



Larry Hogan | Governor
 Boyd Rutherford | Lt. Governor
 R. Michael Gill | Secretary of Commerce
 Benjamin H. Wu | Deputy Secretary of Commerce

February 23, 2016

Ms. Stacey J. Brown
 Vice President
 Labor Relations & Employment Law
 Safeway, Inc.
 4551 Forbes Boulevard
 Lanham, Maryland 20706

SUBJECT: Safeway, Inc. distribution center project in Upper Marlboro, Prince George's County, Maryland.

Dear Ms. Brown:

On behalf of the Maryland Department of Commerce, (the "Department"), we are pleased to provide you with the information in this letter, which identifies resources and incentives that could be provided to Safeway, Inc. (the "Company") if it decides to retain its distribution center in Upper Marlboro, Prince George's County, Maryland (the "Project").

The major provisions of any definitive commitment for the Project would be likely to include the following:

1. **THE SUBDIVISION.** The terms of this letter are based on the Department's understanding that, the Project will be located at 16020 Leeland Road in Upper Marlboro, Prince George's County, Maryland (the "Project Site"). These terms are not transferable to any other subdivision.
2. **PROJECT DESCRIPTION.** It is our understanding that the Company intends to retain its operations at the Project Site for no less than six (6) years. We also understand that the Company will invest or cause to be invested up to \$13,500,000 in eligible capital expenditures related to the distribution center (the "Facility") at the Project Site by June 30, 2018 (the "Project Costs"). The Department and the County's combined financing assistance will be 10% of the resulting capital expenditures not to exceed \$1,350,000.00.

We further understand that the Company will retain its existing ⁶²⁵700 permanent full-time positions at the Project Site for at least six (6) years. Full-time permanent positions means that an employee works at least 1,800 hours in a 12-month period, is paid an hourly wage of at least 150% of the prevailing federal minimum wage and is eligible for an employer-subsidized health care benefits package. A new full-time permanent position at the Project Site would be a net new

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position to the State and would not include the movement of existing Company employees at other locations in the State, or employees of a company acquired by the Company after this date, if the employee's place of employment immediately before the acquisition was elsewhere in the State.

We also understand that the Company will use its best efforts to use Baltimore/Washington International Thurgood Marshall Airport and the Port of Baltimore for its shipping and transportation and Maryland contractors and construction workers for construction associated with the Project. Additionally, Maryland strongly supports our military personnel and encourages companies to use their best efforts to employ veterans.

Any changes to the Project as outlined in this letter should be immediately brought to the Department's attention since they could affect the Department's proposed assistance for the Project.

3. **DEPARTMENT PARTICIPATION.** The Department is willing to consider providing the following assistance to enable the Company to complete the Project at the Project Site in Prince Georges County, Maryland:

(a) **Conditional Loan** under the Maryland Economic Development Assistance Fund (the "Loan"):

Borrower:	Safeway, Inc. or an entity acceptable to the Department.
Amount:	\$850,000.00
Approval:	The Loan is subject to approval by the Secretary of the Department.
Purpose:	The proceeds of the Loan will be used to reimburse Eligible Project Costs at the Project Site.
Eligible Project Costs:	Those costs associated with the Project that are eligible for reimbursement under the Maryland Economic Development Assistance Fund program. This would include the cost of land, acquisition, construction, or installation of machinery, equipment, furnishings, fixtures, leasehold improvements, site improvements, or infrastructure improvements at the Project Site.
Term:	The term of the Loan would be six (6) years from disbursement.
Interest Rate:	Three percent (3%) fixed per annum.

Conditions Precedent
To Disbursement(s):

(1) The County will provide evidence of the required MEDAF match in a form satisfactory to the Department.

(2) The Borrower will have at least ~~700~~⁶²⁵ full-time permanent employees at the Project Site.

Repayment:

All principal and accrued interest would be deferred over the term of the Loan. In the event that all of the Performance Criteria of the Loan are met over the term, all outstanding deferred principal and accrued interest would be forgiven at the end of the Loan term. In the event that any of the Performance Criteria are not met, the Loan would be repayable as described in the Conditions section.

Performance Criteria:

(1) The Borrower will retain its existing ~~700~~⁶²⁵ full-time permanent positions through June 30, 2022.

Full-time employment will be measured annually as of June 30th of each required year, with employment reports due to the Department by July 31st of each required year. The Company will initially provide an employment report at closing.

(2) The Borrower will invest or cause to be invested up to \$13,500,000 but not less than \$9,900,000 at the Project Site by June 30, 2018.

(3) The Borrower will maintain their Facility at the Project Site through June 30, 2022.

Conditions:

(A) If the Borrower does not meet Performance Criteria (1) the Borrower will repay a pro rata portion of the principal (\$1,214.28) plus the associated portion of accrued interest for each position less than ~~700~~⁶²⁵ but greater than ~~650~~⁵⁷⁵. If the retained employees are less than ~~650~~⁵⁷⁵, the entire remaining balance will be due and payable. Such sums, less any amounts previously repaid, will be due upon notice.

