



**Economic Development Incentive Fund (EDIF)
Brief: *A Look Back & Way Forward***

**Prince George's County Council
Committee of the Whole
February 24, 2025**

EDIF Overview: History and Purpose

SUMMARY

The Economic Development Incentive (EDIF) fund provides financial assistance to retain and attract industrial and commercial businesses to the County.

LEGISLATIVE HISTORY

2011
CB-004-2011 established the EDIF, approval criteria and administrative process

CB-048-2011 provided initial funding through a \$50 million transfer from the General Fund

2013
CB-78-2013 authorizes EDIF to provide special assistance to local entrepreneurs

EDIF PURPOSES

Assist in retaining and attracting industry and commerce to the County

Create new jobs and retain existing jobs for County residents

Broaden the local tax base, particularly the commercial tax base

Promote local, minority, and small businesses in the County

Assist County residents who own businesses in the County to create, sustain and expand

Encourage transit-oriented development, a balanced economy and international trade

Strategic Focus
Growth of the Developed Tier

Strategic Focus
Gateway Communities that have suffered from a lack of investment

Strategic Focus
Areas where market dynamics do not generate sufficient incentives to sustain private sector development

EDI Fund: Reported Performance

Source: Prince George's County Annual Comprehensive Financial Report (ACFR) FY 2024



Total Investment

\$48.1M deployed across 66 diverse projects
(96% of fund awarded)

Job Creation

14,499 full-time positions
8,295 new job created
6,204 existing jobs retained



Average Investment

\$792K per project

Jobs Impact

Average of 220 jobs per project

Leveraged Funding

\$1.36B in total project investment leveraged across the County



EDIF Success Stories

- Luxury apartment development transforming Lanham
- Massive College Park mixed-use development
- Retained 300 high-paying jobs in Laurel after buy-out from larger company
- New food store in Ft. Washington plus regional distribution center in Landover
- Catalytic mixed-use office, residential and retail development transforming Capitol Heights
- Thriving high-tech and small business investments

Note: Not all investments are successful

EDIF Overview: Key Elements of the Law

Types of Financial Assistance

- **Conventional** Loans (maximum of 10 years)
- **Conditional** Loans (maximum of 10 years)
- **Grants**
- Loan Loss Reserves
- Guarantees

Approval Criteria

Benefit or impact on the **commercial tax base**
Estimated **number** of **County residents to be hired**
Percentage of hiring consisting of County residents
Applicant's ability to **leverage other funding**

