



# 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-021-2016 Loans to United Parcel Service

Pursuant to your request, we have reviewed CR-021-2016 to estimate its fiscal impact on Prince George's County, Maryland.

CR-021-2016 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 United Parcel Service to be used for eligible project costs related to an expansion of their facility 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 \$350,000 to United Parcel Service through the MEDAF program, which also requires matching funds from the local government. Prince George's County has offered a matching conditional loan of \$100,000 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.

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 purchasing approximately seven (7) acres and a building, vacating the existing tenant, demolishing the building, and developing a new 227 trailer position staging area located adjacent to its existing Hub operations in Laurel, MD. Total estimated project costs are estimated in excess of \$18 million. United Parcel Service is

**14741 Governor Oden Bowie Drive, Upper Marlboro, Maryland 20772**  
**VOICE (301) 952-3431; FAX (301) 780-2097; TDD (301) 925-5167**

expected to maintain its existing permanent full-time and part-time employees and have agreed to hire an additional 25 permanent full-time employees and 200 part-time employees by December 31, 2019 and for the remaining term of the MEDAF loan. A commitment has also been made for 50% participation by Local Small Minority Business Enterprises (LSMBE) on the demolition and improvement costs of the Project.

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 Project will increase the United Parcel Service'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.
- As a result of increases to the workforce 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 new 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.
- The proposed project also will generate a number of other indirect impacts, such as consumer spending by the employees working at the Project's 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 \$100,000 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 \$100,000 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.