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EDA PUBLIC WORKS IN RHODE ISLAND, 1996-2000



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ABSTRACT

TITLE: *EDA Public Works in Rhode Island, 1996-2000*

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ABSTRACT: This technical report presents the results of a survey of nine EDA-funded projects that were priority listed in Rhode Island's Overall Economic Development Program (OEDP) or the Comprehensive Economic Development Strategy (CEDS). Examined are the impacts of the projects on job generation, wages, and promotion of other development, as well as process-related issues such as selection criteria, grant awards, project location, and commitment from the private sector. Changes in the CEDS application process are suggested to enhance performance in both process and results.

PREFACE

In 1971, the State Planning Council assumed responsibility as the State of Rhode Island's Overall Economic Development Program (OEDP) Committee. Four years later the first annual report appeared that established a priority ranking system to screen projects being proposed for funding by the U.S. Economic Development Administration (EDA). Each project would attain points based on criteria measuring job development potential, area of influence, environmental considerations, completion of necessary studies, availability of non-federal matching funds, and recent fluctuations in employment levels. The scores obtained would be the basis of a project's priority ranking, the highest scores attaining the highest priority.

This system is still the basis of project selection in Rhode Island. Remarkably, while categories within the criteria are periodically revised to reflect changing conditions or to enhance their effectiveness in choosing the best projects, the criteria at their core have remained the same. However, while Rhode Island has nearly thirty years of practice selecting projects for priority listing, there has not been a performance evaluation to see how well, or how poorly, the projects meet their economic development objectives once funded and implemented. That is the purpose of this technical paper.

EDA Public Works in Rhode Island, 1996-2000 is a survey that begins with the OEDP project solicitation of 1995, ends with the Comprehensive Economic Development Strategy (CEDS) solicitation of 1999, and assesses the impact of the projects on employment, wages and economic spin-off through 2003.

This technical paper was written by Bruce F. Vild, Supervising Planner, and Joyce S. Karger, Principal Planner, of the Economic Development Planning Section of the Statewide Planning Program. It was prepared for publication under Task 2101, as described in the Work Program for the Statewide Planning Program for state fiscal year 2004. State appropriations and a grant from the EDA under Section 203 of the Public Works and Economic Development Act of 1965, as amended, supported this work.

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We also acknowledge the assistance of Stephen Grady and Cassandra Lighty from the Philadelphia Office of the EDA in obtaining information about EDA grant awards and non-federal matching funds for the period surveyed.

This paper incorporates a system whereby notes and references are cited by a number in double parentheses. These numbers correspond to the citations in the *Notes and References* beginning on page 33. Under this system, quoted or paraphrased material from the ninth reference would be cited ((9)).

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Part One: INTRODUCTION

Under a planning grant obtained from the U.S. Department of Commerce, Economic Development Administration (EDA), the Statewide Planning Program prepares and maintains Rhode Island's Comprehensive Economic Development Strategy (CEDS). The CEDS is intended to link state and federal policy with local economic development. The CEDS consists of goals and implementation mechanisms based on the primary economic development element in the State Guide Plan, the *Economic Development Policies and Plan*. The EDA takes an active role supporting Rhode Island's CEDS, not only by providing financial assistance through the grant, but by reviewing and approving annual reports, evaluations, and program updates connected with the CEDS.

Central to the CEDS is the project solicitation Statewide Planning conducts each year to develop the Priority Project List. The proposals received are reviewed and scored according to several specific criteria ((1)). These criteria are designed to select proposals that will help implement the *Economic Development Policies and Plan* as well as meet basic EDA eligibility requirements. Those that score well are placed on the Priority Project List. Statewide Planning considers the proposals chosen for the list to be good candidates for the EDA's public works grants or other types of assistance.

Having a proposal placed on the Priority Project List is only provisional approval. An EDA-mandated CEDS Committee must review, confirm and endorse the list. In Rhode Island, the CEDS Committee has three tiers: the State Planning Council, its Technical Committee, and a CEDS Subcommittee drawn from members of the Technical Committee and local economic development practitioners. When the Priority Project List is presented to the EDA in the CEDS annual report, the approval of the CEDS Committee must be documented. Such approval indicates to the EDA that the projects have been endorsed at the state level and are consistent with the CEDS.

Approval is still "provisional" or "conditional" at this point, and project proponents must request funding from the EDA and be invited to apply. However, placement on the Priority Project List is key to further action by the EDA. For the EDA, the list represents an important "first cut" in the grant approval process. Making the list is, in practice, the first step in submitting a successful application to the EDA.

As the EDA will subject each proposal to a rigorous review beyond what is required under the CEDS, not every project on the Priority Project List will ultimately win EDA funding, but every project winning that funding will have been on the list.

Statewide Planning's review and the need for follow-up

At the end of the CEDS project solicitation period, Statewide Planning reviews the proposals to make sure they satisfy certain threshold requirements such as consistency with the State Guide Plan. Then the projects are scored, giving proposals additional credit for generating well-paying jobs, being located in areas of economic distress, and having solid commitments of matching funds and private investment. This conforms to basic eligibility requirements ((2)), investment guidelines and other means the EDA uses to screen the proposals it receives for funding.

Until now there has not been a review of the program spanning several years to gauge the success of Rhode Island's CEDS in selecting projects that ultimately will prove attractive to the EDA. While we frequently revisit the scoring criteria to keep them in line with state and federal policy, Rhode Island's experience has been that, of the twenty or more proposals making the Priority Project List each year, only two or three of them at most get funded. What are the reasons for this?

Some successful CEDS applicants do not carry their proposals to the next step, a request for funding from the EDA. They may have not secured anticipated matching funds, been unable to acquire clear title to property, required further study, or had other reasons to postpone their request. We have tried to address this issue by disallowing these proposals from being submitted again, unless some contact has been made with the EDA to advance the proposal. This policy went into effect with the 2003 project solicitation.

Others unsuccessful in obtaining funding may have submitted concept papers to the EDA describing their projects, only to be informed that they failed to meet eligibility requirements ((3)). Still others may have had their projects judged less "competitive" for the limited EDA funding than other projects in other parts of the country. These outcomes are discouraging not only for the applicants, but for the staff overseeing the CEDS. Understanding that the CEDS serves as the initial screen for funding eligibility, we need to examine whether the CEDS scoring criteria are up to the job of selecting good (i.e., fundable) projects – and, more fundamentally, whether the state's goals in the CEDS are eclipsing or conflicting with what the EDA is emphasizing during a given grant period.

Follow-up

Another issue is the "disconnect" once the priority list is finalized and sent to the EDA. At that point Statewide Planning essentially leaves the process, except if contacted by project proponents for assistance in putting together their applications to the EDA. Projects are funded, completed and open for business with little or no follow-up either with or by Statewide Planning. The evidence we

glean of economic benefit from the projects is largely anecdotal, or inferred from employment statistics from the R.I. Department of Labor and Training (DLT).

Without a reliable reading of project outcomes important to the EDA, particularly job creation, we may be missing insights that could lead to improvements in the CEDS – in the strategy itself, and in the criteria we use to score projects. This includes fashioning priority lists with more competitive projects (from the EDA's standpoint), and getting more projects funded as a result. The relatively small number of projects that get funded from our priority lists may be speaking to this problem.

This is not considered a criticism *per se* of the project proponents, the EDA, or for that matter Statewide Planning. In hindsight, this agency should have pursued this information more actively. We have done so now with the hope that it will indicate what we have done right with the CEDS, and what needs improvement.

Focus of our research

In 2002, the Rhode Island College Center for Public Policy applied for a capacity building grant from the EDA to conduct a comprehensive review of all EDA-funded projects in Rhode Island, from 1965 to 2001. The intention was to determine how well the projects performed in terms of job creation, economic partnership creation, leveraging additional funding, and other indicators of success. One product of this research was to be a performance measures handbook for guiding future projects and scoring criteria under the CEDS. Statewide Planning was to contribute to this effort, providing access to files and reports, advice, institutional memory, and other assistance including review as requested by the Center. That project, unfortunately, was not funded by the EDA, and the answers we anticipated from it were not forthcoming.

The aim of this technical paper is to initiate and complete what was to be the Center for Public Policy's task, though more modestly. We wanted to determine whether the economic benefit anticipated from EDA-funded projects was actually obtained – employment at decent wages in economically distressed areas, with a strong commitment from local officials and the private sector. We also wanted to see how well the process worked in soliciting and selecting projects likely to be funded by the EDA. Our methods included examination of data from the DLT, conversations with project proponents, and a review of past project solicitations to see how well the funded projects scored relative to other proposals. If this research shows that improvements in the program are needed, the intention will be to concentrate that effort on the aspect most obvious to applicants and reviewers, the CEDS Priority Project Rating System that includes the scoring criteria.

Reference is made in this report to the OEDP (Overall Economic Development Program). This was the predecessor of the CEDS, the name change effective from 1999. Most of the projects in our survey began as OEDP applications, subject to threshold and scoring criteria in the same manner as more recent CEDS projects. For the purposes of this paper, the acronyms OEDP and CEDS are interchangeable.

Part Two: SELECTION OF PROJECTS FOR REVIEW

Unlike the Center for Public Policy, we limited our project review to the five-year period 1996 to 2000. The years 1996 to 2000 were selected to allow for project completion and measurable results, including the commitment of funds from non-federal sources (including private funds), job generation, and spin-off activity. The period pertains to federal fiscal years, not calendar years; i.e., “1996” for the purposes of our discussion runs from October 1, 1995 to September 30, 1996, “1997” from October 1, 1996 to September 30, 1997, etc.

