

## MINUTES Open

### MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY MARYLAND ECONOMIC DEVELOPMENT ASSISTANCE AUTHORITY

A conference call meeting of the Authority was held on Thursday, October 26, 2017 at the Department of Commerce's office at The World Trade Center, 401 E. Pratt Street, Suite 1760, Baltimore, Maryland 21202. The meeting was convened at 10:00 am. The following participated in the meeting:

#### Authority Members

Deborah Morgan, Chairman  
Bernard Jennings  
Bohdan Denysyk  
Jerry Klasmeier  
Richard Deemer  
Andy Fish

#### Staff Members

Mary DiFerdinando  
Timothy Doyle

#### Legal

Barbara Kountz

#### I. Minutes

The Authority Meeting Minutes for Thursday, May 25, 2017 were approved June 22, 2017 via email presentation to Board Members.

#### II. Presentation(s)

1. Warfield Project Early Payment and Interest forgiveness on a \$4,000,000 MEDAF Investment from the Department of Commerce to the Industrial Development Authority of Carroll County, Maryland

Presenter: Mary DiFerdinando  
Program: MEDAAF Investment  
Outstanding Balance: \$3,764,567.04 (Original \$4,000,000)  
Type: Existing Investment-Modification  
Recipient: Industrial Development Authority of Carroll County

In July of 2001, the State deeded approximately 90 acres of what was Springfield State Hospital property to the Town of Sykesville (the "Town") as "surplus state property". The property included vacant land as well as about a dozen old hospital buildings that were in need of repair even at that time. The Town planned to develop the vacant land and renovate the historic vacant buildings into a business park (the "Park"). The Town formed a non-profit corporation called

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Warfield Development Corporation (WDC) to be the developer and leased the developable acreage to WDC to begin development of the Park.

WDC and the Town then began raising early stage infrastructure funds as a prelude to the subdivision of lots and the beginning of commercial/office development in the Park. As a part of that financing, on June 30, 2003 the Authority approved a \$4,000,000 Investment in Carroll County's economic development arm, known as the Industrial Development Authority of Carroll County (the "IDA"), who would then loan the proceeds to WDC (the "Loan"). Although the Investment was originally approved as an unsecured transaction, the Loan from IDA to WDC was strengthened with a first lien on the underlying real estate owned by the Town, which was pledged to the Department in support of the Investment as a result of the increase in the project funding from \$4,700,000 to \$13,500,000.

The Investment and the Loan have the same terms and conditions, with a term of 20 years, 3% interest, with the first two years interest-free. The IDA was to repay the Investment to the Department solely from payments it collected on the Loan to WDC, which were to be generated from the cash flow of the project as it developed over time. To the extent any principal and interest remained unpaid at the end of the 20 year term (2025), that amount would be forgivable.

All of the original \$13,500,000 was expended in the Park by 2010 for infrastructure, development costs, stabilization of certain of the historic buildings, and road construction including a Route 32 interchange for enhanced access to the Park. Even with the initial funding, there was significant infrastructure funding still needed to realize any value from the existing historic buildings given the substantial difference in cost between renovating historic space and building new space.

Over the years since the Investment and the Loan were made, development of the Park property has been hampered by a number of factors, including but not limited to, the 2008-2009 economic downturn, the high costs and complexities of restoring the 1890's era buildings, adequate funding, completing the platting, approvals, and subdivision process, and the lack of enough development value in the original development plan to attract private sector developers and financing.

By 2013, the Town, WDC, the County, and the IDA (collectively, the Stakeholders) began working with a potential purchaser/developer of the Park property called the Warfield Development Collaborative (the "Collaborative"). The Stakeholders and the Collaborative recognized the pitfalls of the earlier development plan and began redesigning the Park development to include additional commercial and residential parcels. These new parcels would now create enough value for adequate private sector funding for the takedown and buildout of the Park property over the next 10+ years, and to restart restoration of the historic buildings in the Park.

The realization of any funds to repay the Investment will come over the 10+ years of takedown and buildout of the property; however, repayment of the Investment is limited to cash flow (after expenses) from the property with no recourse to the IDA, and has mandatory forgiveness in 2025, long before the buildout of the Park will be complete.

Rather than wait for the potential/unpredictable future cash flow from the development and future buildout of the Park, the IDA has offered an early payoff to the Department of the remaining \$3,764,567 principal balance of the Investment by 11/30/17 if the accrued interest since inception

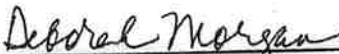
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(estimated at \$1,153,875) is forgiven. To forgive the interest requires the approval of the MEDAAF Authority and the Board of Public Works (as the MEDAAF appropriation for the year this transaction was encumbered came from the proceeds of governmental bonds). BPW approval is scheduled for November 15, 2017.

Rationale for the recommendation to approve the repayment offer is based upon: 1) the unknowns associated with the long term buildout of the Park and potential cash flow to be realized by the Department prior to the mandatory forgiveness date, 2) the Department's ability to immediately reuse the \$3,764,567 of funds (that have been sitting in this project for 12+ years) for other good and valuable economic development projects in the County and the State, and 3) allowing the Stakeholders to self-determine the long term development of the Park property and enable a more streamlined decision-making process by removing the "overlay" of the Investment.

Following discussion, after appropriate motion and second, the Authority unanimously approved the modification to accept an early payoff of the Investment and the forgiveness on accrued interest.

There being no further business to come before the Authority, after appropriate motion and second, the meeting was adjourned at 10:30 am.

  
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Deborah Morgan, Chairman

  
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Timothy Doyle, Acting Executive Director, MIDFA