




OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

MEMORANDUM

July 13, 2023

TO: Evan Glass, President
Montgomery County Council

FROM: Marc Elrich, County Executive 

SUBJECT: Partial satisfaction of Economic Development Fund conditional grant to Marriott International, Inc.

I want to inform the County Council of my consent to forgive a portion of the Economic Development Fund conditional grant to Marriott International, Inc. (“Marriott”). The County and Marriott entered into an Economic Development Agreement on May 4, 2017 for a conditional grant in the amount of \$22,000,000 to facilitate the construction of a new corporate headquarters and adjacent hotel in Bethesda. The grant was payable in 4 consecutive annual disbursements of \$5,500,000, subject to the company meeting the performance requirements of the grant. The grant was fully disbursed on August 11, 2021.

The terms of the conditional grant (Exhibit B Item 3. Early Forgiveness) also allow for early forgiveness, i.e., satisfaction of portions of the grant in \$5,500,000 increments conditioned upon meeting performance requirements by certain dates. Under this provision, Marriott has requested early forgiveness of the initial \$5,500,000 disbursement that was made on October 12, 2018 as it has satisfied the requirement of maintaining average annual employment of 3,250 permanent employees and 250 part-time or contract employees through December 31, 2022. As of that date, average annual employment of Marriott employees was 3,587 and 350 third-party contractors which satisfies the requirement for partial forgiveness. A synopsis of the company’s employment and a copy of the Economic Development Fund Agreement are included with this memo for reference.

Enclosed (2)

Marriott International - Employment Analysis through CY2022			
2017	F/T Employees	FTE Equivalent ¹	Total
Marriott Employees	3,885	97	3,982
Contract Employees:			
Soodexo	36	0	36
Accenture, LLP	190	0	190
Subtotal Subcontractors	226	0	226
Total CY2017	4,111	97	4,208
2018	F/T Employees	FTE Equivalent ¹	Total
Marriott Employees	4,148	84	4,232
Contract Employees:			
Soodexo*	26	0	26
Accenture, LLP	257	0	257
Publicis Sapient	21	0	21
PEOPLESOUT, Inc	19	6	25
IBM	28	0	28
Bright Horizons...	24	2	26
TEK Systems, Inc.	6	58	64
Mindtree	54	11	65
Subtotal Subcontractors	435	77	512
* missing page from report			
Total CY2018	4,583	161	4,744
2019	F/T Employees	FTE Equivalent ¹	Total
Marriott Employees	4,346	0	4,346
Contract Employees:			
Soodexo*	21	0	21
Accenture, LLP	109	0	109
Deloitte & Touche, LLP	2	53	55
PEOPLESOUT, Inc	25	0	25
IBM	29	0	29
Bright Horizons...	24	0	24
TEK Systems, Inc.	9	22	31
Mindtree	93	0	93
Cap Tech Ventures	51	0	51
Sapient Corporation	11	0	11
Subtotal Subcontractors	374	75	449
Total CY2019	4,720	75	4,795
* Sodexo - 21 of Sodexo's 42 reported workers have hourly salaries lower than 200% of Federal Minimum Wage as of October 1, 2016 - \$14.50, and therefore are not counted.			
2020	F/T Employees	FTE Equivalent ¹	Total
Marriott Employees*	2883	0	2883
Contract Employees:			
PeopleScout, Inc.	16		16
Cognizant Technology	1		1
Sodexo	1		1
Tata Consultancy	38		38
IBM	24		24
Deloitte & Touche, LLP	12		12
Accenture, LLP**	35		35
Subtotal Subcontractors	127	0	127
* Excludes 6 ineligible employees			
**Accenture Certified 63, however only 35 are assigned to Marriott HQ			
1 No FTE equivalents reported for FCY2020			
Total CY2020	3010		3010
2021	F/T Employees	FTE Equivalent ¹	Total
Marriott Employees*	3039	0	3039
Contract Employees:			
Accenture, LLP**	281		281
Aramark Services, Inc	4		4
Deloitte & Touche, LLP	22		22
IBM	39		39
Mindtree	63		63
PeopleScout, Inc.	19		19
Cognizant Tech Solutions	1		1
Sodexo	1		1
Subtotal Subcontractors	430		430
Total CY21	3469		3469
2022	F/T Employees	FTE Equivalent ¹	Total
Marriott Employees*	3039		3039
Contract Employees:			
Accenture	114		114
Aramark	40		40
AT&T	15		15
Bright Horizons	6		6
Deloitte	49		49
IBM	51		51
LTIMindtree	78		78
Subtotal Subcontractors	353		353
Total CY22	3392		3392
6 Year Average:	F/T Employees	FTE Equivalent ¹	Total
Marriott	3,557	30	3,587
3rd Party Contractors	324	25	350
			3,936
The Company exceeds the stipulated performance requirements of at least 3,250 full time Marriot Employees and 250 third-party contractors			