During that time, the EDA awarded grants to the following projects in Rhode Island:

- Providence Performing Arts Center Expansion, Providence (1996)
- Heritage Harbor (Rhode Island Heritage Museum), Providence (1997)
- Bulkhead Replacement, Port of Davisville, North Kingstown (1997)
- Halsey Street Industrial Park Expansion, Newport (1998)
- Gorham Site Redevelopment, Providence (1998)
- Cranston Street Armory, Providence (1999)
- Pier 2 Structural Repairs, Port of Davisville, North Kingstown (1999)
- Ladd Center Infrastructure, Exeter (1999)
- Narragansett Brewery Redevelopment, Cranston (2000)
- Stadium Theater Restoration, Woonsocket (2000)

The Cranston Street Armory was excluded from this review. Although the work funded by the EDA grant was completed, the building will now be placed in a different use than was originally proposed. It is not yet occupied, so a direct economic impact (specifically job generation) cannot be demonstrated. Reuse plans are still under discussion, and may eventually be expanded to include neighborhood groups seeking a space for their activities. On the other hand, all of the other projects have created or retained jobs, the number of which has been documented by the applicants or developers.

The applicants sponsoring these projects included the City of Providence (Performing Arts Center Expansion, Heritage Harbor, and Gorham Site Redevelopment), the City of Newport (Halsey Street Industrial Park Expansion), the City of Cranston (Narragansett Brewery Redevelopment), and the City of Woonsocket (Stadium Theater Restoration). The R.I. Economic Development Corporation proposed the Davisville Bulkhead Replacement, Pier 2 Structural Repairs, and, as partners with the Central Rhode Island Development Corporation, the Ladd Center Infrastructure project ((4)).

We contacted the applicants for information regarding new and retained jobs. The remainder of the data on economic impact was obtained from the R.I.

Department of Labor and Training, from the original CEDS and OEDP files, and from the Public Works Division at the EDA. These sources are credited as appropriate throughout this report.

Part Three:
ASSESSMENT OF THE OEDP/CEDS PROCESS

The primary economic development element of the State Guide Plan, the *Economic Development Policies and Plan*, lays the groundwork for actions that address the development of industries with high potential, employment enhancement and job training, public and private investment, industrial sites and infrastructure, economic and cultural diversity, and many other topics. First through Rhode Island's OEDP and then the CEDS, planners and practitioners in the public and private non-profit sectors – at the state, regional, and local levels – are encouraged to submit creative project proposals that implement their own economic development strategies, as well as the *Plan's* long-term objectives.

The criteria developed for the CEDS Priority Project Rating System address specific needs identified in the *Economic Development Policies and Plan* as well as issues that must be addressed to ensure consistency with other elements of the State Guide Plan. The State Planning Council and Technical Committee must approve any changes to the criteria proposed by the CEDS Subcommittee before they can be applied in the next project solicitation.

We require that CEDS applicants identify a specific objective or policy from the *Policies and Plan* that their project proposals will help implement. Then, we use the Priority Project Rating System to award points based on where we want to focus development, on the projects' impacts on employment and wealth generation, on the commitment of other funding sources to the projects, and on the economic programs we hope to tap. For example, one criterion in the Rating System assesses how many permanent, non-construction jobs are to be generated per EDA dollar invested – and what the anticipated wages will be. Another determines the amount and source of non-federal support the applicants are committing to the project and awards points accordingly.

The CEDS Committee continuously refines and revises the Rating System criteria so that projects selected for the Priority List reflect and effectively implement the state's economic development objectives as outlined in the CEDS *5 Year Update* and the *Annual Reports*.

The jobs created as a result of EDA's investments should provide higher-than-average wages in distressed communities and should promote regional prosperity. Applicants should commit a high level of non-federal matching funds, including private investment. This will indicate a higher level of commitment to successful completion by the public sector and higher market-based credibility by the private sector.

This study seeks to determine whether the economic benefit anticipated from EDA-funded projects was actually obtained: employment at decent wages in

economically distressed areas, with a strong commitment from local officials and the private sector. We also wanted to determine how well the CEDS process is working in soliciting and selecting projects likely to be funded by the EDA.

Based on what we learn from this study, we may determine that the Priority Project Rating System requires further revision. This could mean adjusting the point scales for the criteria, adding new criteria, or eliminating criteria that did not prove effective. The following questions were posed.

Question 1: How high did the projects funded by the EDA score relative to other OEDP or CEDS proposals that year?

Of the nine projects under analysis, three scored in the top ten percent in their respective years. The Stadium Theater Restoration project in Woonsocket placed first among 30 project proposals submitted in 1999. In 1998, the RIEDC/CRIDCO/Ladd Center project placed second among 36 proposals. In 1997, the Providence Gorham Site Redevelopment project placed fourth among 41 proposals.

Standings within the top ten percent were not consistent in other projects that won EDA funding, however. The RIEDC/Bulkhead Replacement project was eleventh out of 81 projects proposed in 1996, placing it in the top 20 percent for that year. Also in 1996, the Providence Heritage Harbor Museum project ranked thirty-second, only within the top 40 percent.

In 1998, the RIEDC/Pier 2 Structural Repairs project was eighth among 36 proposals, placing it in the upper 25 percent for that year. In 1995, the Providence/PPAC project (the only proposal funded that year) was twenty-third among 67 proposals, or in the upper 35 percent.

The lowest ranking project was the Newport/Halsey Street Industrial Park Expansion, which was seventeenth among 41 proposals, placing it only as high as the top 42 percent for 1997 ((5)). (See Table 1.)

Question 2: On what criteria did the projects score the most points?

Some projects received the maximum scores for more than one criterion in the Priority Project Rating System. Others may have received less than the maximum scores, but had their high scores (where they received the most points) distributed among two or three criteria. The three criteria giving most of the projects in our survey their highest number of points were *jobs*, *funds*, and *income*.

The *jobs* criterion score was based on the number of long-range jobs anticipated from the project. Also included in the score were areas where points were deducted: if the estimate of job stimulation was not documented, or if the applicant indicated that the project would not be initiated within two years.

The *funding* criterion measured the financial commitment (in non-federal funds, i.e., local, state or private) to the project. It is an indicator of the applicant's ability to initiate the project in a timely manner and the ability of the project to leverage additional investment. It also awarded additional points to applicants able to commit non-federal funds greater than fifty percent (50%) of total project costs.

The *income* criterion was based on median family income within the host municipality, favoring those communities with the lowest medians ((6)).

Six projects received high scores under the jobs criterion: RIEDC/Bulkhead Replacement, Newport/Halsey Street Industrial Park Expansion, Providence/Gorham Site Redevelopment, RIEDC/Pier 2 Structural Repairs, RIEDC/CRIDCO/Ladd Center, and Cranston/Narragansett Brewery Redevelopment.

Five projects received high scores under the funding criterion: Providence/Heritage Harbor Museum, Newport/Halsey Street Industrial Park Expansion, Providence/Gorham Site Redevelopment, Cranston/Narragansett Brewery Redevelopment, and Woonsocket/Stadium Theater Restoration.

Four projects received high scores for the income criterion: Providence/PPAC, Providence/Heritage Harbor Museum, and Newport/ Halsey Street Industrial Park Expansion and Providence/Gorham Site Redevelopment. (See Table 1.)

Question 3: How did the EDA funds awarded actually compare with the amount on the OEDP or CEDS application?

Only one of the nine projects in this study, Cranston/Narragansett Brewery Redevelopment, received the exact amount of EDA funding proposed in its CEDS or OEDP application. Other projects, with the exception of RIEDC/CRIDCO/Ladd Center and Woonsocket/Stadium Theater Restoration, received considerably less.

In descending order, Newport/Halsey Street Industrial Park Expansion, received 56 percent of the amount in its OEDP application, Providence/Gorham Site Redevelopment received 43 percent, and RIEDC/Pier 2 Structural Repairs received 40 percent, followed by Providence/PPAC, Providence/Heritage Harbor Museum and RIEDC/Bulkhead Replacement, each receiving 33 percent.

**Table 1
OEDP/CEDS PROJECTS IN RHODE ISLAND FUNDED BY THE EDA, 1996-2000**

Applicant/Project	Scoring rank	OEDP/CEDS criteria w/highest scores	Sources of non-federal \$	Med. family income, \$*	% state med. family income
Providence/PPAC	#23/67	area/income	private	28,342	72.4
Providence/Heritage Harbor Museum	#32/81	income/funds	state, private	28,342	72.4
RIEDC/Bulkhead Replacement	#11/81	jobs/env.	state	46,736	119.3
Newport/Halsey St. Ind. Park Expansion	#17/41	jobs/income/funds	private	37,427	95.5
Providence/Gorham Site Redev.	#4/41	funds/jobs/income	local, private	28,342	72.4
RIEDC/Pier 2 Structural Repairs	#8/36	jobs/area	state	46,736	119.3
RIEDC/CRIDCO/Ladd Center	#2/36	jobs/area	state, private	40,853	104.3
Cranston/Narragansett Brewery Redev.	#8/30	jobs/funds/env.	state, local, private	41,896	106.9
Woonsocket/Stadium Theater Restor.	#1/30	funds/env./studies	local, private	31,659	80.8

* 1990 Census, collected 1989. State median = \$39,172

Source: Overall Economic Development Program (OEDP) and Comprehensive Economic Development Strategy (CEDS) applications

The Ladd Center project was awarded \$2,000,000 from the EDA, an increase of 67 percent over its OEDP request. Woonsocket's Stadium Theater Restoration was awarded \$450,000, an increase of 29 percent over its CEDS request. (See Table 2.)

