2019 - 2021. The following table describes the breakdown of this information by firms' location of domicile.

Rebuild RI-Tax Credit Recipient Firms:
Taxes Paid by Taxpayers That Claimed Credit on Tax Returns
(Tax Years 2019 – 2021)

	TY 2019	TY 2020	TY 2021	Average
RI Firms [a]				
Percent of Taxpayers	35.7%	70.8%	69.7%	58.7%
Taxes Paid	$770,965	$23,174,601	$22,088,243	$15,344,603
Non-RI Firms [b]				
Percent of Taxpayers	64.3%	29.2%	30.3%	41.3%
Taxes Paid	$605,956	$850,673	$1,084,433	$847,021
Total				
Taxes Paid	**$1,376,921**	**$24,025,274**	**$23,172,676**	**$16,191,624**

Source: Taxation

Note:
This chart reports on the taxes due after credit amounts for all tax returns that claimed the Rebuild credit for these reporting years.
a Category includes all Rhode Island-domiciled taxpayers. This generally means that the taxpayer's principal place of business is in Rhode Island.
b Category includes all non-Rhode Island domiciled taxpayers. This typically means that the taxpayer has a presence in Rhode Island but may have its primary place of business located in some other state.

Due to statutory confidentiality mandates under R.I. Gen. Laws §§ 44-1-14, 44-19-30, 44-11-21, 44-14-23 and 44-30-95(c) and the risk of disclosure of taxpayer information, Taxation is unable to approve disclosure of taxes paid by TIF recipient firms as required by R.I. Gen. Laws § 44-48.2-

5(a)(1) as it pertains to the "the aggregate annual revenue that such taxpayers generate for the state through the direct taxes applied to them."

6. Direct Taxes Paid by Recipients' Employees

Taxation provided ORA with data on personal income tax (PIT) paid by the employees of the Rebuild RI tax credit recipient firms for tax years 2019 through 2021. The following table shows the breakdown of this information by taxpayer's residency status.

Employees of Rebuild RI-Tax Credit Recipient Firms:
PIT Paid by Identified Taxpayers
(Tax Years 2019 – 2021)

	TY 2019	**TY 2020**	**TY 2021**	**Total**
RI Residents				
Count of Taxpayers	2,120	2,193	3,654	7,967
Taxes Paid ⁑, ^	$1,416,688	$1,756,677	$2,330,631	$5,503,996
Out of State				
Count of Taxpayers	325	303	461	1,089
Taxes Paid ⁑, †	$390,411	$381,753	$450,593	$1,222,757
Total				
Count of Taxpayers	**2,445**	**2,496**	**4,115**	**9,056**
Taxes Paid	**$1,807,099**	**$2,138,430**	**$2,781,224**	**$6,726,753**

Source: Taxation

Note:

⁑ The taxes paid includes taxes paid for finalized tax returns only as of February 2024.

^ Taxes paid for RI residents are calculated by dividing the Federal AGI by wage data for the employees of the Rebuild RI tax credit recipients and applying the calculated ratio to "Total tax and Contributions" minus "Property Tax Credit" minus "RI earned income credit" minus "Lead Paint Credit."

† Taxes paid for non-residents are calculated by dividing the Federal AGI by wage data for the employees of the Rebuild RI tax credit recipients and applying the calculated ratio to "Total Tax and Contributions" minus "RI earned income credit."

Taxation also provided ORA with data on PIT amounts paid by the employees of TIF incentive recipient firms for tax years 2019 through 2021. The following table shows the breakdown of this information by taxpayer's residency status:

Employees of TIF-Incentive Recipient Firms:
PIT Paid by Identified Taxpayers

(Tax Years 2019 – 2021)

	TY 2019	TY 2020	TY 2021	Total
RI Residents				
Count of Taxpayers	145	265	525	935
Taxes Paid ⁑, ^	$4,405	$41,676	$73,771	$119,852
Out of State				
Count of Taxpayers	17	42	97	156
Taxes Paid ⁑, †	$5,394	$7,810	$10,240	$23,444
Total				
Count of Taxpayers	**162**	**307**	**622**	**1,091**
Taxes Paid	**$9,799**	**$49,486**	**$84,011**	**$143,296**

Source: Taxation
Note:
⁑ The taxes paid includes taxes paid for finalized tax returns only as of February 2024.
^ Taxes paid for RI residents are calculated by dividing the Federal AGI by wage data for the employees of the Rebuild RI tax credit recipients and applying the calculated ratio to "Total tax and Contributions" minus "Property Tax Credit" minus "RI earned income credit" minus "Lead Paint Credit."

† Taxes paid for non-residents are calculated by dividing the Federal AGI by wage data for the employees of the Rebuild RI tax credit recipients and applying the calculated ratio to "Total Tax and Contributions" minus "RI earned income credit."

It should be noted that, since the two recipients of the TIF incentive also received Rebuild RI tax credit, the taxes paid by their total employees created are also included in the previous table depicting taxes paid by employees of the Rebuild RI tax credit recipient companies. Thus, the amount of taxes paid by the employees for this recipient cannot be added to get a grand total of the amount of taxes paid.

7. Additional Data Analysis

- *Rebuild RI Tax Credit Act and Rhode Island TIF Awardee Characteristics*

The sections above discuss Rebuild RI and TIF tax incentive recipients. However, not all businesses that were awarded the Rebuild RI tax credit or an agreement under the TIF incentive have claimed the credit or received TIF payments. ORA analyzed data from the recipients' applications and agreements provided by CommerceRI, as well as information on the CommerceRI website and CommerceRI testimony from the November 2023 Revenue Estimating Conference (REC), to gain a better understanding of total awardee characteristics. A complete list of Rebuild RI tax credit awardees is listed below. Data includes the name of the project awarded a Rebuild RI tax credit, amount of tax credits expected to be issued by CommerceRI, amount of any sales tax rebate estimated by CommerceRI, and the total of the two tax incentive amounts.

Estimated Total Rebuild Rhode Island Award

(FY 2019 - FY 2038)

Project Name	Anticipated Tax Credits	Sales Tax Rebates	Total
Electric Boat	$1,645,000	$15,519,958	$17,164,958
South Quay Marine Terminal	$15,000,000	$0	$15,000,000
111 Westminster (Superman)	$15,000,000	$0	$15,000,000
Wexford Innovation Center	$14,213,836	$734,189	$14,948,025
Tidewater Landing - Phase I	$10,000,000	$4,000,000	$14,000,000
Downcity II	$10,571,379	$336,356	$10,907,735
River House	$8,354,910	$700,000	$9,054,910
Edge II	$6,000,000	$1,295,000	$7,295,000
Immunex RI Corporation	$3,450,000	$3,255,000	$6,705,000
78 Fountain Street	$5,503,607	$851,704	$6,355,311
Providence Commons	$4,485,000	$600,000	$5,085,000
Ocean State Job Lot	$3,100,000	$1,232,060	$4,332,060
Pontiac Mills	$3,626,403	$412,443	$4,038,846
Hope Artiste	$3,569,657	$450,597	$4,020,254
Jk Equities Moshassuck	$3,750,000	$190,000	$3,940,000
Prospect Heights	$3,657,600	$0	$3,657,600
Chestnut Commons	$3,093,414	$452,050	$3,545,464
The Edge	$3,000,000	$537,176	$3,537,176
Parcel 6	$3,250,000	$0	$3,250,000
Infinity Meat Solutions	$1,838,400	$1,388,172	$3,226,572
Virgin Pulse	$3,047,155	$110,748	$3,157,903
Dexter Street	$2,000,000	$1,000,000	$3,000,000
Lippitt Mill	$2,553,500	$230,691	$2,784,191
Louttit Laundry	$2,132,714	$127,442	$2,260,156
Farm Fresh	$2,222,222	$0	$2,222,222
Innovate Newport	$2,140,288	$0	$2,140,288
Warwick Hyatt Hotel	$1,062,430	$531,513	$1,593,943
Gotham Greens	$1,209,000	$0	$1,209,000
R&W Phase II	$1,000,000	$96,656	$1,096,656
Union Trust	$896,996	$194,591	$1,091,587
Aloft Hotel	$100,000	$950,847	$1,050,847
Blount Fine Foods	$1,000,000	$0	$1,000,000
Parade Street	$1,000,000	$0	$1,000,000
Millrace District I (ARTech)	$1,000,000	$0	$1,000,000
Millrace District II (Island Place)	$1,000,000	$0	$1,000,000
Arctic Mill	$1,000,000	$0	$1,000,000
Wanskuck Mill	$1,000,000	$0	$1,000,000
Track 15	$1,000,000	$0	$1,000,000
Infosys	$750,000	$100,000	$850,000
Hotel Beatrice	$90,000	$750,000	$840,000
Mearthane Products	$815,000	$0	$815,000
390 Pine St, LLC	$777,778	$0	$777,778
461 Main Street	$724,714	$0	$724,714
404 Broad Street	$610,000	$0	$610,000
Strive Lofts	$525,000	$0	$525,000
Nexus Lofts	$500,000	$0	$500,000

Fuller Mill	$450,000	$0	$450,000
Miniature Casting	$410,000	$0	$410,000
The Studley Building	$100,000	$300,000	$400,000
16 Broad St	$142,300	$0	$142,300
Residence Inn	$500	$132,316	$132,816
Total	**$154,368,803**	**$36,479,510**	**$190,848,313**

Source: CommerceRI, November 2023 Revenue Estimating Conference Testimony

A TIF award, or TIF Payment[41], represents the maximum amount an awardee can receive over the duration of the TIF agreement. The TIF award is paid in annual installments and cannot exceed 75% of the actual incremental revenues in a particular year. The total award amount cannot exceed 30% of the total project cost. However, it should be noted that the 30% limit does not apply to projects for public infrastructure, a preexisting municipally owned stadium of 10,000 seats or more, or utilities. A complete list of TIF incentive awardees is listed below. Data includes the name of the project awarded a TIF incentive, the fiscal year in which tax / payment in lieu of taxes (PILOT) collections begin, and the estimated total amount of TIF payments.

Estimated Total Tax Increment Financing Award

(FY 2019 - FY 2044)

Project Name	Tax/ PILOT Collections Begin (FY)	TIF Amount
Aloft Hotel	2023	$6,750,000
Hotel Hive	2025	$6,000,000
Residence Inn	2021	$6,000,000
Hotel Beatrice	2022	$4,500,000
Hammett Wharf	2022	$3,500,000
D'Ambra Warwick Hotel	2019	$3,500,000
Exchange Street	2020	$3,000,000
Southern RI Hospitality	2021	$1,800,000
Total		**$35,050,000**

Source: CommerceRI, November 2023 Revenue Estimating Conference Testimony

Awardees of the Rebuild RI tax credit must meet certain criteria to be eligible for the program. The criteria differ for different types of projects. The rules and regulations set out requirements for the total project cost, project size, and applicant equity in the project, among other things. The generalized eligibility requirements by project type are detailed in the table below.

41 According to Rules and Regulations for the Rhode Island Tax Increment Financing Act, 870-RICR-30-00-6.5(A)(33), "Total TIF payment" means “reimbursement of all or a portion of the [p]roject [f]inancing [g]ap of a [q]ualified [d]evelopment [p]roject from the Division of Taxation as provided under” R.I. Gen. Laws § 42-64.21 and 870-RICR-30-00-6.

Rebuild RI Tax Credit Act
Descriptive Statistics: Generalized Project Requirements by Type

		Project Type	
Eligibility Requirements	**Commercial**	**Residential**	**Mixed Use**
Location requirement	No	In a Hope Community	No
Minimum project cost	$5,000,000 *	$5,000,000 ^	$5,000,000 *
Minimum project size (square feet)	25,000	20,000	25,000
Residential units	N/A	20	N/A
Number of businesses contained	1	N/A	1
Jobs created	25 FTEs	N/A	N/A
Applicant's equity in project	20%	20%	20%
Financing gap	Yes	Yes	Yes

Source: Rules and Regulations for the Rebuild RI program, 870-RICR-30-00-3.6
Notes:
* Unless located in a Hope Community or a municipally designated redevelopment area
^ Unless Rhode Island Commerce Corporation permits the total project to be less

In order to be eligible to receive benefits from the Rebuild RI tax credit program, awardees must have at least 20% equity in the project and a financing gap such that, after taking into account all available private and public funding sources, the project is unlikely to be accomplished by private enterprise alone. All eligible projects must meet minimum size requirements and a minimum total project cost. However, if additional criteria are met, CommerceRI may allow the total project cost to be lower. Commercial projects must meet a requirement for the number of permanent jobs occupying the project upon completion. Residential projects must have a minimum number of residential units and have situs in a Hope Community. Commercial and mixed-use projects must be occupied by at least one business upon competition. There is no minimum required number of residential units for a mixed-use project.

Awardees with projects in a Hope Community may be subject to lesser minimum eligibility requirements to receive benefits from the Rebuild RI tax credit program. The actual eligibility requirements that these projects must meet are determined by CommerceRI on a case-by-case basis. A Hope Community is defined as a municipality for which the five-year average percentage of families with income below the federal poverty level exceeds the state five-year average percentage, both as most recently reported by the U.S. Department of Commerce, Bureau of the Census.

Awardees of the TIF incentive must also meet certain criteria to be eligible for the program. Although the application process for Rebuild RI tax credits and TIF incentives are linked, and much of the same information is provided, the eligibility criteria is very different, and the criteria do not differ by project type. For ease of comparison, the generalized eligibility requirements by project type are detailed in the table below in a similar format as the Rebuild RI tax credit requirements.

Rhode Island TIF
Descriptive Statistics: Generalized Project Requirements by Type

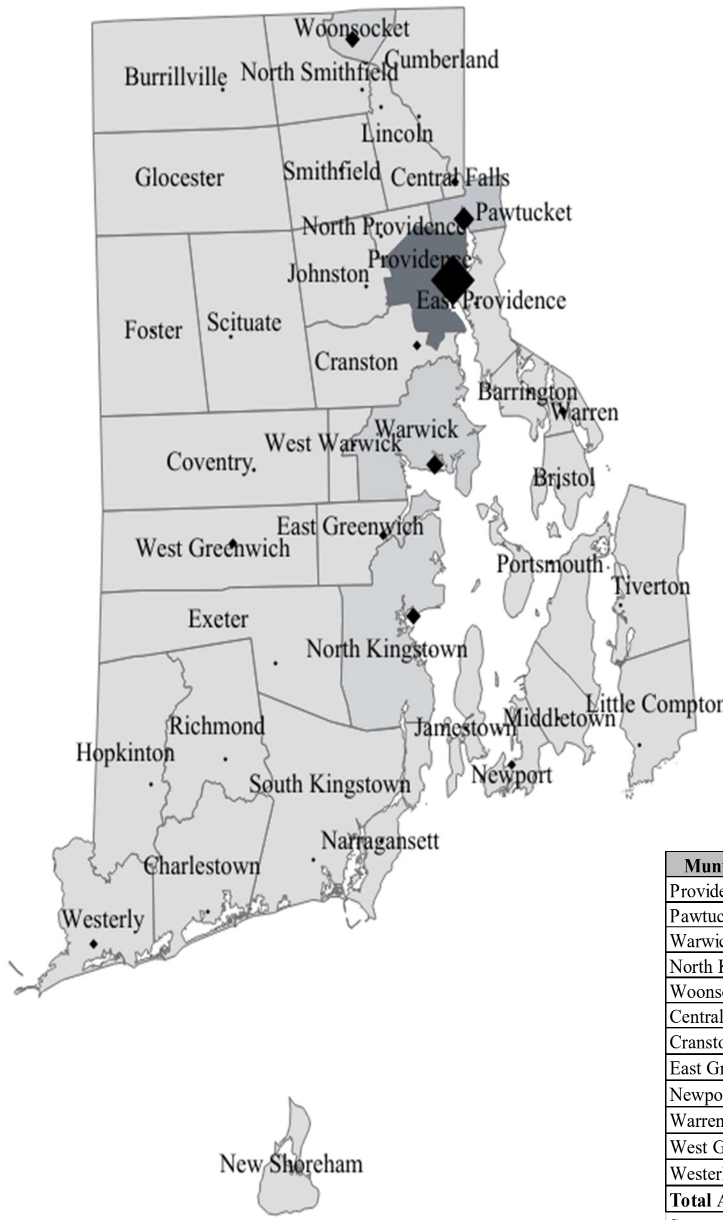
Eligibility Requirements	All projects
Location requirement	In a Qualifying TIF area
Financing gap	Yes

Source: Rules and Regulations for the Rhode Island TIF, 870-RICR-30-00-6.6

In addition to the above requirements, an eligible TIF project must be "a new facility and not a replacement of an existing facility already located in the state;" "an expansion of an existing facility that will increase the number of full-time employees in the state;" or the project must be "necessary to retain one or more At Risk Business."[42] In order to be eligible, applicants must have entered into a TIF agreement with CommerceRI on or before December 31, 2024.[43]

[42] Rules and Regulations for the Rhode Island Tax Increment Financing Act, 870-RICR-30-00-6.6(A)(3)
[43] R.I. Gen. Laws § 42-64.21-9.

