



Larry Hogan | Governor
 Boyd Rutherford | Lt. Governor
 Kelly M. Schulz | Secretary of Commerce

November 9, 2020

Mr. Joe Falcone, Director of Real Estate
 Mr. Gary Budd, Director
 Giant Food LLC
 8301 Professional Place
 Landover, Maryland 20785

SUBJECT: Expansion of Giant Food LLC’s operations in Prince George’s County, Maryland.

Dear Messrs. Falcone and Budd:

The Department of Commerce (the “Department”) and Prince George’s County (the “County”) are pleased to support Giant Food LLC (the “Company”) in its initiative to expand its corporate offices and headquarters operations in Prince George’s County, Maryland (the “Project”).

Below is a summary of the proposed State and County assistance for the Project that is further defined in the body of the letter:

Assistance	Source	Amount
<u>Conditional Loans</u>		
MEDAF – Conditional Loan <i>Refer to Section 3(a) for details</i>	State	\$ 250,000
Prince George’s County - Conditional Loan <i>Refer to Section 4(a) for details</i>	County	\$ 250,000
<u>Tax Credits</u>		
Job Creation Tax Credit – subject to availability <i>Refer to Section 5(a) for details</i>	State	\$ 210,000
Total		\$ 710,000

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1. **THE SUBDIVISION**. This letter is intended to describe the major elements of the transaction and to describe the assistance that may be offered to the Company for locating the Project at the Project Site in Prince George’s County, Maryland. These terms are not transferable to any other subdivision.

2. **PROJECT DESCRIPTION**. As we understand the Project, the Company currently leases approximately 56,556 square feet of space in the West Building at 8301 Professional Place, Landover, Prince George’s County, Maryland where it operates its headquarters and corporate offices. We also understand that the Company will be expanding its sales and merchandising operations into approximately 31,000 square feet in the East Building at the same address. The combined leased square footages in the East and West Buildings will be known as the “Project Site”. Costs associated with the Project are anticipated to be approximately \$1,800,000 for construction and furniture (the “Project Costs”). Furthermore, the Company currently employs 250 permanent full-time employees and will hire 70 new permanent full-time employees for total employment of 320 permanent full-time employees at the Project Site by December 31, 2020.

We understand the Company will use its best efforts to use Baltimore/Washington International Thurgood Marshall Airport and the Port of Baltimore for its shipping and transportation and Maryland contractors and construction workers for construction of the Project at the Project Site. Additionally, Maryland strongly supports our military personnel and encourages companies to use their best efforts to employ veterans.

Any changes to the Project as outlined in this letter should be immediately brought to the Department’s attention since they could affect the Department’s proposed assistance for the Project.

3. **DEPARTMENT PARTICIPATION**. The Department is willing to consider providing the following assistance to enable the Company to complete the Project at the Project Site in Prince George’s County, Maryland:

(a) **Conditional Loan** under the Maryland Economic Development Assistance Fund (the “Loan”):

Borrower:	Giant Food LLC or an entity acceptable to the Department.
Amount:	\$250,000.
Approval:	The Loan is subject to approval by the Secretary of the Department.
Purpose:	The proceeds of the Loan would be used to reimburse Eligible Project Costs at the Project Site not otherwise reimbursed by the Landlord or other third party.

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Eligible Project Costs:	Those costs associated with the Project that are eligible for reimbursement under the Maryland Economic Development Assistance Fund program. This would include the construction or acquisition of a building or real property and the acquisition, construction, or installation of machinery, equipment, furnishings, fixtures, leasehold improvements, site improvements, or infrastructure improvements.
Term:	The term of the Loan will be ten (10) years.
Interest Rate:	Three percent (3%) fixed per annum.
Repayment:	All principal and accrued interest would be deferred over the term of the Loan. In the event that all of the Performance Criteria of the Loan are met over the term, all outstanding deferred principal and accrued interest would be forgiven at the end of the Loan term. In the event that any of the Performance Criteria are not met, the Loan would be repayable as described in the Conditions section.
Disbursement:	The Loan would be disbursed for up to 70% of incurred Eligible Project Costs at the Project Site not otherwise reimbursed by the Landlord or other third party.
Collateral:	To be determined based upon a financial and collateral review of the Borrower and the final structure of the Loan. For example, a Standby Letter of Credit may be required to secure the Loan.
Guarantors:	To be determined based upon a financial and collateral review of the Borrower and the final structure of the Loan.
Conditions Precedent To Disbursement(s):	(1) The Borrower will provide acceptable evidence that it leases approximately 87,000 square feet of space at the Project Site for a term not less than the term of the Loan, including lease extensions.

