ECONOMIC DEVELOPMENT TOOLS

Prince George's County Economic Development Corporation – January 7, 2019

Agenda

- Why Are Incentives Needed?
- Reality Check
- EDI Fund
- FSC First Loan Products
- County and State Tax Credit Tools
- Opportunity Zones
- Case Study
- Economic Impact

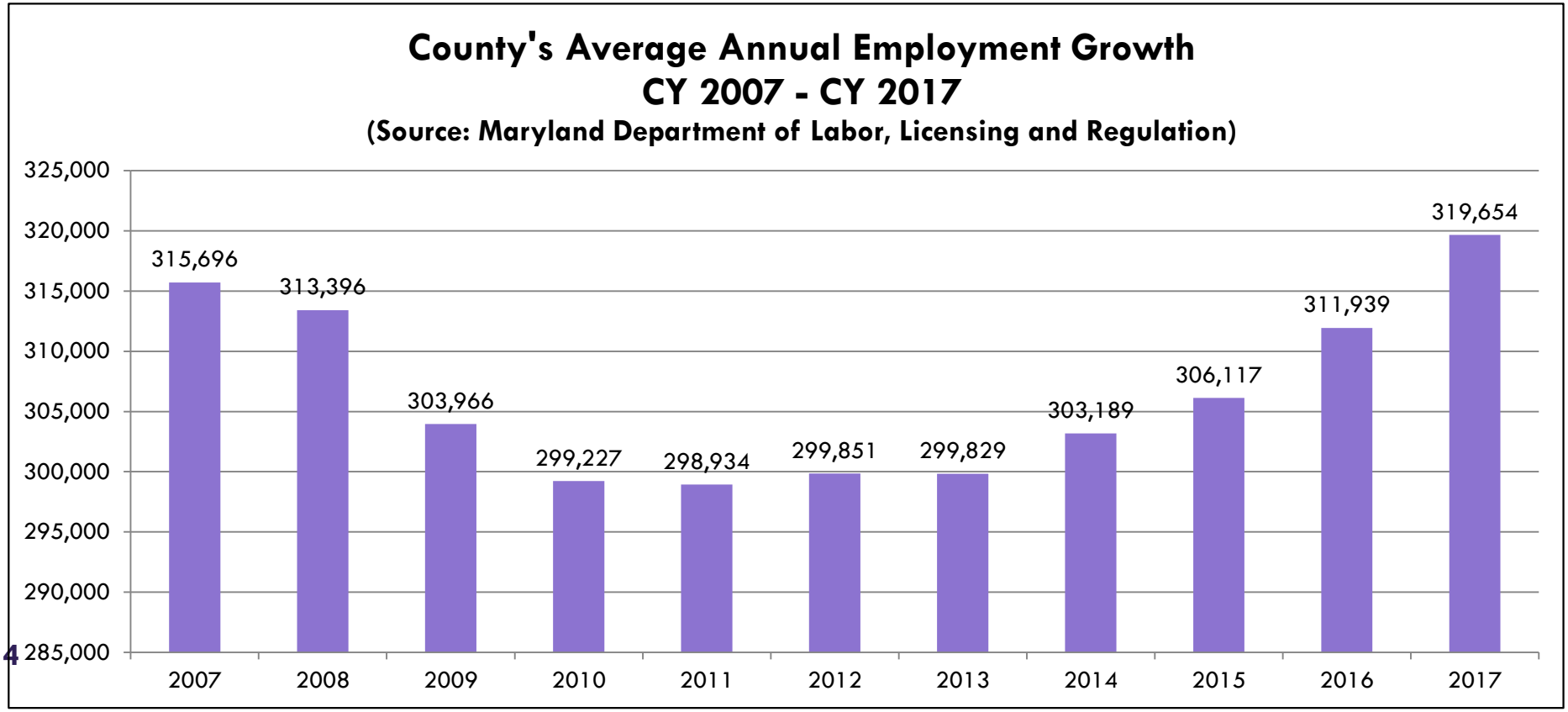
Why incentives needed?

PRINCE GEORGE'S COUNTY ECONOMIC DEVELOPMENT CORPORATION

- Following Great Recession, many small businesses had difficulty accessing capital and struggled to find financing for expansion
- Need to be competitive with aggressive neighbors
- Overcome ROI challenges due to lower lease and sale rates in County
- "Incent" business to locate in Prince George's over other choices
- Improve commercial to residential revenue ratio to protect County from economic downturns