Rebuild RI Tax Credit Act: Location Map of Awardees



Municipality	Number of Awardees
Providence	26
Pawtucket	6
Warwick	4
North Kingstown	3
Woonsocket	3
Central Falls	1
Cranston	1
East Greenwich	1
Newport	1
Warren	1
West Greenwich	1
Westerly	1
Total Awardees	**49**

Source: Commerce RI

Awardees of the Rebuild RI tax credit program have projects located in 12 of 39 municipalities in Rhode Island, with the vast majority located in Providence.

In order to be eligible for a TIF incentive agreement, a project must be in a Qualifying TIF area. A "Qualifying TIF area" means an area containing a Qualified Development Project[44] identified by CommerceRI as a priority because of its potential to generate, preserve or otherwise enhance jobs or its potential to produce, preserve or otherwise enhance housing units. As is observable in the map below, awardees of the TIF incentive have projects located in four of 39 municipalities in Rhode Island, with the majority located in Providence. The concentration of both Rebuild RI tax credit awardees and TIF incentive awardees in Providence is unsurprising given that Providence is the largest city in the state and is also a Hope Community, which CommerceRI considers a high priority area for development.

[44] According to R.I. Gen. Laws § 42-64.21-3 (9) "Qualified development project" means "a specific construction project or improvement, including lands, buildings, improvements, real and personal property or any interest therein, including lands under water, riparian rights, space rights and air rights, acquired, owned, leased, developed or redeveloped, constructed, reconstructed, rehabilitated or improved, undertaken by a developer, owner or tenant, or both, within a specific geographic area, meeting the requirements set forth by the Rhode Island Commerce Corporation"

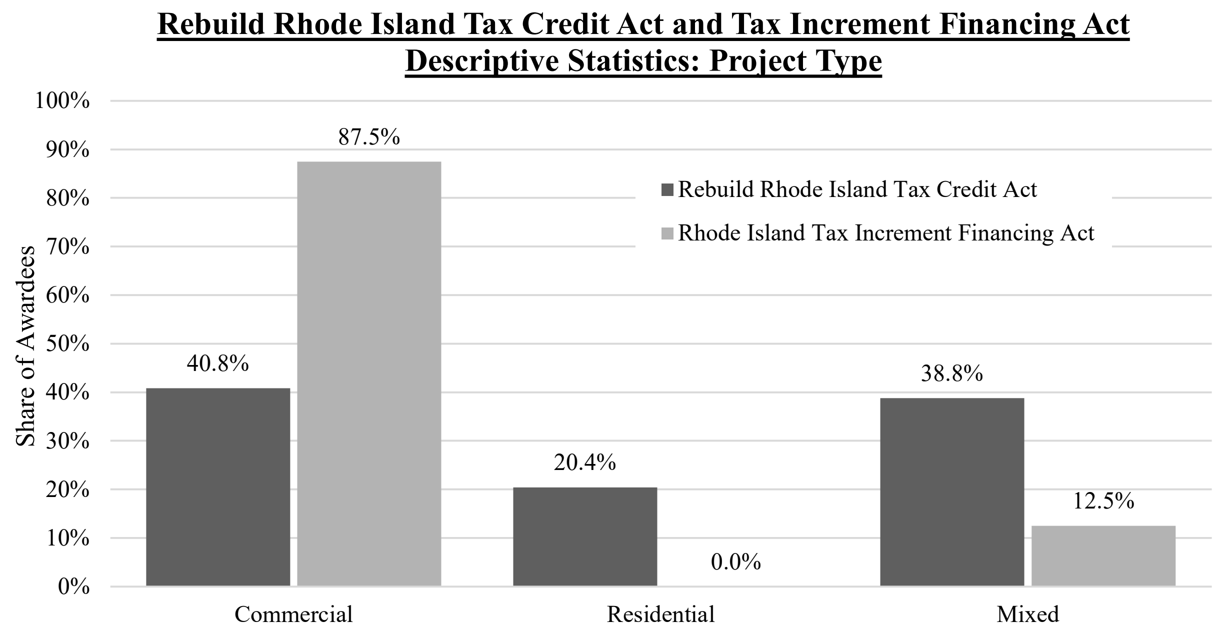
TIF: Location Map of Awardees

Municipality	Number of Awardees
Providence	5
Newport	1
South Kingstown	1
Warwick	1
Total Awardees	**8**

Source: Commerce RI

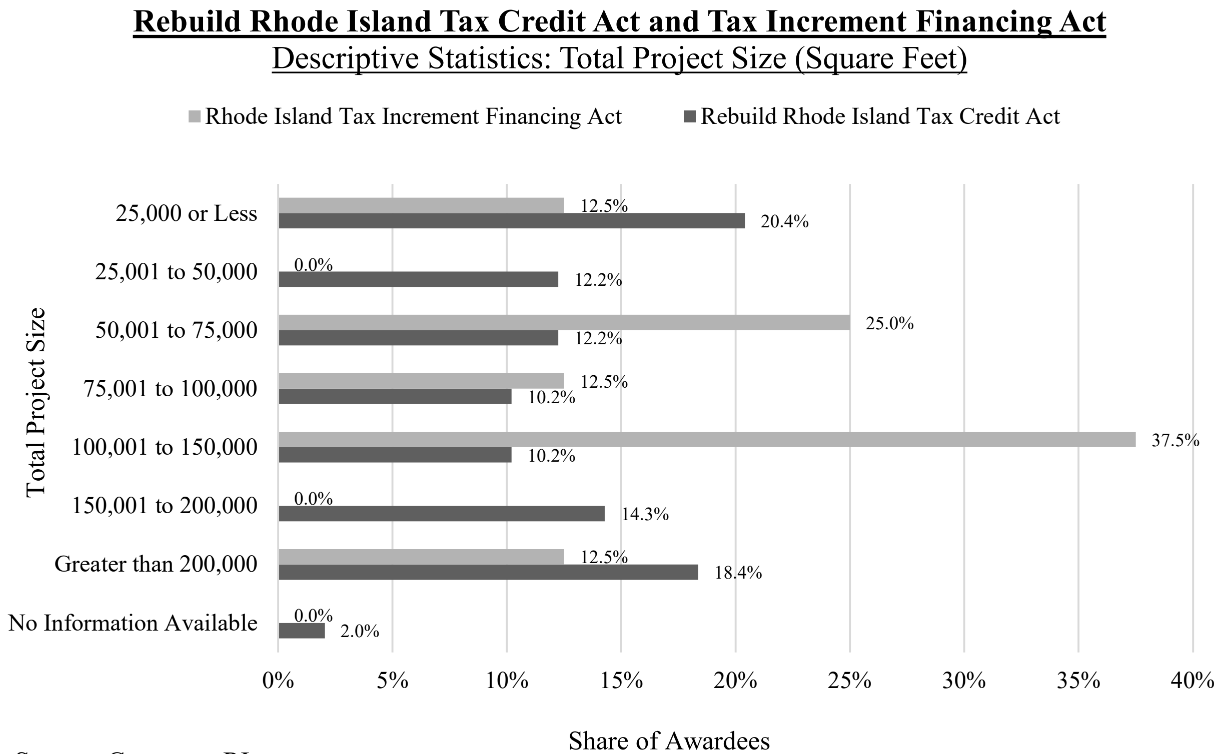
While the application process for obtaining a TIF agreement is tied to the application for the Rebuild RI tax credit program, the rules and regulations governing TIF eligibility are not the same. However, given the stated goals for the TIF program to promote projects that have the potential to generate and preserve jobs or to produce, preserve or otherwise enhance housing in Rhode Island, ORA analyzed project characteristics describing project type, project size, and project cost alongside those of the Rebuild RI tax credit awardees.

It is informative to breakdown the awardees by project type given the different requirements for each under the Rebuild RI tax credit program. As is observable in the chart below, the majority, nearly 80%, of Rebuild RI tax credit program awardees were mixed and commercial projects and 87.5% of awardees of TIF agreements were commercial projects. The rules and regulation governing TIF eligibility do not state a minimum number of businesses or residential units that must be housed in the project upon completion in order to be eligible.



Source: CommerceRI

Projects eligible for the Rebuild RI tax credit must contain at least 20,000 square feet of space for residential projects and 25,000 square feet of space for commercial and mixed-use projects. The rules and regulation governing TIF eligibility do not state a minimum project size for a project to be eligible for a TIF agreement.

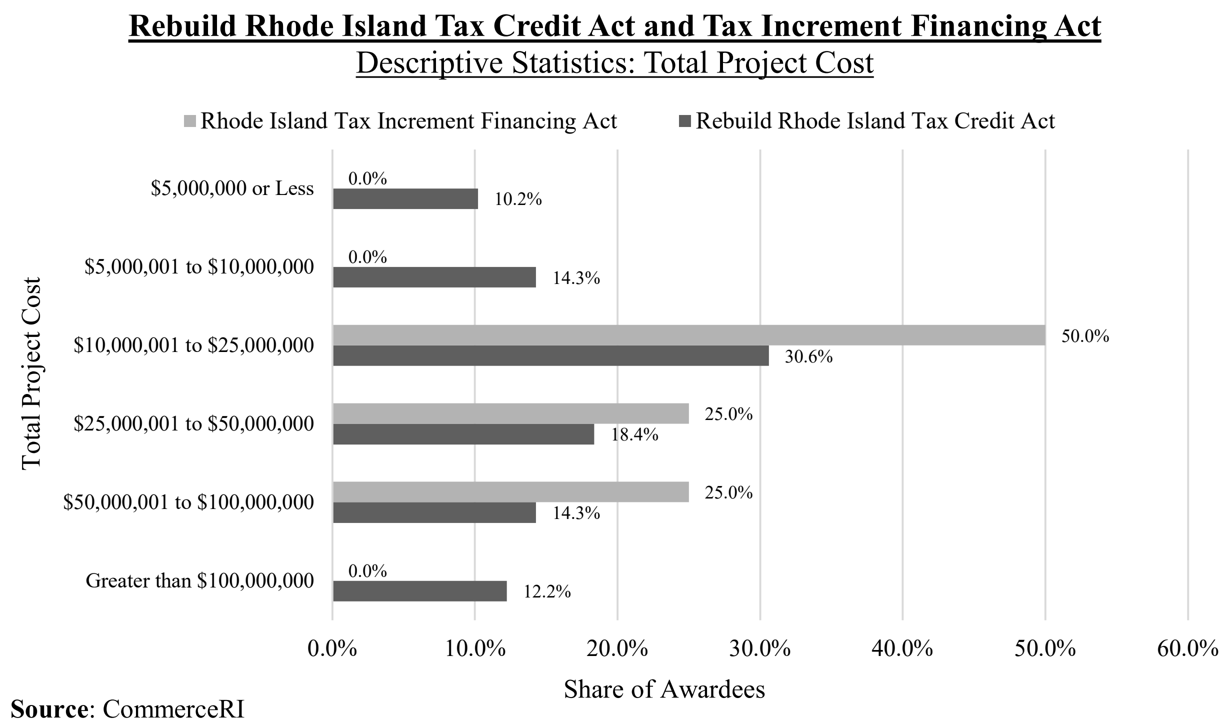


Source: CommerceRI

As is observable in the chart above, more than half, 55.1%, of Rebuild RI tax credit awarded projects contained 100,000 square feet or less. While the rules and regulations governing TIF incentive eligibility do not specify minimum size requirements, the large scale of many of the projects awarded TIF incentives is highlighted by the fact that half of all projects contain more than 100,000 square feet of space.

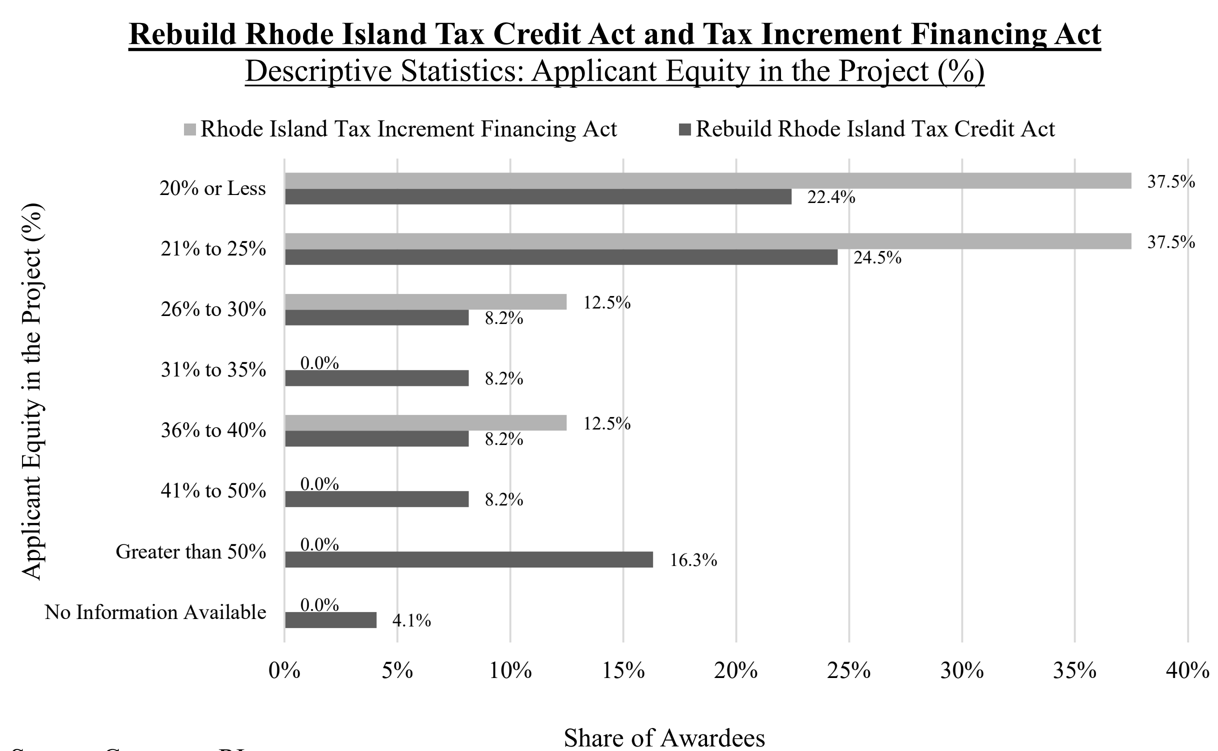
These large projects drive up the average project cost. In order to be eligible for the Rebuild RI tax credit, awardees must have a project with a total cost of at least $5,000,000. However, that amount can be lower if the project is in a Hope Community or a municipally designated redevelopment area. CommerceRI has the discretion to decide the appropriate total cost for these projects on a case by case basis.

Most awardees had a project cost well above the minimum requirement of $5 million. More than half, 55.1%, of Rebuild RI tax credit projects have a total project cost of $25 million or less. The TIF incentive rules and regulations do not state a minimum project cost for eligibility. Half of the TIF incentive awardees disclosed total projects costs of between $25 million and $100 million, while the other half of awardees had a project cost of between $10 million and $25 million.



Source: CommerceRI

According to the eligibility requirements, all Rebuild RI tax credit awardees must have at least 20% of capital investment or owner equity in the total project cost.



