



First Five Plus Program

Return on Investment Analysis

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By providing investment-oriented incentives to large companies to grow in Connecticut, we have not only seen substantial growth in good paying jobs, but the state expects to more than fully recoup its initial investments.

Governor Malloy's First Five jobs initiative (now referred to as the First Five Plus) provides assistance for large-scale business projects as a means of encouraging business expansion, relocation and job creation. Per state statute, DECD has flexibility in the construct of any financial assistance agreements, using loans, forgivable loans, tax credits and other forms of assistance. In return, companies must promise to either create two hundred new jobs within two years or invest \$25 million dollars and create 200 jobs within five years.

With five years of the program now complete, we believe the First Five Plus program is clearly meeting—if not exceeding—expectations. In this report, we look specifically at the financial returns, which are already strong and projected to get stronger.

Summary of First Five Plus Impacts

The First Five Plus program generates significant economic benefit to the state. Not only does the initiative help to facilitate job creation and expansion, it stimulates enormous direct and indirect growth for the Connecticut economy.

Financial Impacts – as outlined in the analysis that follows

- If the companies add the minimum jobs required, they generate approximately \$226.4 million of new state income tax revenue (in current dollars) over the course of 10 years, in addition to many millions of dollars of sales and use tax.
- Should the companies reach their maximum job creation goals, over 5,000 new jobs and \$284.6 million in state income tax revenue (in current dollars) will be generated in the state over the next 10 years.
- State investment over ten years has a net present value of \$62.9 million, clear proof that the value of the investment dramatically exceeds the state's costs—even if the companies add only the minimum jobs required.
- Other direct impacts related to jobs, capital investment and leveraging are provided on pages 3 and 14.

Social Impacts - community-related returns not captured by this analysis

- Cultural and community organizations are the recipients of corporate philanthropy by both the companies themselves, as well as their employees.
- Companies are working closely with our schools and universities, helping to create the next generation of employees.
- Our cities benefit from the presence of more people working, shopping and dining in our downtowns.

First Five Plus Program Overview

August 2016

Total Businesses Participating	13
State Direct Assistance Source: Manufacturing Assistance Act Funds	\$256,600,000
Tax Credits Source: Urban and Industrial Sites Reinvestment (URA) Tax Credits	\$125,000,000
Total Jobs Retained	13,349
Minimum New Jobs Required	2,608
Maximum New Jobs under Contract	5,264
Total Jobs (Max New and Retained)	18,613
State Direct Assistance per Job	\$13,786
Reported Private Investment	\$1,294,425,383
Leverage Factor (reported private dollars invested divided by state direct assistance)	5.0x

Return on Investment

New Jobs Created: Direct Returns to the State

We have calculated the return on state investment in two ways. The first method uses a direct investment model to evaluate the expected repayments to the state in the form of interest on any loan, state income tax from new employment, state sales tax on new investments and repayment of principal amounts. It is based on new investments made and jobs created, to best capture the incremental impact of the new activity in the economy. To be conservative, this calculation has been done over a 20-year period with a 5% decline in jobs after year 10.

The below table provides an overview of the assumptions used in the model, including the direct inputs (e.g., number of jobs created), incentives, and a summary of the fiscal and economic impacts.

PROJECT DESCRIPTION:		
This study evaluates the impact of the First Five Plus program based on Letters of Intent and contracts in place as of May 2016. The model only evaluates the incremental new jobs and capital spending promised by the companies and does not include their existing workforce. The model reflects the new jobs already created, as well as those still to be created, company investments made or promised to be made, and state assistance as inputs into the model. During the first five years, we ramp up job creation to the level of jobs created as of May 31, 2016, and ramp up to the level of "maximum jobs to be created" over years six through eight, then hold jobs constant at this maximum level for years nine and ten.		
Tax credits are modeled per state statute; loans are modeled as 10-year, 2% interest structures, with payments deferred for four years. Any repayments made thus far have been included. The modeling also reflects the cost of the state's capital, as the funds are drawn down in the first 5-7 years. The state incurs debt service on the bond issue to fund the loan at a rate of 3.23%.		
Direct Inputs:	Amount	
Job creation – years 1 to 5 (ramped up to "jobs created so far")	3,757	
Job creation - years 6 to 8 (Project A: ramped up to "maximum jobs to be created;" Project B: kept at "jobs created so far")	A: 5,863	B: 4,025
Job creation - years 9 and 10 (Project A: ramped up to "maximum jobs to be created;" Project B: kept at "jobs created so far")	A: 5,863	B: 4,025
New jobs by year 20 (5% decrease annually from years 11-20) <i>(for direct impact only)</i>	A: 3,776	B: 2,695
Total Investments	\$1,294.4 MM	
Incentives:		
State assistance to fund grants and loans (modeled as 2% loans for 10 years, payments deferred/forgiven)	\$256.6 MM	
Tax credits (URA tax credits)	\$125 MM	
Repayments of principal and interest made to state to date	\$10.85 MM	