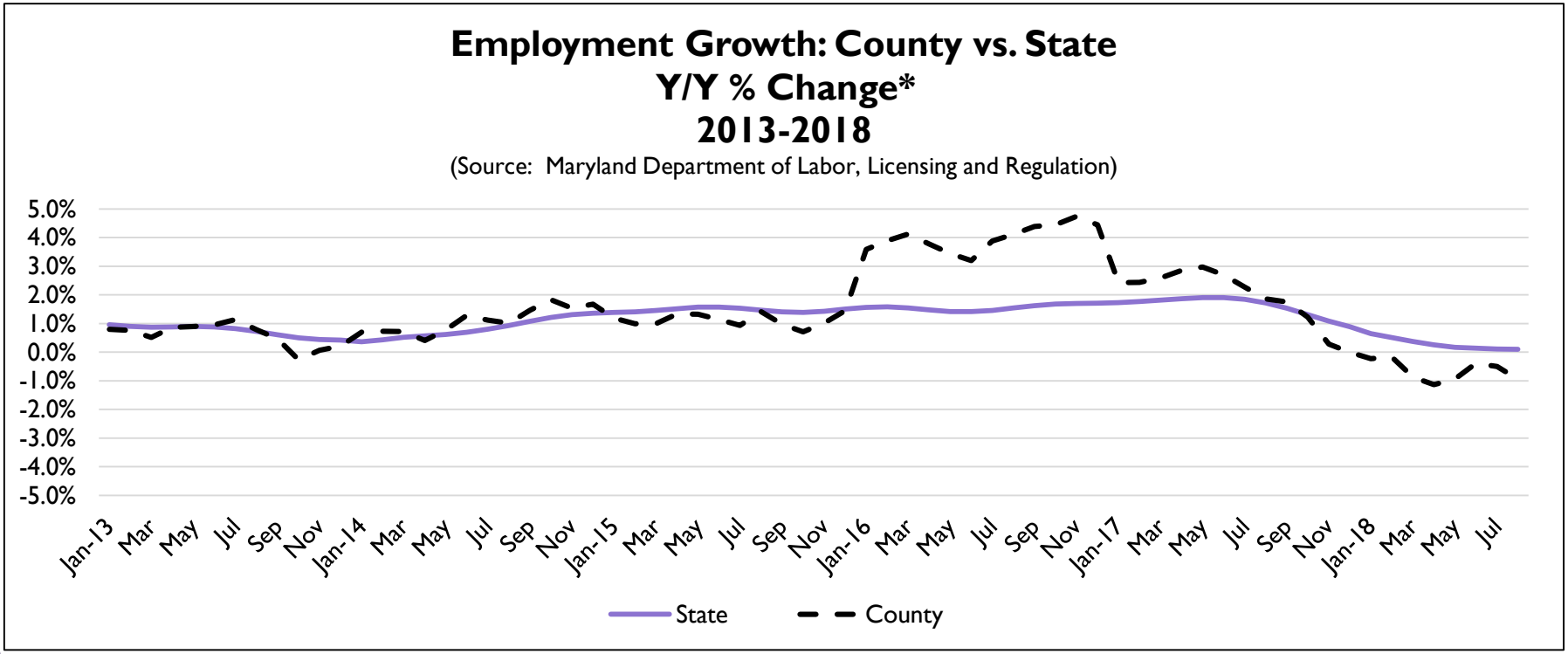
Job Creation (2007 - 2017)

- The 2017 job figure (319,654) represents the highest number of jobs created in Prince George's County.
- Between 2013-2017, Prince George's County added 19,825 jobs – the most of the Big 7 jurisdictions.