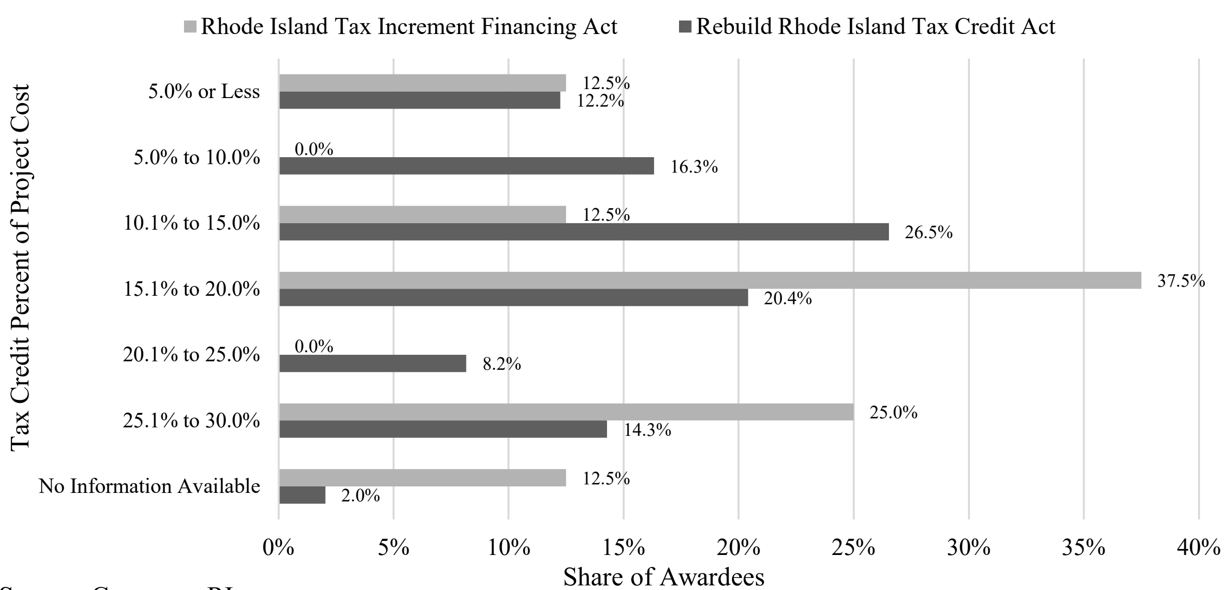
Source: CommerceRI

Most awardees, 73.5%, had more than 20% equity in the projects for Rebuild RI tax credit; this metric was 62.5% for TIF. The remaining project cost is covered by other private and public sector financing sources. Several awardees disclosed 100% equity in the project, indicating these companies were not borrowing funds from private sources to complete their projects. Typically, these companies were requesting the state tax credit to reduce the cost of the project to make it feasible in Rhode Island, rather than attempting to fill a financing gap.

The rules and regulations governing the Rebuild RI tax credit program state that the tax credit amount cannot exceed $15 million, or 20% of the total project cost for any qualified development project. However, an applicant is eligible for additional tax credit amounts, of up to 10% of the total project cost, if the development project can meet additional requirements.[45] Thus, it is possible for a qualified development project to receive a Rebuild RI tax credit equal to 30% of the total project cost.

Rebuild Rhode Island Tax Credit Act and Tax Increment Financing Act

Descriptive Statistics: Tax Credit Percent of Project Cost



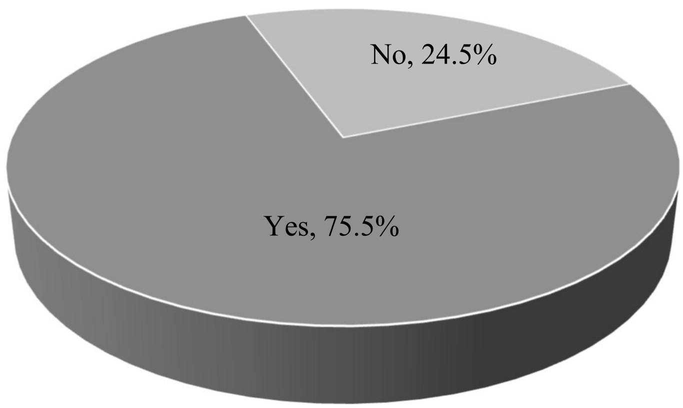
Source: CommerceRI

[45] According to the Rules and Regulations for the Rebuild Rhode Island Tax Credit Program, 870-RICR-30-00-3.7(B) qualified development project may receive additional tax credit amounts if it 1) "includes adaptive reuse or development of a recognized historical structure"; 2) "is undertaken by or for a target industry"; 3) "is located in a [t]ransit-[o]riented [d]evelopment [a]rea"; 4) "includes residential development in which at least twenty percent (20%) of the residential units are designated as [a]ffordable [h]ousing or [w]orkforce [h]ousing"; 5) "includes the adaptive reuse of property subject to the requirements of the Industrial Property Remediation and Reuse Act"; 6) "includes [c]ommercial facilities constructed in accordance with the minimum environmental and sustainability standards, as certified by the Corporation pursuant to [Leadership in Energy and Environmental Design (LEED)] or other equivalent standards"; or 7) meets "other additional criteria determined by the Corporation … in response to evolving economic or market conditions."

For those applying for the Rebuild RI tax credit, a qualified development project, at the discretion of CommerceRI, may be eligible for an exemption from sales and use taxes imposed on the purchase of 1) furniture, fixtures and equipment, except automobiles, trucks or other motor vehicles; and 2) such other materials, including construction materials and supplies, that are depreciable and have a useful life of one year or more and are essential to the project, in addition to the standard tax credit. This exemption only applies to purchases used directly and exclusively in the qualified development project.

Rebuild Rhode Island Tax Credit Act

Descriptive Statistics: Sales and Use Tax Exemption



Source: CommerceRI

Using data from the Rebuild RI applications provided by CommerceRI, 75.5% of the awardees also applied for the sales and use tax exemption.

Nearly two-thirds of TIF agreements specify a 20-year term. This means the TIF incentive recipient can collect and retain agreed upon incremental revenues for up to 20 years, provided that the total TIF award amount has not been reached. The remaining one-third of projects have a TIF agreement term of fewer than 20 years, with agreements granting terms of 10 years, 15 years, and 18 years in equal shares.

TIF

Descriptive Statistics: TIF Term

TIF Term	Share of Awardees
10 years	12.5%
15 years	12.5%
18 years	12.5%
20 years	62.5%

Source: CommerceRI

According to the regulation (807-RICR-30-00-6) that governs TIF agreements, the TIF agreement must specify the tax or taxes to be included in the eligible revenues.[46] Taxation pays the TIF incentive awardee incremental state revenues, directly realized from projects or businesses operating in the qualifying TIF area, from the eligible revenue. However, financing rules limit the projected annual incremental revenues that may be allocated under a TIF agreement to 75% of total incremental revenues. Thus, a project that generates \$100 of incremental revenues can only receive \$75 as a TIF incentive, with the remaining \$25 remitting to the state and/or pass through entities.

Most TIF agreements, 75.0%, designate both lodging and sales taxes as eligible revenue. The remaining 25.0% of TIF agreements are receiving incremental revenue from only state hotel tax collections.

TIF

Descriptive Statistics: TIF Revenue Source

TIF Funding Source	Share of Awardees
Hotel Tax	25.0%
Hotel and Sales Tax	75.0%

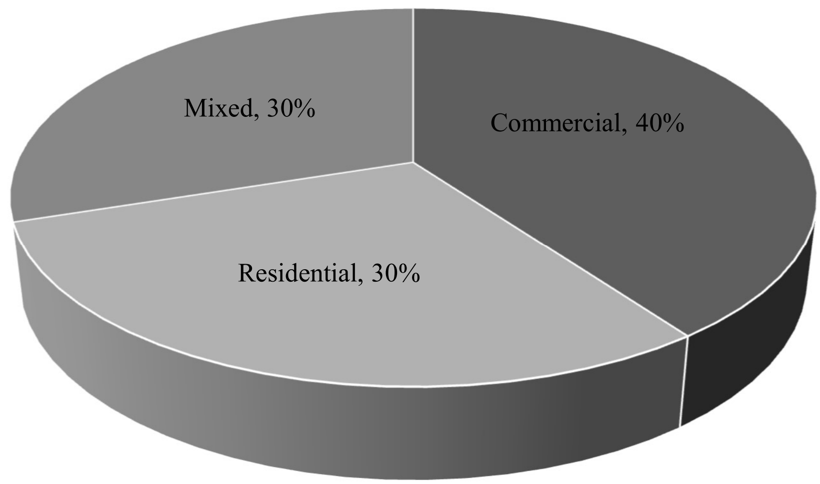
Source: CommerceRI

- *Rebuild RI Tax Credit Recipient Characteristics*

Not all business that were awarded the Rebuild RI tax credit have claimed the credit. ORA analyzed data provided by Taxation and CommerceRI to provide a breakdown of Rebuild RI recipients by project type. In tax year 2021, 40% of these recipients were projects for commercial use. According to R.I. Gen. Laws § 42-64.20-5(b)(3)(ii), these type of projects must be "occupied by at least one business employing at least 25 full-time employees after construction or such additional full-time employees as the commerce corporation may determine."

[46] According to Rules and Regulations for the Rhode Island Tax Increment Financing Act, 870-RICR-30-00-6.5(A)(12), "Eligible revenue" means "the revenues from taxes assessed and collected under R.I. Gen. Laws Chapters 44-11 ("Business Corporation Tax"), 44-13 ("Public Service Corporation Tax"), 44-14 (Taxation of Banks"), 44-17 ("Taxation of Insurance Companies"), 44-18 and 44-19 ("Sales and Use Tax," including hotel tax), 44-30 ("Personal Income Tax") or realized from such venue ticket sales or parking taxes as may be established and levied under state law as set forth in R.I. Gen. Laws § 42-64.21-5 of the Tax Increment Financing Act."

Rebuild Rhode Island Tax Credit Recipients:
Project Type, TY 2021



Source: Taxation

In Tax Year 2021, 50% of the commercial projects that received Rebuild RI tax credits have additionally received New Qualified Jobs (NQJ) tax credits. While some of these projects have exceeded the 25 FTEs requirement for Rebuild RI, based on their annual reports submitted to CommerceRI, these jobs were already subsidized under the NQJ program.[47]

Wages paid to the employees of Rebuild RI tax credit recipients are not captured in their annual reports and therefore it is not possible to compare wages made by these jobs to the overall industry wages. However, Taxation was able to provide employment and wages data for some of the Rebuild RI recipient projects and ORA used that data to construct the table below.

[47] R.I Gen. Laws § 42-64.20-9 titled "Reporting requirements" mandates that recipients of the Rebuild Rhode Island tax credit submit to CommerceRI and Taxation an annual report by August 1st of each year.

Rebuild RI Recipients:
Descriptive Statistics: Industry and Wages of Employees
(Tax Years 2019-2021)

Industry Description (NAICS Code)	Tax Year	Sum of Wages	Median Wage	Median Wage as % of DLT Median Wage
Professional, scientific, and technical services (54)	2019	$26,052,443	$67,845	100%
Real estate (531)		$1,287,233	$31,196	76%
Wholesale trade (42)		$53,122,938	$40,160	76%
Accommodation (721)	2020	$1,019,365	$22,219	77%
Professional, scientific, and technical services (54)		$28,328,310	$63,104	89%
Real estate (531)		$2,280,125	$35,259	77%
Wholesale trade (42)		$54,785,290	$43,572	82%
Accommodation (721)	2021	$1,189,032	$30,764	91%
Food Manufacturing (311)		$28,670,900	$43,502	124%
Professional, scientific, and technical services (54)		$31,717,762	$68,837	89%
Real estate (531)		$2,693,426	$30,831	64%
Wholesale trade (42)		$61,065,533	$43,264	88%

Source: Taxation & DLT

Notes:

Taxation is unable to identify which individuals are full time employees for a complete year, and therefore median wages are calculated using only the employees that appear in all four quarters of reporting to DLT. Using quartiles and interquartile range, ORA excluded wage outliers that might skew the median wage.

ORA used the hourly median wage by industry as provided by DLT for tax years 2019, 2020, and 2021 and compared it to the median wage paid to the Rebuild RI recipient employees as presented in the table above.[48]

In addition, ORA analyzed data provided by Taxation on additional tax incentives received by Rebuild RI recipients as described in the following table:

Rebuild RI Recipients: Additional Tax Incentives Received
(Tax Years 2019 – 2021)

Other Incentives	Total
Historic Structure Tax Credits	$5,662,335
New Qualified Jobs	$2,032,974
Tax Increment Financing	$701,018
Total	$8,396,327

Source: Taxation

[48] ORA transformed DLT hourly median wages into annual figures by assuming a 40-hour work week and 52 weeks in a year.

Based on the data presented in the table above, ORA determined that for every $1.00 of Rebuild RI, there is an additional $0.23 in other tax incentives used by Rebuild RI recipients.

- *Tax Increment Financing Recipient Characteristics*

ORA analyzed data provided by Taxation on employment and wages for some of the TIF program recipients.

TIF Recipients:
Descriptive Statistics: Industry and Wages of Employees
(Tax Years 2019-2021)

Industry Description (NAICS Code)	Tax Year	Sum of Wages	Median Wage	Median Wage as % of DLT Median Wage
Accommodation (721)	2019	$1,742,340	$26,909	95%
Accommodation (721)	2020	$2,580,177	$33,191	115%
Apparel manufacturing; Leather and allied product manufacturing (315)		$56,947	$41,696	112%
Accommodation (721)	2021	$3,147,533	$33,533	99%
Apparel manufacturing; Leather and allied product manufacturing (315)		$92,267	$39,878	109%
Food services and drinking places (722)		$3,576,971	$52,784	174%

Source: Taxation & DLT

Notes:
Taxation is unable to identify which individuals are full time employees for a complete year, and therefore median wages are calculated using only the employees that appear in all four quarters of reporting to DLT. Using quartiles and interquartile range, ORA excluded wage outliers that might skew the median wage.

In addition, ORA analyzed data provided by Taxation on additional tax incentives received by TIF recipients as described in the following table:

TIF Recipients: Additional Tax Incentives Received
(Tax Years 2019 – 2021)

Other Incentives	Total
Historic Structure Tax Credits	$125,000
Rebuild Rhode Island Tax Credits	$1,187,300
Total	$1,312,300

Source: Taxation

Based on the data presented in the table above, ORA determined that for every $1.00 of TIF, there is an additional $0.48 in other tax incentives used by TIF recipients.

Part IV: Evaluation of the Economic Impact of the Tax Incentive

This section of the report addresses two major objectives defined in R.I. Gen. Laws § 44-48.2-5: first, to provide a projection of the potential impact of the Rebuild RI tax credit and the TIF incentive programs on state revenues from projected future use and carryforward amounts of unused tax incentives; and, second, to produce a breakeven cost-benefit analysis that can estimate the net impact on state revenues resulting from these tax incentives.

1. Assessment and Five-Year Projection of Revenue

Rebuild RI Tax Credit

Current law includes a sunset of the Rebuild RI program, stating that no new credits can be authorized after December 31, 2024[49]. However, it is anticipated that Rebuild RI tax credit usage activity will continue beyond this date as this tax credit is awarded over multiple years. In fact, during their testimony at the November 2023 Revenue Estimating Conference (REC), CommerceRI provided a projection of the estimated total for Rebuild RI tax credits and sales and use tax exemptions by fiscal year starting in FY 2019 through FY 2038.

ORA assumed that CommerceRI's fiscal year projections would correspond directly to the tax year (i.e. FY 2019 = TY 2019, FY 2020 = TY 2020, etc.). ORA adjusted CommerceRI Rebuild RI projections by including the actual amounts provided by Taxation for tax years 2019 through 2021. ORA then used the CommerceRI projection of Rebuild RI tax credits and sales and use tax exemption amounts to construct a 5-year projection for Rebuild RI tax credit and sales and use tax exemption amounts that would be assigned in future tax years.

The following table provides the distribution of the anticipated amount of the Rebuild RI tax credit and Rebuild RI sales and use tax exemption amounts to be issued in each tax year.

