



FINANCING PROGRAMS



MARYLAND

DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT

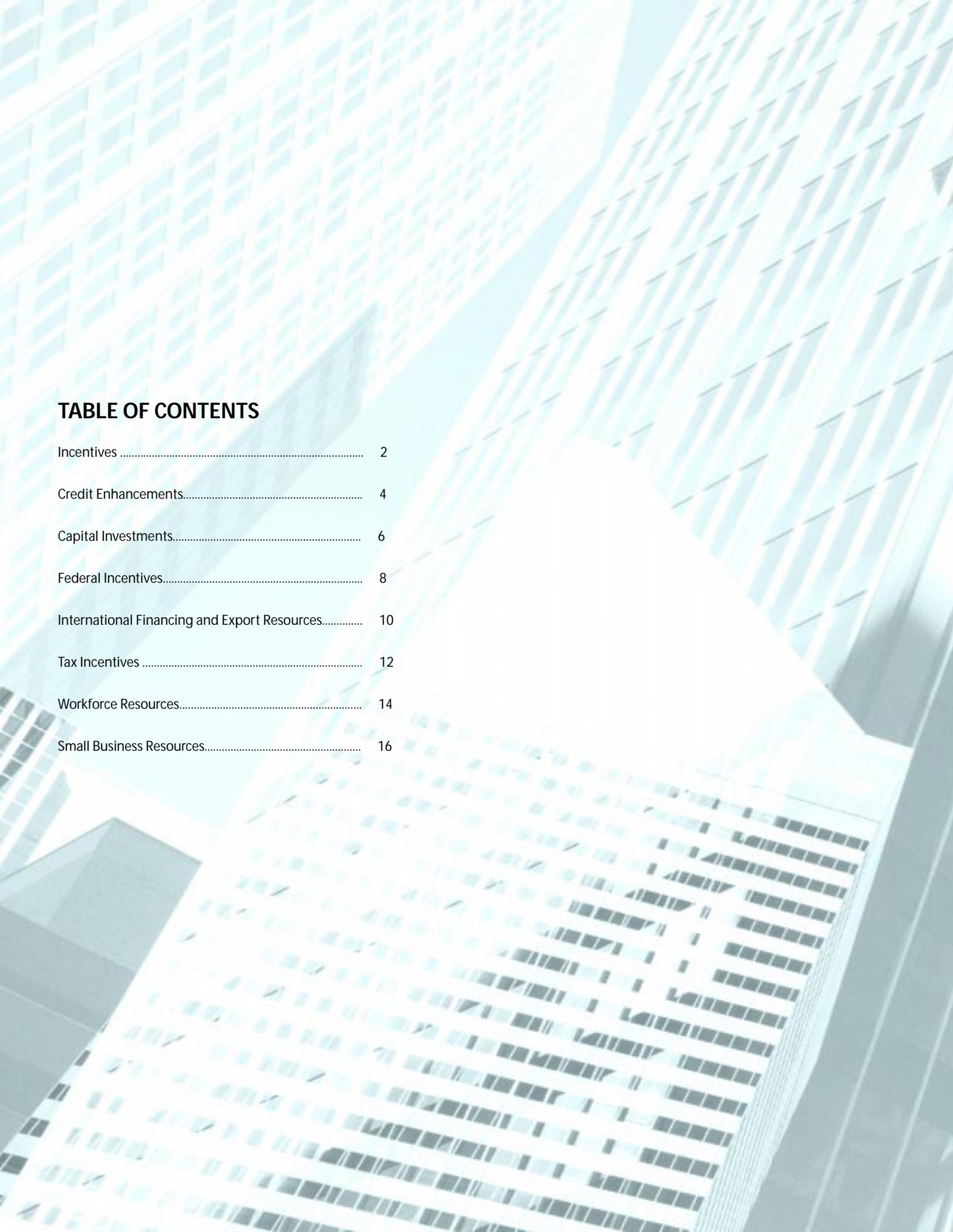


TABLE OF CONTENTS

Incentives	2
Credit Enhancements.....	4
Capital Investments.....	6
Federal Incentives.....	8
International Financing and Export Resources.....	10
Tax Incentives	12
Workforce Resources.....	14
Small Business Resources.....	16

MARYLAND DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT



The Maryland Department of Business and Economic Development extends financial and training assistance through a variety of programs to businesses of all sizes. Through DBED's **Division of Financing**, businesses can apply for and receive direct lending, bank loan guarantees, bond issuance, linked deposits, loan guarantees and venture capital investments. Among the considerations for allocating financing is the potential for job creation and job retention, the level of capital investment, the return on the state's investment and the strengthening of key industry sectors. Through DBED's **Division of Regional Development**, businesses can receive training assistance as well as grants for specific training purposes.



I N C E N T I V E S

Maryland Economic Development Assistance Authority and Fund (MEDAAF)

There are five financing capabilities offered through this incentive program, with assistance being provided to the business community and political jurisdictions. To qualify for assistance from MEDAAF, applicants are restricted to businesses located within a priority funding area and an eligible industry sector. With a few exceptions, assistance cannot exceed 70 percent of the total project costs unless the recipient is the Maryland Economic Development Corp. (MEDCO), which can request 100 percent assistance.

The specific capabilities are:

Significant Strategic Economic Development Opportunities - A project that provides eligible industries with a significant economic development opportunity on a statewide or regional level.