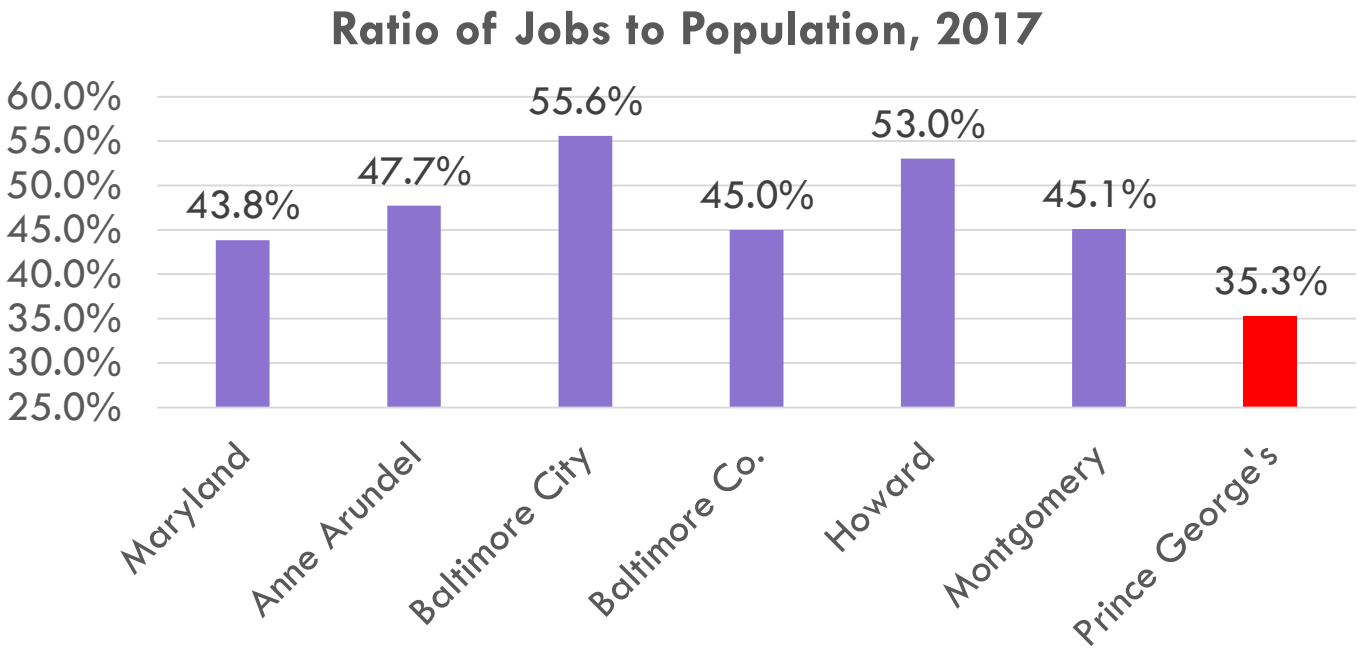


Resident Employment Growth – County vs. State

- Between 2013 and 2015, the County's resident employment closely paralleled growth in State's employment. Throughout 2016 and 2017, County's resident employment increased at faster pace than the State. In 2016, County's employment increased an average of 4.0% in 2016 and 1.9% in 2017. State's employment increased 1.6% over same time period.
- During 2018, the County's resident employment decreased an average of 0.7% compared to the State's employment increase of 0.3% during same period.

