

DIVISION OF FINANCE
ECONOMIC DEVELOPMENT OPPORTUNITIES
PROGRAM ACCOUNT

MARRIOTT STATUS REPORT
FISCAL YEAR 2020
STATE FINANCE AND PROCUREMENT ARTICLE
SECTION 7-314(r)(2)

Submitted by:

Maryland Department of Commerce

December 2020

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 eligible 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 was structured 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

Commerce reports that there was 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 1 and December 31 of the requested year. 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. Marriott has requested the ability to request and draw down on loan funds by December 31st of each year and Commerce has agreed to these changes.

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, for a total of 3,500.
- 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 claw back 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 3,500 eligible 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 claw back requirements.

Status Update

First \$5,000,000 Loan

Pursuant to the above listed loan structure, Commerce and Marriott closed on the first \$5,000,000 loan on October 31, 2017. The Department disbursed the first loan on December 10, 2018. As of the date of closing, Marriott had met the approved employment requirements under the loan having at least 3,250 eligible full time employees and 250 employees which may be part time and its headquarters located in Montgomery County, Maryland. The Employee Report due on March 31, 2018 verifying employment as of December 31, 2017, reported 4,020 eligible full-time permanent employees, exceeding the employment goals for the employment reporting period. An Employee Report is due each March 31st thereafter through 2028, to verify employment as of December 31 of the prior year.

Second \$5,000,000 Loan

Pursuant to the above listed loan structure, Commerce and Marriott closed on the second \$5,000,000 loan on October 10, 2018. The Department disbursed the second loan on August 29, 2019. As of the date of closing, Marriott had met the approved employment requirements under the loan having at least an average of 3,250 eligible full time employees and 250 employees which may be part time and its headquarters located in Montgomery County, Maryland. The Employee Report due on March 31, 2019 verifying employment as of December 31, 2018, reported 4,628 eligible full-time permanent employees, exceeding the employment goals for the employment reporting period. The average for the two reporting periods of December 31, 2017 and December 31, 2018 totals 4,324 eligible full-time permanent employees. An Employee Report is due each March 31st thereafter through 2028, to verify employment as of December 31, of the prior year.

Third \$5,000,000 Loan

Pursuant to the above listed loan structure, Commerce and Marriott closed on the third \$5,000,000 loan on December 9, 2019. The Department received Marriott's request for disbursement for the third loan on October 20, 2020 and anticipates closing prior to the December 31, 2020 deadline. As of the date of closing, Marriott had met the approved employment requirements under the loan having at least an average of 3,250 eligible full time employees and 250 employees which may be part time and its headquarters located in Montgomery County, Maryland. The Employee Report due on March 31, 2020 verifying employment as of December 31, 2019, reported 5,008 eligible full-time permanent employees, exceeding the employment goals for the employment reporting period. The average for the three

reporting periods of December 31, 2017 and December 31, 2018 totals 4,552 eligible full-time permanent employees. An Employee Report is due each March 31st thereafter through 2028, to verify employment as of December 31, of the prior year.

Fourth \$5,000,000 Loan

Pursuant to the above listed loan structure, Commerce and Marriott are in the process of closing the fourth \$5,000,000 loan and anticipate settlement prior to the December 31, 2020 deadline, with funding projected between July 1 and December 31, 2021. Marriott needs to represent that it had the required minimum average of at least 3,250 eligible full-time employees and 250 employees which may be part time and its headquarters located in Montgomery County, Maryland. The next Employee Report is due March 31, 2021 to verify employment as of December 31, 2020. Marriott announced COVID-19 layoffs of 673 employees, effective October, 2020 for employees in Maryland. Although the company's total employees to be reported as of December 31, 2020 are expected to be lower as a result of these layoffs, the Company's total employees are anticipated to remain well above the required minimum of at least 3,250 eligible full-time employees. An Employee Report is due each March 31st thereafter through 2028, to verify employment as of December 31, of the prior year.