

Economic Impact of the Proposed  
South Street Power Station  
Redevelopment

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Commonwealth Ventures, in collaboration with Brown University, the University of Rhode Island and Rhode Island College, is proposing to redevelop the South Street Power Station, a century-old historic building located at 360 Eddy Street in Providence's Jewelry District, as a mixed-use complex combining academic and commercial space with new student housing. As currently envisioned, the proposed project would include:

- A new, 150,000 square-foot apartment-style student residence, housing approximately 296 students;
- Up to 120,000 square feet of space in the redeveloped South Street Power Station for URI's and RIC's nursing education programs;
- 120,000 square feet of space in the former Power Station for Brown University, to be used initially for administrative offices;
- 20,000 square feet of space for start-ups and other small technology-based companies;;
- 15,000 square feet of ground-floor restaurant and retail space in the new residential building; and
- A new parking structure with 600 parking spaces.

Construction costs for the project (including both contract construction and "soft" costs such as design and engineering, but excluding land costs) are estimated to be \$148.5 million.

This report analyzes the impact of construction and operation of the proposed project on the economy of Rhode Island.

## **Construction**

We estimate that \$148.5 million in spending on construction of the proposed project will directly generate 998 person-years<sup>1</sup> of employment in construction and related industries, with nearly \$55.5 million in employee compensation.

Using the IMPLAN input-output modeling system (an economic modeling tool commonly used in economic impact analyses), we further estimate that through the multiplier effect, spending within Rhode Island by contractors and employees working directly on the project will indirectly generate 757 additional person-years of employment in Rhode Island, \$36.6 million in employee compensation, and \$99.5 million in additional State-wide economic output.

Taking into account both direct and indirect/induced effects, we estimate that spending on design and construction of the proposed project would generate:

- \$248 million in economic output in Rhode Island;
- 1,755 person-years of employment; and
- \$92.1 million in employee compensation.

Table 1 summarizes the impact of construction spending in Rhode Island.

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<sup>1</sup> A person-year represents the time worked by one person employed full-time for one year. On a construction project lasting two years, for example, 200 person-years would equate to an average 100 workers employed full-time for a year.

**Table 1: Impact of SSPS construction spending in Rhode Island (employment in person-years, income and output in 2013 dollars)**

<b>Impact Type</b>	<b>Employment</b>	<b>Labor Income</b>	<b>Output</b>
Direct	998	\$ 55,474,657	\$ 148,500,002
Indirect/Induced	757	\$ 36,593,308	\$ 99,462,165
<b>Total</b>	<b>1,755</b>	<b>\$ 92,067,965</b>	<b>\$ 247,962,167</b>

### **Impact of operations**

In addition to the impact generated by spending on construction, the development of the South Street Power Station will have a continuing impact on the State’s economy, once the project is complete and occupied. When the project is completed and fully operational, we estimate that 622 people will be directly employed on-site, including:

- 400 Brown University employees;
- 75 URI and RIC nursing faculty and staff;
- 80 employees of commercial start-ups and other small technology-based tenants;
- 58 retail and restaurant employees; and
- 9 residential building operations and maintenance workers.

Because Brown University’s space in the South Street Power Station will initially be occupied primarily by current employees relocating from the University’s main campus, we have not included these 400 employees in our analysis of the project’s operating impact. By moving these employees from its main campus, however, Brown will free up existing space that can then be used to accommodate the continued growth of the University’s academic and research programs. Based historic on trends in employment growth at Brown and the University’s current plans, we estimate that the space freed up as a result of leasing 100,000 square feet of space at the South Street Power Station could help the University accommodate the addition of approximately 100 employees over the next three years.

For the proposed retail and restaurant space, Appleaseed projected gross annual revenues based on comparably-sized campus restaurants and retailers. From these revenues, an IMPLAN model was used to estimate the number of people that would be employed (on a full-time-equivalent basis) by the proposed restaurant and retailers.

As shown in Table 2, we estimate that, when completed and fully operational, the project will directly support 322 jobs with earnings of \$19.2 million (an average of about \$59,500 per employee), and will add approximately \$34.4 million to the city’s annual economic output. We further estimate that these direct onsite operations will indirectly generate \$29.7 million in

additional economic output throughout Rhode Island, 218 person-years of employment, and \$9.8 million in earnings.

Taking into account the multiplier effect of ongoing operations, we estimate that when completed and occupied the project will directly and indirectly support:

- 540 jobs in Providence and elsewhere in Rhode Island;
- \$29 million in annual earnings; and
- \$64 million in statewide economic output.

**Table 2: Impact of South Street Power Station and residential building operations (employment in FTE, income and output in 2013 dollars)**

<b>Impact Type</b>	<b>Employment</b>	<b>Labor Income</b>	<b>Output</b>
Direct	322	\$ 19,172,010	\$ 34,379,936
Indirect/Induced	218	\$ 9,845,598	\$ 29,670,224
<b>Total</b>	<b>540</b>	<b>\$ 29,017,609</b>	<b>\$ 64,050,160</b>

## Taxes

The proposed project will contribute to state and local tax revenues, both during construction and when the project is completed and fully operational. As shown in Table 3, we estimate that during construction, the project will directly generate approximately \$5.4 million in State income, sales, and real property taxes (in 2013 dollars).

**Table 3: One-time impact of construction on Rhode Island tax revenues (in 2013 dollars)**

<b>Construction</b>	
Income	\$1,941,613
Sales	\$3,072,596
Property	\$375,000
<b>Total</b>	<b>\$5,389,209</b>

The proposed development of South Street Power Station will generate substantial new tax revenues when the buildings are operational and occupied. Once construction is complete, fully occupied and the restaurant and retail space is fully-leased and operational, we estimate, as

shown in Table 4, that the project will directly generate approximately \$1.5 million annually in state and city income, sales and real property taxes.

**Table 3: Ongoing impact of operations on Rhode Island tax revenues (in 2013 dollars)**

Operations		
Income	\$	671,020
Sales	\$	480,000
Property	\$	375,000
Total	\$	1,526,020

**Contributing to the development of the Jewelry District, and to Rhode Island’s health care workforce**

In addition the impacts described above, the project will contribute in several ways to the continuing development of the Jewelry District. The project will directly add an estimated 622 on-site employees to the area’s employment base, thus helping to build the critical mass needed to sustain continued development in the Jewelry District. URI and RIC will also bring approximately 1,000 nursing students into the area each semester. Day-to-day spending by employees and students will support the growth of retail, restaurants and other services in the area.

The inclusion of space for technology-based start-ups and other small tenants will help reinforce the Jewelry District’s identity as a center for innovation and entrepreneurship. The proposed residential building will contribute to the development of a 24-hour population in the Jewelry District, and to the District’s ongoing development as a live-work neighborhood; and the proposed parking structure and retail/restaurant space will add to the basic infrastructure and amenities needed to attract further investment in the area.

Beyond its impact in the Jewelry District, the project will enable URI and RIC to increase their combined nursing enrollment by approximately 575 students. It will enhance both institutions’ nursing education programs, by bringing them closer to the hospitals and other health care facilities in providence that play a central role in clinical training and research. The project will thus help to sustain the growth of one of the state’s largest industries – and to prepare Rhode Island residents for the opportunities that growth of the health care sector will provide.