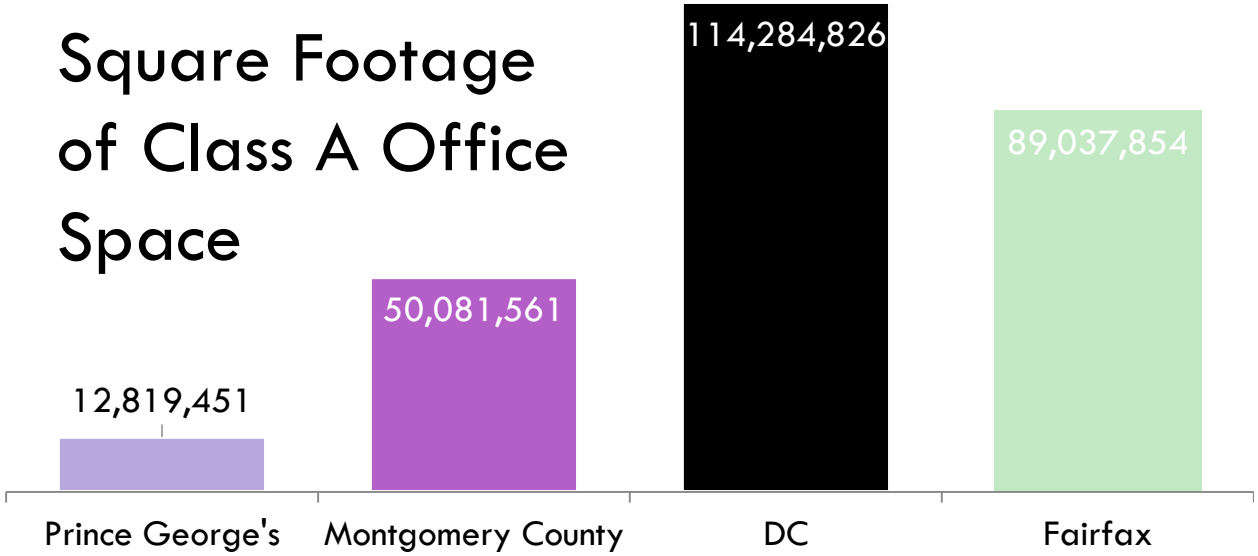


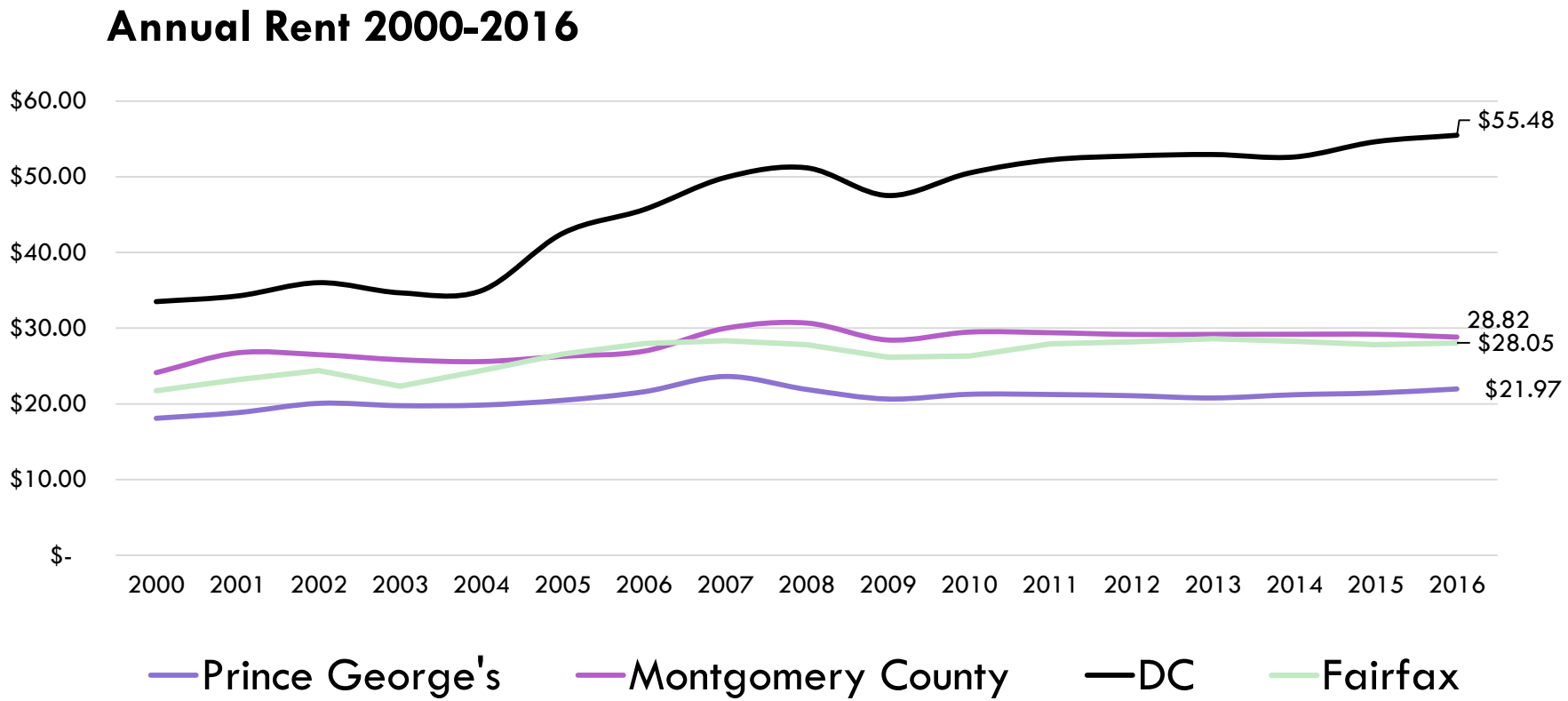
Reality Check



Ratio of Jobs to Population, 2017			
	2017	2017	Ratio
	Jobs	Population	Jobs/Population
Maryland	2,652,465	6,052,177	43.8%
Anne Arundel	269,386	564,600	47.7%
Baltimore City	340,069	611,648	55.6%
Baltimore Co.	374,646	832,468	45.0%
Howard	170,266	321,113	53.0%
Montgomery	468,802	1,039,198	45.1%
Prince George's	319,654	905,161	35.3%