(B) If the Borrower does not meet Performance Criteria (2) or (3) all accrued principal and interest under the Loan will be repaid.

\$1,360.

625

575

575

Please contact Ms. Pamela A. Hepner, Finance Specialist, Office of Finance Programs, Commerce, at 410-767-6952, toll-free at 877-821-0099, or email at pamela.hepner@maryland.gov, for additional information.

4. **PRINCE GEORGE'S COUNTY INCENTIVES.** The County is willing to consider providing the following assistance to enable the Company to complete the Project in Prince George's County, Maryland:

(a) **Financial Assistance.** Prince George's County has created an Economic Development Incentive Fund ("EDI Fund") to support job retention and attraction and economic development and redevelopment in Prince George's County. Prince George's County will offer a \$500,000 conditional loan from the EDI Fund to enable the Company to complete the Project at the Project Site, subject to terms, conditions, and performance criteria that are generally consistent with the Department's financial assistance in all material respects. The EDI Fund assistance requires approval by the County Chief Administrative Office and the Prince George's County Council.

It is the policy of Prince George's County to encourage and in some cases require businesses that accept financial assistance from the EDI Fund, and other economic development tools and incentives, to commit to specific goals or minimum requirements for local, small, and/or minority business (LSMBE) participation in the projects that are being supported by the financial assistance. Prince George's County endorses the goal of improving the quality of life for all citizens by strengthening the economic capacity of its local, small, and minority business communities. As a condition of assistance, the Company will be expected to enter into an agreement with the County to meet specified LSMBE goals and requirements.

(b) **Workforce Services.** The Workforce Services Division ("WSD") of Prince George's Economic Development Corporation has the responsibility of developing integrated and comprehensive solutions to the workforce needs of County employers. The in-kind projected value of this assistance is up to \$900 per job. WSD will offer the following services for the Project at no cost to the Company:

- a. Customized Recruitment, Prescreening, and Assessment of job candidates;
- b. Customized On-the Job Training (can reimburse up to 50 percent of the employee's wages to cover the cost of training);
- c. Screening for various tax credit opportunities due to creating new employment; and
- d. Dedicated WSD Staff to provide these services.

(c) **Permit Assistance.** Prince George's County government will designate the Safeway, Inc. project as a priority project, and the Economic Development Corporation will facilitate Safeway, Inc. in obtaining necessary permits in a timeframe consistent with Safeway, Inc.'s target dates and requirements. Working closely with the County Department of Permits, Inspections, and Enforcement (DPIE) and utilizing DPIE's peer review process, we have confidence in the ability to meet Safeway, Inc.'s deadlines for completion of this project. This service is offered as a supplement to the Company's submission of permit applications and consists of liaison activities between the Company and permit review personnel.

Please contact Ms. Ebony Stocks, EDI Fund Business Development Specialist, Prince George's County Economic Development Corporation, at 301-583-4610 or email at epstocks@pgcedc.com, for additional information and to make application for these County programs of assistance

5. **OTHER INCENTIVES.** In addition to the incentives described above, the State would provide, through the appropriate state and local governmental instrumentalities, certain other incentives to induce the Company to complete the Project at the Project Site, including:

(a) **Job Creation Tax Credit:** The Company could be eligible for a Job Creation Tax Credit if it establishes or expands a Maryland business facility that is primarily engaged in warehousing.

To qualify for the job creation tax credit, most business entities must create at least 60 "qualified positions" (permanent newly created Maryland positions of at least 1,680 hours per year resulting from the establishment or expansion of a business facility in a single location in the state and paying at least 150% of the federal minimum wage) within a 2-year period. Since the Project is located in an Enterprise Zone the 60 new job minimum is reduced to 25 new jobs and the credit granted is the lesser of \$1,500 or 5% of a year's wages for each employee in a qualified position.

The maximum credit allowed during any credit year for a single facility is \$1 million. The credit is allowed ratably, with 1/2 to be taken in the credit year and 1/2 taken in the following year (or carried forward, if necessary). If, during the three (3) years succeeding the credit year, the average number of qualified positions falls below the applicable minimum number of qualified positions, all credits shall be recaptured. If the number of qualified positions falls more than 5%, but not below the applicable minimum number of qualified positions, then the credit is recaptured in proportion to the decline in qualified employees

(b) **Inventory Tax Exemptions:** Prince George's County exempts 100% of commercial inventory from personal property tax.

(c) **Maryland Disability Employment Tax Credit.** The Maryland Disability Employment Tax Credit ("MDETC") is a Maryland State tax credit that allows employers to claim credit for employees with disabilities.

- For the first taxable year, a credit is allowed in an amount equal to 30% of up to the first \$6,000 (\$1,800) of wages paid during the first year and 20% of up to the first \$6,000 (\$1,200) of wages paid during the second year of employment. Employers can also benefit from a tax credit for work-related childcare or transportation expenses paid by the employer. A credit of up to \$600 of the qualified childcare or transportation expenses incurred during the first year of employment and up to \$500 for the second year. The MDETC may be claimed concurrently with any available federal tax credits for which the employee may be eligible.

