

DIVISION OF FINANCE PROGRAMS  
MARYLAND ECONOMIC DEVELOPMENT ASSISTANCE  
AUTHORITY AND FUND

(MEDAAF)

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MARYLAND ECONOMIC DEVELOPMENT ASSISTANCE AUTHORITY AND FUND  
(MEDAAF)

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## MARYLAND ECONOMIC DEVELOPMENT ASSISTANCE AUTHORITY FUND (MEDAAF)

### History and Program Description

The Maryland Economic Development Assistance Fund was originally approved by the General Assembly under House Bill 188 during the 1999 legislative session. The program was designed to be a non-lapsing revolving loan fund to provide below market long-term, fixed rate financing to specific growth industry sector businesses, locating or expanding in a priority funding area.

In an effort to eliminate duplicative, unproductive and deficient programs, as well as to make processes more efficient and timely, legislation was developed to consolidate ten programs, resulting in the Department of Business and Economic Development's – Financing Programs Consolidation Act of 2000. The consolidation expanded MEDAAF's capabilities to include those that had existed in other programs. Effective July 1, 2004, the Smart Growth Economic Development Infrastructure Fund (One Maryland) was consolidated into the MEDAAF program. This program possesses the Department's ability to provide assistance to both businesses and local governments. The program assistance can include: Loans, Conditional Loans, Conditional Grants, Grants, and Investments

Program capabilities are focused on an appropriate customer base. There are five capabilities offered through this incentive program, with assistance being provided to the business community and political jurisdictions.

- *Capability 1 - Significant Strategic Economic Development Opportunities* – A project that provides eligible industries with a significant economic development opportunity which impacts on a statewide or regional level.
- *Capability 2 - Local Economic Development Opportunity* – A business that provides a valuable economic development opportunity to the jurisdiction in which the business is located and is a priority for the governing body of that jurisdiction.
- *Capability 3 - Direct Assistance to local jurisdictions or MEDCO* – The Department may provide financial assistance to a local jurisdiction or to MEDCO for local economic development needs including feasibility studies, economic development strategic plans, and infrastructure. The Smart Growth Economic Development Infrastructure Fund (One Maryland) was consolidated to this capability.
- *Capability 4 - Regional or local revolving loan fund* – Grants to local jurisdictions to help capitalize local revolving loan funds.
- *Capability 5 - Special purpose grants and loans* – This capability targets specific funding initiatives that are deemed critical to the State's economic health and development. (Day Care, Animal Waste Technology, Brownfields, Aquaculture, and the Arts & Entertainment Districts)

### **Program Performance Since Inception**

Since the inception of the consolidated MEDAAF program, the Department has closed a total of one hundred seventy-four (174) transactions with an aggregate original balance of \$60,373,339. Of these transactions, twenty-six (26) with original balances of \$26,536,553 were structured as loans, one hundred forty-four (144) were structured as grants or conditional loans totaling \$28,902,269, and four (4) were investments totaling \$4,934,517. This assistance provided to companies by MEDAAF relates to projects with retention of 10,529 jobs, creation of 8,862 jobs, and private capital investment of \$590,270,249.

As of June 30, 2004, the MEDAAF portfolio, including transactions approved under predecessor programs consisted of two hundred and six (206) transactions with total principal outstanding of \$134,502,921.

The consolidated programs have had gross charge-offs of \$12,333,799 over the life of the various programs. In fiscal year 2004, charge-offs were \$703,806 equivalent to less than half of 1% of the existing portfolio. The bulk of the total gross charge-off figure (\$7,966,569) was taken in fiscal year 2003 for the Hyatt Regency Chesapeake Resort.

### **Program Performance for Fiscal Year 2004**

The following breakdown by Capability summarizes MEDAAF activity in FY'04:

	<b><u>Approved</u></b>		<b><u>Closed</u></b>	
<b>MEDAAF 1</b> <i>Significant Strategic Economic Development Opportunities</i>	2	\$ 2,000,000	0	-
<b>MEDAAF 2</b> <i>Local Economic Development Opportunity</i>	20	\$6,060,000	4	\$1,075,000
<b>MEDAAF 3</b> <i>Direct Assistance to Local Jurisdictions or MEDCO</i>	26	\$8,662,486	21	\$2,114,203
<b>MEDAAF 4</b> <i>Regional or Local Revolving Loan Fund</i>	1	\$250,000	1	\$250,000
<b>MEDAAF 5</b> <i>Special Purposes Grant and Loans</i>	7	\$1,825,853	7	\$1,546,253
<b>TOTAL</b>	<b>56</b>	<b>\$18,798,339</b>	<b>33</b>	<b>\$4,985,456</b>

Of the closed transactions, three (3) deals with original balances of \$390,853 were structured as loans and thirty (30) deals totaling \$4,594,603 were structured as conditional loans or grants.