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(2) The Borrower will have directly expended at least \$400,000 of Eligible Project Costs at the Project Site, not otherwise reimbursed by the Landlord or other third party.

(3) The Borrower will provide satisfactory evidence that it employs at least 250 permanent full-time employees at the Project Site.

(4) The Department will have received satisfactory evidence that the County has approved and funded its financial incentive.

Performance Criteria:

(1) The Borrower will employ at least 250 permanent full-time employees at the Project Site and retain at least that amount for the term of the Loan.

(2) The Borrower will employ at least 320 permanent full-time employees at the Project Site by December 31, 2020 and retain at least that amount for the remaining term of the Loan.

Full-time employment will be measured annually as of December 31st of each required year, with employment reports due to the Department by January 31st of the following year with the first reporting beginning on the first December 31st following disbursement. The Company will initially provide an employment report prior to the closing and disbursement of the Loan.

“Full-time” means that an employee works at least 1,800 hours in a 12-month period, is paid an hourly wage of at least 150% of the prevailing federal minimum wage, as adjusted from time to time, and is eligible for an employer-subsidized health care benefits package.

A new permanent full-time position at the Project Site would be a net new position to the State and would not include the movement of existing Company employees at other locations in the State, or employees of a company acquired by the Company after this date, if the employee’s place of employment immediately before the acquisition was elsewhere in the State.

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“Permanent” means that the employee is on the payroll of the Company and not employed under a contract relationship.

(3) The Borrower will invest or cause to be invested at least \$1,800,000 at the Project Site by December 31, 2020.

(4) The Borrower will maintain its headquarters and corporate office operations at the Project Site for the term of the Loan.

(5) The Borrower will remain in compliance with the terms of the County’s incentive, as described in Section 4(a), during the term of the Loan.

Conditions:

(A) If at any time after December 31, 2020 the Borrower does not meet Performance Criteria (2) the Borrower will repay a pro rata portion of the principal (\$3,571) plus the associated portion of accrued interest for each position less than 320.

(B) If the Borrower does not meet Performance Criteria (1), (3), (4), or (5) all principal and accrued interest under the Loan will be repaid.

(C) The Loan will close and be fully funded by June 30, 2021.

4. **PRINCE GEORGE’S COUNTY INCENTIVES.** The County is willing to provide the following assistance to enable the Company to complete the Project in Prince George’s County, Maryland.

(a) **Financial Assistance.** The County has created an Economic Development Incentive Fund (“EDI Fund”) to support job retention, attraction, economic development and redevelopment in Prince George’s County. The County will offer a separate \$250,000 conditional loan (the “County Loan”) to enable the Company to complete the Project at the Project Site, subject to terms, conditions and performance criteria that are consistent with the Department’s conditional loan in all material aspects.

Borrower: Giant Food, LLC or an entity acceptable to the County.

Amount: **\$250,000.**

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Approval: The County Loan is subject to approval by the County Chief Administrative Officer and the Prince George's County Council.

Purpose: The proceeds of the EDI Fund Conditional Loan would be used to support Giant Foods, LLC in securing the expansion of its corporate offices and headquarters operations in Prince George's County.

Eligible Project Costs: Those costs associated with the Project that are eligible for support from the EDI Fund.

Term: The term of the County Loan will be ten (10) years.

Interest Rate: Three percent (3%) fixed per annum.

Collateral: To be determined based upon a financial and collateral review of the Borrower and the final structure of the County Loan.

Repayment: All principal and accrued interest would be deferred over the term of the County Loan. In the event that all of the Performance Criteria of the County Loan are met over the term, all outstanding deferred principal and accrued interest would be forgiven at the end of the County Loan term. In the event that any of the Performance Criteria are not met, the County Loan would be repayable as described in the Conditions section.

Guarantors: To be determined based upon a financial and collateral review of the Borrower and the final structure of the County Loan.

Conditions Precedent To Disbursement: (1) The Borrower will provide acceptable evidence of its ownership/control of the Project Site for a term not less than the term of the County Loan.

(2) The Borrower will provide evidence or material commencement of demolition and construction.

Performance Criteria: (1) The Borrower will invest or cause to be invested at least \$1,800,000 at the Project Site by December 31, 2020.

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(2) The Borrower will employ at least 320 permanent full-time employees at the Project site by December 31, 2020 and retain at least 285 permanent full-time employees for the remaining term of the County Loan.

Full-time employment will be measured annually as of December 31st of each required year, with employment reports due to the County by January 31st of the following year with the first reporting beginning on the first December 31st following disbursement. The Company will initially provide an employment report prior to the closing and disbursement of the County Loan.

