


MEMORANDUM

October 19, 2018

TO: County Council

FROM: Gene Smith, Legislative Analyst 

SUBJECT: **Introduction** – Resolution to support Maryland Economic Development Assistance Authority and Fund loan of \$600,000 to Host Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P.

PURPOSE: Introduce subject resolution

The Executive requests the Council introduce and adopt a resolution endorsing a \$600,000 Maryland Economic Development Assistance Authority and Fund (MEDAAF) loan to support the retention of Host Hotels & Resorts, Inc.'s and Host Hotels and Resorts, L.P.'s (the "Company") in the County (see ©1-10). The MEDAAF loan is part of a negotiated financial assistance package between the Company, the County, and the State. The County is providing a \$300,000 conditional grant through the Economic Development Fund (EDF) (see ©2-8).

The County must endorse the MEDAAF loan in a formal resolution, as required by the Economic Development Article §5-319(d) of the Maryland Code. The County's EDF contribution exceeds the 10% requirement; therefore, the County is not required to guarantee any portion of the MEDAAF loan with the full faith and credit of the County.

Action is tentatively scheduled for October 30.

This packet contains:

Executive memo
Executed agreement
Proposed resolution

Circle #

1
2
9




OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

October 15, 2018

TO: Hans Riemer, Council President

FROM: Isiah Leggett, County Executive 

SUBJECT: MEDAAF Resolution for Host Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P.

The above referenced companies combined, are receiving a financial incentive from the State through the Maryland Economic Development Authority Administration Fund (MEDAAF). This incentive is in conjunction with an incentive the County is providing through the Economic Development Fund.

For the State to disburse funds to these companies, a resolution of support for this MEDAAF incentive is required as one of the State's disbursement conditions. The purpose of this memo is to request the introduction and adoption of a resolution of support. The resolution acknowledges that the State of Maryland is utilizing its MEDAAF to provide a financial incentive. The MEDAAF financing program does not require a local jurisdiction's full faith and credit guaranty but does require that the local jurisdiction pass a resolution of support.

If you have any questions or need additional information relating to this request, please call Peter McGinnity of our Department of Finance at 240-777-2011.

IL/pmg

Attachments

ECONOMIC DEVELOPMENT FUND AGREEMENT

THIS ECONOMIC DEVELOPMENT FUND AGREEMENT is made this 19th day of July, 2018 between MONTGOMERY COUNTY, MARYLAND (the County) and HOST HOTELS & RESORTS, INC. and HOST HOTELS & RESORTS, L.P. (collectively, the Recipient).

RECITALS

A. The purpose of this Agreement is to set forth the agreement of the Recipient and the County with respect to the application of funds from the Economic Development Fund, repayment of funds from the Economic Development Fund and the Recipient's commitment to maintain or establish jobs and an economic presence in the County.

B. Establishing and maintaining jobs and business retention and development in Montgomery County are matters of high priority to the County. Recipient intends to establish or maintain at least 189 jobs in Montgomery County. Recipient operates a Real Estate Investment Trust business with 189 employees at the time negotiations for funding commenced.

C. The County has pursuant to Emergency Bill No. 19-95 (§§ 20-73, *et seq.* of the Montgomery County Code), created the Economic Development Fund, the primary purpose of which is to assist private employers who are located or planning to locate or substantially expand operations in Montgomery County.

D. The County by providing assistance pursuant to this Economic Development Fund Agreement intends to materially improve the County's economy and advance County economic development objectives.

E. Recipient has been determined by the County to be eligible to receive funds from the County's Economic Development Fund.

NOW THEREFORE, the parties in consideration of their respective obligations and undertakings hereinafter set forth agree as follows:

1. Recipient will locate or maintain a premises at 4747 Bethesda Avenue, Bethesda, MD which may be relocated periodically within the County and which will be used for the purpose of Headquarters operations.

2. Recipient will maintain a minimum employment base of 189 full time employees (full time is defined as an employee that works at least 1,800 hours per year), according to the terms and conditions of Exhibits A and B, in the County or part time employees who work an equivalent total number of hours per year.

3. Subject to the appropriation and availability of funds and to the terms and conditions of the attached exhibits, the County agrees to disburse from the Economic Development Fund to the Recipient the sum of Three Hundred Thousand Dollars (\$300,000.00) to be used only for the purpose of relocation and/or expansion related expenses (the Purpose) and for no other purpose.

