



November 30, 2020

The Honorable Guy Guzzone
Chairman, Senate Budget and Taxation Committee
3 W Miller Senate Office Building
Annapolis, MD 21401

The Honorable Maggie McIntosh
Chairman, House Appropriations Committee
House Office Building, Room 121
Annapolis, MD 21401-1991

RE: Compliance Report on an Executed Letter of Intent – 2017 JCR, Page 167

Dear Chairmen Guzzone and McIntosh:

In accordance with Page 167 of the 2017 Joint Chairmen's Report, the Maryland Department of Commerce is pleased to present the Compliance Report on an Executed Letter of Intent. This report includes an update on the executed Letter of Intent with Marriott International, Inc. I look forward to your review of the report and will be pleased to respond to any questions. If my staff can be of further assistance, or if you have any questions regarding this report, please feel free to contact me at 410-767-6301.

Sincerely,

DocuSigned by:

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Kelly M. Schulz
Secretary

Enclosure

cc: Members, Senate Budget and Taxation Committee
Members, House Appropriations Committee
Emily Haskell, Department of Legislative Services



Maryland Economic Development Assistance Authority and Fund Letter of Intent Compliance Report

In accordance with p. 167 of the 2017 Joint Chairmen's Report

Submitted by
Maryland Department of Commerce

November, 2020

Background

In March of 2017, the Maryland Department of Commerce approved a request from Marriott International, Inc. (Marriott) for a \$2,000,000 Conditional Loan from the Maryland Economic Development Assistance Authority and Fund (MEDAAF). 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 employees or contract positions for a total of 3,500 positions at or assigned to the facility to fulfill the principal functions of its corporate headquarters in Maryland for a minimum of ten years.

Loan Structure

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

- Marriott's receipt of \$5,500,000 of the proceeds of the local contribution for the facility.
- An executed lease for the facility with a term of not less than the Loan term.
- Completion of the facility is being pursued diligently.
- Expenditures made by Marriott for eligible project costs.
- 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 facility.

Marriott must provide evidence of eligible project costs for reimbursement to receive disbursements of principal of the conditional loan. Commerce can reimburse the lesser of 70% of eligible project costs or the conditional loan principal commitment per statute. The Loan is for a term of 10 years and Marriott must maintain the principal functions of its corporate headquarters at the facility at all times and meet all conditions of the Loan while the Loan is outstanding, to be eligible for forgiveness. Investment of project costs of at least \$500,000,000 must be made by no later than June 30, 2023.

A claw-back of \$615 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 \$399,750. 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 six years and continues to maintain them each year. In that case, commencing in year seven the State will forgive \$500,000 of the loan annually, net of any preceding claw-back requirements.

Status Update

Pursuant to the above listed Loan structure, Commerce and Marriott closed on the \$2,000,000 MEDAAF Loan on October 31, 2017.

As of the date of closing, Marriott met the requirements for distribution of the MEDAAF Loan and the Loan was funded on December 10, 2018. Specifically:

- Marriott's receipt of \$5,500,000 of the proceeds of the local contribution for the facility was received on October 15, 2018.
- A lease for the facility with a term of not less than the Loan has been executed. It requires construction by the landlord and tenant build-out by Marriott. Construction of the development site is underway, including equipment and material deliveries, environmental and safety controls, excavation, hauling and drilling operations.
- Completion of the Project is being pursued diligently.
- Expenditures made by Marriott for eligible project costs were received along with the Request for Disbursement on December 6, 2018.
- Marriott 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 at 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. 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. 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, December 31, 2018 and December 31, 2019 totals 4,552 eligible full-time permanent employees.
- 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 through 2028 to verify employment as of December 31 of the prior year.