Table 2
EDA FUNDS:
COMPARISON OF OEDP/CEDS APPLICATIONS AND EDA GRANT AWARDS

Applicant/Project	EDA \$, OEDP or CEDS request	EDA \$ awarded
Providence/PPAC	3,000,000	1,000,000
Providence/Heritage Harbor Museum	3,000,000	1,000,000
RIEDC/Bulkhead Replacement	2,446,000	800,000
Newport/Halsey St. Ind. Park Expansion	250,000	140,500
Providence/Gorham Site Redev.	2,000,000	864,900
RIEDC/Pier 2 Structural Repairs	2,472,000	1,000,000
RIEDC/CRIDCO/Ladd Center	1,200,000	2,000,000
Cranston/Narragansett Brewery Redev.	1,000,000	1,000,000
Woonsocket/Stadium Theater Restor.	350,000	450,000
Total	15,718,000	8,255,400

Source: Overall Economic Development Program (OEDP) and Comprehensive Economic Development Strategy (CEDS) applications, 1995-1999, and U.S. Dept. of Commerce, Economic Development Administration, Public Works Division

Question 4: How many projects had a share of the match from private sources?

Seven out of the nine projects under study (78 percent) had funding committed from private sources. They were Providence/PPAC, Providence/Heritage Harbor Museum, Newport/Halsey Street Industrial Park Expansion, Providence/Gorham Site Redevelopment, RIEDC/CRIDCO/Ladd Center,

Cranston/Narragansett Brewery Redevelopment, and Woonsocket/Stadium Theater. (See Table 1.)

Question 5: Where were the projects located?

The projects under review were located in Providence, Cranston, North Kingstown, Exeter, Newport and Woonsocket, and were in an Enterprise Zone or an area of low median family income, or within the “built environment” in these communities. (See Table 3.)

**Table 3
LOCATION OF EDA-FUNDED PROJECTS**

Municipality	Applicant/Project	Location
Providence	Providence/PPAC	Enterprise Zone, low income, built environment
Providence	Providence/Heritage Harbor Museum	Enterprise Zone, low income, built environment (former power house)
North Kingstown	RIEDC/Bulkhead Replacement	Built environment (Quonset Davisville)
Newport	Newport/Halsey St. Ind. Park Expansion	Low income, built environment
Providence	Providence/Gorham Site Redev.	Enterprise Zone, low income, built environment (former factory site)
North Kingstown	RIEDC/Pier 2 Structural Repairs	Built environment (Quonset Davisville)
Exeter	RIEDC/CRIDCO/Ladd Center	Built environment (former Ladd School site)
Cranston	Cranston/Narragansett Brewery Redev.	Enterprise Zone, low income, built environment (former brewery site)
Woonsocket	Woonsocket/Stadium Theater Restor.	Enterprise Zone, low income, built environment

Source: OEDP/CEDS applications, 1995-1999

Three of the funded projects were located in Providence: Providence/PPAC, Providence/Heritage Harbor Museum, and Providence/Gorham Site Redevelopment.

Two of the projects were located in North Kingstown: RIEDC/Bulkhead Replacement and RIEDC/Pier 2 Structural Repairs.

One project each was located in Newport (Newport/Halsey Street Industrial Park Redevelopment), Exeter (RIEDC/CRIDCO/Ladd Center), Cranston (Cranston/Narragansett Brewery Redevelopment), and Woonsocket (Woonsocket/Stadium Theater).

Assessment

The overall project score obtained from the Priority Project Rating System is largely irrelevant in predicting which projects will be funded by the EDA. While the score is important in determining whether a project will be on the Priority Project List (it must attain the median score among all project proposals or better), our survey shows that a project may be funded if it is at the very top of the priority list, or if it scores only within the top 40 percent of all the projects submitted.

However, certain scoring criteria used in the Rhode Island CEDS and OEDP seem important to the EDA, as evidenced by high scores under the following criteria being common to many of the projects gaining funding: jobs, funds, and income.

The amount of funds sought from the EDA in the OEDP and CEDS applications generally runs significantly higher than what is eventually granted. With only one exception, EDA funding appeared capped at \$1,000,000.

Evidence of matching funds drawn at least partly from private sources also is important to the EDA. Only two projects in our survey did not have private sector investment; both were located at the state-owned Port of Davisville, and the match came solely from the state.

The Priority Project Rating System's locational criteria, which are intended to direct development toward economically distressed areas, seem to select projects well. All projects in our survey were located within the built environment, much of which has suffered from disinvestment as manufacturing and other jobs moved overseas. Six of the nine projects were located in areas with low median family incomes relative to the rest of the state, five in Enterprise Zones, and three in areas designed to be regional centers (Quonset Davisville and Ladd Center).

Part Four: PROJECT PERFORMANCE, ONCE FUNDED AND IMPLEMENTED

After receiving EDA funding and being implemented, how well did the projects in our survey perform? The CEDS staff contacted project proponents and consulted community employment and wage data from the R.I. Department of Labor and Training (DLT). We needed to know:

- Did community (i.e., municipal) employment figures improve?
- What was the contribution of each project?
- How does this compare with figures anticipated from the OEDP and CEDS applications?
- What was the impact of the project on wages?
- Has the project promoted other development?

Answers to these questions along with the trends we observed in Part Three would answer questions about the CEDS itself. Does the program select projects that reasonably fulfill their job generation goals? Does the program, through the projects it selects, contribute to a general rise in employment and wage levels? Do these projects perform up to expectations once they are implemented? Are changes needed in the program?

Did community employment figures improve? What was the contribution of each project?

To gain some measure of the impact of each project on local employment, the staff compared the number of jobs reported by the projects' proponents to resident employment data for the corresponding years collected by the DLT.

We tracked changes in employment from the year of each project's funding ("project inception") to 2003, presuming that, with administrative and construction schedules, a project would not be completed and would not begin generating long-term jobs until at least the year following funding ((7)). Under this assumption, the project that was first in our survey chronologically – the Providence Performing Arts Center Expansion – would begin hiring in 1997; the last in our survey, the Narragansett Brewery Redevelopment and the Stadium Theater Restoration, would begin in 2001.

We found that resident employment grew in the host communities from 1997 through 2003. This continued an upward trend dating back at least to 1995. (See Table 4.) Growth directly attributable to the projects ranged from very modest to significant – eight jobs in Woonsocket for one, to more than 400 jobs in Cranston for another. In North Kingstown, employment from two

**Table 4
ANNUAL AVERAGE RESIDENT EMPLOYMENT IN HOST COMMUNITIES**

Municipality	1995	1996	1997	1998	1999	2000	2001	2002	2003	Change from project inception	# jobs reported from projects
Cranston	34,875	36,238	36,985	37,565	38,483	38,459	38,396	38,802	40,089	1,630	415
Exeter	2,876	3,038	3,156	3,109	3,230	3,027	3,038	3,090	3,192	-38	0
N. Kingstown	12,808	13,525	14,032	14,278	17,650	13,859	13,826	13,992	14,456	424	246
Newport	10,543	11,214	11,801	11,539	12,156	13,250	13,419	13,469	13,990	2,451	0
Providence	64,460	66,804	68,102	67,770	69,067	75,580	75,188	75,575	78,082	11,278	339
Woonsocket	18,583	19,273	19,502	19,698	20,082	19,806	19,716	19,841	20,500	694	8
State of RI	470,985	491,551	503,885	505,132	519,216	520,253	520,337	525,157	542,798	51,247	1,008

Source: RIDLT, Annual Average Labor Force Statistics for Sub-state Areas, not seasonally adjusted, <http://www.dlt.ri.gov/lmi/laus/town/town.htm>

projects in the Quonset Davisville industrial park may have helped offset resident job losses from 1999 to 2001.

Altogether, the projects we surveyed generated 1,008 direct jobs from 1997, the year the first project would have begun hiring, to 2003, compared to a statewide growth in resident employment of 51,247.

Establishment employment

While the projects no doubt employed local residents, the staff acknowledged that employment opportunities at project sites were not limited to workers from the host city or town. We concluded that establishment employment data might give a more accurate impression of a project's economic impact. The staff examined establishment employment data with the same comparisons and assumptions used for resident employment. The source of these data again was the DLT, although in this instance data were available only through 2002 and included only private sector employment. The latter was presumed not to be a problem, as the jobs reported by the projects' proponents were limited to the private sector.

The data show that two communities – Providence and Woonsocket – registered citywide losses in establishment employment at the time the OEDP/CEDS projects were being implemented. North Kingstown, which registered losses in resident employment from 1999 to 2001, experienced a growth in establishment employment from 1996 through 2002. The two Davisville projects funded during this period contributed 246 jobs to the town's total growth, 3,068, or about eight percent. (See Tables 5 and 6.)

Statewide, establishment employment grew by 23,244 from 1997 to 2002. The 1,008 jobs contributed by the projects amount to 4.3 percent of this total.

How do the actual job generation figures compare with those anticipated from the OEDP and CEDS applications?