Estimated Direct Impact (Minimum Jobs Created, Using Current Levels)

In the following chart, we model the scenario in which only the minimum jobs are created, thereby reducing the level of new hires, related income tax, and factoring in the lack of forgiveness on loans, and thus the related repayment of principal and related interest to the state. Several of the First Five Plus companies have already hired beyond the minimum job creation goals, so actual current job numbers are used where the company has already exceeded their contractual minimum.

First Five Plus Program: Estimated Direct Impact Project B: 20-Year Analysis, Minimum Jobs Created Using Current Levels Only years 1-10 shown below All figures in \$(‘000s)											
Year:	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
COSTS TO CT:											
1. State Investment (loans, grants)	(256,600)										
2. Cost of Funds (cost to bond, principal & interest at 3.23%)		(17,616.4)	(17,616.4)	(17,616.4)	(17,616.4)	(17,616.4)	(17,616.4)	(17,616.4)	(17,616.4)	(17,616.4)	(17,616.4)
3. Cost of Tax Credits (URAs – discounted by 12.5% to account for minimum jobs)	0.0	0.0	0.0	0.0	(1,000.0)	(5,000.0)	(10,500.0)	(11,500.0)	(12,500.0)	(16,500.0)	(22,000.0)
ESTIMATED RETURNS/ BENEFITS TO CT:											
1. New Income Taxes from New Hires		8,284.7	12,821.0	17,545.2	22,162.3	26,392.7	26,455.2	27,375.9	27,882.2	28,389.6	29,046.9
2. New Sales Taxes (discounted to account for tax exemptions)		10,059.7	10,059.7	10,059.7	10,059.7	6,035.8	6,419.9	6,419.9	6,419.9	0.0	0.0
3. Payments of principal and interest (based on loan terms)	0.0	0.0	0.0	0.0	0.0	594.0	32,051.7	1,051.7	1,051.7	1,051.7	1,051.7
NET CASH FLOWS TO STATE		727.9	5,264.3	9,988.5	13,605.6	9,406.2	35,810.3	4,731.0	4,237.3	(3,341.8)	(8,184.5)
CONCLUSIONS OF ANALYSIS											
NET PRESENT VALUE – 10 Years	\$62,929										
NET PRESENT VALUE – 20 Years	\$109,801										
PAYBACK PERIOD	20+ Years										
POSITIVE CASH FLOW	First Year										
							Assumptions				
							1. \$256.6MM state assistance in the forms of loans and grants. Payments made to date have been included. Unforgiven principal is added back where loan conditions are not met				
							2. Tax rates from 5%-6.5% considered for state income tax				
							3. 3.23% cost of funds				

New Jobs Created: Total Returns to the State (including indirect investment)

In this analysis, we utilize REMI modeling (Regional Economic Modeling, Inc.) to examine the total direct and indirect return on investment the state receives through the creation of new jobs and other investments made by First Five Plus companies. REMI is a tool used to evaluate investment decisions that holds all other parts of the economy in abeyance while it evaluates the impact of a specific investment. The model assesses all downstream impacts (often referred to as a multiplier effect) on the economy, as well as the direct impact of the new jobs and capital improvements resulting from the specific investment. Though REMI is a widely used economic modeling tool, holding all pieces of the economy constant often leads to optimistic outlooks. As such, we discount its importance in analytic evaluation of these investments, and weight the impacts of our Direct Return models greater than the REMI models. The following chart assesses the total returns to Connecticut, assuming all companies hire the maximum jobs under their contract.