4. Upon request by the County, Recipient agrees to provide the County with evidence, that the funds provided hereunder, have been used solely for the purposes stated in paragraph 3 above.

5. The Montgomery County Department of Finance will process a request for disbursement from the Economic Development Fund in the amount of Three Hundred Thousand Dollars (\$300,00.00) within twenty (20) working days of Recipient's satisfaction of the conditions set forth above and as specified in Exhibit A.

6. Recipient agrees that the funds provided pursuant to this Agreement and interest thereon, if any, are to be repaid in accordance with the conditions and schedule set out in Exhibits A and B attached hereto and incorporated herein. Payments are to be made on the 15th of the month in which due. Payments made after the 25th of the month in which due are subject to a five percent (5%) late charge. If Recipient breaches or fails to satisfy any of the conditions specified in Exhibit B or any other terms of this Agreement, including, but not limited to, failure to make any payment as due, Recipient must, within thirty (30) days after demand by the County, or within such schedule and upon such other terms as the County may determine, repay the full amount of the disbursement to Recipient from the Economic Development Fund with interest thereon accrued annually at the rate of five percent (5%). Unless otherwise directed by the Director of the Department of Finance, all payments to the County are to be delivered to the Director, Montgomery County Department of Finance, 101 Monroe Street, Suite 1500, Rockville, Maryland 20850. Payments must be made by check payable to Montgomery County, Maryland.

7. Sale, transfer, assignment or other conveyance by Recipient (excluding collateral assignments in connection with financings) of substantially all or all of its business, substantially all or all of its assets or a majority of its corporate or partnership interests or controlling or managing interests will require immediate repayment of any amounts outstanding hereunder during the term of this Agreement; provided, however, that this sentence shall not apply to the sale, transfer, assignment or other conveyance of interests of entities whose interests are traded through a national or regional exchange or over-the-counter market. The purchaser, transferee, assignee or other successor-in-interest to Recipient may apply to the Department of Finance to assume the outstanding amount under this Agreement. It is within the sole discretion of the County to determine whether or not it chooses to enter into an assignment and assumption agreement with the purchaser, transferee, assignee or other successor-in-interest of Recipient.

8. This Economic Development Fund Agreement expires, in the absence of any default or breach of the terms hereof, when the Recipient fully repays the loan or grant disbursed under this Economic Development Fund Agreement or upon satisfactory performance by the Recipient of the Exhibit B conditions. In the event of a default or breach of this Economic Development Fund Agreement, the Agreement will terminate upon full repayment of all sums due hereunder. Unless waived in writing by the County, if Recipient fails to satisfy the conditions for an initial disbursement as specified in Exhibit A by the 31st day of December, 2019, this Economic Development Fund Agreement will automatically expire and the County will have no obligation to make any disbursement to Recipient from the Economic Development Fund.


9. Recipient indemnifies and holds the County harmless from any claims, costs, liabilities, judgments or damages, including but not limited to reasonable attorney fees, arising out of or related to Recipient's fulfilling the Purpose and the use of the grant funds.

10. This Economic Development Fund Agreement and Exhibits hereto represent the entire agreement between Recipient and the County.

11. The Recitals are incorporated herein.


IN WITNESS WHEREOF, this ECONOMIC DEVELOPMENT FUND AGREEMENT is executed by the parties as of the above-written date.

Host Hotels & Resorts, Inc.

By: 
Michael E. Lentz
Managing Director
Authorized Signatory

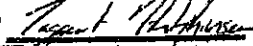
Date: 7/3/18

Host Hotels & Resorts, L.P.

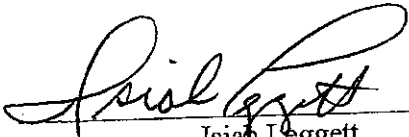
By: 
Michael E. Lentz
Managing Director
Authorized Signatory

Date: 7/3/18

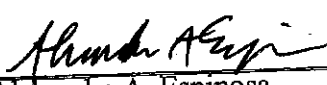
**APPROVED AS TO FORM AND LEGALITY
OFFICE OF THE COUNTY ATTORNEY**

BY: 
DATE: 3/15/18

MONTGOMERY COUNTY, MARYLAND

By: 
Isiah Leggett
County Executive

Date: July 19, 2018

Recommended by: 
Alexandre A. Espinosa
Director
Department of Finance

7/11/2018
Date

The Economic Development Fund Agreement, in its template form, including the Exhibit A and B conditions, has been approved as to form and legality by the County Attorney's Office on January 4, 2017.

