



THE PRINCE GEORGE'S COUNTY GOVERNMENT


Office of Audits and Investigations

October 21, 2020

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 Statement
CR-103-2020 Cybrary, Inc. MEDAF and EDI Fund Loans

CR-103-2020 (*Proposed and presented by:* The Chair of the Council at the request of the County Executive)

Assigned to the Committee of the Whole

A RESOLUTION CONCERNING LOANS TO CYBRARY, INC. (CYBRARY) 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 seven hundred and fifty thousand dollars (\$750,000) to Cybrary 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 retention and relocation of Cybrary to Riverdale, MD and capital expenditures.

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.

Revenues: Likely positive.

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Indirect Impact:

Likely positive.

Legislative Summary:

CR-103-2020 was introduced by the Chair of the Council by request of the County Executive on October 20, 2020 and referred to the Committee of the Whole (COW). The Resolution would endorse a \$750,000 loan from the Department of Commerce's Maryland Economic Development Assistance Fund (MEDAF) program in support of Cybrary, Inc.'s retention and relocation to Riverdale in 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.

In November 2018, Cybrary announced its plans to expand and add more than 200 new jobs in Prince George's County, relocating its headquarters to an interim space at 5801 University Research Court in College Park before moving to its permanent location, a 25,000 square-foot facility at 4600 River Road in the Discovery District in Riverdale.² The Maryland Department of Commerce has approved a \$750,000 conditional loan through the Maryland Advantage program (formerly MEDAF), contingent on the County approving and funding the conditional loan of \$250,000, and a resolution in support of the State loan that is the subject of this Resolution (*see* CR-103-2020, Exhibit A).³

Resource Personnel:

David S. Iannucci, President and Chief Executive Officer for the Economic Development Corporation

Discussion/Policy Analysis:

As described above, CR-103-2020 is the formal resolution of the governing body of the County which is required to endorse the initial disbursement of the \$750,000 MEDAF Loan to Cybrary, Inc. The requisite notice of the approval of the \$250,000 loan from the County's EDI Fund, along with the repayment and

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

² <https://www.medamd.com/news/cybrary-to-relocate-expand-in-prince-georges-county/>

³ Joint proposal letter to Cybrary CEO Ralph Sita, Jr. dated October 15, 2018, outlining a non-binding expression of intent to offer incentives for Cybrary's retention and relocation project.

forgiveness terms of the loan, was provided to Council on April 12, 2019 (*see* CR-103-2020, Attachment B).⁴ According to the Transmittal letter from the County Executive that accompanied CR-103-2020:

These funds are being used by Cybrary, Inc., to lease approximately 25,000 square feet of space for leasehold improvements, machinery equipment, including construction costs, furniture, fixtures and equipment costs. The total project costs for Cybrary, Inc., is \$2,200,000.00, with the remainder of the financing coming from private sources and owner's equity. In addition to relocating approximately 36 full-time permanent jobs to Prince George's County, Cybrary, Inc. will also create 100 new full-time permanent jobs. Therefore, Cybrary, Inc. has committed to employing at least 136 total number of full-time permanent employees for the term of the MEDAF loan.

The repayment and forgiveness terms of the County's EDI Fund loan⁵ are as follows:

IV. CONDITIONAL LOAN & FORGIVENESS CONDITIONS

The Economic Development Team has recommended a \$250,000 EDIF conditional loan to CYBRARY, INC. as part of the incentive structure that includes a \$750,000 incentive from the Maryland Economic Development Assistance Fund (MEDAF) to establish a headquarters in Prince George's County as follows (subject to approval by the Financial Advisory Committee (FAC) and the County Council):

The \$250,000 EDIF conditional loan consists of the following terms and conditions:

- 1) \$250,000 conditional loan 10 years/10 year amortization/3.00%) from the Prince George's County Economic Development Incentive Fund; and
- 2) The proposed interest rate of 3.00% will begin to accrue on the date of disbursement. Interest payments will be deferred and payment thereof subsequently forgiven if Borrower accomplishes the benchmarks and meets the conditions for forgiveness set forth in the EDIF Conditions.

EDIF Conditions:

1. Prior to disbursement, the Borrower will provide and executed lease with a lease term equal to the term of the loan.
2. Borrower will maintain its lease and operations at the project site (5801 University Research Court, Riverdale and/or 4600 River Road, Riverdale) for the term of the loan.
3. Prior to disbursement, the Borrower will provide evidence of tenant/leasehold improvement expenditures of \$1,200,000 at the project site.
4. Borrower will employ at least commits 36 fulltime permanent employees at the project site (5801 University Research Court, Riverdale and/or 4600 River Road, Riverdale) by December 31, 2019 and retain that amount for the term of the loan. Full-time employment will be measured annually as of December 31 of each required year with employment certifications due to the Program by January 31st of the following year.
5. If at any time after December 31, 2019, the fulltime employees is less than 27, the loan will be due and payable in full. By December 31, 2021, the Borrower commits to the employment of 100 permanent fulltime employees at the project site. If the Borrower does not meet any of this criteria, the Borrower will repay a pro rata portion of the principal (\$3,275.00) plus the associated portion of the accrued interest for each fulltime job less than required.
6. Borrower to collateralize loan with \$212,500 Letter of Credit from County approved bank in additional to a lien on business assets.
7. Forgiveness: If the Borrower satisfies Performance Criteria #1, 2, 3, 4 and 5, the loan will be forgiven.

⁴ Letter to Redis Floyd, Clerk of the Prince George's County Council, dated April 11, 2019.

⁵ CR-103-2020, Attachment B, page 10.

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 Cybrary, Inc., 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-103-2020 may have positive indirect 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.