MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY (MIDFA)

MIDFA was created to encourage private sector investment in economic development projects through the use of insurance and the issuance of economic development taxable and tax-exempt revenue bonds. The use of these incentives reduces the lender’s credit risk in the project to an acceptable level. To participate in this program, the project must be in a **Priority Funding Area**.

MIDFA provides the following capabilities to encourage economic development:

- **MIDFA insurance of Commercial obligations**
- **MIDFA issuance of tax-exempt and taxable bonds.**
MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY (MIDFA)

Historical performance since inception (1965):

- Over 856 loans insured or bonds issued totaling in excess of $2.6 billion.
- Current fund balance of $39 million
- Statutory leverage of 5:1 or $195 million
MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY (MIDFA)

Insurance of commercial obligations made by other lending institutions.

**Approving Authority:**

- 9-member Authority once the lender has approved the request.
- Executive Director and Secretary for insurance $\leq$ $250,000$

**Eligible Applicants:**

- Commercial and Industrial Businesses (with the exception of retail).
- Manufacturers.
- Not-for-Profit Entities.
- Day Care Providers
Forms of Financing:

- Insurance of a financial obligation may be up to 80% of the loan not to exceed $2.5 million. Typically, insurance ranges from 20% to 50% of the obligation.

- Insurance of a tax-exempt, taxable and energy related bond issuance may be up to 100% of the bond amount up to $7.5 million.
MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY (MIDFA)

Use of Funds:

- Land acquisition.
- Building acquisition/renovations.
- Construction costs.
- Machinery and equipment.
- Furnishings and fixtures.
- Leasehold improvements.
- Certain eligible “soft costs”.
- Energy related projects (e.g.: hydroelectric power, alternative fuels, recycling, etc.).
- Working capital
MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY (MIDFA)

Terms:

Real Estate----------------- 20 years for most loans.
Machinery & Equipment ---- Up to useful life of asset.
Furniture & Fixtures ------- Up to useful life of asset.

Project Range:

• Generally unrestricted, varies according to project.

Interest:

• Fixed or floating as determined by the lender.
MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY (MIDFA)

Issuance of MIDFA tax-exempt or taxable bonds for sale to private investors or public markets.

Eligible Applicants:
- Commercial and Industrial Businesses *(with the exception of retail)*.
- Manufacturers.
- Not-for-Profit Entities.

Approving Authority:
- 9-member Authority once the lender has approved the request.
Forms of Financing:

- Federal law limits the issuance of tax-exempt bonds to not-for-profits, manufacturers and such special use projects as solid waste and energy related development.
- Most tax-exempt projects to manufactures are subject to a ceiling of $10 million in tax exempt bonds and $20 million on capital expenditures.
- While taxable bonds have no upper limit, issuance fees make a bond issue of less than $2 million costly to the borrower.
Forms of Financing (continued):

- Some tax-exempt bond issues may be subject to allocation limits imposed by the federal government.
- Certain energy related projects are limited only by the amount of available allocation.
- Not-for-profits are not subject to a ceiling amount or a bond allocation restriction.
Use of Funds:

- Land acquisition.
- Building acquisition/renovations.
- Construction costs.
- Machinery and equipment.
- Furnishings and fixtures.
- Leasehold improvements.
- Certain eligible “soft costs”.
- Energy related projects (e.g.: hydroelectric power, alternative fuels, recycling, etc.).
- Working capital (for taxable bonds, up to 25% of total obligation if insured).
## Terms:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate</td>
<td>Dependent on useful life of asset with 30 years allowed.</td>
</tr>
<tr>
<td>Machinery &amp; Equipment</td>
<td>Up to useful life of asset.</td>
</tr>
<tr>
<td>Furniture &amp; Fixtures</td>
<td>Up to useful life of asset.</td>
</tr>
</tbody>
</table>

## Interest:

Fixed or floating as determined by bond purchaser or market conditions.
MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY (MIDFA)

**MIDFA issuance of tax-exempt and taxable bonds - Example**

A $65,000,000 tax-exempt Variable Rate Recovery Zone Facility Bonds to assist a company with the acquisition and construction of a 6 story class A research / clinical office building totaling approximately 198,000 of net rentable square feet. The building is in a Bio Park that began in 2003 and will bring total leasable space to 658,000 square feet, capital investment to $255 million, and total jobs created to 700.
MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY (MIDFA)

MIDFA Conventional Insurance - Example

$2,500,000 (29.4%) of MIDFA Insurance on an $8,500,000 Term Loan to a company that manufactures components/accessories for small arms and military aircraft, night vision systems, mounting assemblies for small weapon systems and reactive armor hardware.