**Projected Program Performance for Fiscal Year 2005**

The growth trend of program activity is expected to continue in fiscal year 2005 with program activity expected to outpace the previous fiscal year. This will be the first year that the Smart Growth Economic Development Infrastructure Fund (One Maryland) will be consolidated into the MEDAAF program. The Department expects to fully utilize all of the remaining available funds of both the MEDAAF and One Maryland programs in fiscal year 2005. Total encumbrances including prior fiscal years is \$40,433,217 for sixty (61) projects. Further, the Department has accepted proposal letters for fourteen (14) projects representing \$9,290,000. Six (6) additional projects for \$5,050,000 were issued proposal letters and are pending acceptance. The Department is in discussions with twenty-three (23) prospects for an additional \$18,902,500. The following summarizes the pending activity:

	<u>Encumbrances</u>		<u>Accepted Proposals</u>		<u>Issued Proposals</u>		<u>Discussions</u>		<u>Total</u>	
<b>MEDAAF 1</b>	2	\$2,000,000	-	-	-	-	-	-	2	\$2,000,000
<b>MEDAAF 2</b>	25	\$7,293,234	9	\$5,015,000	5	\$3,050,000	5	\$1,410,000	44	\$16,768,234
<b>MEDAAF 3</b>	23	\$16,537,076	2	\$4,025,000	-	-	5	\$4,417,500	30	\$24,979,576
<b>MEDAAF 3/ One MD</b>	6	\$12,250,000	-	-	1	\$2,000,000	7	\$12,935,000	14	\$27,185,000
<b>MEDAAF 4</b>	-	-	-	-	-	-	-	-	-	-
<b>MEDAAF 5</b>	5	\$2,352,907	2	\$250,000	-	-	2	\$140,000	9	\$2,742,907
<b>TOTAL</b>	<b>61</b>	<b>\$40,433,217</b>	<b>14</b>	<b>\$9,290,000</b>	<b>6</b>	<b>\$5,050,000</b>	<b>23</b>	<b>\$18,902,500</b>	<b>104</b>	<b>\$73,675,717</b>

At the time of program consolidation in 2000, the MEDAAF Capability 1 and 2 were intended to be used primarily as low interest loan programs. However, since then appropriations for MEDAAF have been significantly below the level anticipated necessitating the use of grants in smaller amounts (average \$389,000 for the projected FY'05 activity). This has the effect of reducing repayments into the fund and therefore increasing the future appropriations requirement for the program.

**Projected Program Performance for Fiscal Year 2006**

The Department expects to manage the activity level for fiscal year 2006 by funding 40 - 50 transactions, using approximately \$30 - \$32 million. This activity is anticipated to be approximately \$8 - \$12 million of combined activity in the MEDAAF 1 and 2 capabilities with the remaining \$18 - \$24 million of activity in the MEDAAF 3, 4, and 5 Capabilities.

MEDAAF 1 and 2 represent the incentives traditionally provided directly to private sector entities to support defined employment retention and growth. This activity is based on MEDAAF providing some of the support historically provided by Sunny Day, and private entities adapting to recent economic changes and moving forward with pending or newly developed projects.

Fiscal year 2006 activity for MEDAAF 3 is anticipated to be approximately \$15 - \$20 million. The increased level of activity reflects the continuing emphasis on assisting local jurisdictions with infrastructure and to support projects such as business parks and spec commercial space, in addition to the One Maryland projects. These funding activities assist the jurisdiction in meeting strategic economic development needs by providing an investment to make appropriate space available to attract targeted commercial enterprises. Of increasing importance within this Capability is the ability to assist jurisdictions with feasibility studies and strategic plans.

The Revolving Loan Fund (RLF) Grants under MEDAAF 4 are budgeted for \$2 million annually. Emphasis will continue to be placed on granting \$2 million as the local RLF's fulfill an important role in the Department's initiatives to support and develop small businesses.

MEDAAF 5 activity of \$2.5 - \$3.5 million will take place primarily in the areas of Brownfields, Arts & Entertainment Projects, and Day Care. The Seafood & Aquaculture Program continues to be relatively inactive as the Department of Agriculture evaluates viable ways to support the industry. The Animal Waste Technology Fund has committed all funds originally allocated for this purpose and no new activity is anticipated. As an important focus of the Administration, Brownfields activity is expected to grow significantly and is anticipated to total approximately \$2 - \$3 million in fiscal year 2006. Positive Legislative changes in 2000 impacted the program resulting in significant increases of activity in fiscal year 2001 through fiscal year 2004. The Brownfields Reform Act of 2004 will have an even greater impact and should accelerate the trend in fiscal years 2005 and 2006. The Arts & Entertainment District Program is expected to have modest activity of \$500,000 in fiscal year 2006. Designation of nine (9) Arts & Entertainment Districts occurred in fiscal years 2002 through 2004. Emphasis will be placed on assisting Districts with infrastructure projects in fiscal year 2006. Day Care, with the emphasis being placed on it by the Department's Small Business initiative, is anticipated to increase in activity and use the remainder of the fiscal year 2006 budget allocation.