- The Company must hire an individual with a disability and obtain a determination from the Division of Rehabilitation Services ("DORS") of the Maryland State Department of Education, or the Maryland Department of Labor, Licensing, and Regulation for a disabled veteran, that the individual is a qualified employee with a disability.

(d) **Maryland Commuter Tax Credit.** Maryland employers that pay for part or all of eligible monthly commuting expenses for their employees can qualify for a tax credit equal to 50% of the cost of those expenses with a cap of \$50 per employee per month. This includes expenses incurred for monthly usage of bus or rail service provided by the Washington Metropolitan Area Transit Authority or the Maryland Mass Transit Administration, MARC trains and vanpools. The credit can be claimed against State income taxes, financial institution franchise taxes, or insurance premium taxes. When combined with federal tax incentives, this State tax credit allows employers to offer a new employee benefit for a fraction of the total cost. Please call the Maryland Mass Transit Administration at 410-767-8755 for more details.

Please contact Mr. Mark Vulcan, Program Manager, Tax Incentives, Office of Finance Programs, Commerce, at 410-767-6438, toll-free at 877-821-0099, or email at mark.vulcan@maryland.gov, for additional information and, if applicable, to make application for the Job Creation Tax Credit.

(c) **Workforce Training.** The Maryland Department of Labor, Licensing and Regulation, Division of Workforce Development's Dislocation Services Unit, through the use of Rapid Response funds, will provide a total of \$97,000 for the necessary training and upskilling of 25 new hires (\$75,000) and incumbent workers (\$22,000) as a Layoff Aversion Strategy.

Please contact Ms. Sheila Bouloubassis, Dislocation Services Unit Manager at 410-767-2833.

6. **CONDITIONS.** The extension of financial assistance will be subject to the Department's and County's due diligence review of the Company's business and financial affairs and documentation satisfactory to the Department's and County's counsel. The Loan is subject to the approval of all appropriate approval authorities. A later commitment for any financial assistance will be subject to the availability of funding and adequate appropriations, the payment of applicable fees, and compliance with all applicable state and federal laws.

Any public communication (i.e., letters to legislators, press releases, discussion with local media, tombstone ads, staged events with public officials) about the proposed Project must first be agreed to by the Department's Communications Office, at 410-767-6318, since erroneous or premature publicity could affect the composition of the incentives under discussion.

Recipients of the Department's financial assistance are prohibited from discriminating on the basis of race, color, sex, religion, or national or ethnic origin in the hiring of contractors (or permitting contractors to discriminate in hiring of subcontractors) for projects funded by that financial assistance. The recipient agrees to support the State's interest in expanding procurement opportunities for contractors and vendors who are minority business enterprises ("MBEs"). The recipient will designate an individual to identify procurement opportunities in the Project and to

Ms. Stacey J. Brown
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work cooperatively with the Department's Equal Opportunity Office to identify MBEs that have the capacity to provide goods or services for the Project. (Contact the Business Diversity Compliance Office at 410-767-6488, 401 East Pratt Street, 10th Floor, Baltimore, Maryland 21202.) The recipient will submit a list, updated at least annually until the Project is completed, of the MBEs from which goods or services were procured, and the nature and dollar amount of the goods or services.

7. **EXPIRATION.** While this letter is intended as a non-binding expression of intent rather than an enforceable commitment, and while material provisions that will be critical to an acceptable agreement are absent from this summary, we hope that it will serve as a useful framework for the prompt completion of negotiations. Please sign and return this letter to the Department as soon as possible, but no later than **March 23, 2016** to expedite negotiations and preserve the Project's high priority status.

The Department invites you to contact Ms. Pamela A. Hepner of the Office of Finance Programs, Commerce, at 410-767-6952, toll-free at 877-821-0099, or email at pamela.hepner@maryland.gov, for details and further steps. We look forward to working with you.

Sincerely,



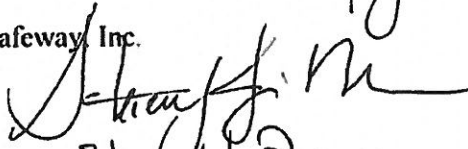
R. Michael Gill
Secretary
Department of Commerce



James Coleman
President and CEO
Prince George's County
Economic Development Corporation

Accepted this 4th day of May, 2016

Safeway, Inc.



Name: Stacey J. Brown
Title: Vice-President, Labor & Gov't Affairs
FID#: _____

Upon signing, please return this letter directly to Ms. Pamela A. Hepner, Office of Finance Programs, Commerce, 401 East Pratt Street, 17th Floor, Baltimore, Maryland 21202.

cc: Ms. Pamela Hepner, Finance Specialist, Office of Finance Programs, Commerce
Mr. Mark Vulcan, Program Manager, Tax Incentives, Office of Finance Programs,
Commerce