Total Rebuild RI Tax Credit & Rebuild RI Sales and Use Tax Exemption Revenue Forgone Projections

Tax Year	Credit Amount
2022	$26,305,542
2023	$30,975,561
2024	$26,480,136
2025	$18,227,721
2026	$14,626,658

Source: ORA calculations based on data provided by Taxation and CommerceRI.

Tax Increment Financing Incentive

Current law includes a sunset of the Tax Increment Financing program, stating that no new tax incentives can be authorized after December 31, 2024. However, it is anticipated that TIF incentive usage activity will continue beyond this date as the TIF incentive is awarded over multiple years. In fact, during their testimony at the November 2023 Revenue Estimating Conference (REC),

[49] The governor's recommended budget proposes to extend this sunset date to December 31, 2025.

CommerceRI provided a projection of the estimated total amounts of Tax Increment Financing by fiscal year starting in FY 2019 through FY 2044.

Similarly to the previous table, ORA assumed that CommerceRI's fiscal year projections would correspond directly to the tax year (i.e. FY 2019 = TY 2019, FY 2020 = TY 2020, etc.). ORA adjusted CommerceRI TIF projections by including the actual amounts provided by Taxation for tax years 2019 through 2021. ORA then used CommerceRI projections of TIF amounts to construct a 5-year projection for TIF incentive amounts that would be assigned in future tax years. The following table provides the distribution of the anticipated amount of the Tax Increment Financing amounts to be issued in each tax year.

TIF
Revenue Forgone Projections

Tax Year	Incentive Amount
2022	$2,867,922
2023	$2,067,562
2024	$4,034,019
2025	$4,140,019
2026	$4,247,873

Source: ORA calculations based on data provided by Taxation and CommerceRI.

2. "Breakeven" Cost-Benefit Analysis

- *Introduction to the "Breakeven" Cost-Benefit Analysis Methodology*

Pursuant to R.I. Gen. Laws § 44-48.2-5(6), ORA conducted a "breakeven" cost-benefit analysis to measure the economic and fiscal impacts on the state economy resulting from the Rebuild RI tax credit and TIF incentive programs under a variety of assumptions. The evaluation of these two programs was combined for several reasons: First, these tax incentives have overlapping goals and objectives as defined in the programs governing statutes. Second, the programs' application process is linked. Those involved in a real estate project that are interested in either incentive must apply using the Rebuild RI tax credit application; there is no separate application for the TIF. Instead, those that are interested and qualify may be considered by CommerceRI for a TIF agreement after reviewing the project for the Rebuild RI tax credit. Last, some of the project(s) analyzed in the current report received both tax incentives, therefore conducting a separate analysis for each tax incentive would overestimate the economic and fiscal benefits generated by the economic activity produced by the project(s) recipients.

To execute these cost-benefit analyses, ORA utilized Regional Economic Models, Incorporated's (REMI) 70-sector model of the Rhode Island economy via the REMI Tax-PI software platform to produce estimates of the total economic effects of the tax incentives issued in tax years 2019 through 2021.[50] The dynamic capabilities of the REMI Tax-PI model allows one to estimate the impacts of exogenous shocks to the state's economy, including changes to public policy, shifts in consumer behavior and demand, and developments in industry. The REMI Tax-PI model

[50] Detailed documentation on the REMI Tax-PI v3.0.0 model employed in this analysis is available at: https://www.remi.com/wp-content/uploads/2022/08/Tax-PI-Users-Guide.pdf?_t=1661353571

operationalizes these insights by augmenting REMI's base economic and demographic model, PI+, with a module that allows the user to enter a state's customized budget, in order to run fiscal and economic forecasts. Specifically, for each budget item, one can choose an "Indicator," which is the economic or demographic driver of that budget item (e.g., personal income for personal income tax revenue, or age 5-18 population for K-12 education spending), and a "Policy Variable," which is the economic or demographic change associated with a change to the structure of that budget item (e.g., a change in consumer prices for a change in the sales tax).

The "breakeven" approach developed for this report allows a reader to assume that the tax incentives analyzed in this report leveraged various levels of economic activity required of recipient firms to receive a tax incentive. This assumption means that some varying portion of the economic activity required of recipient firms to receive a tax incentive would not have occurred in the absence of the tax incentive. Under this assumption, firms made some portion of their long-term production decisions based on the availability of an incentive over time, and removal of that tax benefit in a particular year would undo all such decisions.

To provide additional insight, ORA also produced breakeven analyses with respect to employment and Rhode Island gross domestic product (GDP).

- *Modeling Costs*

ORA assumed that the tax incentives are funded by an equivalent reduction in state government general revenue spending – that is, when the state government forgoes general revenue by allowing these tax incentives, there are fewer funds available for other general revenue spending priorities. ORA modeled these adjustments based on a comprehensive historical analysis of Rhode Island general revenue expenditures for fiscal years 2019 through 2021. ORA compiled all state general revenue expenditures and assumed that the level of these expenditures could be adjusted to maintain a balanced general revenue budget. The breakdown of general revenue expenditures by category is shown in the following table:

Rhode Island General Fund Expenditures by NAICS
(Average FY 2019-2021)

Industry Description	NAICS Code	Percent of Total
Ambulatory Healthcare Services	621	36.6%
Educational Services	61	30.3%
State Wages	n/a (Entered as “state/local govt. compensation” and “employment”)	24.3%
Local Government Spending	n/a (Entered as “state/local govt. spending”)	3.5%
Social Assistance	624	2.0%
Administrative and Support Services	561	1.8%
Professional, Scientific, and Technical Services	54	1.8%
Repair and Maintenance	811	1.3%
Wholesale Trade	42	1.0%
Remaining Industries		2.3%
All Industries	**Total:**	**100.0%**

Source: ORA analysis of Rhode Island general fund expenditure data.

The total amount of the two tax incentives was input in the REMI Tax-PI model as a change in the government spending policy variable. To do so, ORA used a combination of actual tax incentive amounts for the two programs provided by Taxation and projected amounts provided by CommerceRI during the November 2023 REC.[51] These amounts were allocated in the REMI model through tax year 2040[52].

- *Modeling Benefits*

To model the benefits of the Rebuild RI tax credit and TIF incentive programs, ORA examined the intended purpose and goals defined in the programs governing statutes. For the Rebuild RI tax credit program, as stated in R.I. Gen. Laws § 44-48.3-2, the main objectives are largely focused on the stimulation of growth in real estate developments that could make investment and foster job

[51] See page 29 in Part III: Report Data Description for further explanation of model inputs.
[52] This is the last year of CommerceRI projections.

creation in the state. For the TIF incentive program, as stated in R.I. Gen. Laws § 42-64.21-2, the objective is to stimulate growth in real estate developments and/or businesses that are prepared to make meaningful investment, promote the retention and expansion of existing jobs, and stimulate the creation of new good paying ones.

To address these objectives and to model the benefits generated by the Rebuild RI and TIF programs recipients, ORA focused on two components: 1) the impact from the construction activity of the projects; and 2) the impact from the operations activity of the projects. The analysis is based on self-reported firm-level data on employment and wages provided by CommerceRI, Taxation and publicly available historical data on the regional and national economies.

- *Construction Impact*

Using information on projects costs within the agreements provided by CommerceRI for the Rebuild RI tax credit and TIF incentive recipients, ORA constructed a breakdown of soft and hard costs for these projects. The following table illustrates this breakdown:

TIF & Rebuild RI Recipients
Projects Cost Breakdown

Cost Type	Amount
Soft Costs	$206,399,271
Hard Costs	$681,991,554
Total Costs	**$888,390,825**

Source: Projects Agreements provided by CommerceRI

Using REMI Tax-PI, ORA modeled the soft costs amount as a change in the exogenous final demand policy variable in the "Professional Scientific, and Technical Services" industry,"[53] and modeled the hard costs amount as a change in the investment spending policy variable in the residential and non-residential construction sector (equipment and structures).[54] The construction activity occurs during the initial phase of the projects. The projects agreements indicated that the construction phase was expected to begin by the end of calendar 2019 and was anticipated to take about two years to complete. For simplicity, the full amounts of hard and soft costs were allocated in calendar year 2021, the first forecast year in the REMI model.

ORA did not directly model a change in employment from the construction phase. The Rebuild RI and TIF programs generally do not include a required level of job creation (which some exceptions

[53] According to the U.S. Census Bureau, "Professional Scientific, and Technical Services" industry comprises "establishments that specialize in performing professional, scientific, and technical activities for others. These activities require a high degree of expertise and training. The establishments in this sector specialize according to expertise and provide these services to clients in a variety of industries and, in some cases, to households. Activities performed include: legal advice and representation; accounting, bookkeeping, and payroll services; architectural, engineering, and specialized design services; computer services; consulting services; research services; advertising services; photographic services; translation and interpretation services; veterinary services; and other professional, scientific, and technical services." https://www.census.gov/naics/?input=54&year=2017&details=54.

[54] Some of the Rebuild RI projects were for mixed-use developments. ORA split the cost of these projects equally between residential and non-residential sectors.

described below), but rather an agreed upon level of spending. ORA chose to focus the analysis on this spending given the intent of the statute and the project agreements. Inputting this spending into the REMI model does produce an estimated impact on employment, although this impact is an final outcome of the analysis rather than a beginning assumption of the modeling.

- *Operations Impact*

The impact from the operations phase includes the benefits from the projects activity after the construction is complete. For TIF, these benefits are reflected through the taxable sales and hotel spending associated with the TIF hotel tax and sales tax foregone amounts. ORA estimated the incurred sales and hotel spending for each TIF recipient using data from Taxation and according to the recipient agreement terms and conditions.

For Rebuild RI, ORA chose to treat the operations phase job creation in different ways depending on the project. The only projects with jobs requirement are commercial Rebuild RI projects, which must create at least 25 jobs after construction is completed under statute. As described in page 50 of this report, some commercial projects also received New Qualified Jobs (NQJ) tax incentives and therefore the jobs they created were excluded from the current analysis. ORA had modeled these jobs as benefits of the NQJ program and including them in this evaluation report analysis would be double counting. For the other commercial projects, ORA modeled the jobs based on reports from those credit recipients, although only for the years when actual jobs were reported. For non-commercial Rebuild RI projects and TIF projects, no direct job creation was modeled. As described in the last paragraph of the previous section, the goal and requirements of the Rebuild RI and TIF programs are centered on infrastructure spending rather than job creation.

TIF and Rebuild RI benefits were input in the REMI Tax-PI model as changes in exogenous final demand and industry employment. In the REMI model, an "Industry Employment (Exogenous Production)" policy variable affects the industries that provide the goods or services demanded. This policy variable assumes that employment is related to exogeneous sources of demand, thus, the employment loss/gain will not be offset by local firms. In the case of the Rebuild RI tax credit and TIF incentive programs, this policy variable assumes that the added jobs described above represent net new jobs to Rhode Island economy. Hence, the analysis assumes that the availability of these tax incentives impacted the recipient firms' decisions to undertake major investments in Rhode Island, by providing cost savings that tipped the balance in favor of locating a business in Rhode Island vs. some competitive out-of-state location.

To apply the changes discussed above, ORA used the North American Industry Classification System (NAICS) code(s) that represent the underlying activity of the incentivized projects to accurately simulate direct shocks to the Rhode Island economy with the REMI Tax-PI model. In this case, two industries were selected: the "Accommodation" industry and the "Food Services and Drinking Places" industry.

In addition, since operations activity will start after the projects' construction is complete, the benefits associated with the Rebuild RI tax credit and TIF incentive projects were entered in the REMI Tax-PI model starting in calendar year 2021 through 2040. This would ensure that the analysis included the full extent of the lingering costs of the Rebuild RI tax credit and TIF incentive program.[55] Given that these programs incentivize infrastructure development, the benefits of these projects may extend beyond the timeframe of this analysis. However, ORA generally limits the scope of the analysis to the period that participants are legally committed to fulfilling program requirements.

- *The "Breakeven" Approach*

A fundamental challenge in evaluating economic development tax incentives is determining the extent to which a tax incentive stimulated or attracted new economic activity rather than subsidized economic activity that would have been largely present even in the absence of the tax incentive. On one hand, the availability of a tax incentive might have a decisive influence on a firm's production decision. In this case it might be appropriate for an evaluator to attribute all the firm's economic activity to the tax incentive. On the other hand, a tax incentive program may simply reward or subsidize behavior that likely would have occurred anyway. In this case the tax incentive might have an impact on a firm's marginal productivity, but it would be inappropriate to attribute the full economic activity of the firm solely to the availability of the tax incentive. Real world conditions often make it difficult or impossible for an evaluator to assess where on this continuum the impact of any given tax incentive falls.

In this context, ORA conducted a breakeven analysis. This analysis allows for the evaluation of a tax incentive program's performance under a wide range of assumptions regarding the level of economic activity that would have taken place if the program had not been available. Furthermore, the breakeven analysis specifies the proportion of economic activity associated with the tax incentive program recipients that one must assume to have been attributable to the tax incentive program in order for the total benefits to equal its total costs, where benefits and costs are measured as the impact on state general revenues (i.e., the condition that must be satisfied for the tax incentive program to "pay for itself").

The breakeven percentage should be interpreted as follows: if the reader believes the assumption to be plausible, that at least the amount of economic activity implied by the breakeven percentage can be attributed to the availability of the tax incentive, then one can infer that the tax incentive has a net positive impact on state general revenues. In the opposite case, if the reader believes that the amount of economic activity attributable to the tax incentive was less than the level implied by the breakeven percentage, then one can infer that the tax incentive had a net negative impact on state general revenues. Holding other factors equal, a lower breakeven percentage is more desirable than a higher breakeven percentage if the goal of a tax incentive program is to cost the state as little revenue as possible. A tax incentive program fails to breakeven when the breakeven percentage is greater than 100%. This implies that even if 100% of the economic activity associated with the tax incentive recipient was assumed to have taken place strictly because of the tax incentive's availability, a net negative impact on state general revenues would have resulted.

The combined analysis of the Rebuild RI tax credits and the TIF incentive necessitated a unique modeling approach. The nature of these tax incentives requires that the beneficiary firms enter into an incentive agreement with CommerceRI over multiple years. Therefore, to measure the impact

[55] It should be noted that the breakeven results would change if the time horizon of the analysis were to change.

on the state's economy if the tax incentives in question had not been in effect, ORA analyzed the entire time horizon of the operation phase. To do so, ORA used a combination of actual tax incentive amounts for the two programs provided by Taxation and projected amounts provided by CommerceRI during their testimony at the November 2023 REC. These amounts were allocated in the REMI model starting from tax year 2021 through tax year 2040. In addition, as described in the previous section, to measure the economic impact from the construction activity, the full amounts of construction costs were allocated in calendar year 2021.

The table below shows a sample of the cost of the incentives and benefits of the incentives by year for TY 2021 though TY 2040.