In all but one case the number of jobs generated by the projects surveyed were lower than the OEDP or CEDS estimates. (See Table 6, second page following.) However, in spite of the grants being officially concluded, many of the projects are still in various stages of development so the results are incomplete. For example:

- The Gorham Site Redevelopment is expected to add 140 jobs when the new Providence YMCA is completed and staffed ((8)).
- Expansion of the new Katherine Gibbs School located at the site of the

**Table 5
ANNUAL AVERAGE ESTABLISHMENT EMPLOYMENT IN HOST COMMUNITIES**

Municipality	1995	1996	1997	1998	1999	2000	2001	2002	Change from project inception	# jobs reported from projects
Cranston	25,188	25,666	26,710	26,651	27,578	28,343	28,224	28,416	73	415
Exeter	676	727	723	729	757	786	767	836	79	0
N. Kingstown	9,093	8,344	8,691	9,435	9,785	9,941	10,362	11,412	2,721	246
Newport	11,657	12,145	12,189	11,975	11,950	12,397	13,084	12,674	699	0
Providence	99,863	99,400	99,227	99,490	99,792	102,111	101,026	97,381	-2,019	339
Woonsocket	13,345	13,588	13,413	13,725	13,290	13,155	13,363	13,254	99	8
State of RI	373,962	374,685	380,835	387,796	395,670	404,720	405,051	404,079	29,394	1,008

Source: RIDLT, Annual Average Private Sector Employment by City & Town, *A Decade of Change in Rhode Island: An Analysis of Private Sector Employment in the Ocean State, 1992-2002*

Table 6
DIRECT EMPLOYMENT GENERATED BY EDA-FUNDED PROJECTS, 1996-2000

Applicant/Project	EDA funds awarded, \$	# jobs expected	# jobs generated	EDA \$/job	Notes
Providence/PPAC	1,000,000	20	127	7,874	56 additional indirect/induced jobs confirmed by independent study
Providence/Heritage Harbor Museum	1,000,000	500	19	52,632	Museum not yet open; jobs administrative
RIEDC/Bulkhead Replacement	800,000	300	123	6,504	With Pier 2 project, considers total Davisville employment of 269
Newport/Halsey St. Ind. Park Expansion	140,500	60	0	N/A	No new jobs as result of project, but 256 jobs retained at park
Providence/Gorham Site Redev.	864,900	2,000	193	4,481	YMCA to be built on site expected to add 140 jobs
RIEDC/Pier 2 Structural Repairs	1,000,000	350	123	8,130	With bulkhead project, considers total Davisville employment of 269
RIEDC/CRIDCO/Ladd Center	2,000,000	500	0	N/A	100-105 employees expected at Job Corps site, only tenant so far
Cranston/Narragansett Brewery Redev.	1,000,000	1,000	415	2,410	Further development of site anticipated
Woonsocket/Stadium Theater Restor.	450,000	17	8	56,250	One (1) additional job retained as result of project
Total	8,255,400	4,747	1,008	8,190	

All employment figures current to 2003. Jobs expected or generated do not include indirect and induced employment (multiplier effects).

Sources: Kathryn Calnan, Providence Performing Arts Center; Roberta Bell Hourigan, Heritage Harbor Museum; Nancy Carrott, RIEDC; Alan Goodwin, City of Newport; Michael Lepore, City of Providence; Linda Soderberg, RI Dept. of Labor & Training; David Maher, City of Cranston; Joel Mathews, City of Woonsocket

Narragansett Brewery Redevelopment will add administrative and professional employment. The school currently accounts for about 25 percent of the 415 jobs associated with the redevelopment. That site also includes a former trolley barn with renovation and reuse potential, although to date nothing definite has been proposed ((9)).

- The Ladd Center's redevelopment has proceeded as far as the construction of a Jobs Corps training facility that will support 100 to 105 full-time positions (instructors and administrative staff), according to the latest estimates. The facility will open in the fall of 2004 ((10)).
- The Heritage Harbor Museum completed the exterior repairs covered in their work program under the grant. The Museum, however, has not yet opened to the public, though it has sponsored traveling exhibits with others, such as the Smithsonian Institution. Current employment at the Museum consists of a relatively small crew of administrative personnel ((11)).
- The Halsey Street Industrial Park Expansion project led to the construction of a new road providing access to what was essentially a stranded piece of property that the City of Newport was, and still is, looking to develop. The anticipated expansion of the industrial park, the Tradesmen Center, onto that property did not occur, however, so no new jobs could be reported to the EDA. On the other hand, the project did result in improved highway access for the Tradesmen Center and a re-directing of commercial traffic away from a residential area, arguably ensuring the survival of the Tradesmen Center as an industrial park and the retention of 256 jobs there ((12)).

A total of \$8,255,400 of EDA funding was awarded to the nine projects we reviewed ((13)). Of the 4,747 jobs anticipated in the CEDS applications, as of 2003 the projects had generated only 1,008 jobs. This is an average of \$8,190 per job ((14)). (See Table 6.)

What was the impact of the projects on wages?

Review of average private-sector wages in Rhode Island from 1995 to 2002 shows a significant trend upward — from \$25,269 to \$33,226, an increase of 31.5% ((15)).

To determine whether the projects had an impact on the statewide all-industry average from the employment and wages they supported, the staff identified the affected industries by Standard Industrial Classification (SIC) code and tabulated wages reported by the DLT for those codes. It was presumed that

the wages generated by the projects were equivalent to the average wages reported in these industries, ignoring the likelihood that new workers would be paid starting wages for that industry. (Those rates were not available.)

Table 7 shows employment and wages by SIC code over the eight-year period. These data are plotted in Figure 1, second page following. The wage numbers were not adjusted for inflation.

The data show that most of the SIC categories connected with the projects paid wages that were lower than the average for private-sector wages in Rhode Island (the “all-industry” average). Employment derived from the projects might therefore be expected to depress the all-industry average, the decrease being noticed in the sample period.

From 1995 to 2002, however, the all-industry average tracked consistently upward, virtually in a straight line, the slope of that line apparently unaffected as the projects began hiring (Figure 1). This indicated that the overall impact of project-generated wages on the all-industry average wage was negligible, certainly never sufficient to cause a decrease in that average.

Apparently wages in all the affected SIC categories tended upward. Some industries showed more dramatic wage growth than others. Some industries tracked consistently upward, like the all-industry average, while others had instances of growth and decline. The declines and “flat spots” did not affect the long-term trend of the all-industry average.

None of these trends could be correlated with the inception and implementation of any of the nine projects in our survey.

Have the projects promoted other development?

Economic multipliers have been ignored to this point. Practitioners routinely use multipliers to determine the full impact of a project on the state’s economic output, household earnings and employment. This is one means of estimating the extent to which the project will promote other development.

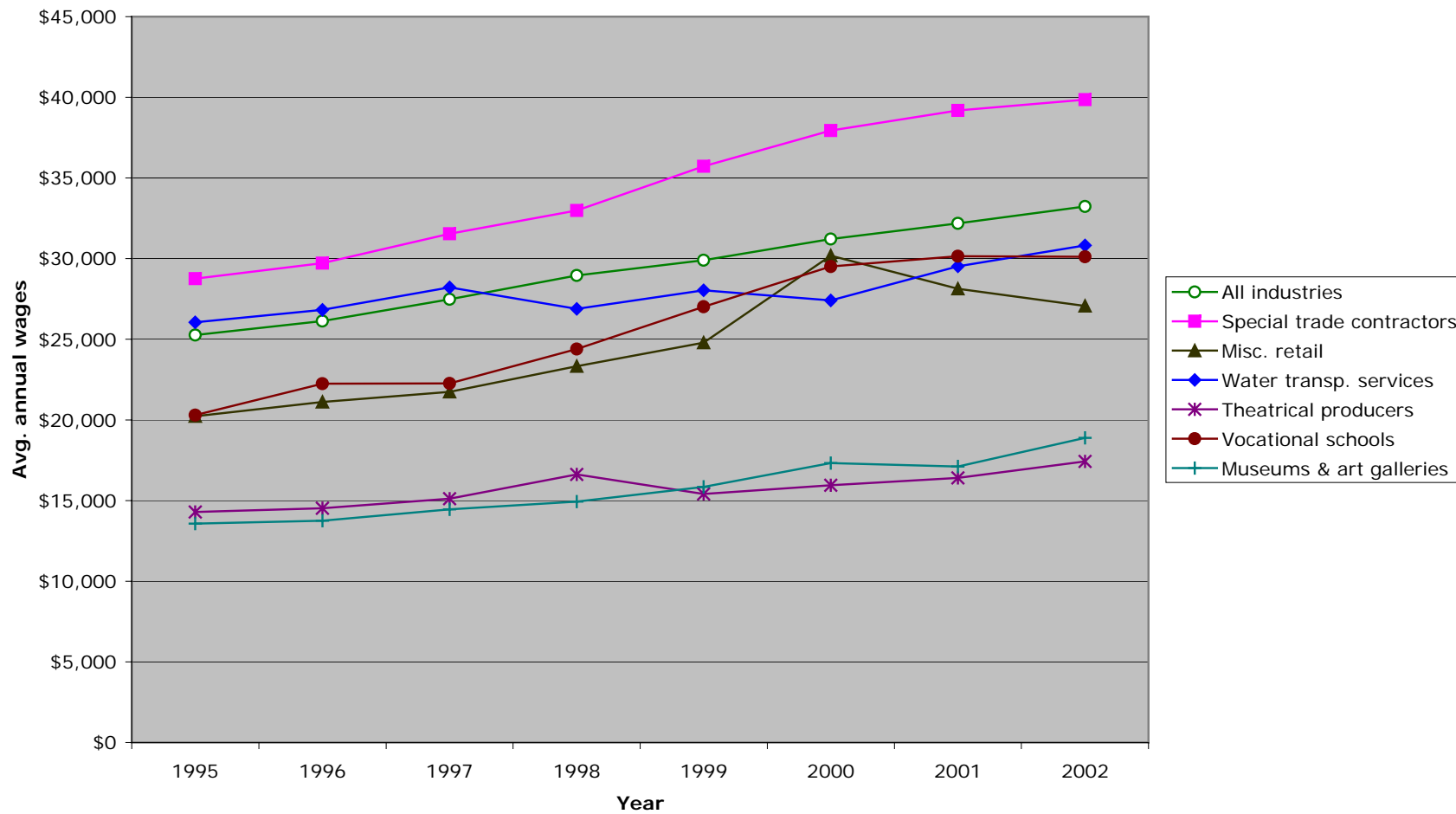
The multipliers derived from the Department of Commerce’s Regional Input-Output Modeling System (RIMS) are specific to each state, and to each industrial group represented in the state. Many Rhode Island practitioners are familiar with the RIMS model and use it for economic analysis. One set of RIMS multipliers can be used to determine the indirect and induced employment resulting from jobs established at a project site (direct effect); another set will calculate additions to household earnings and employment from the cost of the project in dollars (final demand) ((16)).