“Full-time” means that an employee works at least 1,800 hours in a 12-month period, is paid an hourly wage of at least 150% of the prevailing federal minimum wage, as adjusted from time to time, and is eligible for an employer-subsidized health care benefits package.

(3) The Borrower will maintain its headquarters and corporate office operations at the Project Site for the term of the County Loan.

(4) The Borrower will commit to achieve 35% of construction costs for LSMBE participation.

Conditions:

(A) If at any time after December 31, 2020 the Borrower does not meet Performance Criteria (2) the Borrower will repay a pro rata portion of the principal (\$3,571) plus the associated portion of accrued interest for each position less than 285.

(B) If the Borrower does not meet Performance Criteria (1), (3) or (4), all principal and accrued interest under the County Loan will be repaid.

(C) The County Loan will close and be fully funded by TBA.

Loan Forgiveness:

The proposed interest rate of Three Percent (3%) per annum, compounding monthly, will begin to accrue on the date of disbursement. Interest payments will be deferred and payment thereof subsequently forgiven

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if the Borrower (a) completes the construction of Project Property; and (b) meets the job retention and job creation benchmarks and the other conditions for forgiveness set forth in the EDIF Conditions contained herein. (c) invests or cause to be invested at least \$1,800,000 capital expenditure by 12/31/20. (d) attempts best efforts to commit at least 35% MBE participation toward the Project (e) business remains in the County for the term of the County Loan.

It is the policy of Prince George's County to encourage and in some cases require businesses that accept financial assistance from the EDI Fund, and other economic development tools and incentives, to commit to specific goals or minimum requirements for local, small, and/or minority business (LSMBE) participation in the projects that are being supported by the financial assistance. Prince George's County endorses the goal of improving the quality of life for all citizens by strengthening the economic capacity of its local, small, and minority business communities. As a condition of assistance, the Company will be expected to enter into an agreement with the County to meet specified LSMBE goals and requirements.

(b) **Workforce Services**. The Workforce Services Division ("WSD") of Prince George's County Economic Development Corporation has the responsibility of developing integrated and comprehensive solutions to the workforce needs of County employers. WSD will offer the following services for the Project at no cost to the Company:

- Customized Recruitment, Pre-screening, and Assessment of job candidates;
- Customized Training (administrative and soft skills, up to 50 percent of shared costs);
- Screening for various tax credit opportunities due to creating new employment; and
- Dedicated WSD staff to provide these services.

Regulations limit the ability of the WSD to use some of its program resources for recruitment of new companies. However, once the Company is established in the County, WSD will create customized, on-the-job training for a wide range of skills and provide reimbursement of up to 50% of the participant's wage rate. For example, the On-the-Job-Training/Customized Training can reimburse 50% of the employer's training costs, up to \$50,000. Should the Company decide to locate in the County, the above mentioned training strategies are available. As this would be an expansion into our region with no displacement of workers, the programs can be implemented without the 120-day wait period.

Please contact Mr. Andre Plummer, Financial Services Program Manager, Prince George's County Economic Development Corporation, 1801 McCormick Drive, 3rd Floor, Largo, Maryland, 301-583-5067, aplummer@co.pg.md.us, for additional information regarding County assistance.

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5. **OTHER INCENTIVES.** In addition to the incentives described above, the State could provide, through the appropriate state and local governmental instrumentalities, certain incentives to induce the Company to complete the Project at the Project Site, including:

(a) **Job Creation Tax Credit.** The Company could be eligible for a Job Creation Tax Credit if it establishes or expands a Maryland business facility that is primarily engaged in the operation of central administrative offices or a company headquarters. The new or expanded facility may also qualify for the credit if it is located in one of the following “priority funding areas”: an incorporated municipality, within the Baltimore Beltway, within the Maryland portion of the Washington, D.C. Beltway, in a federal empowerment zone, in a Maryland Enterprise Zone, in a sustainable community as defined in Section 6.01 of the Housing and Community Development (“DHCD”) Article, in any area in a county designated by the County as a priority funding area, or in that portion of the port land use development zone that has been designated as an area appropriate for growth in the county comprehensive master plan.

For businesses applying for certification for the Job Creation Tax Credit after December 31, 2017, to qualify, most business entities must create at least 60 “qualified positions” (permanent newly created Maryland positions of at least 1,680 hours per year resulting from the establishment or expansion of a business facility in a single location in the state and paying at least 120% of State minimum wage) within a 2-year period. The 60 new job minimum is reduced to 25 new jobs if the facility is located in one of the “priority funding areas” listed above and reduced to 10 jobs if the business is located in a County with average annual employment less than 75,000 or median household income two-thirds of the statewide median household income.