Economic Development Incentive Fund

Award Uses

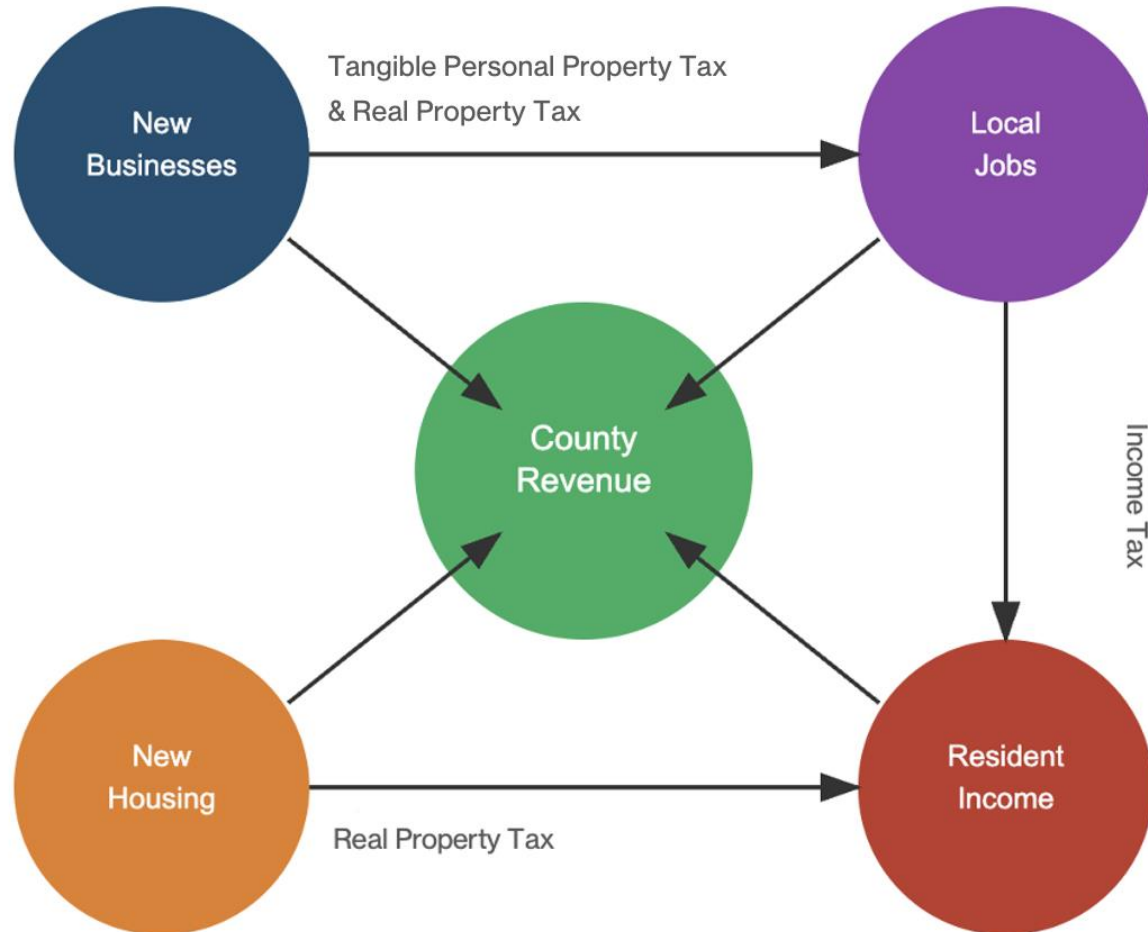
Funds may be used for the cost of:
Acquisition of land and buildings
Construction, rehab or improvement of buildings
Acquisition of machinery and equipment
Working Capital and other appropriate uses

Council Input

CAO notifies Council of intent to award (with terms)
Response due within seven (7) days of receipt
Grants and Conditional Loans *over \$250,000* – Council may **comment or object**
All other awards – Council may **comment**

EDIF Model: County Benefits through Tax Revenue

The true test of the Fund's performance is how each EDIF investment increases County revenue.



Fund Impact measured by:

- Annual increases in tangible personal property taxes from new investment in machinery and equipment by EDIF recipients;
- Annual increases in real property taxes from new construction or new renovations of existing commercial space by EDIF recipients; and/or
- Income taxes from newly hired local residents provided jobs by EDIF recipients

EDIF Model In Practice: Performance Criteria

EDIF awards use Performance Criteria and Conditions to protect the County's interest.

Example Performance Criteria

1. The Company will *employ, at a minimum, 10 employees at the beginning of the term* of the loan and retain that amount over the remaining term of the loan.
2. The Company will *employ an additional 75 full-time employees* at the project site for a total of 85 *within 12 months* of the closing of this loan.
3. The Company will *employ an additional 10 full-time employees* at the project site for a total of 95 *within 24 months* of the closing of this loan.
4. Of the additional 85 full-time employees culminating in 2027, *the Company commits to at least 30% Prince George's County Residents* for newly created and vacant positions.
5. The Company will *spend or cause to be spent* at least \$2,000,000 *in Renovation/Construction Costs* at the project site by December 31, 2025.
6. The Company commits to a Utilization Requirement of 35% based on eligible capital expenditures of construction costs at the project site. In addition, the Company will also *commit to achieve 30% CMBE participation* at the Project Site.