**Table 7
AVERAGE EMPLOYMENT AND WAGES IN AFFECTED INDUSTRIES, 1995-2002**

Year	SIC code	Description	Employment	Ava. ann. wage	Projects funded (w/related SIC)
1995	Total	All private sector industries	373,963	\$25,269	
	17	Special trade contractors	8,490	\$28,750	
	449	Services incidental to water transportation	438	\$26,050	
	59	Miscellaneous retail	13,063	\$20,226	
	792	Theatrical producers, bands...	501	\$14,303	
	824	Vocational schools	315	\$20,298	
	841	Museums and art galleries	438	\$13,568	
1996	Total	All private sector industries	374,685	\$26,124	
	17	Special trade contractors	8,750	\$29,722	
	449	Services incidental to water transportation	465	\$26,826	
	59	Miscellaneous retail	13,000	\$21,117	
	792	Theatrical producers, bands...	513	\$14,519	Expansion of PPAC
	824	Vocational schools	321	\$22,248	
	841	Museums and art galleries	444	\$13,749	
1997	Total	All private sector industries	380,835	\$27,473	
	17	Special trade contractors	9,451	\$31,537	
	449	Services incidental to water transportation	489	\$28,221	Bulkhead Replacement
	59	Miscellaneous retail	13,507	\$21,744	
	792	Theatrical producers, bands...	568	\$15,117	
	824	Vocational schools	345	\$22,270	
	841	Museums and art galleries	458	\$14,461	Heritage Harbor Museum
1998	Total	All private sector industries	387,791	\$28,948	
	17	Special trade contractors	10,238	\$32,988	Halsev St. Ind. Park Expansion
	449	Services incidental to water transportation	521	\$26,891	
	59	Miscellaneous retail	13,907	\$23,329	Gorham Site Redevelopment
	824	Vocational schools	343	\$24,397	
	792	Theatrical producers, bands...	574	\$16,620	
	841	Museums and art galleries	487	\$14,938	
1999	Total	All private sector industries	395,670	\$29,902	
	17	Special trade contractors	11,684	\$35,721	
	449	Services incidental to water transportation	510	\$28,025	Pier 2 Structural Repairs
	59	Miscellaneous retail	15,118	\$24,788	
	792	Theatrical producers, bands...	673	\$15,410	
	824	Vocational schools	366	\$27,016	
	841	Museums and art galleries	594	\$15,849	
2000	Total	All private sector industries	404,720	\$31,209	
	17	Special trade contractors	12,277	\$37,934	
	449	Services incidental to water transportation	567	\$27,405	
	59	Miscellaneous retail	16,041	\$30,173	Narragansett Brewery Redev.
	792	Theatrical producers, bands...	748	\$15,955	Stadium Theater Restoration
	824	Vocational schools	387	\$29,514	Narragansett Brewery Redev.
	841	Museums and art galleries	614	\$17,325	
2001	Total	All private sector industries	404,970	\$32,186	
	17	Special trade contractors	12,576	\$39,180	
	449	Services incidental to water transportation	597	\$29,532	
	59	Miscellaneous retail	16,488	\$28,124	
	792	Theatrical producers, bands...	764	\$16,408	
	824	Vocational schools	388	\$30,144	
	841	Museums and art galleries	690	\$17,122	
2002	Total	All private sector industries	404,079	\$33,226	
	17	Special trade contractors	12,591	\$39,855	
	449	Services incidental to water transportation	616	\$30,819	
	59	Miscellaneous retail	16,390	\$27,073	
	792	Theatrical producers, bands...	844	\$17,434	
	824	Vocational schools	358	\$30,122	
	841	Museums and art galleries	652	\$18,889	

Source: RIDLT, Quarterly Census of Employment and Wages (ES-202), <http://www.dlt.ri.gov/lmi/es202.sicdata.htm>

Figure 1
AVERAGE ANNUAL WAGES IN AFFECTED INDUSTRIES



Source: RIDLT, <http://www.dlt.ri.gov>

Multiplier effects: Cumulative impact

The EDA has been advised that, overall, the multiplier associated with its public works projects is about 1.5 ((17)). In other words, for every two direct jobs created by public works funds another indirect or induced job is created. That would mean that the 1,008 direct jobs generated by Rhode Island projects funded from 1996 to 2000 resulted in 504 additional (indirect or induced) jobs:

$$\begin{aligned} 1,008 \text{ direct jobs} \times 1.5 &= 1,512 \text{ total R.I. jobs} \\ 1,512 \text{ total jobs} - 1,008 \text{ direct jobs} &= 504 \text{ indirect and induced jobs} \end{aligned}$$

The qualifier “overall” indicates that this multiplier is a national average. We concluded that the estimate might understate the impact in Rhode Island. To test this, we applied the RIMS direct-effect employment multipliers to each of the projects the EDA funded, identifying their industrial groups and direct employment first and then calculating the total number of jobs generated. The results are shown in Table 8. We found that the EDA’s estimate compared quite favorably with our own, which showed the 1,008 direct jobs resulting in 573 indirect and induced jobs, for a total of 1,581 Rhode Island jobs.

These 1,581 jobs are all post-construction. Construction-related employment was calculated using the RIMS final-demand multiplier for “new construction” or “maintenance and repair construction,” depending on the project (see Table 9, second page following). We found a total of 729 jobs supported as these nine projects were being built, for a grand total of 2,310 direct, indirect and induced jobs, construction *and* post-construction.

Multiplier effects: A case study

One local study using the RIMS model exhaustively explored what ultimately became an OEDP/EDA project – the Providence Performing Arts Center Expansion. The CEDS staff used it in this report to document job generation from this project.

Renovations to the Performing Arts Center were deemed necessary to restore PPAC, the centerpiece of Providence’s nascent “Arts District,” and to draw business and activity to an otherwise depressed downtown area. To keep the theater vital, the project’s proponents concluded it would need to be expanded to be able to handle popular Broadway shows such as *Miss Saigon* and *Phantom of the Opera*. The Performing Arts Center commissioned the Corporate Economics Department of Fleet Financial Group to do an economic analysis of bringing such a show to Providence ((18)).

**Table 8
EMPLOYMENT MULTIPLIER EFFECTS OF EDA-FUNDED PROJECTS, 1996-2000**

Applicant/Project	# direct jobs generated	Industry group	Direct-effect empl. Multiplier	Total # jobs generated
Providence/PPAC	127	Amusements	1.4410	183
Providence/Heritage Harbor Museum	19	Misc. services	1.5828	30
RIEDC/Bulkhead Replacement	123	Transportation	1.7528	216
Newport/Halsey St. Ind. Park Expansion	0	New construction	2.3568	0
Providence/Gorham Site Redev.	193	Retail trade	1.4900	288
RIEDC/Pier 2 Structural Repairs	123	Transportation	1.7528	216
RIEDC/CRIDCO/Ladd Center	0	Business services	1.6785	0
Cranston/Narragansett Brewery Redev.	311	Retail trade	1.4900	463
	104	Business services	1.6785	175
Woonsocket/Stadium Theater Restor.	8	Amusements	1.4410	12
Total	1,008			1,581
All employment figures current to 2003.				

Source: U.S. Dept. of Commerce, *Regional Multipliers: A User Handbook for the Regional Input-Output Modeling System (RIMS II)* (1992)

**Table 9
CONSTRUCTION MULTIPLIER EFFECTS OF EDA-FUNDED PROJECTS, 1996-2000**

Applicant/Project	EDA funds awarded, \$	Non-federal match, \$	Total project cost, \$	Industry group	Final-demand empl. multiplier (per \$1,000,000)	Total # jobs generated
Providence/PPAC	1,000,000	1,971,538	2,971,538	New construction	30.1	89
Providence/Heritage Harbor Museum	1,000,000	2,780,000	3,780,000	Maintenance/repair	31.3	118
RIEDC/Bulkhead Replacement	800,000	476,830	1,276,830	Maintenance/repair	31.3	40
Newport/Halsey St. Ind. Park Expansion	140,500	162,500	303,000	New construction	30.1	9
Providence/Gorham Site Redev.	864,900	834,807	1,699,707	New construction	30.1	51
RIEDC/Pier 2 Structural Repairs	1,000,000	1,006,000	2,006,000	Maintenance/repair	31.3	63
RIEDC/CRIDCO/Ladd Center	2,000,000	2,800,000	4,800,000	New construction	30.1	144
Cranston/Narragansett Brewery Redev.	1,000,000	1,000,000	1,500,000	New construction	30.1	45
			500,000	New construction	30.1	15
Woonsocket/Stadium Theater Restor.	450,000	4,450,000	4,900,000	Maintenance/repair	31.3	153
Total	8,255,400	15,481,675	23,737,075			729
All employment figures current to 2003.						