Reality Check





Hypothetical Office Building

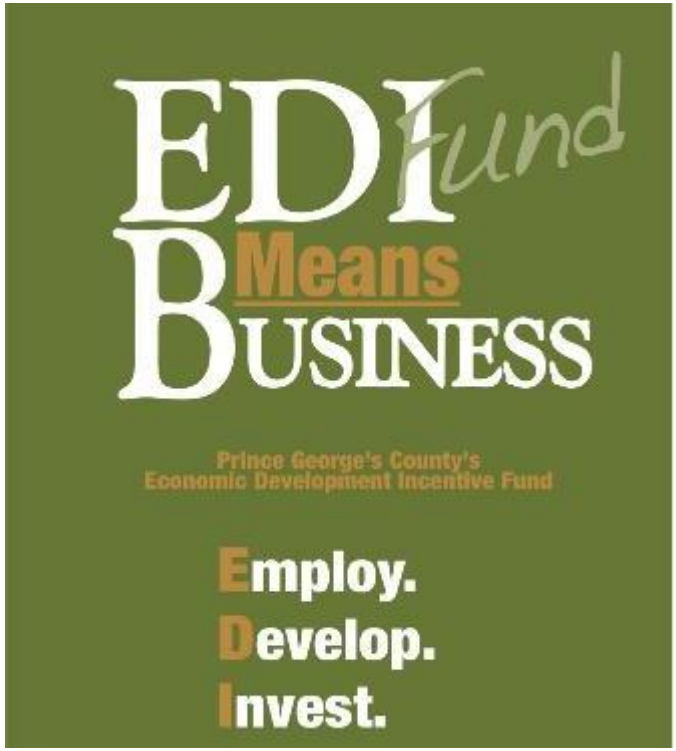
Hypothetical Office Project			
Square Feet	200,000	200,000	200,000
Land Cost	$4,500,000	$18,000,000	$9,000,000
Total Project Cost/SF	$300.00	$300.00	$300.00
Total Project Cost	$64,500,000	$78,000,000	$69,000,000
Equal Land Cost	**A**	**B**	**C**
Rent/SF	$22.00	$59.00	$31.00
Vacancy Rate	21.5%	12.5%	15.0%
Rental Income	$4,400,000	$11,800,000	$6,200,000
Vacancy Loss	($946,000)	($1,475,000)	($930,000)
Operating Expenses	($1,208,900)	($3,613,750)	($1,844,500)
Net Operating Income	**$2,245,100**	**$6,711,250**	**$3,425,500**
Return on Cost	3.5%	10.4%	5.3%
Net Operating Income - 10 years	**$24,583,219**	**$73,486,315**	**$37,508,269**
2% annual growth			
Return Gap - $		**($48,903,096)**	**($12,925,051)**
Return Gap - %		-66.5%	-34.5%

Economic Development Tools

- Guided by May 2013 Strategic Plan for Economic Development
  - Focusing on 4 primary industry sectors
    - Federal Government
    - Business Services
    - Health Care and Life Sciences
    - Technology
- Financial Assistance
- Tax Credits

The EDI Fund

- $50 million multi-year commitment to economic development
- Allows the County to compete with neighboring jurisdictions for job growth and retention
- One time investment from unappropriated surplus from end of FY2011
- $7-$11 million available for lending annually



EDI Fund Launch 2012

EDI Fund Statutory Purpose

- Assist in retention of existing and attraction of new businesses
- Create new jobs and retain existing jobs
- Broaden the commercial tax base
- Promote economic growth in developed tier and gateway communities that have suffered from lack of investment and where market dynamics not sufficient.
- Targeted industry sectors

"Special" Priority:

- Projects that maximize LSMBE
- Employment opportunities for County Residents

Other Priorities:

- Transit Oriented Development
- Balanced Local Economy
- International resources and trade

Special Assistance for Local Entrepreneurship (51% ownership - County residency)

EDI Fund – After 7 years

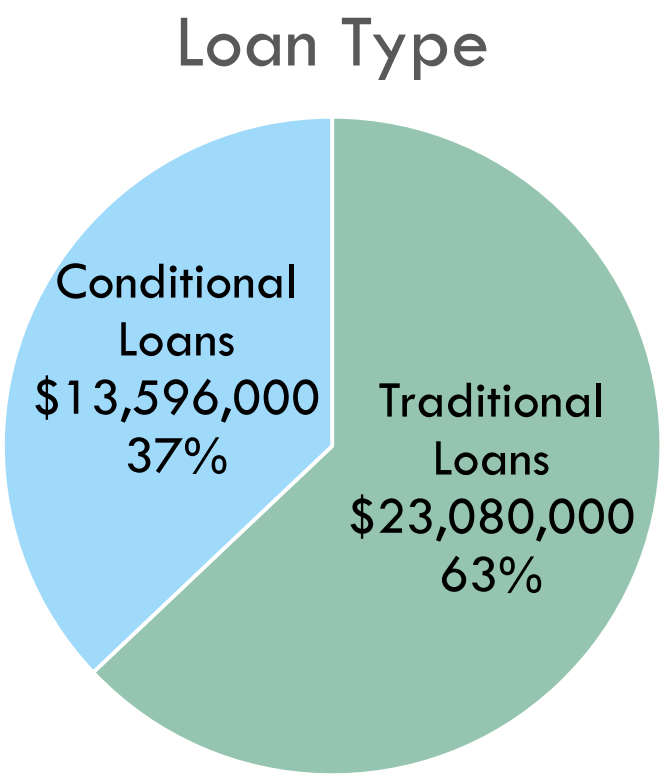
- Become a powerful economic development tool
- Created opportunities for many small and minority businesses
- Stopped loss of large companies from County
- Leveraged $7.4 million in State incentives
- Allows County to compete for new economic opportunities where in the past we were not engaged

