



THE PRINCE GEORGE'S COUNTY GOVERNMENT
Office of Audits and Investigations

April 5, 2016

MEMORANDUM

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: David H. Van Dyke *DHV*
County Auditor

FROM: Inez N. Claggett *INC*
Senior Legislative Auditor

RE: Fiscal Impact Statement
CR-022-2016 Loans to FlexEI, LLC

Pursuant to your request, we have reviewed CR-022-2016 to estimate its fiscal impact on Prince George's County, Maryland.

CR-022-2016 endorses and authorizes proposed financing of a portion of project costs by the Maryland Department of Commerce (formerly known as the Maryland Department of Business and Economic Development (DBED)) through its Maryland Economic Development Assistance Fund (MEDAF) to FlexEI, LLC to support leasehold improvements. State law requires the governing body of the County to adopt a formal resolution endorsing proposed MEDAF loans.

The Maryland Department of Commerce has offered a \$250,000 conditional loan to FlexEI, LLC (the "Company") 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 October 9, 2015.

According to information provided in the County Executive's Cover Letter to the Resolution, FlexEI, LLC produces high technology custom batteries using innovations developed at the University of Maryland College Park (the "University"). The Company is currently leasing a facility from the University located on Paint Branch Parkway (the "Project Site") and will conduct research, development and manufacturing projects within the College Park area. Both the proposed MEDAF and EDIF loans will be used to fund leasehold improvements at the facility.

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On condition of the MEDAF loan, the Company is required to lease at minimum 10,932 square feet of space for the term of the loans, must expend \$286,000 at the Project Site, must employ at least ten (10) permanent full-time employees at the Project Site, and must provide evidence of the County's acceptance and approval to fund its incentive.

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 the proposed improvements and expenditures to upgrade the existing Maryland 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.

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.