Source: U.S. Dept. of Commerce, *Regional Multipliers: A User Handbook for the Regional Input-Output Modeling System (RIMS II)* (1992)

Two studies were performed, in 1992 (years before the theater's expansion occurred) and 1996. The first study considered a hypothetical seven-week run of *Phantom*. It predicted a total impact of \$7,641,782 from ticket revenues, performers' and patrons' expenses, and local employment. According to the multipliers generated by the RIMS model, this translates to 312 direct, indirect and induced jobs ((19)).

The second study assessed actual sales and attendance figures when *Phantom* played PPAC for six weeks, the number of performers in the company, and records of spending by the company. The total impact was \$4,493,131 ((20)), or 183 direct, indirect and induced jobs by the RIMS multipliers.

To calculate direct jobs only, the number from the second study was *divided* by the RIMS direct-effect employment multiplier. The result was 127 jobs. These may be considered new jobs as they result from the staging of *Phantom*, which would not have been possible without the theater's expansion. This compares to the PPAC estimate in its EDA application of 95 jobs retained plus 75 jobs added by the expansion, and the original CEDS estimate from the City of Providence of 20 jobs "stimulated." In this one case, the completed project outperformed the CEDS estimate by more than 600 percent.

Assessment

Project solicitations over the years have attracted different numbers of proposals. During the survey period, the range was 30 (in 1999) to 81 (in 1996). Every year, the staff determined the median score among the proposals and used it as a cutoff for that year's priority list. However, as Part Three of this paper shows, the projects that were funded by the EDA did not necessarily have the highest CEDS scores on the list. Moreover, the projects with the highest CEDS scores did not necessarily turn out to be the highest performing in terms of jobs and wages. This is shown on Table 10.

Job generation

The numbers of jobs generated from the nine projects in our survey were lower than expected, given the estimates submitted with the OEDP and CEDS applications. One explanation may be that most of the applications – six out of the nine – did not back up their job estimates with documentation. At least one applicant based his estimate on the anticipated floor space the project would occupy and a corresponding "industry standard" for the number of employees per square foot. The actual project footprint turned out smaller than envisioned and the job estimate exaggerated.

**Table 10
PROJECT RANKING AND PERFORMANCE**

Year in OEDP or CEDS	Year EDA funded	Applicant/Project	Scoring rank in OEDP/CEDS	# direct jobs generated	Avg. ann. wage in SIC, 2002*
1995	1996	Providence/PPAC	#23/67 projects	127	\$17,434
1996	1997	Providence/Heritage Harbor Museum	#32/81 projects	19	\$18,889
1996	1997	RIEDC/Bulkhead Replacement	#11/81 projects	123	\$30,819
1997	1998	Newport/Halsey St. Ind. Park Expansion	#17/41 projects	0**	\$39,855
1997	1998	Providence/Gorham Site Redev.	#4/41 projects	193	\$27,073
1998	1999	RIEDC/Pier 2 Structural Repairs	#8/36 projects	123	\$30,819
1998	1999	RIEDC/CRIDCO/Ladd Center	#2/36 projects	0***	\$30,122
1999	2000	Cranston/Narragansett Brewery Redev.	#8/30 projects	311 retail 104 voc. ed.	\$27,073 \$30,122
1999	2000	Woonsocket/Stadium Theater Restor.	#1/30 projects	8	\$17,434

* Annual all-industry private sector average, 2002, was \$33,226

** No new jobs, but 256 jobs retained in area

*** 100-105 jobs anticipated at Job Corps Center by fall 2004

However, three of the nine projects did provide documentation in the form of a study, consultant's report or master plan. These estimates were arguably the most reasonable, or best possible, at the time. In such cases it is difficult to fault the applicants for job estimates that later proved inaccurate. Also, we observed that many of these projects are still in the process of being implemented (in other words, still hiring). Review of these projects at a later date may be worthwhile to see if the anticipated numbers are reached.

While the employment gains were less than expected, in at least one city they apparently helped cushion significant losses in establishment employment. In Providence, the restoration of the Providence Performing Arts Center, the establishment of the Heritage Harbor Museum and the redevelopment of the Gorham site together added 339 direct jobs from 1996 to 2002. During this period Providence as a whole lost 2,019 jobs. Without the benefit of these projects, the loss would have been more than 2,350 jobs – about 14 percent higher – not considering the additional jobs generated by multiplier effects.

In another city, Cranston, a project contributed enough to establishment employment to turn a citywide loss of jobs into a small gain. The redevelopment of the Narragansett Brewery site added more than 400 direct jobs at a time when Cranston as a whole gained only 73 jobs.

Wages

The nine projects did not seem to affect trends in average wages in Rhode Island. In hindsight, negligible impact at so gross a scale as the all-industry average is logical, given the projects account for 1,008 jobs and the all-industry average was based on more than 404,000 in 2002.

The wage question appears to be better handled qualitatively – that is, whether wages generated by OEDP or CEDS projects fall above or below the all-industry average. As mentioned above, the jobs stimulated by the projects funded in Rhode Island from 1996 to 2000 were concentrated in SIC codes typically paying below that average.

The exception is the project that resulted in the extension of Halsey Street in Newport. While no new jobs were reported for that project, the existing jobs at the Tradesmen's Center reside in an SIC category (special trade contractors) with wages that were not only consistently higher than the all-industry average, but grew at a greater rate from 1995 to 2002. If we presume that the survival of the Tradesmen's Center was attributable to the Halsey Street project, this finding is a far more desirable outcome than generating jobs that pay below the all-industry average.

In the years subsequent to our survey, the CEDS Subcommittee added a category to the jobs criterion that awarded points for projects that would result in wage scales at least 150 percent higher than the state's minimum wage. A more stringent standard could be substituted for minimum wage, for example the Rhode Island all-industry average for the most recent year for which data are available. In 2002, according to the DLT, the state's average wage for covered employment was \$34,781; minimum wage was \$12,792.

Promoting other development

The CEDS staff relies on economic multipliers to gauge project impact and in recent years has asked CEDS applicants to consider multiplier effects in their job estimates. A table of RIMS multipliers is now supplied in every application package so that every project can be compared by the same model.

The job numbers reported in this paper are direct employment only, except where we explicitly state multiplier effects. The spin-off we report corresponds closely with EDA's catchall public works multiplier, 1.5 – i.e., one additional job for every two generated directly by the projects. This suggests satisfactory but average performance in promoting other development. In total, the projects were directly responsible for 1,008 Rhode Island jobs, plus 573 that were indirect or induced ("other development"). This does not count employment generation during construction, which our numbers show is significant (another 729 jobs).

Part Five:
RECOMMENDED CHANGES IN THE CEDS APPLICATION PROCESS

As part of our continuous planning process, the CEDS Committee continuously refines and revises the project proposal screening criteria so that the projects selected for the Priority List reflect and effectively implement the state's economic development objectives as outlined in the *CEDS 5 Year Update* and the annual reports.

Since 1999, the point-based CEDS Priority Project Rating System has been revised to promote smart growth, focus on redeveloping brownfields and idled industry facilities, recruit residents of Enterprise Zones to the workforce, and concentrate on areas with low per capita income. The system also gives credit to projects that use technologies that reduce consumption of natural resources or waste streams, or that locate in a national or state historic district or on a property individually listed on the national or state historic register. Points will be given if an applicant has contacted the EDA and has been invited to submit a pre-application, or partnered with other eligible applicants.

In addition, the range of point awards has been reduced under the income criterion, so that credit is only given for per capita income levels within the EDA's threshold requirements. In recognition of the EDA's Investment Policy Guidelines and our own economic development objectives, points are awarded to projects that result in wages well above the state minimum and that build industrial clusters.

Applicants are no longer required to assign a priority if they submit more than one project, and, as a requirement to participate in the CEDS, the community in which a project is located now must have an approved Comprehensive Plan.

The question remains whether the economic benefit anticipated from EDA-funded projects is obtained – employment at decent wages in economically distressed areas, with a strong commitment from local officials and the private sector – in the projects the CEDS selects. We also need to continue evaluating how well the CEDS process is working in soliciting and selecting projects likely to be funded by the EDA.

Findings: Funded projects

Nine projects were funded between 1996 and 2000, which is about 1.8 projects a year. Rhode Island's experience continues to be that, of the twenty or more proposals making the Priority Project List each year, only two or three at most are funded. It is unclear if this disappointing number is due to an EDA

funding allocation formula for the amount of money available for Rhode Island, or if the projects on the priority list not receiving funding fail to address EDA's Investment Policy Guidelines to EDA's satisfaction, or if there is some other reason, yet to be determined. Only one project in our survey received all of the funds originally requested; most received considerably less.

Recommendations

1. Determine, to the extent possible, if there is a conflict between the EDA's funding selection criteria and the state's screening criteria.
2. Explore changing the state's scoring and screening method from a numeric, short answer format to one based upon narrative project descriptions as they relate to the criteria we select for project evaluation.
3. Involve the CEDS Subcommittee in the selection of projects to be included on the priority list to a greater degree than formerly by having the Subcommittee actually read, compare and evaluate projects pre-selected by staff and then decide, using professional judgment, which of the pre-selected projects should be submitted to EDA as the priority list.
4. Encourage regional partnering initiatives among many applicants to broaden a project's scope and quality.
5. Encourage applicants to familiarize themselves with the EDA's Investment Policy Guidelines before submitting their applications.