EDI Fund $1Billion Celebration 2018

EDI Fund - Performance

EDI Loan Summary	
EDI Fund Commitments	$37.3 million
Capital Investment	$1.17 Billion
Total Projects	47
Jobs Retained	4,971
Jobs Created	7,264
Total Jobs	12,235

65% of jobs held by County residents
45% of all loans awarded to small, minority, or local businesses



Conditional Loans – 26
Traditional Loans – 20
*EDI Fund CAP Program – 1

EDI Fund - Performance

Amount Repaid

$10,026,165

(includes principal $8,875,287
Interest $1,150,878)

Available to Lend

$25,390,165

(includes recaptures, amount not committed and amount repaid)

- Growth of $60 Million in the Commercial Tax Base*
- Increase of $850,000 more in annual taxes*
- Helped increase commercial property taxes from 29% to 32% of County property tax revenues

*Verified subset of loans

FSC First

Access to financing for small and minority businesses

- Loans between $25,000 and $250,000 ($100,000 max for start-up businesses)
- Loans up to $5.5 million for real estate
- Flexible interest rates

- SBA 504 Commercial Real Estate Loan Program
- Small Business Growth Fund (SBGF)
- Microenterprise Loan Fund – MD DHCD
- Green Energy
- Commercial Property Assessment for Clean Energy (CPACE)

FSC First
CREATIVE BUSINESS FINANCING SOLUTIONS

County Tax Credits and Incentives

- Enterprise Zone
- Revitalization Tax Credit
- New Job Tax Credit
- High Tech Tax Credit
- Green Business Tax Credit
- Manufacturing and Fabricating Tax Credit
- RISE Zone
- Grocery Store Tax Credit
- Community Property Improvement Program (RDA)
- Workforce Training Services and Grants

