

OFFICE OF FINANCE PROGRAMS
THE ECONOMIC DEVELOPMENT
OPPORTUNITIES PROGRAM
(SUNNY DAY)

ANNUAL FINANCIAL STATUS REPORT
FISCAL YEAR 2020

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Maryland Department of Commerce

As of June 30, 2020

THE ECONOMIC DEVELOPMENT OPPORTUNITIES PROGRAM
(SUNNY DAY)

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ECONOMIC DEVELOPMENT OPPORTUNITIES PROGRAM FUND (SUNNY DAY)

History and Program Description

The Economic Development Opportunities Program Fund (Sunny Day or Program) was created by statute in 1988 to enable Maryland to act on extraordinary economic development proposals that required financial assistance beyond the capabilities of other state and local financing programs. The Sunny Day Fund is a non-lapsing revolving fund administered by the Department of Commerce (Department). Under the program, funds are loaned, granted or invested to assist in the retention and expansion of existing business, or the establishment and attraction of new business in Maryland.

Under the Program, the Department is required to submit an analysis of each Sunny Day proposal as part of the approval request process to the Legislative Policy Committee of the Maryland General Assembly. The analysis must include, among other things, a description of the projected economic impact and the number and type of jobs to be created and/or retained as a result of the project. The Department focuses significant attention on the analysis of a request and the projected economic impact before approval. The Department must also conduct substantial monitoring actions after an incentive has been approved and funded. Agreements carry strict performance requirements, including; capital investments within specified time frames; job creation over a fixed period of time; maintenance of certain jobs levels for a specified time period, usually 3-5 years; and reporting of financial information, employment information and capital investment information on a periodic basis.

The Program Statute requires that each Sunny Day project be deemed an extraordinary economic development opportunity, as defined by the following criteria:

- The recipient must maintain a strong financial condition and a minimal risk profile
- The recipient is capable of accessing alternative sources of financing through financial institutions or capital markets
- Minimum of 5:1 capital investment by the recipient for each \$1 of Sunny Day funds
- The recipient's project is consistent with the strategic plan of the State for economic development
- The recipient creates or retains substantial employment, particularly in areas of high unemployment

Additionally, the Department encourages the local jurisdiction to participate by providing any one or a combination of the following: a loan, a conditional loan, a grant, an in-kind contribution, job training funds, tax credits, tax increment financing or below market contributions. For more information on how Sunny Day projects are prioritized and structured, please refer to the Sunny Day Guidelines Report in accordance with the State Finance & Procurement Article Section 7-314(j).

Actual Program Performance from Inception through June 30, 2020

As of June 30, 2020, the Department had settled a total of one hundred-twenty-four (124) Sunny Day transactions with a total aggregate original balance of \$210,114,571. Of that total, seventy-eight (78) transactions totaling \$142,620,944 were structured as loans or conditional loans, forty-two (42) transactions totaling \$52,493,627 were structured as grants or conditional grants, and four (4) transactions totaling \$15,000,000 were structured as investments. The above assistance has contributed to the retention of 49,522 jobs, the creation of 24,474 new jobs, and capital investment of \$3.06 billion.

Based on the full or partial achievement of performance requirements related to the assistance provided under the program, forty-nine (49) conditional grants or loans with an aggregate original amount of \$75,626,858 had achieved either full or partial forgiveness, totaling \$70,103,212 principal and accrued interest. In contrast, as a result of not fully achieving all performance criteria, twenty-seven (27) conditional grants and loans with an

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aggregate original amount of \$32,621,858 have been subject to clawbacks of \$20,830,457 principal and accrued interest.

As of June 30, 2020, the total number of accounts being managed by the Department consisted of ten (10) accounts with a total original approved balance of \$51,073,260 and an outstanding balance of \$44,209,128. The portfolio breaks down into three (3) loans and conditional loans with a total original approved balance of \$30,000,000 and an outstanding balance of \$30,000,000; three (3) grants and conditional grants having a total original approved balance of \$6,073,260 and an outstanding balance of \$6,073,260; (1) one expensed investment with an original approved balanced of \$5,000,000 and an outstanding balanced of \$5,000,000; and three (3) investments with a total original approved balance of \$10,000,000 and a total outstanding balance of \$3,135,868. The total outstanding active portfolio continues to be subject to review for compliance with performance requirements.