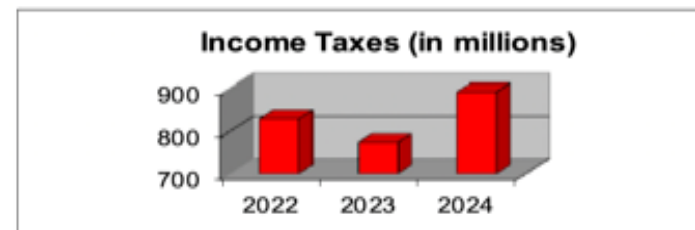
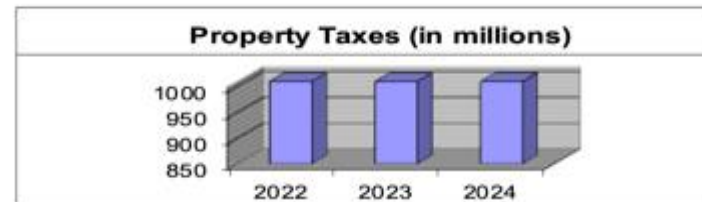
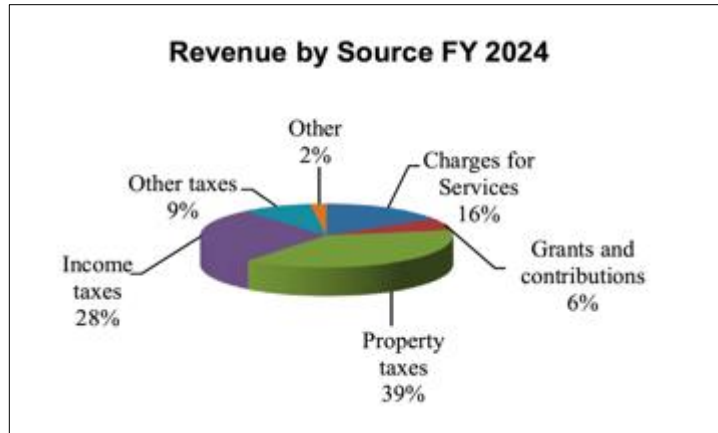
Example Conditions

1. If after each annual measurement commencing 12 months from the closing of the County Loan, or any annual measurement thereafter, the Borrower does not achieve **Performance Criteria (1-3)** the Borrower will repay three thousand dollars (\$3,000) per employee. The **clawback penalty** will not exceed the County Loan amount.
2. If the Borrower does not meet **Performance Criteria (5-6)**, the County **loan would be repaid in full** within 60 days at the discretion of the County.
3. Borrower must provide real estate, equipment, or any collateral of sufficient value to secure the County Loan, per underwriting.
4. The Loan must be documented and closed by 4/1/2025.

Key Takeaway

Failure to meet the County resident hiring commitment does not trigger loan repayment.

EDIF Accountability: Risks to County Investment



The County's return on investment for EDIF awards are limited when resident hiring goals aren't enforceable.

- Only newly employed County residents pay income taxes attributable to EDIF loans. EDI Fund investments where jobs are being held by non-County residents produce no income taxes for the general fund and those nonresident jobholders pay no property tax as homeowners or renters.
- EDIF recipients are required to pay tangible personal property taxes on machinery and equipment but many companies are lax in reporting so the actual payments must be obtained from the County assessor.

EDIF Policy Discussion: The Path Forward

Items for Further Discussion

- Policy Considerations in Enforcing County Resident Hiring Commitments
- Effectively Supporting Council Deliberations
 - Sufficient time for review, comment and objection (currently 7 days)
 - Sufficient information to evaluate benefit to the County (ex. additional information in loan summaries on expected tax generation and resident hiring)
 - Oversight of EDIF Awards (ex. annual reporting; executive session review of problem loans)
- Planning for Future EDIF Funding (End of Initial Investment)

EXECUTIVE SESSION