Enterprise Zones

Real Property, Income, and Business Personal Property tax credits

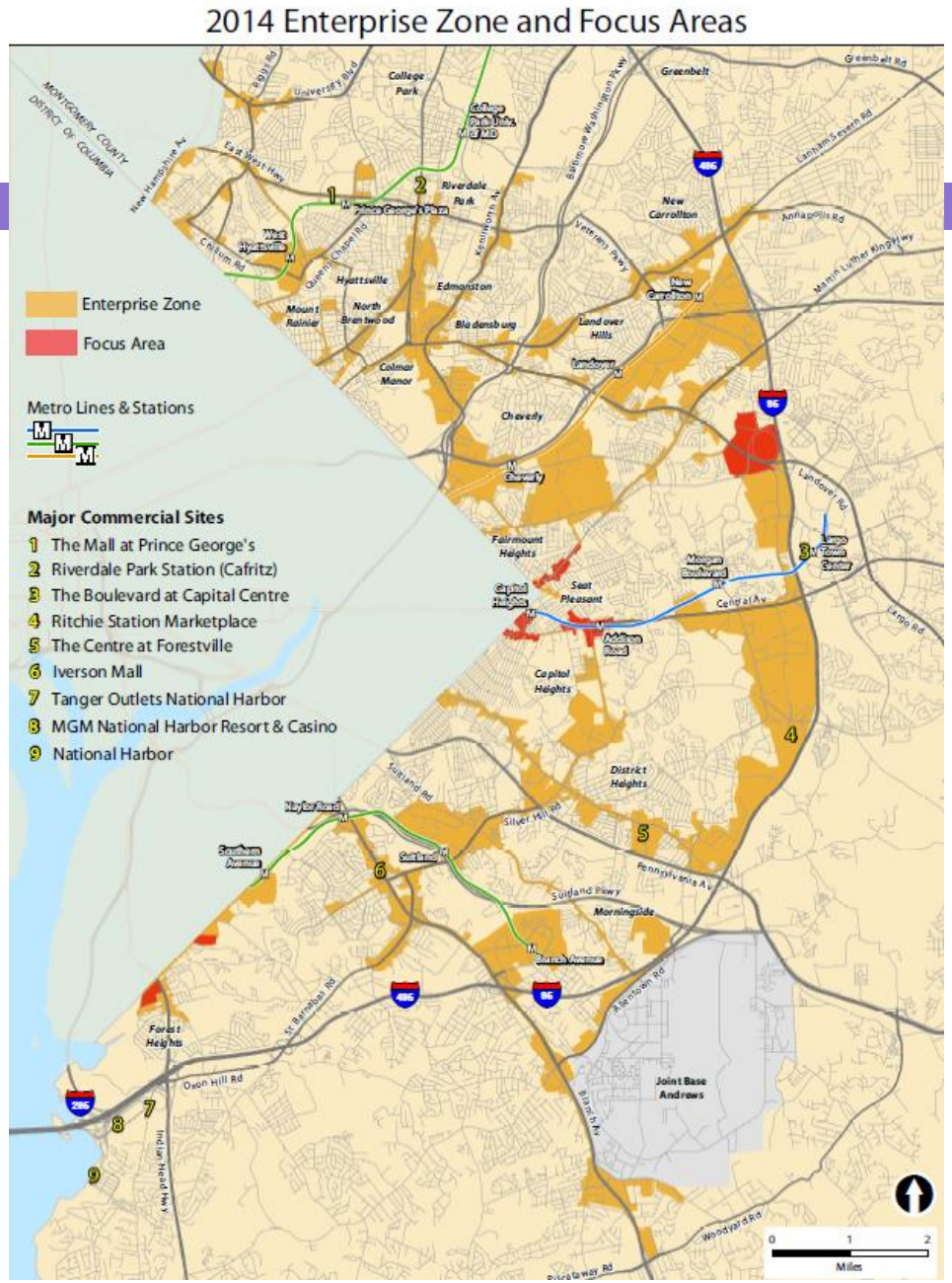
Enterprise Zone

- Approx. 9,400 acres
- Expires 12/19/2019

Focus Areas

- Approx. 450 acres
- Re-certified in 2014

State reimbursement to County of 50% of credits



Maryland Financing & Incentives

- Maryland Economic Development Assistance Authority Fund (MEDAAF)
- Maryland Small Business Development Financing Authority (MSBDFA)
- Small, Minority and Women-Owned Business Account (Video Lottery Terminal Fund)
- Maryland Venture Fund - TEDCO
- Neighborhood Business Works - DHCD
- Job Creation Tax Credit
- Enterprise Zone
- More Jobs for Marylanders
- Biotechnology Investment Incentive Tax Credit
- Cybersecurity Investment Tax Credit
- Additional programs available

Tax Increment Financing (TIF)

Tax Increment Financing - December 2010 to Present					
Project/Area	Priority TOD	TIF District Approved	Bonds Authorized	Bonds Approved	Bonds Issued
Town Center at Camp Springs	Yes	Yes	Yes	$11,100,000	$11,100,000
Town Center at Camp Springs	Yes	Yes	Yes	$10,000,000	$0
Suitland-Naylor Road	Yes	Yes	Yes	$28,000,000	$28,000,000
New Carrollton Metro	Yes	Yes	No	$0	$0
Prince George's Plaza	Yes	Yes	No	$0	$0
Largo Town Center	Yes	Yes	No	$0	$0
Westphalia Town Center	No	Yes	Yes	$42,000,000	$39,400,000
South Lake (former Karington)	No	Yes	Yes	$33,000,000	$0
Note: November 16, 2018					

Priority TOD Locations

Payment in Lieu of Taxes (Pilots)

Payments in Lieu of Taxes - December 2010 to Present				
Project/Area	Priority TOD	PILOT Approved	PILOT Payment (%)	PILOT Payments Triggered
Carrollton Station	Yes	Yes	25.0%	Yes
Safeway at University Town Center	Yes	Yes	40.0%	Yes
College Park Southern Gateway	No	Yes	40.0%	No
One Town Center, LLC (USCIS)	Yes	Yes	35.0%	No
Urban Atlantic - New Carrollton Metro Station (1)	Yes	Yes	25.0%	No
Note: As of November 16, 2018				
1 - Phase 1 only				

Opportunity Zones

- Created by passage of Federal Tax Cuts and Jobs Act of 2017
- Encourage long-term investments in low-income urban and rural communities nationwide
- Designed to spur economic development and job creation

Program provides a federal tax incentive for investors to re-invest their unrealized federal capital gains into Opportunity Funds