Program Performance for Fiscal Year 2020

In fiscal year 2020, there were no approved or settled transactions.

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Sunny Day Approval – 3 Year Activity

<i>SUNNY DAY FUND PROJECTS APPROVED FY'18</i>						
Company	Incentive (In Dollars)	County	Amount Disbursed (In Dollars)	FY Disbursed	Goal	Measure of Economic Development Attain By Status
The Sunny Day Program did not have any new approvals in fiscal year 2017						

<i>SUNNY DAY FUND PROJECTS APPROVED FY'17</i>						
Company	Incentive (In Dollars)	County	Amount Disbursed (In Dollars)	FY Disbursed	Goal	Measure of Economic Development Attain By Status
Northrop Grumman	\$20,000,000	Anne Arundel	\$5,000,000	3/24/17	Retention of 10,000 eligible employees in Maryland based on a 2 year rolling average to allow for industry fluctuations. Clawback of \$2,000 plus interest per employee short of the 10,000-retention goal down to a floor of 9,000. Thereafter due in full. Retention period is 10 years from the first advance. The interest rate is 3% per annum accrued over the life of the loan to be abated along with the principal at the end of the 10 years subject to performance.	
Marriott	\$5,000,000	Montgomery	N/A	N/A	Retention of at least 3,250 eligible full-time permanent employees and contractors and 250 part-time employee or contract positions for a total of 3,500 positions at or assigned to the project site and the principal functions of its corporate headquarters in Maryland for a minimum of 10 years.	

<i>SUNNY DAY FUND PROJECTS APPROVED FY'16</i>						
Company	Incentive (In Dollars)	County	Amount Disbursed (In Dollars)	FY Disbursed	Goal	Measure of Economic Development Attain By Status
The Sunny Day Program did not have any new approvals in fiscal year 2016						

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Sunny Day Forgiven and Clawback - 3 Year Activity

<u>SUNNY DAY FORGIVEN/CLAWBACK ACTIVITY FY'18</u>								
KEY CODE: CG – Conditional Grant CL – Conditional Loan L – Loan INV – Investment FTE – Permanent Full-time Employee (s)								
Company	Jurisdiction	Financing	Original Amount	Amount Forgiven	Date of Forgiveness	Clawback Amount	Clawback Date	Comments
Morgan Stanley	BCITY	CG	\$500,000	\$500,000	11/30/17	N/A	N/A	The Company met the requirement to employ at least 1,000 FTE by 11/30/2014 and retain that level through 11/30/2017.

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SUNNY DAY FORGIVEN/CLAWBACK ACTIVITY FY'17

KEY CODE: CG – Conditional Grant
 CL – Conditional Loan
 L – Loan
 INV – Investment
 FTE – Permanent Full-time Employee (s)

Company	Jurisdiction	Financing	Original Amount	Amount Forgiven	Date of Forgiveness	Clawback Amount	Clawback Date	Comments
Closet Maid	GAR	CG	\$1,000,000	\$708,000	12/31/16	N/A	N/A	The Company was required to employ at least 247 Permanent Full-time Employees (FTE) at 12/31/2013 and retain a level of 247 FTE through 12/31/2016. The Department verified an average of 177 FTEs at 06/30/2016 and 12/31/2016, which is 70 short of the goal. However, the Company previously repaid for this shortfall during the last reporting period and is eligible for forgiveness of the remaining grant for the retention of the current level of employment.
Morgan Stanley	BCITY	CG	\$1,000,000	\$1,000,000	11/30/17	N/A	N/A	The Company met the requirement to employ at least 900 FTE by 11/30/2013 and retain that level through 11/30/2016.

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SUNNY DAY FORGIVEN/CLAWBACK ACTIVITY FY'16

KEY CODE: CG – Conditional Grant
 CL – Conditional Loan
 L – Loan
 INV – Investment
 FTE – Permanent Full-time Employee (s)

Company	Jurisdiction	Financing	Original Amount	Amount Forgiven	Date of Forgiveness	Clawback Amount	Clawback Date	Comments
Morgan Stanley	BCITY	CG	\$1,500,000	\$1,500,000	11/30/15	N/A	N/A	The Company met the requirement to employ at least 600 FTE by 11/30/2012 and retain that level through 11/30/2015.