This project represents significant economic development for the County. In addition to the 250 plus jobs existing at this company, the owner has also created numerous employment on the Eastern Shore through the various companies that he has owned and/or managed.
The program was designed to be a flexible non-lapsing revolving loan fund to provide below market, fixed rate financing to growth industry sector businesses, locating or expanding in priority funding areas of the State.

Assistance under the program is competitive based upon the economic development being created, which includes job creation, retention, and capital investment.
MARYLAND ECONOMIC DEVELOPMENT ASSISTANCE FUND (MEDAF)

Historical performance since inception (2000):

- Invested $200 million in 466 transactions;
- Contractual commitment of over 43,000 jobs;
- Leveraging of over $3.5 billion in capital investment;
- Contractual return of $10+ in State & Local Tax Revenue for every $1 invested ($2 billion).
Currently in the pipeline:

- $53 million in 96 transactions;
- Contractual commitment of over 21,000 jobs;
- Leveraging of over $1.3 billion in capital investment;
- Contractual return of $10+ in State & Local Tax Revenue for every $1 invested ($530 million).
Approved Use of Funds:

- Land Acquisition
- Infrastructure Improvements
- Building Acquisition/Renovations
- Construction Costs
- Machinery and equipment
- Furnishings and Fixtures
- Leasehold Improvements
MARYLAND ECONOMIC DEVELOPMENT ASSISTANCE FUND (MEDAF)

Eligible Applicants:
- Industrial/Commercial Business
- Not-for-Profit Entity

Approving Authority:
- Secretary of DBED for projects up to $2.5 million
- 9-member MEDAF Authority for projects over $2.5 million
Interest Rates:

- Target Rate of 3% per annum.
- Rates of less than 3% may be considered if the project is located in an area of high unemployment as defined by the Department, or if the Department determines that the project is a compelling economic development initiative.

Loan Terms:

- Real Estate----------------------------- Up to 25 years
- Machinery & Equipment ------- Up to useful life of asset NTE 15 years
- Furniture & Fixtures ----------- Up to useful life of asset NTE 15 years
MARYLAND ECONOMIC DEVELOPMENT ASSISTANCE FUND (MEDAF)

Forms of Financing:

- Loans
- Conditional Loans/Grants
- Grants
- Investments
Incentive Highlights:

- Total assistance provided cannot exceed 70% of total project costs.
- To qualify for assistance, projects must be within an eligible industry sector.
- Generally, the assistance must have a formal resolution from the governing body of the jurisdiction in which the project is located endorsing the financial assistance from MEDAF.
- Local participation is required in the form of either a guarantee acceptable to the Department or a direct loan or grant in an amount equal to at least 10% of the State’s financial assistance.
MEDAF Eligible Industry Sectors

- Agriculture & Forestry
- Aerospace
- Biotechnology
- Distribution, Warehousing & Transportation
- Environmental Technology
- Financial Services
- Health Care Technology & Services
- Information Technology
- Telecommunications
- Manufacturing
  - Construction & Building Materials
  - Chemicals
  - Consumer Goods
  - Scientific Instruments & Equipment
  - Metals
  - Automobiles and Trucks
- Film industry soundstage
MEDAF Eligible Industry Sectors

- Businesses with U.S. or regional corporate headquarters located or to be relocated in Maryland.
- Businesses located in Maryland that generate more than 50% of their revenues from outside of Maryland.
- Feasibility studies when the costs of the study are incurred by a local Jurisdiction.
- Projects intended to assist businesses in areas declared federal disaster areas.
Priority Funding Areas:

- Municipal corporations including Baltimore City;
- Municipal corporations annexed after January 1, 1997 must satisfy the requirements relating to density and water and sewer service;
- A designated neighborhood as defined by MD code;
- An Enterprise zone as defined by MD Code or the United States Government;
- A certified heritage area located within a designated growth area;
- Those areas of the state located between interstate highway 495 and the District of Columbia;
- Those areas of the state located between interstate highway 695 and Baltimore City; and
- An area designated by the governing body of a county.
The Program is administered under five capabilities with the ability to address appropriate economic development opportunities for both the business community and political jurisdictions as follows:
Maryland Economic Development Assistance Fund (MEDAF)

**Capability 1** - Significant Strategic Economic Development Opportunities

A project that provides eligible industries with a significant economic development opportunity project, which impacts on a statewide or regional level.
MARYLAND ECONOMIC DEVELOPMENT ASSISTANCE FUND (MEDAF)