Findings: Job generation

This study tracked nine projects funded over a five-year period, 1996-2000. All of the projects in this study have either created or retained jobs but not to the extent indicated in their applications. Some of the projects are in various stages of development, making it difficult to assess their full impacts, especially in the job generation category. Overall, however, the projects have not met the job generation numbers projected by the applicants.

Recommendations

1. Track the funded projects over a longer period, perhaps 15 years, to detect impacts that are not evident over a five-year period (too brief?), or do a follow-up study of these nine projects in five years.
2. Study the projects on the priority list that did not receive funding during this five-year study period and determine whether they have been able to be completed, and if so, what the employment levels are.

3. Study the projects not making the priority list and determine if they were completed and what their employment levels are. Compare the results of the three studies.

4. Determine why the applicants are over-estimating the job generation numbers and make the necessary adjustments to the CEDS application materials and requirements.

5. Require applicants to submit applications expecting to generate no less than 50 jobs.

Findings: Wages

The jobs stimulated by the projects funded in Rhode Island by the EDA typically were concentrated in industries paying below the all-industry average.

Recommendations

1. Redefine “well-paying” jobs by changing the wage category in the jobs criterion from a minimum wage-based formula to either a state per capita income-based, or an all-industry average salary-based, formula.

2. Revise clusters to include those recommended by the R.I. Economic Development Corporation providing high-skill, high-wage jobs, such as health and life sciences, high-tech progressive manufacturing, creative advertising and media, information technology and telecommunications, building trades, and consumer goods.

3. Give applicants additional points if the project includes jobs in high-skill, high-wage (\$40,000 per year or greater) clusters.

Other findings

Although seven of the nine funded projects in our survey scored high on the private funding criterion, this factor did not contribute significantly to the projects’ ability to generate the promised number of jobs paying good wages. It probably helped get the projects selected for EDA funding, showing that this criterion is necessary, but it is insufficient for augmenting Rhode Island’s economic development efforts as they relate to the CEDS process.

NOTES AND REFERENCES

1. See Appendix A for an explanation of the CEDS Priority Project Rating System, which sets forth the criteria under which projects are scored.
2. The basic eligibility requirements for the EDA's Public Works and Development Facilities Grants are as follows (only one need apply):
 - (1) An unemployment rate at least one percentage point greater than the national average unemployment rate;
 - (2) Per capita income that is 80 percent or less of the national average per capita income;
 - (3) A special need, as determined by the EDA, arising from actual or threatened severe unemployment or economic adjustment problems resulting from changes in economic conditions such as
 - a. Substantial outmigration or population loss;
 - b. Underemployment;
 - c. Military base closures or realignments, defense contractor reductions-in-force, or Dept. of Energy (USDOE) defense-related funding reductions;
 - d. Natural or other major disasters or emergencies;
 - e. Extraordinary depletion of natural resources;
 - f. Closure or restructuring of industrial firms, essential to area economies; or
 - g. Destructive impacts of foreign trade.

EDA regulations also allow an area that does not meet any of the above requirements to be eligible for assistance if a substantial direct benefit ("significant employment opportunities for unemployed, underemployed or low-income residents") can be demonstrated to an area that does meet them.

3. To date, the Rhode Island CEDS has acknowledged the EDA's eligibility requirements by favoring, through its scoring criteria, projects located in Enterprise Zones (which must meet distress criteria reflecting population loss, unemployment and disinvestment) and in areas with low income. Projects not meeting these criteria have not been excluded from participating in the program, however; they have simply achieved lower scores and may still have qualified for a place on the Priority Project List.

The EDA's eligibility requirements are not to be confused with the agency's Investment Policy Guidelines, which speak to partnerships, cluster development, private sector involvement, and other factors better termed "enhancements" to the grant rather than thresholds that must be met first. The CEDS scoring criteria have more correspondence with the

EDA's investment guidelines than with the eligibility requirements. This may explain why some high-scoring projects in the Rhode Island CEDS were later disqualified by the EDA for not meeting eligibility requirements.

4. The Ladd Center Infrastructure project was completed but the development of a technology park at the site did not occur as anticipated in both the CEDS and EDA applications. However, a Jobs Corps training institute that was to be a tenant of the park is under construction there, consistent with the original CEDS proposal, and is expected to open in the summer or fall of 2004.
5. The OEDP/CEDS staff did not, and does not provide project scores and rankings other than the priority listing to the EDA. By asking this question we assessed how well our in-house selection criteria (the scoring process) seemed to correspond with the EDA's. "Perfect" correspondence would result in only the top-scoring projects getting funded (i.e., those at least in the top ten percent), presuming all proponents follow up their CEDS applications with applications to the EDA. These results suggest the correspondence was less than perfect, and variable over the years.
6. The jobs criterion has since been revised to add a wage factor. This considers the average wage of the jobs directly supported by the project in addition to the number of jobs, and how well these wages compare to (i.e., exceed) the state's minimum wage. Projects leading to direct jobs with the highest wages are awarded the most points, in theory promoting a gain in the average Rhode Island wage, industry-wide, through the CEDS.

Another revision that occurred in the years subsequent to when the projects in our survey were funded changed the income criterion from median family income to per capita income (PCI), the PCI of the U.S. Census tract in which the project is located. The CEDS income criterion now compares directly to the threshold criterion the EDA uses for screening applications – an income level equal to 80 percent or less of the national average PCI. In the Priority Project Rating System, projects located in tracts with the lowest PCIs relative to the national average gain the most points. These tracts may be located in a municipality that overall has a median family income higher than the state median. The neighborhood in which the Cranston/Narragansett Brewery Redevelopment project is located is one example.

7. The number of jobs reported was the number of *new* jobs resulting from the projects, and did not include those generated temporarily during construction or jobs already existing that were retained. Every reference to "jobs generated" or "employment generated" pertains to new jobs only.

8. Greater Providence Young Men's Christian Association, "The New Providence YMCA, the Village of Promise on Mashapaug Pond," 2003 CEDS Submission. The figure is for "year 1" and is based on a YMCA Operations Team analysis dated March 2003.
9. David Maher and Michael DeLuca, personal communication.
10. Linda Soderberg, personal communication.
11. Roberta Bell Hourigan, personal communication.
12. Alan Goodwin, personal communication.
13. For the sake of comparison, in the period June 18-24, 2004, the EDA announced \$3,660,671 in construction grants that were expected to result in 591 new jobs, a cost of \$6,194 per job. These are *anticipated* jobs, of course, and actual job generation once the projects are completed may be lower as we found in our research.
14. Stephen Grady, personal communication.
15. R.I. Department of Labor and Training, *A Decade of Change in Rhode Island: An Analysis of Private Sector Employment in the Ocean State, 1992-2002* (available on-line).
16. U.S. Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis, *Regional Multipliers: A User Handbook for the Regional Input-Output Modeling System (RIMS II)* (Washington, DC: U.S. Government Printing Office, 1992). See Appendix B for a sample calculation of multiplier effects.
17. Burchell, Robert W., Naveed A. Shad, and William R. Dolphin, *Public Works Program Multipliers and Employment-Generating Effects*, EDA Project No. 99-06-07415 (Washington, DC: Economic Development Administration, U.S. Department of Commerce, 1998).
18. Ciminaro, Gary L., Fleet Financial Group, *PPAC Economic Impact Analysis Estimate* (Providence, RI: Fleet Financial Group Corporate Economics Department, 1992).
19. In the case of the Providence Performing Arts Center, direct jobs would take in employment at the theater and in the performance company; indirect jobs would include employment connected with lodging and meals for the performers, suppliers of lumber and other materials for the sets, and printers of tickets, programs, and advertising; and induced jobs would include wait staff at restaurants catering to theater patrons, parking lot

attendants, convenience store employees, etc. These are all included in the 312 jobs calculated using the RIMS multipliers for the industry group that includes theaters and live performances – “hotels and lodging places and amusements.”

20. Ciminaro, Gary L., independent economic advisory, May 4, 1996.

**Appendix A:
SUMMARY OF OEDP/CEDS PRIORITY SYSTEM FOR RANKING PROJECTS,
1995-1999**

A. Total System - Maximum Points 170. (Each project ranking criterion is explained in detail on second page following.)

1. Job Development Points: 25 maximum

Long range job stimulation costs per job are:

- | | |
|----------------------|----|
| a. \$1-\$15,000 | 25 |
| b. \$15,001-\$30,000 | 15 |
| c. \$30,001-\$45,000 | 10 |
| d. \$45,001-\$60,000 | 5 |
| e. \$60,001 or more | 0 |

If estimate of long range job stimulation is not backed up by a study or other documentation -- Deduct 5 points

If project will not be initiated within two years -- Deduct 5 points

2. Area of Influence Points: 15 maximum

- | | |
|---------------|----|
| a. Statewide | 15 |
| b. Regional | 10 |
| c. Local only | 5 |

3. Environmental Factors Points: 40 maximum

- | | |
|---|----|
| a. Project uses a technology that reduces existing consumption of natural resources and/or reduces existing waste streams in the production of a good or service. | 15 |
| b. Project results in rehabilitation of brownfield sites or reuse of certified mill buildings. | 15 |
| c. Project contributes to meeting a specific environmental objective listed in an element of the State Guide Plan. | 10 |
| d. Project results in use and/or revitalization of existing built environment or existing infrastructure other than brownfields and certified mill buildings. | 10 |