**MARYLAND ECONOMIC DEVELOPMENT ASSISTANCE AUTHORITY FUND –  
CAPABILITY 3 – DIRECT ASSISTANCE TO LOCAL JURISDICTIONS**

The Department provides assistance to local jurisdictions for local economic development needs such as; feasibility studies and economic development plans. Funding is provided through the Maryland Economic Development Assistance Authority Fund (MEDAAF). The Program allows the funding of up to 70 percent (100% if to MEDCO) of the cost of feasibility studies. Up to 50 percent of the cost of preparing a county’s strategic plan for economic development, not to exceed a total of \$50,000 in a 3-year period may be provided.

During fiscal year 2004, the Department approved \$507,486 in Grant funds for eleven (11) feasibility studies and nine (9) economic development plans. Of these approved transactions the feasibility studies totaled \$309,249 in grant funds, representing eight (8) local jurisdictions and the economic development plan totaled \$198,237 in grant funds, representing eight (8) jurisdictions. Under the terms of the grant agreement the grantee must provide the Department with an impact statement explaining the results of the study or plan and how the results impact the jurisdiction.

The following is a chart of the activity for fiscal year 2004:

**Feasibility Studies Approved in Fiscal Year 2004**

<b>Jurisdiction</b>	<b>Study</b>	<b>Grant Amount</b>	<b>Total Cost of Study</b>
Allegany County	N. Branch Industrial Complex	\$3,500	\$5,000
Anne Arundel County	Marine Trades Association	\$20,000	\$40,000
Baltimore City	Canton Crossing	\$40,000	\$55,000
Baltimore City	Charles Street Development- Street Car	\$50,000	\$150,000
Baltimore City	MEDCO/Cruise Ship Terminal	\$100,000	\$100,000
Cecil County	Bainbridge Development-Water	\$13,055	\$18,700
Cecil County	Town of Perryville	\$7,000	\$10,000
Charles County	White Plains Wet Lab	\$9,500	\$13,570
Harford County	City of Aberdeen/Frito Lay	\$7,694	\$10,990
Kent County	Chesapeake Fields Institute	\$37,500	\$75,000
Queen Anne’s County	Land Use Study	\$21,000	\$30,000

**Strategic Plans Approved in Fiscal Year 2004**

<b>Jurisdiction</b>	<b>Plan</b>	<b>Grant Amount</b>	<b>Total Cost of Plan</b>
Allegany County	City of Cumberland	\$20,000	\$40,000
Charles County	Charles County	\$27,783	\$55,600
Frederick County	Frederick County	\$24,500	\$49,000
Garrett County	Deep Creek Lake	\$29,954	\$59,909
Montgomery County	Greater Rockville Partnership	\$20,000	\$40,000
Talbot County	Chesapeake Bay Regional Tech	\$35,000	\$100,000
Wicomico County	Wicomico County	\$16,000	\$32,000
Worcester County	Tyson	\$20,000	\$40,000
Worcester County	Wallops	\$5,000	\$25,000

## BROWNFIELDS REVITALIZATION INCENTIVE PROGRAM (BRIP)

The Brownfields Revitalization Incentive Program (BRIP) was approved by the Legislature in 1997 in conjunction with MDE's Voluntary Cleanup Program (VCP) as part of the State's Smart Growth initiatives. The purpose of this program is to provide financial incentives for the redevelopment of properties previously used for commercial or industrial purposes within designated growth areas of participating jurisdictions. In order to participate, local jurisdictions must either approve property tax credits pursuant to State statute or maintain a list of priority brownfields sites to assist with planning efforts.

The program can provide the following incentives to assist with the redevelopment of brownfields:

- Potential purchasers or current site owners that intend to either apply to MDE's VCP or participate in the Oil Control Program may apply to BRIP for assistance with the cost of Phase I and Phase II assessments.
- Participants in the VCP or Oil Control Program that are an inculpable party or innocent purchaser can apply to BRIP for the site to be qualified to receive property tax credits and/or financial assistance for revitalization.
- Property tax credits, low interest loans, and partial grants under BRIP are based on the current condition of the site, as well as, the intended project's economic impact, timing and scope, creation and retention of employment, and private capital investment.