Project A: Total Returns to State			
(Maximum jobs, including indirect results)			
August 2016			
EMPLOYMENT:		10 Year Avg.	20 Year Avg.
	All Sectors	12,370	12,403
	Direct	3,353	4,134
	Indirect incl. Construction	6,011	8,269
	Multiplier Effect (Total (net of construction jobs) Jobs /Direct Jobs)	3.15	2.66
FISCAL IMPACTS:			
State Net New Revenue '(000s):		10 Year	20 Year
	Total (Cumulative)	\$1,879,520	\$2,906,260
	Net Present Value	\$1,548,465	\$2,199,568
	Per Year Average	\$187,907	\$145,313
ECONOMIC IMPACTS:			
Gross State Product '(000s):		10 Year	20 Year
	Total (Cumulative)	\$22,744,970	\$55,782,460
	Net Present Value	\$18,456,913	\$38,753,650
	Per Year Average	\$2,274,497	\$2,789,123

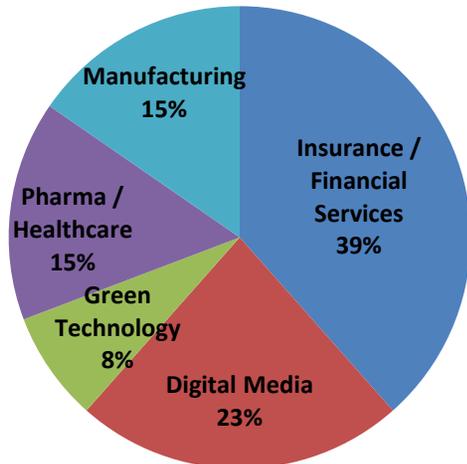
The Project B: Total Returns to State chart below shows the total economic impacts of the First Five Plus program using the actual number of jobs created over the first five years and then holding job creation constant at this level for years six through ten. For companies that had not yet reached their minimum required level of 200 jobs, we increased their job creation data to the minimum requirement of 200 and held it constant for the required 10-year period.

Even if the First Five Plus companies do no further hiring, there is tremendous benefit to the Connecticut economy from the investments and hiring that have already occurred. As delineated in the First Five Plus contracts, should companies fail to meet all of their job growth and capital spending requirements, they must repay the state’s funding (or the portion that is not forgiven due to lack of job growth) with interest. If a First Five Plus company leaves the state during the ten-year term of the contract, it must repay all state investment with an interest-based penalty.

Project B: Total Returns to State			
(Minimum jobs using current levels, including indirect results)			
August 2016			
EMPLOYMENT:		10 Year Avg.	20 Year Avg.
	All Sectors	10,314	9,792
	Direct	3,353	3,419
	Indirect incl. Construction	4,641	6,373
	Multiplier Effect (Total (net of construction jobs) Jobs /Direct Jobs)	2.62	2.55
FISCAL IMPACTS:			
State Net New Revenue ‘(000s):		10 Year	20 Year
	Total (Cumulative)	\$1,516,340	\$2,314,720
	Net Present Value	\$1,275,280	\$1,771,669
	Per Year Average	\$152,634	\$115,736
ECONOMIC IMPACTS:			
Gross State Product ‘(000s):		10 Year	20 Year
	Total (Cumulative)	\$19,373,180	\$45,556,190
	Net Present Value	\$15,863,259	\$31,937,016
	Per Year Average	\$1,937,318	\$2,277,810

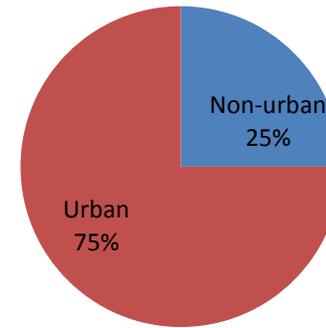
First Five Plus Statistics

First Five Plus Industry Composition



Total companies = 13

First Five Plus Company Locations Breakdown by Urban and Non-urban



Note: Though there are 13 current First Five Plus companies, Deloitte and Pitney Bowes have expanded their operations across multiple locations (two and three locations, respectively)

Our statewide strategic plan identifies six industry clusters that are critical to a comprehensive economic development strategy – the First Five Plus companies represent five of those six industry clusters.

The First Five Plus initiative has supported companies that not only capitalize on the state’s strengths (e.g., insurance and financial services, manufacturing), but has also attracted businesses that help to further develop our emerging industries (e.g. digital media).

Connecticut is committed to further developing and revitalizing its downtown and urban areas. Seventy-five percent of the First Five Plus companies have chosen to expand or relocate in a Connecticut city, bringing with it new jobs and generating economic activity.

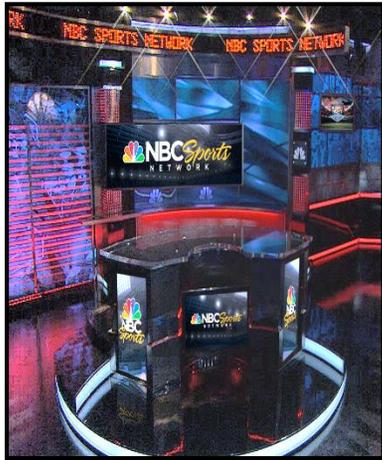
Stamford attracted many of the First Five Plus companies due to its abundance of young workers, newly developing high-amenity housing, and easy access to New York City.

