



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

November 2, 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-83-2016 Loans to Safeway, Inc.

Pursuant to your request, we have reviewed CR-083-2016 to estimate its fiscal impact on Prince George's County, Maryland.

CR-083-2016 endorses and authorizes proposed financing of a portion of project costs through loan assistance from the Maryland Economic Development Assistance Fund (MEDAF) to Safeway, Inc., (Safeway), which will be used in conjunction with loan proceeds from the County's Economic Development Incentive Fund (EDI Fund) to fund eligible project costs related to an expansion of their distribution center within the County (the Project), as well as capital expenditures. 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 loan in an amount not to exceed \$850,000 to Safeway through the MEDAF program, which also requires matching funds from the local government. Prince George's County has offered a matching conditional loan not to exceed \$500,000 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 June 20, 2016.

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 retention, expansion and renovation of the operation of the distribution center located at 16020 Leland Road, Upper Marlboro, Maryland (the Facility), as a Safeway owned and operated facility, along with the

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acquisition of new equipment. Total estimated project costs will be no less than \$9,900,000, but should not exceed \$13,500,000. Safeway is expected to maintain its existing 625 permanent full-time employees through June 30, 2022, at the Project site.

The term of the MEDAF loan will be six (6) years, from the date of disbursement, with a three percent (3%) annual rate. Payments of principal and accrued interest shall be deferred over the term of the loan if Safeway employees at least 625 full-time employees at the Facility for the term of the MEDAF 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 are 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 Project will increase the Safeway's current real property assessment, with a resultant increase in County real property tax revenues.
- Personal property tax revenues may also be increased based on the installation of machinery, equipment, furnishings, and any other anticipated capital expenditures.
- The expanded operations at the Facility will present opportunities for contractual and other services offered by other County businesses, including local minority (LMBEs) and local small minority (LSMBEs) business enterprises, which will contribute to expanded and strengthened operations of these County-based businesses, thereby further enhancing County revenues.
- Expanded operations at the Facility may also result in a need to increase the workforce. This increase to the workforce may potentially increase the number of positions held by County residents, thereby increasing income tax revenues for the County.
- The proposed project also will generate a number of other indirect impacts, such as consumer spending by the employees working at the Facility, 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 \$500,000 from the currently appropriated EDI Fund to support the retention of Safeway, and the expansion of their distribution Facility, 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 \$500,000 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.