



THE PRINCE GEORGE'S COUNTY GOVERNMENT

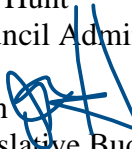
Office of Audits and Investigations

April 7, 2021

MEMORANDUM

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

FROM: Josh Hamlin 
Senior Legislative Budget and Policy Analyst

RE: Policy and Fiscal Impact Note
CR-031-2021 Capital Lighting MEDAF and EDI Fund Loans

CR-031-2021 (*Proposed by:* the County Executive; *Introduced by:* Councilmembers Hawkins, Ivey, Davis, Taveras, Turner, Harrison, Franklin, Glaros, Streeter and Anderson-Walker)

Assigned to the Committee of the Whole

A RESOLUTION CONCERNING LOANS TO CAPITAL LIGHTING & SUPPLY, LLC ("CAPITAL LIGHTING") FROM THE MARYLAND ECONOMIC DEVELOPMENT ASSISTANCE FUND ("MEDAF") AND PRINCE GEORGE'S COUNTY (THE "COUNTY") for the purpose of endorsing a loan not to exceed two hundred and fifty thousand dollars (\$250,000) to Capital Lighting from the Maryland Department of Commerce MEDAF program, which, in conjunction with the conditional loan from the County's Economic Development Incentive Fund ("EDI Fund") not to exceed two hundred and fifty thousand dollars (\$250,000), will be used for eligible project costs associated with supporting the expansion of headquarters for Capital Lighting to Upper Marlboro, MD and eligible associated costs at the project site.

Fiscal Summary

Direct Impact:

Expenditures: None, however the disbursement of the State loan funds is contingent on a \$250,000 expenditure (loan) from the Economic Development Incentive Fund.

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Revenues: Likely positive.

Indirect Impact:

Likely positive.

Legislative Summary:

CR-031-2021 was introduced by Councilmembers Hawkins, Ivey, Davis, Taveras, Turner, Harrison, Franklin, Glaros, Streeter and Anderson-Walker by request of the County Executive on March 23, 2021 and referred to the Committee of the Whole (COW). The Resolution would endorse a \$250,000 loan from the Department of Commerce’s Maryland Economic Development Assistance Fund (MEDAF) program in support of the expansion of headquarters for Capital Lighting & Supply, LLC (“Capital Lighting”) in Upper Marlboro, Prince George’s County, Maryland. These State funds are matched through the County’s Economic Development Incentive (EDI) Fund in the amount of \$250,000.

Current Law/Background:

Through its Advantage Maryland program, the Maryland Department of Commerce funds grants, loans and investments to support economic development initiatives across the State. The program is authorized under the Maryland Economic Development Assistance Authority and Fund statute.¹ Eligible uses include business attraction and retention, infrastructure support, brownfield redevelopment, arts and entertainment districts, childcare, revolving loan funds and local strategic planning. Projects must be within Priority Funding Areas and eligible industry sectors, with awards made on a competitive basis.

Resource Personnel:

David S. Iannucci, Economic Development Corporation
Ebony Stocks, Economic Development Corporation

Discussion/Policy Analysis:

As described above, CR-031-2021 is the formal resolution of the governing body of the County which is required to endorse the initial disbursement of the \$250,000 MEDAF Loan to Capital Lighting. The requisite notice of intent to award the \$250,000 loan from the County’s EDI Fund,

¹ Annotated Code of Maryland, Economic Development Article, Sections 5-301 through 5-349

along with the repayment and forgiveness terms of the loan, was provided to Council on December 3, 2020 (*see* CR-031-2021 Attachment B).

According to the November 17, 2020 Incentive Proposal (Attachment A to the Resolution) and Conditional Loan Transaction Summary (Attachment B to the resolution), Capital Lighting plans to acquire the 55-acre site at 8711 Westphalia Road, Upper Marlboro, Prince George's County, Maryland where it will demolish the existing structure and construct a new 362,880 square foot build-to-suit warehouse and office facility. Total project costs are estimated to be approximately \$95 million for the purchase of land, construction and fit out of the site. The Company currently employs 239 permanent full-time employees and is expected to hire 10 additional permanent full-time employees at the Project Site by December 31, 2024. The new jobs would include mechanics for new automation technology, drivers and sales positions with an average salary of \$50,000.

The term of the County Loan will be seven (7) years, with an interest rate of three percent (3%) fixed per annum. 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. The MEDAF loan will fund another \$250,000 at 3% per annum, with a term of 10 years.

In the event that any of the Performance Criteria are not met, the County Loan would be repayable under terms of the agreement (*see* Attachment A, page 4). Based on existing business experience, successful track record, free cash flow available if needed for debt repayment and fully secured collateral coverage, and a risk rating of 2 (minimal risk), the underwriter recommends an approval as presented (*see* Attachment B, page 8).

In an effort to assess the fiscal impact of the proposed project on the County, we considered the following factors:

- It can be reasonably expected that the proposed improvements and expenditures to upgrade the facility will increase the real property's current assessment, with a resultant increase in County real property tax revenues.
- Personal property tax revenues also can be expected to increase based on leasehold improvements and potential anticipated capital expenditures.
- As a result of increasing its workforce according to the agreed upon employment schedule, it is expected that a number of these positions will be held by County residents, thereby increasing income tax revenues for the County.
- The expanded operations at the upgraded facility will present opportunities for contractual and other services offered by other County businesses, including local minority business enterprises (LMBE), which will contribute to expanded and strengthened operations of these County-based businesses, thereby further enhancing County revenues.
- The proposed project also will generate a number of other indirect impacts, such as consumer spending by the employees working at the Project Site, as well as the multiplier effect associated with daily business interactions as a result of the company's normal operations.

Fiscal Impact:

- *Direct Impact*

As this Resolution is simply an endorsement of the State MEDAF loan to Capital Lighting, it does not have a direct fiscal impact on the County. While the County will initially expend \$250,000 from the currently appropriated EDI Fund to support the proposed project in the form of a conditional loan, when both long-term direct and indirect revenues associated with the project are taken into consideration, total County revenues should be significantly enhanced by the project. This enhancement may more than offset the initial \$250,000 conditional loan and, if realized, will result in an overall positive fiscal impact on the County.

- *Indirect Impact*

Adoption of CR-031-2021 may have positive indirect fiscal impacts on the County through additional economic activity related to the operations of a substantial employer in the Discovery District and surrounding areas.

Appropriated in the Current Fiscal Year Budget

Yes.

Effective Date of Proposed Legislation:

The Resolution shall become effective as of the date of its adoption.

If you require additional information, or have questions about this fiscal impact statement, please reach me via phone or email.