Credit granted will be \$3,000 per qualified position. If the new or expanded facility is located in a “revitalization area” (a federal empowerment zone, a Maryland Enterprise Zone, or a DHCD sustainable community), then the credit is \$5,000 for each qualified position. Commerce can certify no more than \$4 million Job Creation Tax Credits per year. The credits will be certified on a first come, first serve basis.

The maximum credit allowed during any credit year for a single facility is \$1 million. If, during the three (3) years succeeding the credit year, the average number of qualified positions falls below the applicable minimum number of qualified positions, all credits shall be recaptured. If the number of qualified positions falls more than 5%, but not below the applicable minimum number of qualified positions, then the credit is recaptured in proportion to the decline in qualified employees.

The Job Creation Tax Credit Program will sunset January 1, 2022, unless extended by the General Assembly. If the program sunsets, the Company will not be able to apply for credits after that date.

*Based upon the following assumptions provided by the Company including that it employs at least 25 qualified positions within a 2-year period and a total of 70 at the Project Site, paying at least 120% of State minimum wage, the Company may qualify for credits of up to **\$210,000 (70-x \$3,000)**, subject to final certification and the availability of credits at the time of certification.*

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(b) **Maryland Commuter Tax Credit**. Maryland employers that pay for part or all of eligible monthly commuting expenses for their employees can qualify for a tax credit equal to 50% of the cost of those expenses with a cap of \$50 per employee per month. This includes expenses incurred for monthly usage of bus or rail service provided by the Washington Metropolitan Area Transit Authority or the Maryland Mass Transit Administration, MARC trains and vanpools. The credit can be claimed against State income taxes, State and local taxes withheld for tax-exempt organizations, or insurance premium taxes. When combined with federal tax incentives, this State tax credit allows employers to offer a new employee benefit for a fraction of the total cost. *Please call the Maryland Mass Transit Administration at 410-767-8755 for more details.*

(c) **Maryland Disability Employment Tax Credit**. The Maryland Disability Employment Tax Credit (“MDETC”) is a Maryland State tax credit that allows employers to claim credit for employees with disabilities.

- For each of the first two years of employment, a credit is allowed in an amount equal to 30% of up to the first \$9,000 (\$2,700) of wages paid. Employers can also benefit from a tax credit for work-related childcare or transportation expenses paid by the employer. The credit is up to \$900 of the qualified childcare or transportation expenses incurred during each of the first two years of employment. The MDETC may be claimed concurrently with any available federal tax credits for which the employee may be eligible.

The Company must hire an individual with a disability and obtain a determination from the Division of Rehabilitation Services (“DORS”) of the Maryland State Department of Education, or the Maryland Department of Labor, for a disabled veteran, that the individual is a qualified employee with a disability. *Please call the Maryland Department of Labor at 410-767-2047 for more details.*

(Unless otherwise noted, for additional information regarding the State tax incentives listed above, please contact Ms. Lani Sinfield, Program Manager, Tax Incentives, Office of Finance Programs, Commerce, at 410-767-4041, toll-free at 877-821-0099, or email at lani.sinfield1@maryland.gov, for additional information.)


(d) **Baltimore Gas & Electric (“BGE”) Economic Development Incentive and Energy Efficiency Programs**. BGE is the energy service delivery company in central Maryland. To promote business growth and employment expansion within their service area, BGE offers the SEEDSM (Smart Energy Economic Development) Program. This incentive is available to qualifying businesses that locate new operations or expand existing operations in the BGE service area.

Requirements for Businesses located in a non-enterprise zone – A Business must create 10 or more new full-time jobs, meet 500kw of electric demand per month and/or 90,000 therms of natural gas annually.

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Requirements for Businesses located in an enterprise zone – A Business must be certified by their local economic development office as an enterprise zone eligible business and are taking advantage of enterprise zone tax credits. Businesses must also create one or more full-time jobs.

The chart below illustrates the benefits and requirements for participating businesses in SEEDSM

	NON ENTERPRISE 500 kW of electric demand per month and/ or 90,000 therms of gas annually	ENTERPRISE ZONE No minimum load requirement
Job Requirement	10 FTE's	1 FTE
year 1 price reduction	25%	25%
year 2 price reduction	25%	25%
year 3 price reduction	25%	25%
year 4 price reduction	0	25%
year 5 price reduction	0	25%

Businesses that qualify for the SEEDSM incentive receive the discount for three (3) years, or for five (5) years if the site is within an Enterprise Zone. The company must contact BGE prior to any site decision or receiving a BGE service extension contract agreement. All businesses must pass a background check as part of the qualification process.