Individual First Five Plus Company Investments:

CIGNA

As the first participant in the First Five program, CIGNA designated Bloomfield, Connecticut as their corporate headquarters, moved senior corporate functions to the facility, and made significant investments in the corporate campus, including a new data center. Since the announcement, the global health service company has added 525 jobs, well above the minimum required (200). They have also retained 3,880 jobs.

NBC Sports



Consolidating related functions from all over the east coast, NBC Sports rehabilitated an old factory into state-of-the-art studio and office space in Stamford, creating hundreds of new digital media jobs in the state. The company's investment of over \$100 million is nearly 4 times the state assistance package. NBC has already created over 730 new jobs in the state, and continues to grow.

"This new campus is about bringing people together to maximize production, creativity and efficient teamwork," Mark Lazarus, Chairman of NBC Sports Group, said. He also noted the new investment in state-of-the-art studios, and the new hiring that came with it "...would not have been possible without the financial support of Governor Malloy's 'First Five' program."



Alexion

With the new downtown New Haven corporate headquarters opening on "rare disease day," Alexion has over-delivered on the jobs it projected to add just a few years ago. In fact, the global biopharmaceutical company has already created over 500 new jobs and its new \$100 million facility has strengthened connections between the Yale-New Haven hospital and the rest of New Haven's downtown.

ESPN

ESPN invested over \$180 million to construct a new studio, Digital Center 2, for digital media and television on its Bristol, Connecticut campus. At present, total headcount for the Connecticut ESPN workforce is over 4,200. Digital Center 2 has increased ESPN's production capacity and flexibility for new digital media formats and emerging technology. Funded with tax credits only, ESPN will earn those tax credits over a ten-year period based on its capital expenditures and creation and retention of jobs.

CareCentrix

Having outgrown its space in East Hartford, CareCentrix, a leading provider of home health benefits management services, moved its corporate headquarters to downtown Hartford to expanded space for technology and call center personnel. As part of its agreement with the state, CareCentrix retained all 213 of its then employees and planned to create 290 positions by the end of 2017. To date, they have created 282 of those jobs, ranging from executive level positions to call center staff.



"We considered alternate locations, but our decision to stay and grow in Connecticut is the best possible outcome for us. The employment market in Connecticut is filled with well-educated, talented, hard-working folks who are dedicated to providing exceptional care to patients." –

Former CareCentrix CEO, Eric Reimer, who signed the deal with Connecticut

Sustainable Building Systems

The only "startup" company among the First Five Plus companies, Sustainable Building Systems is the creation for the U.S. market of an Australian-based, multi-national steel building product company. The company, which established its headquarters in East Windsor, Connecticut, expects to create between 208 and 408 jobs.

Deloitte

Deloitte, a leading provider of audit, consulting, financial advisory and tax services, is expanding its footprint in Connecticut. The performance-based assistance package includes \$14.5 million in grants over 6 years, provided Deloitte meets its specific milestones, which include retaining 1,153 jobs and creating between 200 and 500 new positions, ranging from entry level to high-level executive jobs.

Bridgewater Associates

Bridgewater began discussions with the state on the First Five Plus program several years ago, but changed their plan after difficulties in securing their preferred site in Stamford. They are now upgrading and expanding current buildings in Westport, Norwalk and Wilton, which will house their growing employee base. Bridgewater Associates will grow from their original base of 1,225 jobs to over 2,000 over the next 5 years. Additionally, to accomplish renovations and upgrade their technology infrastructure, the company plans to spend over \$500 million, nearly 23 times the state direct assistance.



"...In addition to our cable operations in Connecticut, access to the talent base, the transportation infrastructure, and the proximity to other media headquarters and financial markets made Stamford a logical alternative."

– Thomas Rutledge,
Charter President and CEO

Charter Communications

In 2013, Charter Communications agreed to establish its corporate headquarters in downtown Stamford, relocating from St. Louis, MO and committing to bring 200 to 300 jobs to the area, including its executive officers. In consideration of the company's commitment to create 200 new corporate jobs within five years, the state provided a 10-year loan of \$6.5 million. As a result of Charter hiring over 300 new employees, which exceeds their minimum employment obligation, they have received an additional \$2 million in grant funding. Charter has already exceeded their employment goal, hiring nearly 450 new employees at their headquarters and franchise locations. Recently, Charter stated it will be transferring additional employees from its Manhattan location to its Stamford headquarters by the end of 2016.