The 2000 legislative session provided several key changes to the program that have allowed it to gain momentum and become an effective force in reclaiming abandoned and underutilized properties. The changes broadened the Department's ability to provide funding for assessments to a wider universe of eligible participants including those who have yet to enter into either of the MDE programs. The consolidation of the Department's financing programs during that same session has allowed for greater flexibility and overall financial resources. The Brownfields Reform Act of 2004 to become effective October 1, 2004, will have a significant impact on the program as the Act simplifies both access and process of the VCP and BRIP and broadens the scope of eligible sites.

The attached chart summarizes BRIP activity:

### BRIP Approval Activity (Since inception) (\$ In thousands)

Project	Juris	S.F. '000	Acre s	Project Cost *	Employ. Capacit y	Property Tax Qualification	Assessment Assistance Date Amount	Remediation Assistance Date Amount
AHOLD/CSX	ALL		33.0			1998		
Allison Transmission	BCO	400	65.0	\$216,000	420	3/10/00		
American Port Services	BCI	95	18.0	\$12,170	400	6/11/01		7/16/01 \$200
APS East Coast	BCI		25	\$90			4/18/03 \$60	
Baltimore Museum of Industry	BCI		1.6	\$285				10/24/03 \$200
Bond Street Wharf	BCI	216	1.5	\$35,000	800	4/14/03		

Project	Juris	S.F. '000	Acre s	Project Cost *	Employ. Capacit y	Property Tax Qualification	Assessment Assistance Date Amount		Remediation Assistance Date Amount	
Cambridge Point	DOR	113	2.8			3/15/02				
Canton Crossing, LLC	BCI		51.0	\$4,000					8/12/03	\$1,000
Clipper Mills	BCI		18	\$40,000		10/21/03	11/6/02	\$45		
Crown Business Center	BCI	342	13.6	\$8,408	125	4/18/01				
Esskay Plant	BCI	240	13.1	\$15,000	120	8/6/02			10/27/99	\$300
Fleet & Eden Garage	BCI	82	1.9	\$15,000			6/15/01	\$119		
Fleet Properties	BCI		21.0	\$100	200		6/24/02	\$70		
Gunther Bottle, LLC	BCI	50	1.0	\$8,000	100	8/6/02			7/31/01	\$21
Gunther Headquarters, LLC	BCI	40	2.0	\$9,000	180	8/6/02			7/31/01	\$22
Highlandtown Bakery Facilities	BCI		0.3	\$31			8/12/02	\$22		
IKEA	CEC	1,700	140	\$100,000	300	4/13/03	10/1/01	\$20		
Kenfield, LLC	HOW	1,300	30.0	\$62			9/18/01	\$40		
Kirk Stieff Silver	BCI	110	2.5	\$12,708	340	2/2/01				
Montgomery Park	BCI	1,300	27.0	\$103,307	4,000	4/18/01			11/13/01	\$2,000
National Aquarium	BCI	250	5.8	\$109			6/17/02	\$76		
				\$28,000			5/24/04	\$20		
NB 3601, LLC	BCI	200	1.26	\$20,000	240	8/6/02	7/31/01	\$56	7/31/01	\$40
									11/7/03	\$110
Port Covington	BCI	421	68.0	\$50,000	500	2/2/01				
PPG Site	ALL		66.0	\$56			6/15/01	\$39		
Radio Park	BCO	962	22.1	\$32,379		5/23/02			5/21/02	\$200
RMR Property (Schwab, LLC)	CEC	96	3.9	\$34			6/15/01	\$24		
				\$62			2/22/02	\$43		
				\$27			8/2/02	\$19		
Silver Spring Square	MON		3.0	\$32,116		8/26/03				
Thames Street Garage	BCI	265	1.4	\$15,000		4/13/03				

Project	Juris	S.F. '000	Acres	Project Cost *	Employ. Capacity	Property Tax Qualification	Assessment Assistance Date Amount		Remediation Assistance Date Amount	
Tide Point	BCI	400	15.0	\$67,000	2000	4/18/01				
Vicon /Windsor Pointe	CEC		59.0	\$100			6/19/02	\$70		
				\$50			12/20/02	\$35		
Western Run Business Center	BCO	90	28.0	\$9,867	235	4/18/01				
<b>31 Projects</b>		<b>8,672</b>	<b>597.6 6</b>	<b>\$833,961</b>	<b>9,960</b>			<b>\$758</b>		<b>\$4,093</b>

\*If the site has only received assessment assistance, then Project Cost represents the cost of the Environmental Assessment. In all other cases, Project Cost represents the total cost of redevelopment.

**Participants:**

County – Allegany, Baltimore, Baltimore City, Cecil, Dorchester, Frederick, Howard, Montgomery, Queen Anne’s and Somerset. Municipalities – Colmar Manor, Cumberland, Frederick, Salisbury, and Taneytown