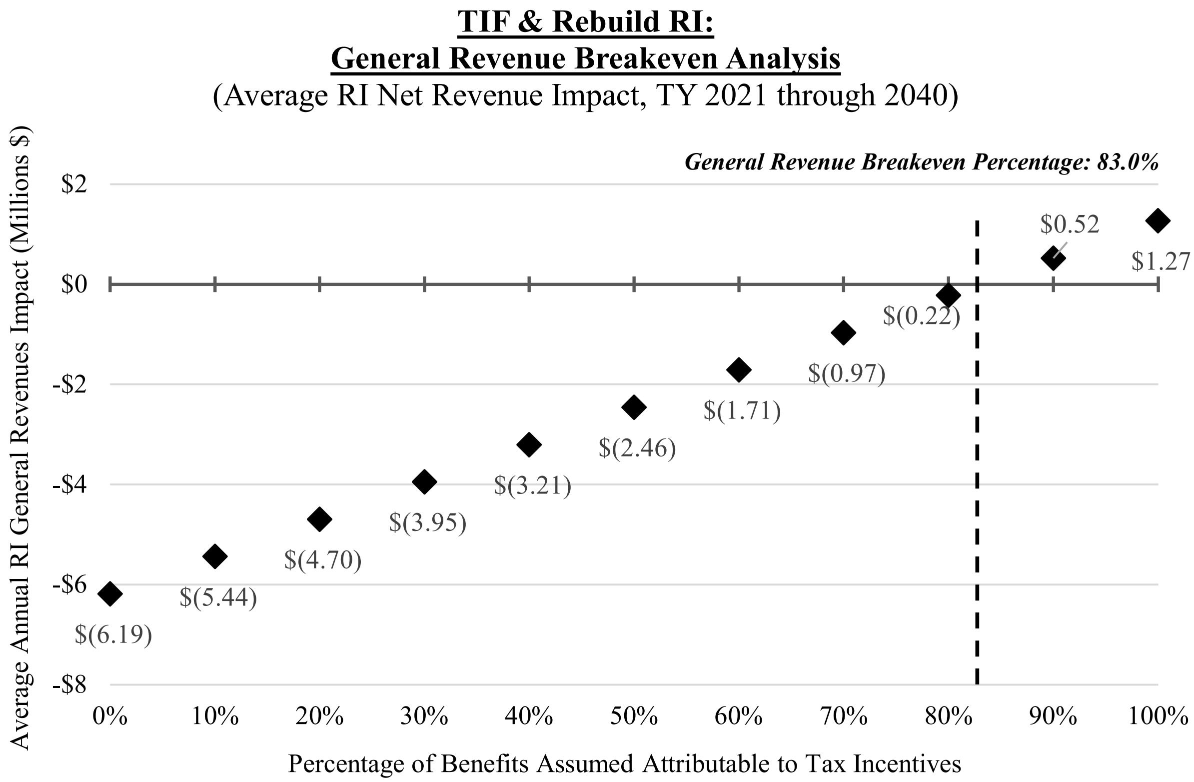
Tax Increment Financing & Rebuild RI

Sample of Detailed Model Costs & Benefits TY 2021 through 2040

	Industry	**CY 2021**	**CY 2022**	**CY 2023**	**CY 2024**		**CY 2037**	**CY 2038**	**CY 2039**	**CY 2040**
Cost of the Incentive	State Government	-$13,067,157	-$15,861,317	-$14,585,671	-$10,576,169		-$2,939,436	-$3,020,498	-$1,569,936	-$519,823
	Local Government	-$118,826	-$381,925	-$275,340	-$464,723		-$451,586	-$464,040	-$241,190	-$79,861
Operation Impact (Benefit)	Exogenous Final Demand: Accommodation	$14,342,395	$46,129,833	$33,401,229	$56,865,371		$57,344,305	$58,925,719	$30,627,275	$10,141,032
	Exogenous Final Demand: Food Services & Drinking Places	$15,141,149	$47,352,349	$34,137,585	$57,617,930		$55,989,249	$57,533,294	$29,903,547	$9,901,398
	Industry Employment (Exogenous Production): Accommodation	63	0	0	0		0	0	0	0
	Industry Employment (Exogenous Production): Food Services & Drinking Places	78	0	0	0	...	0	0	0	0
Construction Impact (Benefit)	Exogenous Final Demand: Professional Sc & Tech Svces	$206,399,271	$0	$0	$0		$0	$0	$0	$0
	Investment Spending: Residential	$271,812,554	$0	$0	$0		$0	$0	$0	$0
	Investment Spending: Nonresidential Structures	$323,282,997	$0	$0	$0		$0	$0	$0	$0
	Investment Spending: Nonresidential Equipment	$86,896,004	$0	$0	$0		$0	$0	$0	$0

Source: Taxation, CommerceRI, and ORA calculations

The following chart provides results of the breakeven analysis with respect to Rhode Island general revenues:



Notes: Label accompanying each ♦ marker refers to net RI general revenue impact resulting from a cost-benefit analysis assuming the labeled percentage of the TIF and Rebuild RI benefits. General revenue is equal to the net revenue impact resulting from the direct, indirect, and induced effects in addition to the cost of paying back the direct cost of the tax incentives.

Source: ORA calculations utilizing REMI Tax-PI.

The revenue results presented in this chart are the sum of revenues generated in the period of calendar year 2021 through 2040 for different scenarios regarding how much economic activity was caused by the availability of the Rebuild RI tax credit and TIF incentive programs. These revenue estimates reflect an assumption that Rhode Island forgoes revenues and state government spending to provide the Rebuild RI tax credit and TIF incentive tax benefits to eligible companies.

These results indicate that, under a best-case scenario, if 100% of economic activity associated with the Rebuild RI tax credit and TIF incentive is attributable to the availability of these tax benefits, ORA estimated a net gain of $1.27 million in total general revenues for an average year 2021 through 2040. Under the worst-case scenario, if the economic activity would have taken place regardless of the availability of the tax benefits, the estimated net loss is $6.19 million in total general revenues.

The breakeven point, where revenue losses from foregone state government spending are offset by revenue gains due to the tax incentives, is when approximately 83.0% of economic activity generated by firms receiving Rebuild RI tax credit and TIF incentive benefits is caused by these tax incentives. In other words, the general revenue breakeven percentage of approximately 83.0% implies that the Rebuild RI tax credit and TIF incentive programs have a net positive impact on Rhode Island general revenues if at least 83.0% of economic activity associated with the incentive recipient companies would not have occurred but for the availability of the tax incentives. Additional breakeven scenarios are provided in Appendix C.

The following table provides more detailed information regarding the state general revenue impact under the "best case" assumption that 100% of the economic activity associated with Rebuild RI tax credit and TIF incentive beneficiaries is in the state strictly due to the availability of these tax benefits:

TIF & Rebuild RI:
Detailed Net Revenue Impacts
(RI General Net Revenue Impact, Average TY 2021 through 2040)

Item Description	**Average Amount**
Forgone Revenue Due to Incentives	**$(5,596,865)**
Total General Revenue Generated by Incentives	**$6,865,135**
General Revenue Generated by Incentives by Component	
Personal Income Tax	$2,025,132
General Business Taxes	$689,335
Sales and Use Taxes	$2,233,207
Other Taxes	$103,385
Total Departmental Receipts	$964,755
Other Sources	$849,321
Net Change in General Revenue, After Paying for Incentives	**$1,268,270**
New Revenues Generated for Every Dollar of Incentives	**$1.23**

Note: This table shows the detailed revenue impact based on the assumption that 100% of the economic activity associated with Rebuild RI and TIF incentives was "caused" by the availability of the tax benefits.
Source: ORA calculations based on historical Rhode Island revenue amounts and REMI Tax-PI simulations.

The table above provides the REMI Tax-PI simulation results after removing the $5.6 million[56] cost of the Rebuild RI tax credit and TIF incentive programs, from government spending to account for the foregone revenue incurred due to the provision of these tax benefits. This includes the cost of the Rebuild RI tax credits, forgone state sales tax revenue from TIF projects, and lower local government spending due to forgone local hotel tax revenue. Simultaneously the total investment

[56] This amount represents the average of the Rebuild RI tax credits and TIF incentive received in tax years 2019 through 2021 as indicated by Taxation and the projected amounts of these tax incentives through TY 2040 as indicated by CommerceRI.

spending, change in final demand and employment (the metrics used to account for economic activity) gained by the state economy due to the availability of these programs are added.

These results indicate that, if all the economic activity associated with the Rebuild RI tax credit and TIF incentive programs was "caused" by these tax benefits, then the activity associated with the two programs generated an average of $6.9 million of state general revenues in an average year 2021 through 2040. The generated revenue of $6.9 million does not account for the $5.6 million average cost of the tax benefits over the same time period. To take into consideration the cost of the tax benefits, ORA subtracted the $5.6 million average cost of the Rebuild RI tax credit and TIF incentive programs from the $6.9 million average generated revenue. This is equal to a net average gain of $1.3 million in general revenue. Expressed another way, for every dollar spent on the Rebuild RI tax credit and TIF incentive programs, the state generates $1.23 of new revenue under this scenario. Additional detailed revenue results from different percentage of assumed benefits attributable to the Rebuild RI tax credit and TIF incentive programs are provided in Appendix C.

The breakeven analysis is highly dependent on the time horizon chosen and the projection of future incentive amounts. Generally, there is an initial positive impact on general revenues because of the upfront construction spending. This impact does turn negative as the Rebuild RI credits are utilized for the five years after the projects are completed. However, this analysis uses a twenty-year time horizon given that TIF projects generally enter into twenty-year agreements with the state. The ongoing economic activity associated with those TIF projects eventually pushes the average breakeven into positive territory. It is also important to note that the breakeven analysis only considered projects with incentives in tax years 2019 through 2021[57]. Other parts of this report, namely the future forgone revenue projections in section 1 of this part, considers projects that are authorized but have not yet received incentives.

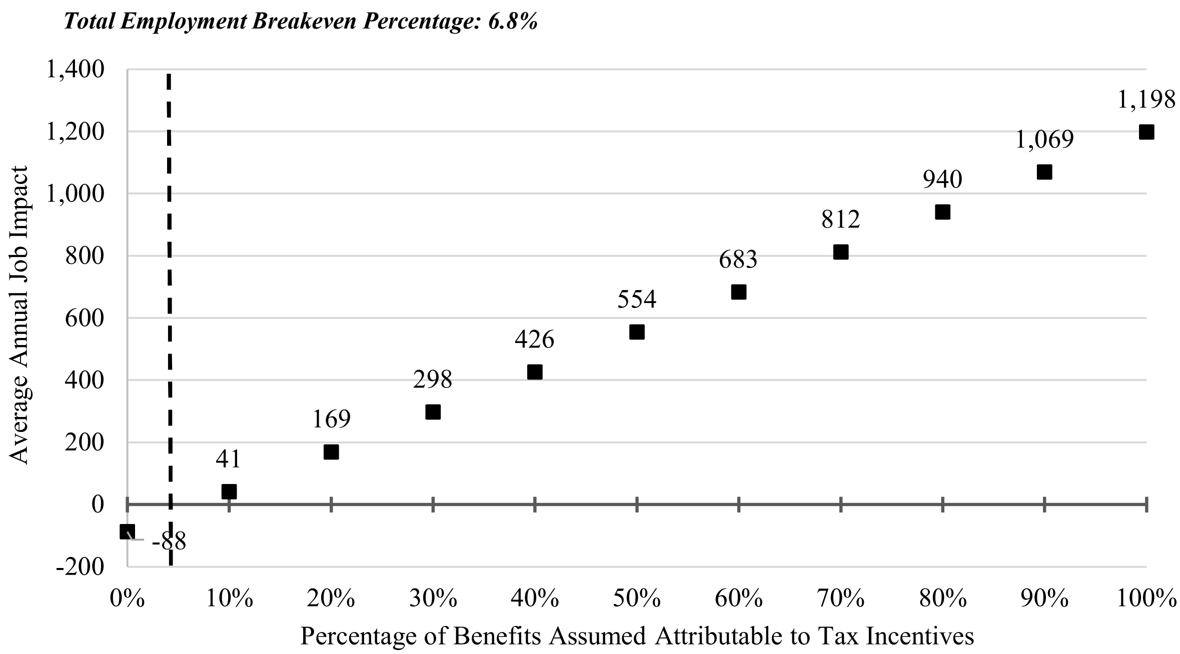
The breakeven framework can also be extended to Rhode Island employment and Rhode Island GDP. In these contexts, the breakeven percentage can be interpreted as the percentage of economic activity associated with Rebuild RI tax credit and TIF incentive recipient projects assumed to be attributable to the availability of the tax benefits necessary for the increase in employment or GDP resulting from new economic activity to outweigh the employment or GDP losses resulting in the reduction in government spending necessary to fund the incentives.

The following chart shows the results of a breakeven analysis with respect to total employment:[58]

[57] According to the November 2023 REC, 51 projects were awarded Rebuild RI tax credits and eight projects were awarded TIF incentives.

[58] Total employment represents the sum of private non-farm and government employments.

TIF & Rebuild RI:
Average Total Employment Breakeven Analysis
(Average Annual Jobs Impact, TY 2021 through 2040)



Notes: Label accompanying each ■ marker refers to net job impact resulting from a cost-benefit analysis assuming the labeled percentage of the combination of TIF & Rebuild RI benefits. Employment is equal to the employment impact resulting from the direct, indirect, and induced effects in addition to the cost of paying back the direct cost of the tax incentives.

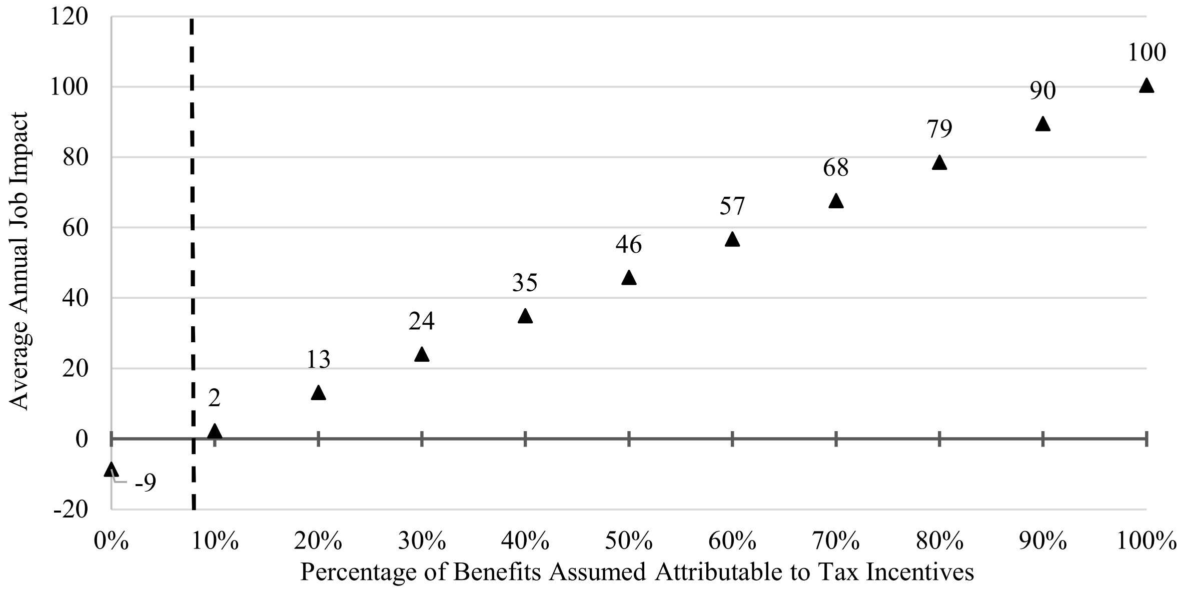
ORA tested a variety of assumptions regarding the level of economic activity taking place in Rhode Island due to the Rebuild RI tax credit and TIF incentive programs. The chart above shows the estimated new employment results for different scenarios on how much economic activity was caused by the Rebuild RI tax credit and TIF incentive programs. These results indicate that, under a best-case scenario, if 100% of economic activity associated with the Rebuild RI tax credit and TIF incentive programs is attributable to the availability of these tax benefits, ORA estimated a net gain of 1,198 economy-wide jobs on an average year for the period of 2021 through 2040. Under the worst-case scenario, if the Rebuild RI tax credit and TIF incentive economic activity would have taken place regardless of the availability of these tax benefits, the estimated net loss is 88 jobs across the state economy. These job estimates reflect an assumption that Rhode Island forgoes state government spending and employment to provide these tax benefits to eligible companies.

The breakeven point, where job losses from foregone state government spending are offset by job gains due to the tax incentives, is when approximately 6.8% of economic activity generated by firms receiving Rebuild RI tax credit and TIF incentive program benefits is caused by these tax incentives. In other words, the employment breakeven percentage of approximately 6.8% implies that the Rebuild RI tax credit and TIF incentive programs have a net positive impact on Rhode Island total employment if at least 6.8% of the economic activity associated with the recipient firms would not have occurred but for the availability of the tax incentives. A detailed employment breakdown is provided in Appendix C.

In addition, the large investment spending in connection to the projects' development will have a dramatic impact on the construction sector. Therefore, the employment breakeven analysis was also narrowed to measure the impact on construction employment. The following chart shows the results of a breakeven analysis with respect to employment in the construction industry:

TIF & Rebuild RI:
Average Construction Employment Breakeven Analysis
(Average Annual Jobs Impact, TY 2021 through 2040)

Construction Employment Breakeven Percentage: 8.3%



Notes: Label accompanying each ▲ marker refers to net job impact resulting from a cost-benefit analysis assuming the labeled percentage of the combination of TIF & Rebuild RI benefits. Employment is equal to the employment impact resulting from the direct, indirect, and induced effects in addition to the cost of paying back the direct cost of the tax incentives.

