



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

December 11, 2017

The Honorable Thomas V. Mike Miller, Jr.
President, Maryland Senate
State House, H-107
Annapolis, Maryland 21401-1991

The Honorable Michael E. Busch
Speaker, Maryland House of Delegates
State House, H-101
Annapolis, Maryland 21401-1991

The Honorable Edward J. Kasemeyer
Chairman, Senate Budget and Taxation Committee
3 W Miller Senate Office Building
Annapolis, MD 21401

The Honorable Maggie McIntosh
Chairman, House Appropriations Committee
121 House Office Building
Annapolis, MD 21401

RE: Sunny Day/Marriott Annual Report

Dear President Miller, Speaker Busch and Chairmen Kasemeyer and McIntosh:

In accordance with §7-314(r)(2) of the State Finance and Procurement Article, I am pleased to submit the annual report on the status of the Economic Development Opportunities Program (Sunny Day) Account request for Marriott International, Inc.

The Honorable Thomas V. Mike Miller, Jr.
The Honorable Michael E. Busch
The Honorable Edward J. Kasemeyer
The Honorable Maggie McIntosh
December 11, 2017
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I look forward to your review of this report and am happy to furnish any additional information that is required. If you have any questions regarding this report, please contact me at 410-767-6301.

Sincerely,



R. Michael Gill
Secretary

Enclosure

cc: Members, Senate Budget and Taxation Committee
Members, House Appropriations Committee



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MEMORANDUM

TO: The Honorable Larry Hogan
Governor

THRU: Sean Powell
Deputy Chief of Staff, Governor's Office

FROM: R. Michael Gill
Secretary

DATE: December 11, 2017

SUBJECT: Sunny Day/Marriott Annual Report

In accordance with §7-314(r)(2) of the State Finance and Procurement Article, I am pleased to submit the annual report on the status of the Economic Development Opportunities Program (Sunny Day) Account request for Marriott International, Inc.

I look forward to your review of this report and am happy to furnish any additional information that is required. If you have any questions regarding this report, please contact me at 410-767-6301.

Attachment

DIVISION OF FINANCE
ECONOMIC DEVELOPMENT OPPORTUNITIES
PROGRAM ACCOUNT

MARRIOTT STATUS REPORT
FISCAL YEAR 2017
STATE FINANCE AND PROCUREMENT ARTICLE
SECTION 7-314(r)(2)

Submitted by:

Maryland Department of Commerce

December 2017

Background

In April of 2017, the Maryland Department of Commerce (Commerce) requested and subsequently was granted approval by the Legislative Policy Committee (LPC) for the use of \$20,000,000 from the Economic Development Opportunities Program Fund (Sunny Day) for Conditional Loans (Loans) to Marriott International, Inc. (Marriott). The funds are to be used to assist Marriott with the cost of a new 700,000 square foot facility in Bethesda, Montgomery County as its corporate headquarters. The estimated cost of the project is \$600,000,000 and will include a new 230-room Marriott Hotel. Marriott has committed to retain at least 3,250 of its eligible full-time permanent employees and contractors and 250 part-time employee or contract positions for a total of 3,500 positions at or assigned to the project site and the principal functions of its corporate headquarters in Maryland for a minimum of ten years.

Loan Structure

The loan is to be disbursed over 4 years according to the following schedule:

- \$5,000,000 by July 2, 2018 subject to the December 31, 2017 employment report
- \$5,000,000 by July 1, 2019 subject to the December 31, 2018 employment report
- \$5,000,000 by July 1, 2020 subject to the December 31, 2019 employment report
- \$5,000,000 by July 1, 2021 subject to the December 31, 2020 employment report

In order for the funds to be disbursed, there must be satisfactory evidence of:

- An executed lease for the project site with a term of not less than the loan term
- Minimum average employment of 3,250 eligible full-time permanent employees and contractors and 250 part-time direct or contract employees at or assigned to the project site
- Incurred and budgeted eligible project costs at the project site equal to 1.43 times the amount of the loan

Investment of eligible project costs of at least \$500,000,000 must be made by no later than June 30, 2023, and Marriott must maintain the principal functions of its corporate headquarters at the project site at all times while the loan is outstanding.

A clawback of \$6,154 plus interest is due for every eligible full-time employee or contractor less than 3,250 but greater than 2,475. Marriott is allowed a “free fall” equal to 125 positions before pro-rata repayments commence. Therefore, pro-rata repayments may be made for up to 650 positions equal to \$4,000,100. If Marriott employs less than 2,475 eligible full-time permanent employees then the remaining balance of the loan plus all outstanding interest will be due in full.

The interest rate will be 3% per annum accrued over the life of the loan to be abated along with the principal at the end of the loan term subject to performance. Additionally, the loan is subject to early forgiveness if Marriott has maintained the average minimum 3,250 eligible full-time permanent employees and 250 part-time direct or contractor employees through 6 years and continues to maintain them each year. In that case, commencing in year 7 the State will forgive \$5,000,000 of the loan annually, net of any preceding clawback requirements.

Status Update

Pursuant to the above listed loan structure, Commerce and Marriott closed on a \$5,000,000 loan on October 31, 2017. As of the date of closing Marriott had met the approved employment requirements under the loan as it had at least 3,250 employees and its headquarters were located in Montgomery County, Maryland. The next Employee Report is due March 31, 2018 to verify employment as of December 31, 2017, with an Employee Report due each December 31st thereafter through 2027. The loan proceeds have not yet been disbursed.

Commerce reports that there has been a change in the disbursement schedule that was presented to the LPC. Under this new schedule, Marriott has the right to request the loan proceeds between July 2, 2018 and December 31, 2018. Through consultation with the Office of the Attorney General (OAG), Commerce has confirmed that the statute allows for flexibility in the disbursement schedule of up to a year as needed. As a result of some project delays, Marriott has requested the ability to draw down on the first loan disbursement by December 31, 2018 and Commerce has agreed to these changes.