ECONOMIC DEVELOPMENT FUND AGREEMENT
BETWEEN MONTGOMERY COUNTY
AND
HOST HOTELS & RESORTS, INC. AND HOST HOTELS & RESORTS, L.P.

Exhibit A

1. Grant Disbursement Conditions: The grant will be disbursed to Host Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P. upon submission of the following documentation to the Department of Finance (DOF):
 - (1) The Recipient shall provide evidence acceptable to the County of its intent to commence the Project, such as an executed lease for approximately 55,000 square feet of space for a term of not less than the term of the Conditional Grant. If the term of the executed lease is shorter than the term of the Conditional Grant, the Recipient must provide a Letter of Commitment to lease a comparable size of space in the County for a term of no less than the term of the Conditional Grant.
 - (2) The Recipient will invest or cause to be invested a minimum of \$10,000,000 at the Project Site by December 31, 2019.
 - (3) The Recipient will submit to the County a copy of the most recent Maryland Unemployment Insurance Quarterly Contribution Report or company payroll report acceptable to the County showing at least 189 full-time employees on the company payroll in Montgomery County.
 - (4) The Recipient will submit to the County a "Certified Payroll Report", meaning a list that includes for each full-time employee on its payroll, a unique employee/position identifier number, the employee's initials, annual salary, and zip code of residence.

ECONOMIC DEVELOPMENT FUND AGREEMENT
BETWEEN MONTGOMERY COUNTY
AND
HOST HOTELS & RESORTS, INC. AND HOST HOTELS & RESORTS, L.P

1. Term: The term of the grant is ten (10) years from the date of grant disbursement.

Exhibit B

2. Performance Provisions: Host Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P agree to repay the grant in part or in full under the following circumstances:

(1) The Recipient will employ a minimum of 189 full-time permanent employees at the Company's existing facility or the Project Site, as the case may be, at the time of Conditional Grant Disbursement. Full-time employment will be measured using the documents submitted under the Reporting Section.

(2) The Recipient shall employ a minimum of 189 full-time permanent employees at the Project Site as of December 31, 2019 and maintain that average for the remainder of the term of the Conditional Grant. Full-time employment will be measured using the documents submitted under the Reporting Section.

The Recipient would repay a pro-rata portion of the principal (\$1,587) and the associated portion of accrued interest due for every permanent full-time employee less than 189 but greater than 159. If the Recipient employs less than 160 full-time employees, the Recipient would repay the conditional grant and all outstanding interest in full. Any such sum, less any amounts previously repaid, would be due no later than 90 days from the measurement date.

(3) The Recipient will maintain its headquarters and business operations in the County for the term of the Conditional Grant.

If the Recipient fails to maintain its headquarters and business operations in the County for the term of the Conditional Grant, then the Recipient will repay all principal with interest of the Conditional Grant.

(4) The Recipient must submit all documentation requested in the Reporting Requirements for the term of the Conditional Grant. If the Recipient fails to provide any required documents within 60 days of their due date and after 14 days upon receipt of notice from the County, then the Recipient will repay all principal with interest of the Conditional Grant.

Repayment:

In the event that any of the Performance Criteria are not met, the Conditional Grant would be converted into a loan, bearing an

ECONOMIC DEVELOPMENT FUND AGREEMENT
BETWEEN MONTGOMERY COUNTY
AND
HOST HOTELS & RESORTS, INC. AND HOST HOTELS & RESORTS, L.P.

Exhibit B (continued)

interest rate of three percent (3%) per annum, and calculated on a 360-day basis from the date the funds were disbursed. Repayment will be made in a lump sum on demand, or at the County's discretion, amortized over a two-year period from the conversion date into a loan and payable in monthly installments.

Reporting Requirements:

The Recipient must submit the following reports to the County until the tenth anniversary date of the grant's disbursement, or if the grant is converted into a loan, until the loan is fully repaid.