Execution Copy

ECONOMIC DEVELOPMENT FUND AGREEMENT

THIS ECONOMIC DEVELOPMENT FUND AGREEMENT is made this 4th day of May, 2017 between MONTGOMERY COUNTY, MARYLAND (the County) and Marriott International, Inc. (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 to 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, maintain or assign at least 3,250 full-time permanent employees and 250 part-time direct or contract employees in Montgomery County, Maryland.

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. By providing assistance pursuant to this ECONOMIC DEVELOPMENT FUND AGREEMENT, the County intends to materially improve the County's economy and advance County economic development objectives.

E. The 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. The Recipient will locate or maintain premises in Montgomery County, Maryland which will be used for its corporate headquarters (such premises, the "Corporate Headquarters").

2. The Recipient will maintain, in the County, a minimum employment base of 3,250 Eligible Employees (as defined in Exhibit A hereto), and 250 part-time direct or contract employees assigned to the Project Site, according to the terms and conditions of the attached Exhibits A and B.

3. Upon the appropriation of the grant funds by the County Council and County Council approval under § 20-75 of the Montgomery County Code (\$11 million of which was appropriated in December 2016), and according to the terms and conditions of Exhibit A, the County agrees to disburse from the Economic Development Fund to the Recipient a conditional grant (Grant) in the sum of Twenty-Two Million Dollars (\$22,000,000) to be used only for the purpose of relocation and expansion of its Corporate Headquarters to a new location in Montgomery County, Maryland and related expenses of the Recipient, and for no other purpose

The parties acknowledge that the Grant funds may be released to Recipient in advance of their use by Recipient for this purpose.

4. Subject to paragraph 3, the Montgomery County Department of Finance will disburse from the Economic Development Fund the amount of \$22,000,000 total, in four (4) annual disbursements of \$5,500,000, with the first annual payment commencing on or promptly after July 1, 2018 and each subsequent disbursement by July 30 of each successive year thereafter until fully disbursed, with such disbursements being contingent upon Recipient's satisfaction of the conditions specified in Exhibits A and B.

5. The Recipient agrees that the Grant funds disbursed pursuant to this Agreement and interest thereon, if any, are to be repaid in accordance with the conditions and schedule set out in Exhibit A and B attached hereto and incorporated herein. Repayments are to be made on the 15th of the month in which due. Repayments 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 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 Grant funds disbursed to Recipient from the Economic Development Fund with interest thereon accrued annually at the rate of three percent (3%). 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, or by wire transfer to an account as directed by the County.

6. Any transfer, assignment or other conveyance by Recipient of its business, or a majority of its assets or a majority of its corporate or partnership interests or controlling or managing interests, will require repayment of any amounts disbursed hereunder if required by the County, under the following sentence. In any such case, the purchaser, transferee, assignee or other successor-in-interest to Recipient may apply to the Department of Finance to assume the Recipient's responsibilities 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 a purchaser, transferee, assignee or other successor-in-interest of Recipient, however, the County, through Department of Finance, will act reasonably in deciding whether to approve any such assignment and assumption agreement, and will promptly review and act upon any such application if made.

7. This ECONOMIC DEVELOPMENT FUND AGREEMENT expires, in the absence of any default or breach of the terms hereof, when the Grant is fully repaid or forgiven in accordance with the provisions hereof, or on the 31st day of July, 2028, whichever is earlier. In the event of a default or breach of this Agreement, the Agreement will terminate when the Recipient reimburses the Grant funds.

8. The Recipient indemnifies and holds the County harmless from any claims, costs, liabilities, judgments or damages, including but not limited to reasonable attorneys' fees, arising out of or related to this Agreement.

9. This ECONOMIC DEVELOPMENT FUND AGREEMENT and Exhibits hereto represent the entire agreement between Recipient and the County. Without limiting the generality of the foregoing, the agreements of the County and the Recipient set forth herein shall supersede the portions of the letter of intent dated October 18, 2016, by and among the County, the Recipient and the Maryland Department of Commerce, which relate to the County..

