

Office of the County Auditor
Auditor's Analysis

Council Resolution No. 34-2021

Introduced: February 3, 2021

Auditor: Owen Clark

Fiscal Impact:

The fiscal impact of this legislation is a potential increase in County revenues as a result of a capital investment by KBR Wyle Services, LLC (KBR), in their Howard County facilities. The projected revenue cannot be estimated at this time but may include the following:

- Increased County property taxes resulting from the KBR's capital improvements.
- Increased income tax revenue generated by additional full-time KBR employees.
 - This may be partially offset by the recipient company's anticipated Maryland State Job Creation Tax Credit against their income tax of \$144,000.

The Howard County Economic Development Authority (EDA) will fulfill the State's required 10 percent County match obligation with a \$50,000 loan from their Catalyst Loan Program Fund. This loan will be repaid to the EDA over a three-year term at 2 percent interest.

Purpose:

Council Resolution 34-2021 requests the endorsement of a \$500,000 Maryland Economic Development Assistance Authority and Fund (MEDAAF) conditional loan to KBR to support KBR's expansion project at two facilities in the County.

This endorsement is required by State law. The terms of the financed project are detailed in a proposal that has been signed by EDA, State Department of Commerce, and KBR dated October 21, 2020, and can be made available to the Council upon request. Key terms of this agreement are noted under Other Comments.

Other Comments:

KBR is a public company that provides its public and private clients professional services and technologies in several fields that include aerospace, defense, industrial innovations, intelligence, data science, and federal/civilian infrastructure.

Per the EDA, the \$50,000 loan associated with the 10 percent County match will be subject to approval by the EDA's Board of Directors Incentive Committee.

The project proposal with KBR indicates that KBR's eligibility for the Maryland State Job Creation Tax Credit of up to \$144,000 is derived from the creation of 48 new full-time positions in the County.

Per the signed project proposal, key requirements for KBR to access this financing include:

- Expanding operations at two leased facilities in Howard County.
- Spending at least \$2.6 million in project costs by December 31, 2022.
- Increasing the amount of permanent full-time staff at the project site:
 - From 180 to 320 employees by December 31, 2021.
 - To 368 employees by December 31, 2025.
- Retaining 1,717 permanent full-time staff located in the State, including the project site, and increasing that amount to 1,765 by December 31, 2025.