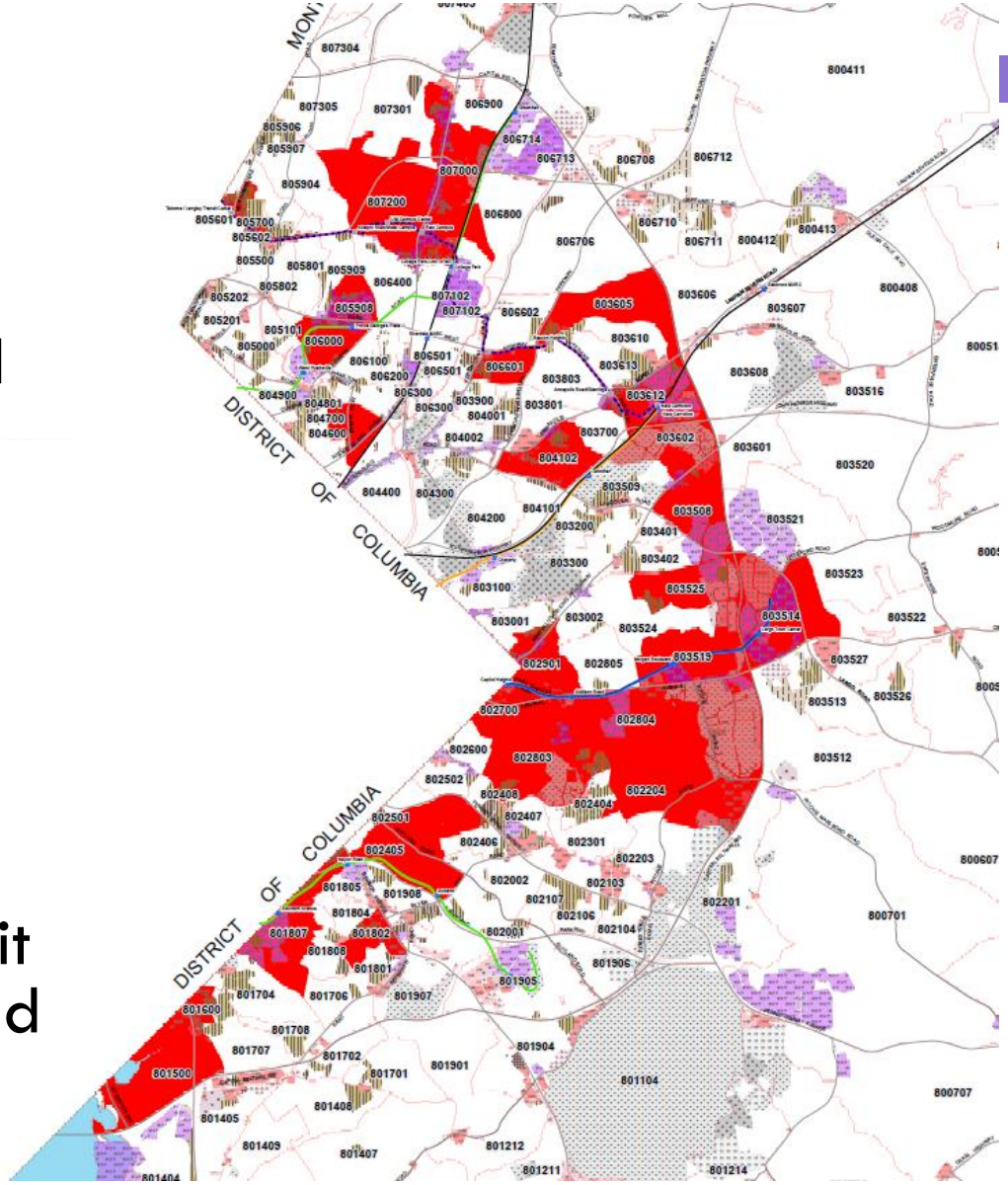
Investor Benefits

- Temporary Deferral of federal taxes
- Step-Up in Basis
- Permanent Exclusion

Private sources of capital, privately managed

Opportunity Zones

- 25 census tracts in Prince George's County
- Reinforces state, local, and private economic development initiatives to attract investment and foster startup activity
- Geographically targeted development areas including Enterprise Zones, Revitalization Areas, Transit Oriented Development, and commercial centers



College Park Project (Case Study)

$152 Million Mixed-Use development

- Bank Financing
- Opportunity Zone Equity $55 Million
- Pilot - $12.5 Million
- EDI Fund - $500,000
- College Park Revitalization Tax Credit

F.G. Development (Case Study)

Two phase redevelopment project to revitalize an aged shopping center and bring medical providers to an underserved community

- Health Enterprise Zone
- Gerald Family Care
- Dimensions Healthcare
- Health Department- $405,000
- EDI Fund - $661,000
- Total Project - $1,066,000

County Comparison

Factor	Prince George's	Montgomery
Population	912,756	1,058,810
Jobs in County	315,169	467,029
Civilian Labor Force	506,632	563,121
Median HH Income	$81,240	$103,235
FY19 Op Budget	$4.1 Billion	$5.6 Billion
Class A Com. Office	6.0 Million SF	26.2 Million
Av Weekly Wage	$1,112	$1,586
Business >100	431	686
Unemployment Rate	4.1%	3.2%

Economic Impact (Example)

County Taxes from Typical Office Building

Assumptions:

- 400 jobs, $80,000 salary (40% County residency)
- 100,000 SF built at cost of $150/SF ($15,000,000)

Annual Tax Revenues	
Income taxes	$211,000
Real Property taxes	$120,000
Business Personal Property	$30,000
Total	**$361,000**

Approximate Number of Residences to Equal Same Revenues: 50-70

Difference: Amount of Services Required to Support one office building vs. 50-70 residences

Conclusion

Economic Development Incentives:

- Create revenues for all government services
- Create jobs for County residents, improving quality of life
- Improve economic stability by reducing reliance on residential tax base
- Spur business growth and/or development that may not otherwise occur

Prince George's County Economic Development Corporation
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