



THE PRINCE GEORGE'S COUNTY GOVERNMENT


Office of Audits and Investigations

November 3, 2015

MEMORANDUM

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: David H. Van Dyke 
County Auditor

FROM: Inez N. Claggett
Legislative Auditor

RE: Fiscal Impact Statement
CR-70-2015 Loans to Aquilent, Inc.

Pursuant to your request, we have reviewed CR-70-2015 to estimate its fiscal impact on Prince George's County, Maryland.

CR-70-2015 endorses and authorizes proposed financing of a portion of project costs by the Maryland Department of Business and Economic Development (DBED) through its Maryland Economic Development Assistance Fund (MEDAF) to Aquilent to be used for eligible project costs related to a new facility within the County as well as capital expenditures. State law requires the governing body of the County to adopt a formal resolution endorsing proposed MEDAF loans.

DBED has offered a loan in an amount not to exceed \$840,000 to Aquilent through the MEDAF program, which also requires matching funds from the local government. Prince George's County has offered a matching conditional loan of \$250,000 from the County's Economic Development Incentive Fund (EDI Fund), to satisfy this local match requirement. A letter of intent related to the proposed EDI Fund conditional loan was provided to the County Council on September 2, 2015.

Both the proposed MEDAF and EDI Fund loans, along with private financing and owner's equity, will be used to help support the project costs associated with the continuance of an existing facility lease and acquisition of an additional 34,000 square foot of facility space (collectively known as the Project Site), adjacent to the current location, to include land purchase and costs of construction, furniture, fixtures and equipment. Total estimated project costs are approximately \$1.2 million. Aquilent is expected to employ a minimum of three hundred thirteen (313) full-time permanent employees at the Facility with the required minimum number of permanent employees increasing to

five hundred ninety-nine (599) by December 31, 2020 and for the remaining term of the MEDAF loan.

The term of the MEDAF loan will be ten (10) years, from the date of disbursement, with principal and interest payments deferred over the term of the loan. All outstanding deferred principal and accrued interest will be forgiven at the end of the loan term in the event the loan's performance criteria, described on pages 3 and 4 of Exhibit A to the Resolution, are met. If the performance criteria is not met, the loan becomes repayable as described in the Conditions section of Exhibit A to the Resolution.

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 improvements and expenditures made to the Project Site 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 made to the facilities and anticipated capital expenditures.
- As a result of increases to the workforce it is expected that a number of these positions will be held by County residents, thereby likely increasing income tax revenues for the County.
- The expanded operations at the new facility will present opportunities for contractual and other services offered by other County businesses, including local minority business enterprises (LMBEs), 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.

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. 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.

If you require additional information or have questions about this fiscal impact statement, please call me.