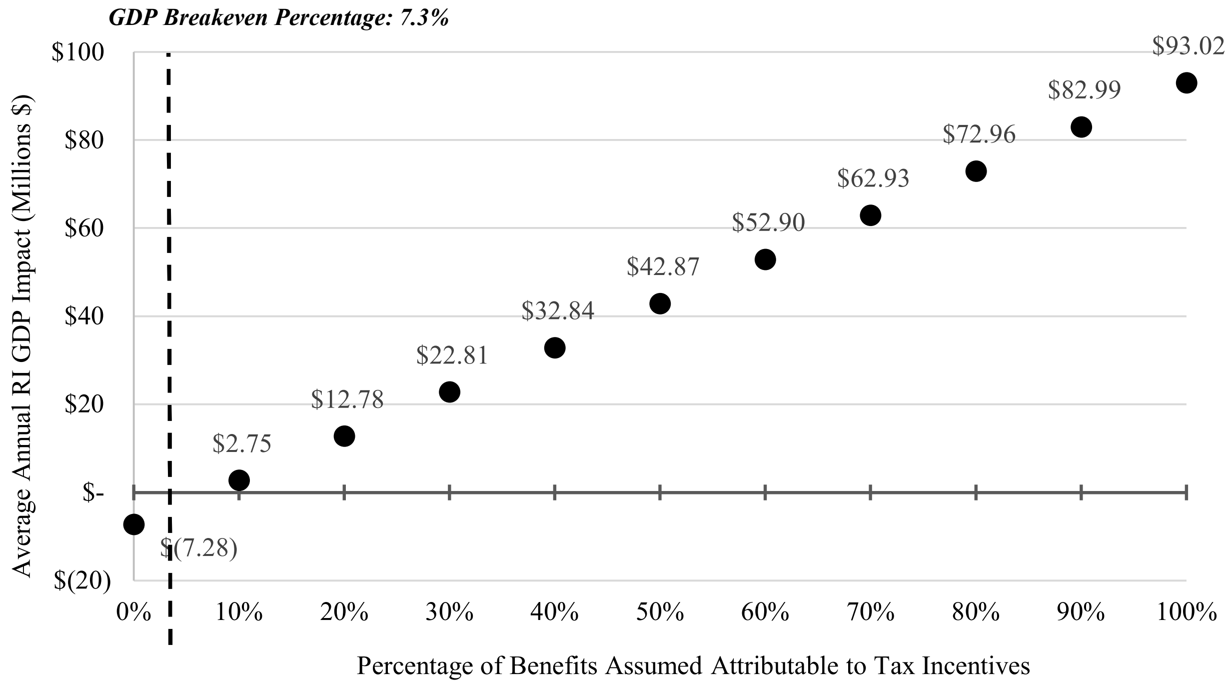
Source: ORA calculations utilizing REMI Tax-PI

The employment results reflected in this chart are the average of construction jobs generated in the period of calendar year 2021 through 2040 for each assumed percentage of benefits scenario. A construction employment breakeven percentage of approximately 8.3% implies that the Rebuild RI tax credit and TIF incentive programs have a net positive impact on total Rhode Island construction employment if at least 8.3% of economic activity associated with the projects that receive these tax incentives would not have occurred but for the availability of the tax incentives.

A detailed construction employment breakdown (e.g., intermediate demand, investment demand, and other demand jobs) is provided in Appendix C.

Rhode Island GDP is another metric to assess the economic impact from the Rebuild RI tax credit and TIF incentive program tax benefits. The following chart shows the results of a breakeven analysis with respect to Rhode Island GDP.

TIF & Rebuild RI:
RI Gross Domestic Product (GDP) Breakeven Analysis
(Average RI GDP Impact, TY 2021 through 2040)



Notes: Label accompanying each • marker refers to net GDP impact resulting from a cost-benefit analysis assuming the labeled percentage of the combination of TIF & Rebuild RI benefits. GDP is equal to the GDP impact resulting from the direct, indirect, and induced effects in addition to the cost of paying back the direct cost of the tax incentives.

Source: ORA calculations utilizing REMI Tax-PI

The chart above shows the estimated sum of Rhode Island GDP results for different scenarios regarding how much economic activity was caused by the Rebuild RI tax credit and TIF incentive programs during calendar years 2021 through 2040. These results indicate that, under a best-case scenario, if 100% of economic activity associated with the Rebuild RI tax credit and TIF incentive is attributable to the availability of these tax benefits, ORA estimated a net gain of $93.0 million in state GDP in an average year 2021 through 2040. Under the worst-case scenario, if the economic activity would have taken place regardless of the availability of the tax benefits, the estimated net loss is $7.3 million in state GDP. These GDP estimates reflect an assumption that Rhode Island forgoes state government spending to provide the tax incentives to eligible companies.

The break-even point, where GDP losses from foregone state government spending are offset by GDP gains due to the tax incentives, is when approximately 7.3% of economic activity generated by firms receiving Rebuild RI tax credit and TIF incentive benefits is caused by these tax incentives. In other words, the GDP breakeven percentage of approximately 7.3% implies that the Rebuild RI tax credit and TIF incentive programs have a net positive impact on Rhode Island GDP if at least 7.3% of economic activity associated with the incentives recipient companies would not have occurred but for the availability of the tax incentives. Additional breakeven scenarios are provided in Appendix C.

Part V: Discussion and Recommendations

1. Statement by the CEO of the Commerce Corporation

The Secretary of Commerce, who serves as Chief Executive Officer of the Rhode Island Commerce Corporation provided the following statement:

Statement from the CEO of the Commerce Corporation:

The Rhode Island Commerce Corporation (Corporation) thanks the Office of Revenue Analysis (ORA) for their diligence in compiling this report on the Rebuild Rhode Island and Tax Increment Financing (TIF) Incentive programs. This report affirms the effectiveness of these programs in stimulating development, creating jobs, growing the state's economy, and generating state revenue. We especially appreciate ORA's recommendation that the programs be maintained and will carefully consider their suggested modifications to the programs.

We believe it is likely that the benefits for Rhode Island and its residents are even more significant than this report describes. While not captured in this report, as they are outside the scope of ORA's mandated review, additional benefits stem from the enduring nature of the infrastructure, which continues to benefit the state for many years beyond the duration of the tax incentives, along with other non-state revenues which are generated by these investments such as local property and hotel taxes. Further, while this economic analysis was focused on just the subset of projects that had begun receiving tax credits by 2021, as more projects are completed and begin receiving tax credits, future ORA analyses will be able to evaluate the entire Rebuild and TIF portfolios more comprehensively.

While this report focuses largely on job creation, a notable outcome of the programs, the Corporation views these programs as primarily aimed at spurring development projects. The 51 Rebuild projects and 8 TIF projects, encompassing 55 unique projects, represent a total investment of nearly $3 billion dollars in Rhode Island's development, costing the state just over $225 million. That is a leverage ratio of approximately 13 to 1, meaning that every dollar the state invests stimulates $13 dollars of total development investment in the state. These programs are creating jobs and visibly changing the skyline of our state. Additionally, as ORA describes on page 18, investment programs such as the Rebuild and TIF programs become especially important during periods of slower economic growth, as has been projected for the next several years. To date, Rhode Island has avoided a recession; however, the future risk of a recession underscores the need to maintain and strengthen tools such as the Rebuild and TIF programs to incentivize projects that could not happen without state support.

It is important to highlight that these programs include robust taxpayer protections. As ORA mentions, the Corporation requires a demonstrated financing gap, meaning that only projects that could not occur without this funding are being incentivized. Further, after project completion, tax credit awards are subject to reduction if the financing gap was not as large as the developer estimated during the application and review process. Certain projects also have repayment and recapture provisions which further protect taxpayer dollars.

We look forward to continued collaboration with ORA and the General Assembly to ensure that the Rebuild and TIF programs can continue to accomplish their mission of stimulating economic growth through the development of infrastructure projects that benefit Rhode Island.

2. ORA Recommendations

Finding #1: The job creation requirement specified for Rebuild RI under R.I. Gen. Laws § 42-64.20-5(b)(3)(ii) lacks clarity and can result in companies receiving New Qualified Jobs (NQJ) and Rebuild RI tax credits for the same jobs they created.

Related Recommendations:

- The job creation mandate specified for the Rebuild RI program should be separated from the one of the NQJ program.
- All Rebuild RI commercial projects agreements should specify the employment requirement and CommerceRI should ensure that it is met by tax credit recipients.
- The number of jobs to be added should be maintained over the time period of the tax incentives issuance.

Discussion Supporting Finding #1:

R.I. Gen. Laws § 42-64.20-5(b)(3)(ii) requires that a Rebuild RI commercial development is a project "consisting of at least 25,000 square feet occupied by at least one business employing at least 25 full-time employees after construction or such additional full-time employees as the commerce corporation may determine." First, upon reviewing the Rebuild RI agreements for this type of project, ORA found that many have also received New Qualified Jobs (NQJ) tax credits, and, in some cases, the job creation language used in their NQJ agreement was used verbatim in the Rebuild RI agreement. This makes compliance with the NQJ employment requirement sufficient to meet the Rebuild RI employment threshold. It is, therefore, unclear which jobs resulted from receiving Rebuild RI tax incentives and which ones resulted from NQJ tax credits.

ORA recommends that the job creation mandate specified for the Rebuild RI program should be separated from the one of the NQJ program. Second, some of the Rebuild RI agreements did not include any job creation requirement. ORA recommends that all Rebuild RI agreements impose such a requirement and that CommerceRI ensure it is met by tax credit recipients. Last, both the governing statute and agreements with CommerceRI do not include any mandate for the commercial project recipients to maintain the 25 full-time employees during their commitment period over which they will be receiving Rebuild RI tax credits. ORA recommends amending the program's governing statute to add a requirement to retain those jobs throughout the commitment period (rather than the current vague requirement for 25 jobs "after construction").

Finding #2: There is no wage requirement for the employment requirement specified under the Rebuild RI statute (R.I. Gen. Laws § 42-64.20-5(b)(3)(ii)). The median wage of employees of many Rebuild RI tax credit recipients is lower than the DLT industry-specific median wage in the year for which the tax credit was received.

Related Recommendations:

- ORA recommends that the median wage threshold be provided on the program's application form.
- ORA recommends using the DLT industry-specific median wage as a wage threshold.
- Based on R.I. Gen. Laws § 42-64.20-6(b), ORA recommends that employees of the tax credit recipients be paid no less than the DLT industry-specific median wage.

Discussion Supporting Finding #2:

R.I. Gen. Laws § 42-64.20-6(b), titled "Administration," states that "[A]s the commerce corporation board determines whether to grant credits under this chapter, it shall consider the purposes for which this chapter is established, which include (but are not necessarily limited to) the following: (i) To create jobs with an emphasis on jobs that pay at least the most recent state median wage as defined by the department of labor and training." In fact, according to the statutory and programmatic goals and intent stated in R.I. Gen. Laws § 42-64.20-2(b) titled "Findings and declarations," the Rebuild RI tax credit program was established to not only promote economic development but also to create and retain "good paying" jobs. The wage information provided by Taxation, however, show that the median wage earned at many Rebuild RI tax credit recipient firms was often lower than the DLT industry-specific median wage.[59]

In addition, ORA reviewed the Rebuild RI applications provided by CommerceRI and found no mention of the Rhode Island median wage on the application. Program applicants are required to include "the anticipated number of full-time employees the business(es) will or could reasonably employ and the associated wages and benefits provided" along with their application under Attachment 4. ORA recommends that the median wage information should be already specified on the Rebuild RI application form and that applicants be made aware of the statutory wage criteria associated with the Rebuild RI Tax Credit program.

ORA also recommends that the DLT industry-specific median wages be used to construct the wage requirement for each Rebuild RI applicant to account for the variance in wages across industries and to ensure that jobs created are high-paying jobs for that industry. This will likely require a change to the program's governing statute. The General Assembly did take steps to ensure that jobs associated with Rebuild RI projects are "good paying" jobs by requiring that construction workers employed on Rebuild RI projects receive prevailing wage. However, this requirement only applies to "construction workers." Given the lack of data, this report does not generally

[59] This wage data is reported in page 50.

analyze the median wage of construction workers on Rebuild RI projects. Rather, the wage data sourced from Taxation is related to direct employment by the Rebuild RI applicants themselves, or ongoing employment by firms occupying those buildings. This recommendation would apply to all workers associated with Rebuild RI projects. Alternatively, so as not to conflict with the prevailing wage requirement, this recommendation could be applied to all non-construction workers associated with a Rebuild RI project.

Finding #3: No job or wage requirement is specified for the TIF projects application materials (similarly to the Rebuild RI findings discussed above).

Related Recommendations:

- ORA recommends that job and wage information for the TIF incentive recipient employees should be provided on the program's application form to ensure program transparency.

Discussion Supporting Finding #3:

R.I. Gen. Laws § 42-64.21-6(b)(ii), titled "Agreements permitted," states that in order to approve a proposed project, "the chief executive officer of the commerce corporation provide written confirmation to the commerce corporation board that (A) the commerce corporation has reviewed the application and any determination regarding the potential impact on the project's ability to promote the retention and expansion of existing jobs, stimulate the creation of new jobs, including good-paying jobs, attract new business and industry to the state, and stimulate growth in real estate developments and/or businesses that are prepared to make meaningful investment and foster job creation in the state."

Moreover, according to the statutory and programmatic goals and intent stated in R.I. Gen. Laws § 42-64.21-2(b) titled "Legislative findings," the TIF program was established to attract business developments that can create good paying jobs. ORA reviewed the "supplemental application" of the TIF recipients provided by CommerceRI and found no mention of job or wage information on these documents.

To ensure transparency of the TIF incentive program, ORA recommends that information on the anticipated number of full-time employees the project will or could reasonably employ and the associated wages and benefits be part of the application materials. Setting binding job or wage requirements, as discussed in Findings #1 and #2 for the Rebuild RI program, will likely be more difficult for the TIF program. TIF project agreements can span up to twenty years, and it is likely that businesses occupying space in TIF developments will come and go over that period. Also, ORA's analysis does show that the median wage from jobs identified with TIF projects are more in line with the median wage published by DLT than jobs associated with Rebuild RI projects. However, having job and wage goals for TIF projects, even if they are not binding, will show commitment to the statutory intent of the program and create a baseline for ORA and other stakeholders to assess if projects are meeting those statutory goals.

Finding #4: No separate TIF application form is available on CommerceRI website.

Related Recommendations:

- ORA recommends designing an application form for the TIF program that would contain the program's eligibility criteria.

Discussion Supporting Finding #4:

R.I. Gen. Laws § 42-64.21-5(e) titled "Financing" states that "The commerce corporation shall promulgate an application form and procedure for the program." However, unlike other tax incentive programs administered by CommerceRI, no TIF application form is available on CommerceRI website. Instead, development projects that are interested in applying to the TIF incentive program can only submit a "supplemental application" along with their original application for the Rebuild RI tax credit program. It is not clear if the TIF application process follows the application process of the Rebuild RI tax credit program. Given that the TIF and the Rebuild RI Tax Credit Act are two different programs, ORA recommends designing an application form for the TIF program that would capture the tax benefit's eligibility criteria underlined in the program's governing statute.

Finding #5: The current reporting requirements are adequate to demonstrate taxpayer compliance with eligibility requirements for the Rebuild RI tax credit and TIF incentive programs. This information, however, is insufficient for purposes of tax incentive evaluation.

Related Recommendations:

- Consider legislative change to enhance data reporting to make it useful for tax incentive evaluation purposes.
- Revise annual reporting rules for Rebuild RI tax credit and TIF incentive recipients.
- ORA recommends altering the governing statute of the economic development tax incentive evaluations to allow for the disclosure of taxes paid by incentive recipients regardless of the number of these recipients.