In addition to the economic development incentive, BGE offers the “BGE Smart Energy Savers Program®” that includes a variety of energy efficiency financial incentives and engineering services for industrial and commercial projects such as:

- Retrofits of existing inefficient equipment
- New construction
- Major renovation and remodeling
- New equipment purchases
- End-of-life equipment replacements

Programs for medium and larger industrial and commercial customers include:

- Energy Solutions for Business: Technical services to help you analyze specific projects, incentives of up to 50% of the total cost for retrofit projects or up to 75% of the incremental costs for new equipment as well as for new construction. There are

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incentives on numerous measures including HVAC systems, lighting and controls and even incentives for custom projects.

- Retro commissioning (RCx), which is the process of monitoring, troubleshooting and adjusting electrical, mechanical and control systems in existing buildings to optimize energy performance. Incentives cover up to 75% of the cost of the RCx services.
- Combined Heat and Power (CHP): incentives of \$900/kW with a project cap of \$2 million.

For information on BGE's economic development services, visit www.bge.com/economicdevelopment. For more details on the energy efficiency programs see: <http://www.bgesmartenergy.com/business>. You can also send an email to economicdevelopment@bge.com.

6. **CONDITIONS**. The extension of financial assistance will be subject to the Department's and County's due diligence review of the Company's business and financial affairs and documentation satisfactory to the Department's and County's counsel. The Loan is subject to approval by all appropriate approval authorities. A later commitment for any financial assistance will be subject to the availability of funding and adequate appropriations, the payment of applicable fees, and compliance with all applicable state and federal laws.

Any public communication (i.e., letters to legislators, press releases, discussion with local media, tombstone ads, staged events with public officials) about the proposed Project must first be agreed to by the Department's Communications Office, at 410-767-6318, since erroneous or premature publicity could affect the composition of the incentives under discussion.


Recipients of the Department's financial assistance are prohibited from discriminating on the basis of race, color, sex, religion, or national or ethnic origin in the hiring of contractors (or permitting contractors to discriminate in the hiring of subcontractors) for projects funded by that financial assistance. The recipient agrees to support the State's interest in expanding procurement opportunities for contractors and vendors who are minority business enterprises ("MBEs"). The Recipient will designate an individual to identify procurement opportunities in the Project and to work cooperatively with the Department's Business Diversity Compliance Officer to identify MBEs that have the capacity to provide goods or services for the Project. (Contact Mr. Daniel Leonard, Director, EEO and Fair Practices, at 410-767-6470, 401 East Pratt Street, 5th Floor, Baltimore, Maryland 21202). The recipient will submit a list, updated at least annually until the Project is completed, of the MBEs from which goods or services were procured, and the nature and dollar amount of the goods or services.

7. **EXPIRATION**. While this letter is intended as a non-binding expression of intent rather than an enforceable commitment, and while material provisions that will be critical to an acceptable agreement are absent from this summary, we hope that it will serve as a useful framework for the prompt completion of negotiations. Please sign and return this letter to the Department as soon as possible, but no later than **December 9, 2020**, to expedite negotiations and preserve the Project's high priority status.

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The Department invites you to contact Mr. Harry Carroll, Office of Finance Programs, Commerce, at 410-767-6360 or by email at harry.carroll@maryland.gov, for details and further steps. We look forward to working with you.

Sincerely,

DocuSigned by:

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Kelly M. Schulz
Secretary
Department of Commerce

David Iannucci
President and CEO
Prince George's County Economic
Development Corporation

Accepted this ____ day of _____, 2020.

Giant Food LLC

Name: _____
Title: _____
FID#: _____
UI#: _____

Upon signing, please return this letter directly to Mr. Harry Carroll, Finance Specialist, Office of Finance Programs, Commerce, 401 East Pratt Street, Suite 1760, Baltimore, Maryland 21202.

- cc: Ms. Ebony Stocks, Executive Vice President, Prince George's County Economic Development Corporation
- Mr. Larry Hentz, Director of Business Development, Commercial Development, Prince George's County Economic Development Corporation
- Mr. Andre Plummer, Financial Services Program Manager, Prince George's County Economic Development Corporation
- Mr. Harry Carroll, Finance Specialist, Office of Finance Programs, Commerce
- Mr. Timothy P. Doyle, Program Manager, Office of Finance Programs, Commerce
- Mr. Andy Fish, Senior Director, Office of Finance Programs, Commerce
- Ms. Faye Nwoko, Senior Business Development Representative, Office of Business Development, Commerce
- Ms. Lani Sinfield, Program Manager, Tax Incentives, Office of Finance Programs, Commerce