10. Except as otherwise provided herein, all notices, approvals, consents, requests, and other communications hereunder shall be in writing and shall be deemed to have been given when the writing is delivered if given or delivered by hand, overnight delivery service or facsimile transmitter (with confirmed receipt) to the address or facsimile number set forth below and shall be deemed to have been given three business days after the date deposited in the mail, if mailed, by first class, registered or certified mail, postage prepaid, addressed as set forth below. Where required herein, notice shall be given by telephone, and promptly confirmed in writing, and shall be deemed given when given by telephone to the telephone numbers set forth below. The County and the Recipient may, by written notice given hereunder, designate any different addresses, phone numbers and facsimile numbers to which subsequent notices, certificates, approvals, consents, requests or other communications shall be sent.

To the County: Montgomery County, Maryland
 101 Monroe Street
 Rockville, Maryland 20850
 Attention: Chief Administrative Officer
 Telephone: 240-777-2550
 Facsimile: 240-777-2517

with a copy to:

Montgomery County Attorney
101 Monroe Street
Rockville, Maryland 20850
Telephone: 240-777-6700
Facsimile: 240-777-6706

To the Recipient: Marriott International, Inc.
 10400 Fernwood Road
 Bethesda, Maryland 20817
 Attention: Global Treasurer
 Telephone: (301) 380-7747
 Facsimile: (301) 380-5067

with a copy to:

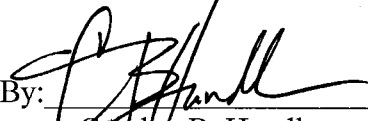
General Counsel
10400 Fernwood Road
Bethesda, Maryland 20817
Telephone: (301) 380-6979
Facsimile: (301) 380-6727

11. The Recitals and exhibits are incorporated herein.

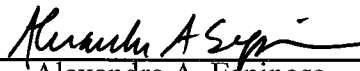
IN WITNESS WHEREOF, this ECONOMIC DEVELOPMENT FUND AGREEMENT is executed by the parties as of the above-written date.

Marriott International, Inc.
(Recipient's Name)

MONTGOMERY COUNTY, MARYLAND

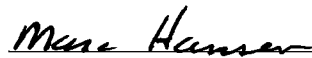
By:  Date: 5/4/17
Carolyn B. Handlon
Executive Vice President and Global Treasurer

By:  Date: 5/9/17
Isiah Leggett
County Executive
Montgomery County

Recommended by: 
Alexandre A. Espinosa
Director
Department of Finance

5/8/2017
Date

APPROVED AS TO FORM AND LEGALITY BY:


Date: 5/8/17

ECONOMIC DEVELOPMENT FUND AGREEMENT
BETWEEN MONTGOMERY COUNTY AND MARRIOTT INTERNATIONAL INC.

Exhibit A

Definitions:

“Assigned to the Project Site” means the employee or contractor either (i) has an exclusive or shared physical office, work station or desk assignment in the Project Site that the employee or contractor uses on a regular basis, or (ii) has a position of the type that would customarily require the employee or contractor to regularly work at the Project Site, but the employee or contractor telecommutes or works remotely all or part of the time provided, however, that in the case of (ii) above, the employee or contractor resides (or temporarily resides during most work weeks) proximate to the Project Site, defined to mean in Maryland, Virginia, the District of Columbia, West Virginia, Delaware or Pennsylvania; further provided, that notwithstanding the foregoing proviso, employees may be included whose positions would normally be Assigned to the Project Site (as described above), but the employee has moved out of the area (or lived out of the area prior to a merger with or acquisition by the Recipient) and works primarily from his or her home office, but travels regularly to the Project Site.”

“Eligible Employee” means an employee of the Recipient or of a contractor who is Assigned to the Project Site and whose position calls for at least 1,800 hours worked in a 12-month period, is paid an hourly wage of at least 150% of the prevailing federal minimum wage (but such hourly wage capped at 200% of the federal minimum wage as of October 1, 2016), and is eligible for an employer-subsidized health care benefits package. To qualify as an Eligible Employee, an employee of the Company or of a contractor whose position calls for at least 1,800 hours worked in a 12-month period but is not offered an employer-subsidized health care benefits package must be paid an hourly wage of at least 175% of the prevailing federal minimum wage (but such hourly wage will be capped at 225% of the federal minimum wage as of October 1, 2016). Positions that are not direct employees of the Recipient are considered to be Eligible Employees if they are contract employees (or employees of an outsourcing partner) working in whole or part for the Recipient’s benefit, at or assigned to the Project Site, and otherwise meet the definition of Eligible Employee. Employees and contractors who work remotely all or part of the time will be included as Eligible Employees if they are assigned to the Project Site as their primary assigned office location or report to a supervisor at or assigned to the Project Site. A new full-time permanent position at the Project Site must be a net new position to the County and may not include the movement of existing employees from other locations in the State of Maryland. Employees of a company acquired by the Recipient (by purchase, merger or otherwise) after September 1, 2016, if located in or relocated to the County or otherwise assigned to the Project Site, will be Eligible Employees. If the Recipient merges with or acquires a non-Maryland based operation and those jobs are relocated or assigned to the County, or relocates or assigns a non-Maryland unit of the Recipient into the County, the persons holding those jobs will be Eligible Employees if they are Assigned to the Project Site. If the Recipient divests, sells, spins off, or similarly disposes of a business unit, the employees in that business unit will continue to be Eligible Employees if all of the following conditions are met:

- (a) The employees’ place of employment must remain the Project Site during the applicable measured performance periods (except for divestitures, sales, spinoffs or similar dispositions of a business unit by the Recipient, in which case the employees’ place of employment must be in Montgomery County during the applicable measured performance periods);
- (b) The Recipient will be responsible for providing the employment reports in a form consistent with the reports required hereunder;

- (c) The Recipient will obtain from the divested business unit a consent form allowing for verification of employment data by the applicable State of Maryland agency; and
- (d) The employee must qualify as an “Eligible Employee” under the above criteria.

“Measurement Date” means December 31 in each year, beginning December 31, 2017.

“Project Site” means the site of the corporate headquarters of the Recipient, which may include a Marriott-branded hotel, as well as any other office facility located in Montgomery County used by the Recipient or its contractors, for Recipient headquarters-related functions in Montgomery County, Maryland.

1. Grant Terms and Interest rate:

- Recipient: Marriott International, Inc. (“Recipient”).
- Amount: \$22,000,000 total, in four (4) annual disbursements of \$5,500,000, with the first annual payment commencing on or promptly after July 1, 2018 and second annual payment within 10 days of July 20, 2019, and third annual payment within 10 days of July 20, 2020, and the fourth and final annual payment within 10 days of July 20, 2021.
- Term: The term of the Grant is from the date hereof to (i) the date on which the Grant is fully repaid or forgiven in accordance with the provisions hereof, or (ii) on the 31st day of July, 2028, whichever is earlier.

2. Grant Disbursement Conditions: The Grant will be disbursed to the Recipient when the Recipient submits the following documentation to the County Department of Finance (DOF):

- The Recipient must provide evidence acceptable to the County that the Recipient entered into a binding lease for a Corporate Headquarters in Montgomery County, Maryland, with a term of not less than ten years.
- The Recipient must submit documentation reasonably satisfactory to the County showing an average of at least 3,250 Eligible Employees and 250 part-time direct or contract employees (the County will accept up to a 125-position variance) to be located at or assigned to Recipient’s offices in Montgomery County, including its Corporate Headquarters, which documentation may consist of:
 - (i) with respect to employees of Recipient, Recipient’s payroll report; and
 - (ii) with respect to contract employees, a certification and payroll report of the applicable contractor,

and in each case the preparer of the report may redact personally identifiable information.

- Notwithstanding the foregoing, the portion of the Grant to be disbursed in calendar year 2018 will not be conditioned upon the Recipient satisfying the conditions of this clause since the first measurement period for employment is the average of calendar year 2017 and calendar year 2018 as set forth in Exhibit B. The portions of the Grant to be disbursed in subsequent calendar years will be conditioned upon the Recipient satisfying the conditions of this clause as of the Measurement Date in the immediately preceding year, based on a simple average of employment of Eligible Employees as of such Measurement Date and employment of Eligible Employees as of every prior Measurement Date.
- In order to enable the State's first annual loan disbursement, the initial Grant payment must be requested by the Recipient and funded by the County before the Recipient makes a loan disbursement request to the State.

ECONOMIC DEVELOPMENT FUND AGREEMENT
BETWEEN MONTGOMERY COUNTY AND MARRIOTT INTERNATIONAL, INC.