<u>4. Essential Project Studies and Permits</u>	<u>Points:</u> 25 maximum
a. All permits obtained, or confirmation obtained from regulatory agencies that no permits are required.	15
b. Essential project studies completed.	10
c. Applicant has applied for but not yet obtained all necessary permits.	5
d. Applicant has initiated essential project studies.	5
e. Applicant has not applied for permits.	0
f. Applicant has not initiated essential project studies.	0
<u>5. Commitment of Non-Federal Funds</u>	<u>Points:</u> 20 maximum
a. Non-federal funds committed or appropriated	10
b. Non-federal funds from private investment	5
c. Non-federal funds exceed fifty percent of project costs	5
d. Non-federal funds not yet available	0
<u>6. Employment of Substate Employment Growth Area</u>	<u>Points:</u> 10 maximum
a. Decreases of 8.0 percent or more per year	10
b. Decreases of 6.0-7.9 percent per year	9
c. Decreases of 4.0-5.9 percent per year	8
d. Decreases of 2.0-3.9 percent per year	7
e. Decreases of 0.1-1.9 percent per year	6
f. No change to increase of 1.9 percent per year	5
g. Increases of 2.0-3.9 percent per year	4
h. Increases of 4.0-5.9 percent per year	3
i. Increases of 6.0-7.9 percent per year	2
j. Increases of 8.0 percent or more per year	1
<u>7. Labor Surplus Area</u>	<u>Points:</u> 5 maximum
Project is located in a designated labor surplus area	5

<u>8. Enterprise Zone</u>	<u>Points:</u> 5 maximum
Project is in a state-designated enterprise zone	5

<u>9. Income</u>	<u>Points:</u> 15 maximum
a. Less than \$27,000	15
b. \$27,000 - \$32,999	12
c. \$33,000 - \$35,999	9
d. \$36,000 - \$38,999	6
e. \$39,000 and above	3

<u>10. Applicant's Priority</u>	<u>Points:</u> 5 maximum
a. Priority ranking number 1	5
b. " " " 2	4
c. " " " 3	3
d. " " " 4	2
e. " " " 5	1
f. " " " 6 or below	0
g. No ranking	0

<u>11. Approved Comprehensive Plan</u>	<u>Points:</u> 5 maximum
a. Project is located in a city or town whose comprehensive plan has received state certification.	5
b. Project is located in a city or town whose comprehensive plan has been submitted for state review but not yet received certification.	3
c. Project located in a city or town that has not yet submitted a comprehensive plan for state review.	0

B. Explanation of Project Ranking Criteria

1. Job Development Costs

The eventual number of jobs resulting from the implementation of a proposal is a prime consideration in priority selection. The figures are used to determine a cost per job. Cost refers to total project cost. "Long range" jobs are those expected once a facility or project begins operation; do not count construction jobs.

Estimates that are not documented in a study will be penalized by a deduction of 5 points under this criterion. Projects not expected to be initiated within two years will also incur a 5-point penalty.

2. Area of Influence

This criterion is weighted to favor project proposals having the broadest geographic significance for economic development. It is anticipated that few project proposals will receive the 15-point maximum for the category since the bulk of the proposals will be of local origin with a relatively low prospect for any statewide significance. In fact, probably very few state-sponsored projects will have this wide-ranging effect. Definitions of statewide vs. regional significance follow.

Definitions:

Statewide — Having potential for a more geographically universal effect throughout the entire state and not predominantly affecting only one or a few contiguous municipalities.

Regional — Having multi-community but not statewide significance.

3. Environmental Factors

The rating method for this criterion rewards applicants whose projects make use of innovative technologies, such as alternative energy and “closed loop” industrial parks, that use raw materials more efficiently, and that can reduce consumption of energy, water, and other natural resources as well as air and water pollution. Of equal weight under this criterion are those projects that rehabilitate brownfield sites or lead to the non-residential reuse of certified mill buildings.

Points are also awarded for revitalizing other existing industrial or commercial space and its associated infrastructure, and for addressing the environmental objectives of the State Guide Plan.

If credit is claimed under the “brownfields and mill buildings” category, it cannot also be claimed under the “built environment” category. The “built environment” category is intended to reward projects not necessarily associated with the R.I. Department of Environmental Management’s brownfields program or the Enterprise Zone Council’s certified mill building program, but that follow the same principle of reusing or better utilizing existing buildings for industrial or commercial purposes rather than developing greenfield sites.

If credit is sought for fulfilling an environmental objective in an element of the State Guide Plan, the specific element and objective/policy must be cited. Refer to the *State Guide Plan Overview* for a synopsis of the various elements of the State Guide Plan.

4. Essential Project Studies and Permits

This criterion rewards applicants who have obtained the necessary environmental permits to initiate the project, or who have confirmed from the relevant regulatory agencies that no permits are necessary for the project. In addition, this criterion awards points to those projects with applications supported by essential studies, which are taken to mean planning, engineering, or any other studies prerequisite to implementation, excluding environmental assessments. Those projects progressing reasonably toward completion of these studies and obtaining of permits are also awarded points in this category.

This system recognizes that any project having a negative environmental effect that cannot be reasonably mitigated will probably be eliminated from consideration under the State Guide Plan conformance threshold review, which is part of the CEDS process. Nevertheless, this threshold review does not constitute the in-depth regulatory review required for the granting of environmental permits.

5. Commitment of Non-Federal Funds

This criterion measures the financial commitment to the project, the ability to initiate the project in a timely manner and the ability of the project to leverage additional investment.

6. Employment of Substate Employment Growth Area

This non-project related criterion is weighted to favor project proposals in areas which are experiencing the poorest job market performance in terms of employment by place of work. The source for measuring this criterion is the fourth quarter report on employment by place of work, covered by the Rhode Island Employment Security Act. Percentages are figured as an increase or decrease in each Substate Employment Growth Area's percentage change over the previous year's equivalent quarter. Rhode Island's eight Substate Employment Growth Areas are based upon specific socioeconomic, cultural and historic relationships as delineated in State Guide Plan Element 212: *Industrial Land Use Plan*.

7. Labor Surplus Area

This criterion gives priority preference to projects in those communities that have been designated as labor surplus areas by the U.S. Department of Labor for the most current federal fiscal year. Designation is based upon consistently high unemployment rates and/or other specific "exceptional circumstances."

8. Enterprise Zones

In keeping with both federal and state policy to direct resources to areas designated as enterprise zones, this criterion provides preference to those projects specifically located within an officially designated Rhode Island enterprise zone.

9. Income

Median family incomes obtained from the 1990 Census (the most recent available) are divided into five ranges for the cities and towns. Those municipalities within the lowest ranges receive the highest point awards under this criterion.

10. Applicant's Priority

This criterion carries a potential for five bonus points and allows local discretion and expertise to be incorporated in the statewide priority ranking system by favoring proposals of highest local priority as assigned by each submitting municipality or other sponsor. All sponsors are requested to rank their individual submittals in priority order.

11. Approved Comprehensive Plan

This criterion rewards cities and towns whose comprehensive plans (and, if applicable, updated comprehensive plans) have received approval from the Director of the R.I. Department of Administration with the highest number of points.

Appendix B: APPLYING MULTIPLIERS: A SAMPLE CALCULATION

The economic multipliers used in the Rhode Island CEDS to determine the full impact of projects that are candidates for priority listing come from the Regional Input-Output Modeling System (RIMS) developed by the U.S. Department of Commerce. They are of two types, “direct effect” and “final demand.” The following discussion shows how to apply them in a hypothetical situation – the construction of a new import/export center in the Port of Providence.

According to the RIMS model, the category “new construction” has a direct-effect employment multiplier of 2.3568, and a final-demand multiplier of 30.1 jobs for every million dollars invested. So, every single job in “new construction” will yield an additional 1.3568 jobs elsewhere in the economy (indirect and induced employment). These are the jobs added by suppliers, distributors, service providers and other producers to meet the increased demand resulting from the project.

If 84 workers are hired to build the import/export center, the following impact would be expected on jobs throughout the Rhode Island economy:

$$84 \text{ jobs on site} \times 2.3568 = 198 \text{ total R.I. jobs}$$

These 198 jobs would include the original 84 (direct employment), plus 114 additional jobs in other sectors of the economy (indirect and induced employment).

If the new center cost \$6.3 million to build, the impact on employment during the construction period could be calculated by the final demand method as follows:

$$\$6.3 \text{ million in demand} \times 30.1 \text{ jobs}/\$1 \text{ million} = 190 \text{ total R.I. jobs}$$

Again, the 190 jobs would include direct, indirect and induced employment. The discrepancy between the numbers of jobs calculated by the two methods is insignificant and probably due to rounding.

These jobs would be generated until construction was completed. If planners wanted to estimate direct, indirect and induced employment arising from the operation of the import/export center, i.e., the post-construction, “long-range” jobs, they would need to estimate the center’s operating expenses and then identify the proper final-demand multiplier (in this case, “business services” at 39.7 jobs per \$1 million invested).

If the operating expenses amounted to \$725,000 in the first year of operation:

$$\$0.725 \text{ million in demand} \times 39.7 \text{ jobs}/\$1 \text{ million} = 29 \text{ total R.I. jobs}$$

These are the direct, indirect and induced jobs that would be supported by the center that year. It is important to note that these jobs are separate from those during the construction phase. To estimate the full economic impact of a project, the jobs generated during construction and those coming afterward should be considered together.

Source: U.S. Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis, *Regional Multipliers: A User Handbook for the Regional Input-Output Modeling System (RIMS II)* (Washington, DC: U.S. Government Printing Office, 1992).