Capability 1 - Example

A $3,300,000 Loan to assist a company in its $63,000,000 corporate headquarters relocation and expansion project to 115,000 square feet of new space. The Project will retain 382 existing full time employees plus 250 new full time employees over a three year ramp-up period for a total of 632. In addition, statewide employment requires 632 employees at the Project site, plus the retention/creation of an additional 200 full-time employees within Maryland for a total of 832. Additionally, the company is required to cause minimum capital expenditure of $50,000,000 and maintain its corporate headquarters at the Project Site throughout the Loan’s duration.
Capability 2 - Local Economic Development Opportunities

A project that provides a valuable economic development opportunity to the jurisdiction in which the project is located and is a priority for the governing body of that jurisdiction.
MARYLAND ECONOMIC DEVELOPMENT ASSISTANCE FUND (MEDAF)

Capability 2 - Example

A $1,000,000 Conditional Loan to assist a company in the construction of two new five story office buildings containing approximately 400,000 square feet of office space and two new parking garages with 1,300 spaces with total project costs of approximately $185,000,000. The project will retain approximately 2,200 full time employees and create an additional 1,600 employees. Additionally, the company is required to cause minimum capital expenditure of $150,000,000 and maintain its corporate headquarters at the Project Site throughout the Loan’s duration.
Capability 3 - Direct Assistance to Local Jurisdictions.

The Department may provide assistance to a local jurisdiction 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 into this capability.
MARYLAND ECONOMIC DEVELOPMENT ASSISTANCE FUND (MEDAF)

Capability 3 - Example

A $1,500,000 Grant to assist a County in acquiring approximately 95 acres to establish a Business Park. The MEDAAF Grant will also assist with the cost of a site pad. Total project costs are estimated at $4,500,000. The development of the Park is an important component of the County’s overall economic development strategy and holds the best potential for business growth. This project will provide approximately 95 acres of strategically located property which will be developed into “ready to go” business sites. This resource will allow the County to build on the progress that has been made toward improving employment opportunities.
Capability 4 - Regional or Local Revolving Loan Funds

This capability provides assistance to local jurisdictions to help capitalize local revolving loan funds.
A $250,000 Grant to assist a County in establishing/augmenting a small business revolving loan fund. The County established the fund for the purpose of providing financial assistance to the small business community, with a primary focus on supporting the growth of local companies. The Fund provides low-interest loans to companies that may have received other initial funding from “Angel” investors, from conventional financing source, or possibly venture capital funding. The County provided a $250,000 match, as required by statute. The intent of the Grant is to leverage local jurisdictions resources and economic development efforts in supporting the growth of small businesses in the County.
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)
MARYLAND ECONOMIC DEVELOPMENT ASSISTANCE FUND (MEDAF)

Capability 5 - Example

A $175,000 Grant under the Arts and Entertainment capability to assist a company with those development expenses associated with completing an Arts District project, a 25 acre, mixed use development within the County’s Gateway Arts District. The development includes 40,000 square feet of retail, anchored by 10,000 square feet of restaurant, coffeehouse, bookstore, performance space, and conference center and restaurant, along with 600 high quality for-sale townhomes and for-sale and rental multi-family units. The project includes a lounge, fitness center, wi-fi access, an art-gallery, and live-work spaces, and recreation amenities including a hiker-biker trail adjacent to the MARC and CSX tracks. Total Project costs have been estimated to total approximately $133,000,000. in the County.
MARYLAND ECONOMIC DEVELOPMENT
ASSISTANCE FUND
(MEDAF)

Capability 5 - Example

A $300,000 Conditional Grant under the Brownfield capability to assist a company with remediation costs associated with the redevelopment of an abandoned 18th century manufacturing facility. The redevelopment will consist of both residential and commercial space, specifically 60 discounted apartments for teachers and 30,000 square feet of office space for non-profit organizations. Total budgeted remediation expenses were approximately $1,200,000 of a total project budget of $20,000,000 in the County.
A $360,000 Conditional Grant under the Brownfield capability to assist a non-profit with environmental remediation costs. The project consisted of the renovation of an existing 30,000 square foot facility. Total remediation costs were $920,000 of a total renovation budget of $21.2 million. Once completed, the non-profit consolidated its offices that had been operating at three different locations, relocating 250 employees as well as hiring an additional 60 new employees. The project was expected to significantly transform the surrounding community (20 square block area).