Discussion Supporting Finding #5:

R.I Gen. Laws § 42-64.20-9 titled "Reporting requirements" mandates that recipients of the Rebuild RI tax credit submit to CommerceRI and Taxation an annual report by August 1st of each year.[60] Those annual reports contain basic information about project cost and full-time employees associated with the project. ORA recommends that the annual reports must include identifying information of the employer (e.g., Name and FEIN) and a list of employees associated with the development projects with information on wages and hours worked for these employees. Collecting this wage data will allow policymakers to determine the quality of jobs added to the state economy, provided that one of the program's goals and objectives is to create "good-paying" jobs and will give Taxation the necessary information to help ORA fulfill some of the reporting

[60] A copy of this report is attached in appendix D.

requirements governing this report. Furthermore, providing such information on the annual reports will help differentiate between the jobs created by the Rebuild RI tax incentives and the ones created by the NQJ program as discussed in Finding #1 above.

On the issue of disclosing taxes paid by the recipient firms of the TIF incentive, R.I. Gen. Laws § 44-48.2-5(a) states that "[T]he additional analysis…shall include, but not be limited to: (1) A baseline assessment of the tax incentive, including, if applicable, the number of aggregate jobs associated with the taxpayers receiving such tax incentive and the aggregate annual revenue that such taxpayers generate for the state through the direct taxes applied to them and through taxes applied to their employees." No exception is provided in the law governing economic development tax incentive evaluations for the disclosure of otherwise confidential information. This data is not provided to ORA to meet this mandate when the number of taxpayers is less than 10 as is the case with the TIF incentive for the 2019 through 2021 period. ORA recommends amending R.I. Gen. Laws § 44-48.2-5(a) to specifically allow for such disclosure in a tax incentive evaluation report.

Finding #6: It is unknown how much net new economic activity is attributable to the Rebuild RI tax credit and Tax Increment Financing incentive programs.

Related Recommendations:

- An ideal scenario is where these tax incentives are given only for incremental investment, that is, for investments that would not otherwise have occurred but for the tax benefits.
- Require the recipient of the tax credit attest explicitly that the economic activity would not take place "but for" this incentive.

Discussion Supporting Finding #6:

It is statutorily permissible for firms to make use of the Rebuild RI tax credit and TIF incentive programs for economic activities that they would have undertaken anyway. While there is a requirement for the demonstrated existence of a financing gap under both programs, there is no explicit requirement that the company's chief executive officer, or equivalent officer, must testify under oath that any projected economic activity, such as investment activity or creation of jobs, would not occur in the state of Rhode Island, *but for* the provision of tax incentives under the programs, as is required for the New Qualified Jobs Act under R.I. Gen. Law § 44-48.3-4(d). Therefore, it is difficult to determine with certainty the tax incentives recipients who made the decision to invest in Rhode Island because of the availability of these tax incentives. Thus, when evaluating this program's benefits, ORA conducted a sensitivity analysis that displays a variety of scenarios for possible economic and fiscal outcomes.

3. ORA Conclusion

R.I. Gen. Laws § 44-48.2-5(a)(11) requires the Office of Revenue Analysis to make a recommendation "as to whether the tax incentives should be continued, modified, or terminated." The Office of Revenue Analysis recommends that the Rebuild RI tax credit and the Tax Increment Financing incentive programs be retained but modified according to the recommendations described in the previous section.

APPENDICES

Appendix A. Rebuild RI Tax Incentive Application Form

Rhode Island Commerce CORPORATION

Rebuild Rhode Island Tax Credit Application Materials

Rebuild Rhode Island Tax Credit program details can be found at:
https://commerceri.com/tax-credits-and-financing/

Rebuild Rhode Island Tax Credit Application Submission Instructions

Please submit four (4) complete hard copies, a complete electronic copy, and a one-time, nonrefundable application fee of $5,000 in the form of a check made payable to the Rhode Island Commerce Corporation.

Applications can be submitted in person or by USPS registered mail to the following address:

Rhode Island Commerce Corporation
Attn: Investments Team
315 Iron Horse Way, Suite 101
Providence, RI 02908

Questions on the application process may be submitted to Investments@commerceri.com

- Read and review the Rules and Regulations for the Rebuild Rhode Island Tax Credit Program before completing this application. All eligibility requirements, including the Application Certification Form, must be met for an application to be considered for a Rebuild Rhode Island tax credit. The rules and regulations are available online at https://rules.sos.ri.gov/regulations/part/870-30-00-3.
- This application may be updated from time to time. Please ensure the most up-to-date version of the application is used for a response. The up-to-date application form is located here: https://commerceri.com/wp-content/uploads/2018/01/Rebuild-RI-Tax-Credit-Application-Updated_form.pdf.
- The Rebuild Rhode Island Tax Credit application consists of an application form, a set of required attachments, a certification form, and a nonrefundable $5,000 application fee. To be considered for a tax credit, all items must be submitted in a single submission, organized as instructed below. Failure to provide required information could result in a delay in the review of or rejection of an application.
- The Commerce Corporation reserves the right to require the submission of additional information in connection with any application or to require the revision of an application.
- Applicants approved for a tax credit will be required to enter into an incentive agreement with the Corporation in order to receive tax credit. The Corporation may request additional information in the course of negotiating that agreement.
- **All relevant attachments must be completed before the application can be considered.**

Rebuild Rhode Island Tax Credit Application

1. Application Certification Form (Notarized)

The undersigned is the chief executive officer or equivalent officer of the applicant with the authority to bind the company for the proposed Rebuild Rhode Island tax credit.

I certify that:

- I have reviewed the information contained in this application and confirm that the statements made in this application in its entirety including all attachments, appendices, etc. are true, accurate and complete to the best of my knowledge.
- The applicant has committed equity in the project that is the subject of this application of not less than 20% of the total project cost.
- A project financing gap exists for the project that is the subject of this application.
- The project meets the eligibility criteria set forth in the rules and regulations for the Rebuild Rhode Island Tax Credit Program.
- The applicant is neither a person subject to the Rhode Island Code of Ethics nor a person within the scope of R.I.G.L. § 36-14-5(h).
- The applicant has not been convicted of bribery or attempting to bribe a public official or employee of the Rhode Island Commerce Corporation or of the State, has not been disqualified from an awarded contract with Rhode Island Commerce Corporation or the State, and has never defaulted on work awarded by the Rhode Island Commerce Corporation or the State.

Name of Certifying Officer: ______________________________

Title: ______________________________

Signature of Certifying Officer: ______________________________

Date Signed: ______________________________

Notarization:

Rebuild Rhode Island Tax Credit Application

2. Applicant Information

Business Name ______________________________

Trade Name/DBA ______________________________

Mailing Address ______________________________

City ____________ State ____________ Zip ________ - ______

Business Phone ____________ Website ____________

Federal Tax ID # ____________ RI Tax ID # (if applicable) ____________

☐ Same as Federal Tax ID #

Business Structure (select one):

☐ C Corporation
☐ Limited Liability Corporation
☐ Limited Partnership
☐ S Corporation
☐ Sole Proprietorship
☐ Other: ____________

Is the applicant registered to do business in Rhode Island with the Secretary of State? ☐ Yes ☐ No

Primary Contact for Application:

Full Name ______________________________

Job Title ______________________________

Mailing Address ______________________________

City ____________ State ____________ Zip ________ - ______

Phone ____________ Email ____________

3. Project Information

Project's City/Town ______________________________

Project Type (select one):

☐ Commercial ☐ Residential (for Hope Communities only) ☐ Mixed Use

Has the Division of Taxation determined that the project is eligible for a historic tax credit under R.I. General Laws Section 44-33.6? ☐ Yes ☐ No

If Yes, has the developer applied for state historic tax credits?______________________

Project Size__________ Gross Square Feet (25,000 square foot minimum)

Total Project Cost (must match Attachment 8) __________($5,000,000 minimum unless located in a Hope Community)

Does the project involve the conversion, rehabilitation, or demolition of an existing structure?

☐ Yes – If yes, date(s) existing structure(s) put in service: ______________________

– If yes, is the project on the National Register of Historic Places or is eligible to be on the National Register? ______________________

☐ No

For Commercial and Mixed-Use Projects:

Number of Permanent Jobs Occupying Project Upon Completion ______________________

For Residential and Mixed-Use Projects:

Number of Residential Units ______________

Amount of Applicant Equity in the Project __________

Applicant Equity As Percentage of Project Cost ________

Total Tax Credit Sought ______________

Total Tax Credit Sought As Percentage of Project Cost _______

Is the applicant seeking a sales and use tax exemption for construction materials and furnishings?

☐ Yes — If yes, estimated to be __________ ☐ No

Developer(s) ______________________________

Owner(s) ______________________

Contractor(s) ______________________

Legal Counsel: Firm______________________Principal Attorney ______________

Architect(s): Firm______________________Principal Architect ______________

Lender(s) ______________________

4. Project Timeline

Anticipated Construction Start Date ______________________

Anticipated Construction Completion Date ______________________

Anticipated Date Project Will Be Open and Operational ______________

Permitting and Approval

List all federal, state, and local permits or approvals required to complete the project, the permitting or approving agency, the fees paid or anticipated, the permit status (e.g., approved, pending, or anticipated date of application), and the date of actual or expected receipt.

Permit/Approval	Agency	Fees paid / anticipated	Status	Date of actual/expected approval

5. Required Attachments

Please attach to the application form responses to the following prompts. Attach these items in the order provided below. Each attachment should have a cover page that identifies the attachment, e.g., "Attachment 1: Project Summary."

All applicants are advised that any and all records (documents, correspondence, memoranda, etc.), received or maintained by the Commerce Corporation may be a matter of public record and subject to release upon a request from a member of the public under the Rhode Island Access to Public Records Act ("APRA"), R.I. Gen. Laws Section 38-2-1 et seq. In response to a request, the Commerce Corporation has the right, in its sole discretion, to redact or withhold information which is exempt from disclosure under APRA, including trade secrets and commercial or financial information which is of a privileged or confidential nature. **The Corporation recommends that any portion of any attachment in the application that contains such information be clearly labeled with the legend "Confidential Information."**

Attachment 1: Project Summary

Provide a summary of the project not to exceed 2 pages in length. The summary should include:

- Narrative description of the project, including uses (residential, manufacturing, office, retail, etc.), project location, whether the project involves new construction or adaptive reuse, size of the project, project cost, project amenities and construction schedule.
- Aggregate amount of tax credit sought and why a tax credit of that size is essential to completion of the project in Rhode Island.
- Statement, if applicable, that the project seeks waiver of the project size and costs eligibility requirements.
- State, if applicable, that the project seeks a waiver of the project cost requirements because it is located in a Hope Community (Central Falls, Pawtucket, Providence, West Warwick, and Woonsocket).

Attachment 2: Site Map

Provide a map that shows the project site and includes the municipal tax assessor's parcel identification number for each parcel involved in the project site. Provide a second map that shows the project site and its immediate surroundings. Both maps should be 11x17.

Attachment 3: Site Control

Provide a list of each parcel involved in the project site, identified by the municipal tax assessor's parcel identification number, and the status of the site control for each (e.g., owned, under contract, in negotiations, etc.). Attach to that list documentation evidencing the existing site control (e.g., deed, contract, lease, etc.).

Attachment 4: Commercial Uses (required only for Commercial and Mixed-Use projects)

Identify the prospective business(es) that will or could reasonably occupy the project once complete, the principal products and services produced or supplied by such business(es), the anticipated number of full-time employees the business(es) will or could reasonably employ and the associated wages and benefits provided. Include the principal 5-digit NAICS code(s) for the occupant business(es) that are presently known. If the project is not for commercial or mixed use, indicate "N/A" (Not Applicable).

Attachment 5: Residential Breakdown (required only for Residential and Mixed-Use projects)

Provide the number of units in the project, a description of the unit sizes and layouts, and projected sale or lease prices for each type of unit/layout. In addition, if the project includes Affordable or Workforce Housing, please include as an addendum an affordability matrix detailing the percentage, income limit and term of Affordable or Workforce Housing status.

If the project is not residential or mixed use, indicate "N/A" (Not Applicable).

For purposes of the Rebuild Rhode Island Tax Credit Program, the following definitions apply:

Affordable Housing means housing for sale or rent with combined rental costs or combined mortgage loan debt service, property taxes, and required insurance costs that do not exceed thirty percent (30%) of the gross annual income of a household earning up to eighty percent (80%) of the area median income, as defined annually by the United States Department of Housing and Urban Development. According to 2016 HUD income guidelines, 80 percent of median Rhode Island family income for a four-person household equals $58,800. In determining the affordability of a specific unit, the Corporation will reference U.S. HUD income limits by household size in accordance with the size of the unit under review – for example, a unit is subject to the income thresholds for a household with one more householder than the number of bedrooms in the unit (e.g. a four-person household will require a three-bedroom unit).

Workforce Housing means housing for sale or rent with combined annual rental costs or combined annual mortgage loan debt service, property taxes, and required insurance costs that do not exceed thirty percent (30%) of the gross annual income of a household earning between eighty percent (80%) and one hundred and forty percent (140%) of the area median income, as defined annually by the United States Department of Housing and Urban Development. According to 2016 HUD income guidelines, 80 percent of median Rhode Island family income for a four-person household equals $58,800; 140 percent equals $102,900. In determining the "workforce housing" status of a specific unit, the Corporation will reference U.S. HUD income limits by household size in accordance with the size of the unit under review – for example, a unit is subject to the income thresholds for a household with one more householder than the number of bedrooms in the unit (e.g. a four-person household will require a three-bedroom unit).

Attachment 6: Renderings

Provide architectural elevations, massing plans and/or renderings for the project. These drawings should be no larger than 11x17 inches.

Attachment 7: Description of Project Financing

Provide a detailed description of project's financing, which shall include all sources and amounts of funding, projected internal rate of return, net margin, return on investment, and cash on cash yield. Include number of lenders approached and their history with applicant if any. Clearly identify the source of the equity being used to satisfy the requirement that the applicant has committed at least 20% equity in the project. Attach all funding commitments, including any lender commitment letter(s), equity support agreement(s) or other evidence of committed financing. Include information on how the applicant intends to bridge the requested Rebuild Tax Credits.

Attachment 8: Detailed Project Cost

Provide a detailed line item breakdown of project costs. The breakdown should identify any costs incurred as of the date of this application, and the date the cost was incurred. Acquisition cost should be supported by comparables, an appraisal, or other documentation. Identify, quantify, and break out separately all affiliate costs/payments to the developer and/or affiliates.

In addition, if the project is seeking a sales and use tax exemption, this breakdown should isolate the amount of sales and use tax that would be subject to that exemption. For reference, the sales and use tax exemption, which is granted at the discretion of the Corporation, is available for purchases of the following classes of personal property (only to the extent utilized directly and exclusively in the project): (1) furniture, fixtures and equipment, except automobiles, trucks or other motor vehicles; or (2) such other materials, including construction materials and supplies, that are depreciable and have a useful life of one year or more and are essential to the project.

Attachment 9: Financing Gap and Tax Credit Requested

Rebuild Rhode Island tax credits are only available if the project has a financing gap. A financing gap, defined below, is the financing shortfall that makes a project unlikely to be accomplished by private enterprise in Rhode Island without the receipt of the requested tax credits. Any tax credit awarded to a project cannot exceed the project's financing gap.

In this attachment, set forth the amount of the tax credit sought and demonstrate that it does not exceed the project financing gap on the project. A financing gap can take one of two forms: (1) an internal financing gap or (2) a competitive financing gap.

An **internal financing gap** is that part of the total project cost that remains to be financed after all other sources of capital have been accounted for, including, but not limited to, applicant's equity, a reasonable assumption of debt on the project, and any other capital source that is reasonably available given the nature of the project. To demonstrate an internal financing gap, the applicant must indicate the minimum expected return or profit needed to proceed with the project.

A **competitive financing gap** is the amount of funds necessary to gain a competitive advantage over a viable comparable location in another state. To demonstrate a competitive financing gap, the applicant must present a detailed analysis that demonstrates the capital and operating cost differential between the alternative location and the Rhode Island location. To the extent that the analysis relies on the receipt of government incentives from the jurisdiction of the alternative location, an incentive offer letter from the other jurisdiction should be included.

Attachment 10: Rebuild Rhode Island Tax Credit Allocation (if applicable)

Rebuild Rhode Island tax credits are provided in five equal annual installments, the first of which is available after the project is placed in service. There is a strong presumption in favor of this default allocation.