(A) Commencing January 31, 2020 and through January 31, 2029, the Recipient must submit copies of its Maryland Unemployment Insurance Quarterly Contribution Report filings, or other documents acceptable to the County showing the full-time employees on the Recipient's payroll in the County, for all four quarters of each preceding calendar year, from 2019 through 2028.

(B) The Recipient will make best efforts to provide to the County a copy of all press releases related to or associated with the Recipient's operations in the County within 30 days of the release date via mail, fax, or e-mail to the following:

Mr. Peter McGinnity
Manager, Economic Development Programs
Montgomery County Department of
Finance
101 Monroe Street, Suite 1500
Rockville, Maryland 20850
Tel: (240) 777-2011
Fax: (240) 777-8857
Email: peter.mcginny@
montgomerycountymd.gov

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Resolution No.: _____
Introduced: _____
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

Lead Sponsor: Council President at the Request of the County Executive

SUBJECT: Maryland Economic Development Assistance Authority and Fund Loan to assist Host Hotels & Resorts, Inc.'s and Host Hotels & Resorts, L.P.'s retention in Montgomery County (\$600,000)

Background

1. The County Executive endorses a conditional loan of \$600,000 to Host Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P. ("Host Hotels") from the State of Maryland under the Maryland Economic Development Assistance Authority and Fund ("MEDAAF"), which is codified as Md. Code Ann., Econ. Dev. §§5-301-5-349.
2. MEDAAF provides conditional grants and loans to businesses engaged in eligible industries locating to, or expanding in, a "priority funding area" in the State of Maryland. Proceeds from the grant or loan may be used by the borrower to reimburse it for the acquisition or construction of buildings or real estate, and acquisition, construction and installation of machinery, equipment, furnishings, fixtures, leasehold improvements, site improvements, or infrastructure improvements.
3. The County approved a conditional grant of \$300,000 from the County's Economic Development Fund ("EDF") to assist Host Hotels relocation and retention in the County (the "County Match") on June 20, 2017. This grant will be funded from the current EDF fund balance. Through this grant Montgomery County has met the requirement of financing a part of the costs of the project which is equal to at least 10% of the financial assistance to be provided from MEDAAF as required by the Section 5-319(d) of the Economic Development Article, Annotated Code of Maryland.
4. The State will disburse the MEDAAF loan to Host Hotels upon the State entering a MEDAAF Agreement with the company. The County is not a party to this MEDAAF Agreement with Host Hotels.
5. Host Hotels was formed in 1993 when the Marriott split into two separate entities, creating Marriott International and Host Marriott. The latter was renamed Host Hotels & Resorts in 2005, to reflect a growing number of non-Marriott hotels in their portfolio. The company operates as a real estate investment trust. The publicly-traded company is headquartered in Montgomery County, where 194 of its 211 employees are based. Fifty-

one percent of its current employee base - 99 employees - reside in the County. The average salary is \$175,000 per annum.

6. Host Hotels is seeking to relocate its headquarters from its current corporate campus location at 6903 Rockledge Drive to a more urban location, anticipating that greater proximity to amenities and transportation options will enable the company to attract the professional workforce it requires for its continued success. The company plans to occupy 55,000 sq. ft. in a new mixed used office/retail project currently under construction at 4747 Bethesda Avenue, Bethesda. The company estimates \$30.1 million in CAPEX with \$21 million as a pro rata portion of the base building, \$6.9 million in leasehold improvements and \$2.2 million in FF&E.
7. Section 5-319(d) of the Economic Development Article requires the governing body of the jurisdiction in which the project is located to endorse, by a formal resolution, the State's grant of the MEDAAF loan for the project.
8. The County has determined that granting the MEDAAF loan for the project is in the best interest of the citizens of the County.
9. The County Executive requests that the Council adopt this formal resolution approving the MEDAAF loan for the project.

Action

The County Council for Montgomery County, Maryland approves the following resolution:

The County Council hereby endorses the granting of the State's grant of \$600,000 MEDAAF loan to support Host Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P. retention in Montgomery County.

This Resolution is effective upon its adoption in accordance with applicable law.

This is a correct copy of Council action.

Megan D. Limarzi, Esq.
Clerk of the Council