Exhibit B

1. Conditional Conversion: According to the following performance criteria, the County will permanently forgive all or part of the \$22,000,000 grant, or all or part of the grant will convert to a loan bearing an annual interest rate of 3%.
2. Performance Requirements:
 - A. The Recipient must employ an average minimum of 3,250 Eligible Employees and 250-part time direct or contract employees (the County will accept up to a 125-position variance) at or assigned to the Recipient's offices in Montgomery County, Maryland at each Measurement Date during the term of the Grant. The number of required employees will be subject to reduction in the event of a *force majeure* event that materially and adversely affects the lodging industry. Employment will be measured annually as of each Measurement Date, using a simple average of that Measurement Date and all prior Measurement Dates, with employment reports due to the County by March 31st of the following year, with the first Measurement Date being December 31, 2017, but the first annual employment measurement number being the average of the two calendar years 2017 and 2018.
 - B. By September 30, 2023, the Recipient must submit documentation evidencing that Eligible Project Costs of at least \$500,000,000.00 have been directly spent by Recipient or on its behalf (as described in the next sentence) by June 30, 2023 (subject to delays caused by *force majeure* events), of which at least \$44,000,000.00 must have been spent directly by Recipient. "Eligible Project Costs" include the fair market value of land, costs of building construction and related infrastructure improvements, the acquisition and installation of equipment, furnishings, fixtures and leasehold improvements and all other hard and soft costs of the Corporate Headquarters project (including the hotel), whether spent by the Recipient, the project owner, or third parties on Recipient's or owner's behalf.
 - C. The Recipient must maintain the principal functions of its Corporate Headquarters in Montgomery County, Maryland at all times during the term of the Grant.
3. Early Forgiveness
 - If the Recipient has maintained the average annual minimum 3,250 Eligible Employees and 250 part-time direct or contractor employees as of each Measurement Date through December 31, 2022, then no later than March 31, 2023 the County will forgive the \$5,500,000 annual grant disbursed in 2018. If the Recipient has maintained the average annual minimum 3,250 Eligible Employees and 250 part-time direct or contractor employees as of each

Measurement Date through December 31, 2023, then no later than March 31, 2024 the County will forgive the \$5,500,000 annual grant disbursed in 2019. If the Recipient has maintained the average annual minimum 3,250 Eligible Employees and 250 part-time direct or contractor employees as of each Measurement Date through December 31, 2024, then no later than March 31, 2025 the County will forgive the \$5,500,000 annual grant disbursed in 2020. If the Recipient has maintained the average annual minimum 3,250 Eligible Employees and 250 part-time direct or contractor employees as of each Measurement Date through December 31, 2025, then no later than March 31, 2026 the County will forgive the \$5,500,000 annual grant disbursed in 2021. If the Recipient was not required to make any repayments during the grant term, then the County will forgive 100% of the remaining grant at the end of the grant term so long as the Recipient satisfies all grant conditions. At the request of the Recipient, the County will provide prompt written confirmation of the forgiveness of any portion of the Grant.

ECONOMIC DEVELOPMENT FUND AGREEMENT
BETWEEN MONTGOMERY COUNTY AND MARRIOTT INTERNATIONAL, INC.

Exhibit B—Continued

4. Repayments

- If the Recipient does not meet any of the Performance Requirements in Exhibit B 2. (A), (B), or (C), during the grant term (subject to early forgiveness as set forth in Exhibit B(3) above), a portion or all, as applicable, of the Grant funds disbursed will convert to a loan. Each annual advance of the Grant will bear interest at 3% per annum accruing interest from the date of the payment of such advance to the Recipient. All payments of principal and interest on such loan shall be due and payable on July 31, 2028, unless previously paid or forgiven.
- If the Recipient does not meet Performance Requirement Exhibit B 2. (A) during the term (subject to early forgiveness as set forth in Exhibit B(3) above), the Grant will convert to a loan at 3% interest and the Recipient must repay a pro-rata portion of the Grant (\$6,770) plus the associated portion of accrued interest due for every Eligible Employee less than 3,250 but greater than 2,475 (without requiring duplicative payments in multiple years for the same job shortfall). The Recipient will be allowed a variance of 125 employees before pro-rata repayment commences. Thereafter, pro-rata repayments may be made for up to 650 employees equal to \$4,400,500. If the Recipient employs less than 2,475 Eligible Employees, the Recipient must repay the remaining balance of the Grant plus all outstanding interest in full. Each annual advance of the Grant will bear interest at 3% per annum accruing interest from the date of the payment of such advance to the Recipient. Any such sum, less any amounts previously repaid, will be due plus all outstanding interest in full no later than the 15th of the 4th month following the measurement date.
- If the Recipient does not meet Performance Requirement Exhibit B 2. (B) or (C), the Grant converts to a loan at 3% interest and Recipient must repay the remaining outstanding balance of the Grant, plus all outstanding interest in full no later than the 15th of the 4th month following the measurement date. Each annual advance of the Grant will bear interest at 3% per annum accruing interest from the date of the payment of such advance to the Recipient.
- The total sum, excluding the accrued interest, that the Recipient will repay to the County for not meeting one or more of the Performance Requirements will not exceed the total Grant disbursed by the County. The principal amount of the Grant shall be deemed to be reduced on a dollar-for-dollar basis to the extent of any repayment or forgiveness thereof.