Navigators

In October 2013, Navigators, an international specialty insurance holding company, announced it was relocating its corporate headquarters from Rye Brook, NY to Stamford. Navigators, which invested an estimated \$13.5 million, received a financial assistance package of \$11.5 million for new equipment, facility upgrades, and the commitment to create 200 jobs within five years.

Pitney Bowes

When the deal closed in 2013, Pitney Bowes recommitted its presence to Connecticut, where it was founded over 90 years ago. Pitney Bowes has already created over 240 new jobs in the state, bringing its overall employment to more than 1,800 across its technology center in Danbury, its business operations center in Shelton, and its new headquarters in Stamford.

EDAC Technologies Corporation

EDAC is a manufacturer serving the aerospace, commercial, medical, industrial and machine tool markets. The company is expanding its manufacturing operations, upgrading technology, purchasing new machinery and equipment and renovating existing facilities at its campus in Cheshire. State assistance, including a \$10 million grant and a \$38 million loan, will be used to assist the company in this \$121 million expansion. The company expects to create over 200 jobs in four years.

Synchrony Financial

The most recent of the First Five Plus companies, Synchrony Financial partnered with the state to expand its corporate headquarters in Stamford with the intention of creating between 200 and 400 new jobs. The financial services company, a General Electric spinoff, is investing \$51 million in their expansion, which is approximately 2.5 times the state's financial assistance package. Since the announcement of the expansion in July 2015, Synchrony has added nearly 300 jobs to its Connecticut workforce.

First Five Plus Companies Summary

Company Name	Company Location	Industry	Jobs To Be Retained	Jobs to Be Created		Company Investment	Tax Credits	State Direct Assistance	Full-Time Jobs as of 5/31/16	Net New Jobs Created	Total Forgivable Loans Available	Grants
				Min	Max							
ANNOUNCED PROJECTS												
CIGNA	Bloomfield	Insurance	3,883	200	800	\$133,995,080	\$50,000,000	\$21,000,000	4,408	525	\$15,000,000	\$6M
NBC Sports (Phases I & II)	Stamford	Digital Media	116	200	716	\$101,850,000	-	\$26,000,000	734	618	\$26,000,000	-
Alexion	New Haven	Pharma	368	200	300	\$77,000,000	\$25,000,000	\$26,000,000	878	510	\$20,000,000	\$6M
ESPN**	Bristol	Digital Media	3,872	200	200	\$181,300,000	\$10,000,000	\$0	4,271	399	-	-
CareCentrix	Hartford	Healthcare	213	200	290	\$62,000,000	-	\$24,000,000	495	282	-	\$24M
Sustainable Building Systems	East Windsor	Green Technology	0	208	408	\$79,000,000	-	\$19,100,000	24	24	\$10,000,000	-
Deloitte	Hartford, Stamford, and Wilton	Financial Services	1,153	200	500	\$1,500,000	-	\$14,500,000	1,230	77	-	\$14.5M
Bridgewater Associates*	Westport, Wilton, and Norwalk	Financial Services	1,225	200	750	\$505,500,000	\$30,000,000	\$22,000,000	1,402	177	\$17,000,000	\$5M
Charter Communications	Stamford	Digital Media	260	200	300	\$5,180,553	-	\$8,500,000	707	447	\$6,500,000	\$2M
Navigators	Stamford	Insurance	0	200	200	\$13,500,000	-	\$11,500,000	162	162	\$8,000,000	\$3.5M
Pitney Bowes	Stamford, Danbury, and Shelton	Manuf.	1,600	200	200	\$9,000,000	\$10,000,000	\$16,000,000	1,843	243	\$10,000,000	\$1M
EDAC	Cheshire	Manuf.	349	200	200	\$73,299,750	-	\$48,000,000	353	4	\$28,000,000	\$10M
Synchrony Bank	Stamford	Financial Services	310	200	400	\$51,300,000	-	\$20,000,000	601	291	-	\$20M
TOTALS:			13,349	2,608	5,264	\$1,294,425,383	\$125,000,000	\$256,600,000	17,108	3,759	\$140,500,000	\$92M
* ESPN and Bridgewater Associates employment data from June 2015												
** ESPN eligible for \$10,000,000 in URA tax credits in lieu of direct financial assistance.												