An applicant may, however, request a different annual allocation, which the Corporation may grant in its sole discretion. Any alternative allocation must, at a minimum, meet the following criteria: (1) there must be at least four annual installments, and no more than five; (2) any individual annual installment must not exceed 30% of the total credit amount awarded; and (3) any individual annual installment must not fall below 15% of the total credit amount awarded.

If seeking an alternative allocation, please provide a description and table of the alternative allocation being sought and provide a justification for why this alternative allocation is necessary for the project to proceed. Notwithstanding any request for an alternative allocation, the Commerce Corporation reserves the right to approve a project subject to a different allocation than the one requested.

If seeking the default allocation, indicate "N/A" (Not Applicable).

Attachment 11: Pro Formas

Include two 11-year operating pro formas, assuming (a) the project receives the Rebuild Rhode Island tax credit in the amount requested and (b) the project does not receive any Rebuild Rhode Island tax credit. In both cases, provide all assumptions and available supporting documentation such as market studies or comparables.

Identify, quantify, and break out separately all affiliate costs/payments to the developer and/or affiliates.

Include excel versions of proformas in electronic submission.

Attachment 12: Tax Stabilization Agreement

It is the expectation that the applicant has sought alternative sources of financing such as through a tax stabilization agreement. State whether the project has received a tax stabilization agreement from the municipality where it is located. If not, describe the commercially reasonable efforts the applicant has or will take to obtain such an agreement, or explain why such an agreement is not being sought.

Attachment 13: Other Incentives

List all federal, state, and local incentives, grants, tax credits or other aid (with the exception of local tax stabilization agreements) that will or may be received or requested for the project, and the status of the application for each. If applicable, include the letter from the Division of Taxation indicating the project's position in the state Historic Tax Credit queue.

Attachment 14: Business Plan or Market Study

Detail the major risks, business drivers, and financial opportunities for the project. Attach any business plan(s) and/or market study(ies) completed for the project.

Attachment 15: Benefits and Catalytic Impact

Provide an assessment of the project's benefits and catalytic economic and real estate development impact. Relevant criteria include, but are not limited to, increasing permanent employment, catalyzing private investment, enhancing state and local revenues, neighborhood revitalization, elimination of blight, reuse of vacant or underutilized buildings, and environmentally-sustainable development. This assessment should include qualitative and quantitative components; estimates and projections should be supported by evidence.

Attachment 16: Jobs Creation

List the number, anticipated start dates, and anticipated wage and benefits for all permanent jobs that will be located at the project. Indicate the number of new jobs to Rhode Island, with an explanation of why those jobs are in fact new to Rhode Island (as opposed to existing jobs within the state that are being relocated to the new facility).

Provide a separate list with the number, timing (start and end date), duration, and anticipated wage and benefits levels for all construction jobs.

Attachment 17: Ownership Structure

Provide an organizational chart and narrative description of the ownership structure of the development and ownership entities; include the names and ownership interests of individual(s) involved in each. The financial relationship of each entity must be accurately described.

Attachment 18: Experience

Describe the experience developing and/or operating projects similar to the proposed project for both the applicant and the personnel primarily responsible for the project. Resumes of key personnel should be provided as well.

Attachment 19: Return on Incentive

One factor relevant to the Corporation's review of the application is whether there exists an opportunity for the Corporation (or the State of Rhode Island) to recoup or receive a return on all or portion of the sales tax exemption or tax credits provided to a project by virtue of a receipt of an equity stake or other interest in or return from the project. If applicable, please include a description of any such opportunity. Otherwise, indicate "N/A" (Not Applicable).

Attachment 20: Additional Credit Eligibility (if applicable)

If an aggregate tax credit in excess of 20% of the project cost is being sought, the project must meet one or more of the criteria set forth below. If the project is eligible for one or more of the following criteria, it may be eligible to receive a tax credit in an aggregate amount equal to a financing gap of up to 30% of the project cost. If the project is not eligible for one or more of the following criteria or has a financing gap of 20% of the project cost or less, indicate "N/A" (Not Applicable).

Attachment 20-1: Historic Structure

The project includes Adaptive Reuse or development of a Recognized Historical Structure. If seeking to qualify for additional credits under this criterion, the applicant should identify each historic structure involved in the project and, for each, identify whether it is (i) listed individually on the national register of historic places; (ii) listed individually in the state register of historic places; or (iii) located in a registered historic district and certified by either the Rhode Island Historical Preservation & Heritage or the Secretary of the Interior as being of historic significance to the district. If none of (i), (ii), or (iii) apply to the project, describe and provide evidence for why the structure is commonly considered to be of historic or cultural significance. Finally, the applicant should describe how the project and its design will rehabilitate historic properties and/or enhance a historic district.

Attachment 20-2: Targeted Industry

The project is undertaken by or for a Targeted Industry. As of the date of this application, targeted industries are the following:

- Biomedical Innovation
- IT/Software, Cyber-Physical Systems, and Data Analytics
- Defense Shipbuilding and Maritime
- Advanced Business Services
- Design, Food, and Custom Manufacturing
- Transportation, Distribution, and Logistics
- Arts, Education, Hospitality, and Tourism

If seeking to qualify for additional credits under this criterion, describe the project's impact on the targeted industry, both at the project site and its potential to enhance the industry's presence, efficiency, and output in the state. This assessment should include qualitative and quantitative components, and estimates and projections should be supported by evidence.

Attachment 20-3: Transit Oriented Development Area

The Project is located in a Transit Oriented Development Area. Under this program, transit oriented development can take one of two forms:

- Public-transit oriented development is development that is in close proximity to, compatible with, and supportive of public transit;
- Freight-transit oriented development is development in an area with ready access to freight rail, air, and/or marine transportation where manufacturing, warehousing, distribution, and freight forwarding operations are or could be located.

A project can qualify for an additional tax credit if it is located in either a public-transit or freight-transit oriented development area. An applicant can demonstrate qualification for this additional tax credit as follows:

Public-transit oriented development area

If the applicant is proposing a new designation of a public-transit oriented development area, it should include in the application the following:

- A map delineating the public-transit oriented development area and identifying the public transit within the area and the zoning in the area. A description of the rationale for the area's boundaries should also be included.
- Evidence of the municipality's commitment to transit oriented development in the proposed area, in the form of zoning ordinances, planning documents, etc. This evidence should reflect planning for compact, mixed-use, pedestrian-friendly, transit-supportive or -related development.
- List and describe the following:
  - The modes of public transit that currently serve the area.
  - Existing or planned infrastructure to make the area more conducive to pedestrian and bicycle transport.
  - Existing and/or planned public amenities at the transit facility that were initiated by the municipality, e.g. parks, civic spaces, public art, memorials, tourist information booths, wayfinding signage.
- A description of how the project will enhance transit oriented development within the area.
- Identify and describe additional real estate development within the proposed area, beyond the project site, where transit oriented development – i.e., compact, mixed-use, pedestrian-friendly, transit-supportive or -related development – has occurred or is planned. For planned projects, provide a brief statement of the project status.

Freight-transit oriented transit development area

Alternatively, if the project has a freight component, the applicant can satisfy this criterion by demonstrating that the project is an area with ready access to freight rail, air, and/or marine transportation where manufacturing, warehousing, distribution, and freight forwarding operations are or could be located. An applicant seeking to make this demonstration should include:

- A map delineating the proposed or existing freight-transit oriented development area. A description of the rationale for the area's boundaries should also be included.
- List and describe the following:
  - o The modes of freight transit that currently serve the area, and any steps taken to integrate these modes.
  - o Existing or planned infrastructure to make the area more conducive to freight transit.
- A description of how the project will enhance freight-transit oriented development within the area.

Attachment 20-4: Affordable and Workforce Housing

The Project includes Residential development with at least twenty percent (20%) of the Residential units designated as Affordable Housing or Workforce Housing. If seeking to qualify for additional credits under this criterion, the applicant should set forth the number of affordable or workforce housing units to be made available, the specific income limits that will be placed on those units, and the duration of the commitment to maintaining affordability at those limits. The Corporation will grant preference to applications that commit to maintain units as affordable for a longer period of time and at greater affordability (i.e. lower-priced) levels.

Attachment 20-5: Industrial Property Remediation and Reuse Properties

The Project includes the Adaptive Reuse of property subject to the requirements of the Industrial Property Remediation and Reuse Act, R.I. Gen. Laws § 23-19.14-1. To satisfy this criterion, demonstrate that the project is located on property that is subject to Industrial Property Remediation and Reuse Act and describe the remediation efforts the project will include.

Attachment 20-6: Sustainable Development

The Project includes Commercial facilities constructed in accordance with the minimum environmental and sustainability standards, pursuant to LEED or other equivalent standards. To satisfy this criterion, identify the environmental/sustainability standard the project will meet (e.g., LEED, LEED silver, LEED gold, LEED platinum) and describe how the project meets that standard. If proposing to meet a standard other than LEED, explain why that standard is at least as environmentally friendly as LEED.

Attachment 21: Conflict of Interest Disclosures

Provide (1) the full name and address of each individual who is an owner, partner, or investor, or otherwise holds an interest in an applicant, either individually or through one or more other entities (except that individuals having an interest in an applicant by virtue solely of ownership in a publicly-traded corporation need not be listed); (2) a complete list of each entity holding an interest in the applicant; and (3) a complete list of each officer, director, or manager of the applicant.

Appendix B: Breakdown of Targeted Industries by Specific NAICS Codes

Rhode Island Employment and Wages by Target Industry (TY 2021)

Target Industry	NAICS code	Industry	Annual Employment	Average Annual Pay	Average Weekly Wage
Biomedical Innovation	5417	Scientific research and development services	1045	$109,017	$2,096
IT/Software, Cyber-physical systems, Data	5415	Computer systems design and related services	8,638	$107,206	$2,062
	5112	Software publishers	784	$144,737	$2,783
	5182	Data processing, hosting and related services	599	$134,423	$2,585
	5191	Web search portals and internet publishing	850	$142,031	$2,732
Defense shipbuilding and maritime	3366	Ship and boat building	5,246	$202,777	$3,899
Advanced business services	5416	Management and technical consulting services	3,250	$99,400	$1,912
	5413	Architectural, engineering, and related services	4,200	$83,508	$1,606
	5511	Management of companies and enterprises	12,309	$141,256	$2,716
Design, food and custom manufacturing	5414	Specialized design services	497	$71,284	$1,371
	3399	Other miscellaneous manufacturing	3,108	$61,236	$1,178
	3345	Electronic instrument manufacturing	2,814	$86,787	$1,669
	3391	Medical equipment and supplies manufacturing	1,471	$64,502	$1,240
	3359	Other electrical equipment and component mfg.	550	$74,560	$1,434
	3252	Resins & synthetic rubbers	304	$66,138	$1,272
	3344	Semiconductors	707	$75,172	$1,446
	3254	Pharmaceuticals	1,320	$116,717	$2,245

	3259	Miscellaneous chemicals	0	$0	$0
	3279	Stone & mineral products	430	$72,216	$1,389
	722	Food services and drinking places	39,826	$25,282	$486
Transportation, distribution, logistics	48-49	Transportation and warehousing	14,873	$191,961	$3,692
Education	61	Educational services	44,026	$269,728	$5,188
Hospitality, Arts, Tourism	71	Arts, entertainment, and recreation	7,481	$150,737	$2,899
	721	Accommodation	4,993	$34,933	$672
Total			**159,321**		
Average				**$105,234**	**$2,024**

Source: Bureau of Labor Statistics, Quarterly Census of Employment & Wages

Note:

Employment, Annual Pay and Weekly Wage is based on Private employment only.

Appendix C: Additional Breakeven Scenarios

The following table presents a sensitivity analysis of the TIF and Rebuild RI programs. ORA ran different economic scenarios across which the input parameters are being varied accordingly to provide the reader with additional possible breakeven analysis outcomes.

TIF & Rebuild RI

Detailed Economic & Revenue Impacts (Average TY 2021 Through 2040)

	Policy Variable Percentage Assumed										
	100%	90%	80%	70%	60%	50%	40%	30%	20%	10%	0%
	Economic & Revenue Impacts Calculated										
Total Employment	**1,198**	**1,069**	**940**	**812**	**683**	**554**	**426**	**298**	**169**	**41**	**-88**
Private Non-Farm Employment	1,156	1,036	917	797	677	558	438	319	200	80	-39
Govt Employment	4	3	2	1	1	0	-1	-2	-3	-4	-5
Average Construction Employment	**100**	**90**	**79**	**68**	**57**	**46**	**35**	**24**	**13**	**2**	**-9**
Intermediate demand	6	5	5	4	3	2	1	1	0	-1	-2
Investment Activity Demand	90	81	72	68	53	44	35	25	16	7	-3
Other Demand	4	3	2	4	1	0	-1	-2	-3	-4	-4
Total GDP ($000)	**$93,023**	**$82,991**	**$72,962**	**$62,933**	**$52,904**	**$42,873**	**$32,843**	**$22,812**	**$12,781**	**$2,749**	**($7,279)**
Generated Revenues by Component ($000)											
Personal Income Tax	$2,025.1	$1,804.3	$1,583.7	$1,363.1	$1,142.5	$921.9	$701.3	$480.8	$260.2	$39.6	-$180.7
General Business Taxes	$689.3	$616.0	$542.7	$469.4	$396.0	$322.7	$249.4	$176.1	$102.7	$29.4	-$43.9
Sales and Use Taxes	$2,233.2	$1,991.0	$1,749.0	$1,507.1	$1,265.1	$1,023.1	$781.1	$539.1	$297.0	$55.0	-$186.9
Other Taxes	$103.4	$92.1	$80.9	$69.7	$58.5	$47.2	$36.0	$24.8	$13.6	$2.3	-$8.9
Total Departmental Receipts	$964.8	$859.1	$753.6	$648.1	$542.6	$437.0	$331.5	$226.0	$120.5	$15.0	-$90.3
Other Sources	$849.3	$756.3	$663.4	$570.5	$477.6	$384.7	$291.9	$199.0	$106.1	$13.2	-$79.5
Cost of Incentive ($000)	**($5,596.9)**	**($5,596.9)**	**($5,596.9)**	**($5,596.9)**	**($5,596.9)**	**($5,596.9)**	**($5,596.9)**	**($5,596.9)**	**($5,596.9)**	**($5,596.9)**	**($5,596.9)**
Total Net Revenues ($000)	**$1,268.3**	**$522.1**	**($223.6)**	**($969.1)**	**($1,714.6)**	**($2,460.1)**	**($3,205.7)**	**($3,951.2)**	**($4,696.7)**	**($5,442.3)**	**($6,187.2)**

Source: ORA calculations based on historical Rhode Island revenue amounts and REMI Tax-PI simulations.

Note:

The employment impacts were averaged across tax years 2021 through 2040.
The GDP and revenues impacts were summed across tax years 2021 through 2040.
The total net revenues represent the difference between the sum of generated revenues and the cost of the tax incentive.

Appendix D: Rebuild RI Annual Report

EXHIBIT F

STATUTORY REPORT UNDER RIGL §42-64.20-9

[__________] ("Company") makes this Statutory Report on the [__] day of [________], 20[__], pursuant to Section 6.2.2 of that certain incentive agreement between Company and the Rhode Island Commerce Corporation ("the Corporation") dated [___]. Pursuant to R.I. Gen. Laws § 42-64.20-9, Company certifies that this Statutory Report has been filed with the Corporation and the Division of Taxation no later than August 1st. Further pursuant to R.I. Gen. Laws § 42-64.20-9, Company hereby makes the following report:

1. The total number of full-time employees employed at the project is [_____] as of [_____].
2. The total cost of the project was [____________] as of [__________].
3. The total cost of materials or products purchased from Rhode Island businesses was [_________] as of [__________].

I certify that the above information is true and accurate to the best of my knowledge and belief.

______________________________	______________________________
Company	Date
By its:	
Name:	

Upon completion, this report shall be sent to the following:

Attn: Investments Team	Rhode Island Division of Taxation
Rhode Island Commerce Corporation	1 Capitol Hill
315 Iron Horse Way, #101	Providence, RI 02908
Providence, RI 02903	