- Assistance is provided to a business or MEDCO in the form of a loan.
- Maximum assistance cannot exceed the lesser of \$10 million or 20 percent of the current fund balance.

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.

- The local jurisdiction must sponsor the business and must participate in the form of either a guarantee, a direct loan or a grant in an amount equal to at least 10 percent of the State's financial assistance.
- Loans may be up to \$5 million, while conditional loans and grants may be up to \$2 million.

Direct Assistance to local jurisdictions or MEDCO - The Department may provide financial assistance to a local jurisdiction for local economic development needs.

- The total amount of assistance cannot exceed \$3 million.
- The use of funds is fairly broad including land acquisition, infrastructure improvements, acquisition of fixed assets, leasehold improvements, up to 70 percent of the cost of a feasibility study and up to 50 percent of the cost of preparing a local economic development plan.

Regional or local revolving loan fund - Grants to local jurisdictions to help capitalize local revolving loan funds.

- Eligible applicants include a county or regional economic development agency, whether public or private. A jurisdiction may transfer all, or a portion of its allocation to a regional revolving loan fund.
- Each jurisdiction may receive a grant of \$250,000 annually with a \$500,000 cap through June 30, 2003. DBED may not make grants totaling more than \$2 million per fiscal year.
- To qualify for a grant, the local government must provide a matching grant of funds to the local revolving loan fund.

Special purposes loan - This loan targets specific funding initiatives that are deemed critical to the State's economic health and development.

- The specific program determines the level and type of financial assistance provided.
- The special purpose initiatives required by the Legislature include the Brownfield Revitalization Incentive, Seafood and Aquaculture, Animal Waste and Day Care Centers programs.

Economic Development Opportunities Fund (Sunny Day Fund)

This fund promotes Maryland's participation in extraordinary economic development opportunities that provide significant returns to the State through creating and retaining employment as well as the creation of significant capital investments.

- Applicants must possess a strong balance sheet and be credit worthy.
- Projects must be consistent with the State's strategic economic development plan.
- Substantial employment, particularly in areas of high unemployment, must be created by the project.
- Participants must provide a minimum capital investment of at least five times the amount of the Sunny Day assistance.

Smart Growth Economic Development Infrastructure Fund (One Maryland)

This fund promotes the creation of industrial parks and other needed infrastructure in qualified distressed counties through direct funding of projects identified in the local strategic plan for economic development. The eligible recipients include a local government and MEDCO.

- A qualified distressed county is defined as a county, including Baltimore City, with a local strategic economic development plan that has been approved by the Secretary. The jurisdiction must also have an unemployment rate, for the most recent 18 months, of at least 150 percent of the State's unemployment rate for the same period; and an average per capita personal income, for the most recent 24 months, at or below 67 percent of the State's per capita personal income for the same period.
- The site must be located in a Priority Funding Area.
- The uses of the funds include acquisition and development of land for industrial sites, development of water and sewer lines, construction of shell buildings and other infrastructure projects.





CREDIT ENHANCEMENTS

Maryland Industrial Development Financing Authority (MIDFA)

Encourages private sector financing in economic development projects through the use of insurance, the issuance of tax-exempt and taxable revenue bonds and linked deposits. The use of insurance reduces the lender's risk in the project to an acceptable level. The project must be in a Priority Funding Area.

- **Insurance** - insures loans made by financial institutions up to 80 percent and not to exceed \$2.5 million.
- **Insurance of Bonds** - insures bonds up to 100 percent and not to exceed \$7.5 million.
- **Taxable Bond Financing** - provides access to long-term capital markets at generally favorable interest rates.
- **Tax-Exempt Bond Financing** - as restricted by Federal tax law, can finance 501 c (3) non-profit organizations and manufacturing facilities.
- **Linked deposits** - used to stimulate the economic and employment growth of small businesses located in rural areas with a qualifying high unemployment rate. To participate, lenders must agree to provide an eligible business with a loan at below market rates in exchange for having a certificate of deposit of equal value placed with their institution.

Maryland Small Business Development Financing Authority (MSBDF)

Provides financing for small businesses and those owned by socially and economically disadvantaged persons.

- **Contract Financing Program** - loan guarantees and direct working capital and equipment loans to socially or economically disadvantaged businesses that have been awarded contracts mainly funded by government agencies and/or public utilities.
- **Equity Participation Investment Program** - direct loans, equity investments and loan guarantees to socially or economically disadvantaged-owned businesses in franchising, in technology-based industries, and for the acquisition of profitable businesses.
- **Long-Term Guaranty Program** - provides loan guarantees and interest rate subsidies.
- **Surety Bonding Program** - assists small contractors in obtaining bonding for primarily funded government or public utility contracts that require bid, performance and payment bonds.





CAPITAL INVESTMENTS

Investment Financing Group

The Investment Financing Group runs several programs with the purpose of providing emerging, high technology businesses access to early-stage capital. Investment decisions are based on the project's potential return, the promotion of economic development and the creation of jobs.

Challenge Investment Program

This program provides financing for small start-up companies to cover a portion of the initial costs associated with bringing new products to market.

- To qualify, a business must have no more than 25 employees and annual sales of less than \$1 million.
- A minimum 1:1 co-investor match is required.
- Applicants are limited to high tech companies whose principal places of business are located in Maryland.
- The amount of equity is up to \$150,000 with an initial investment of up to \$50,000. Additional investments are made based on performance and the achievement of specific milestones.

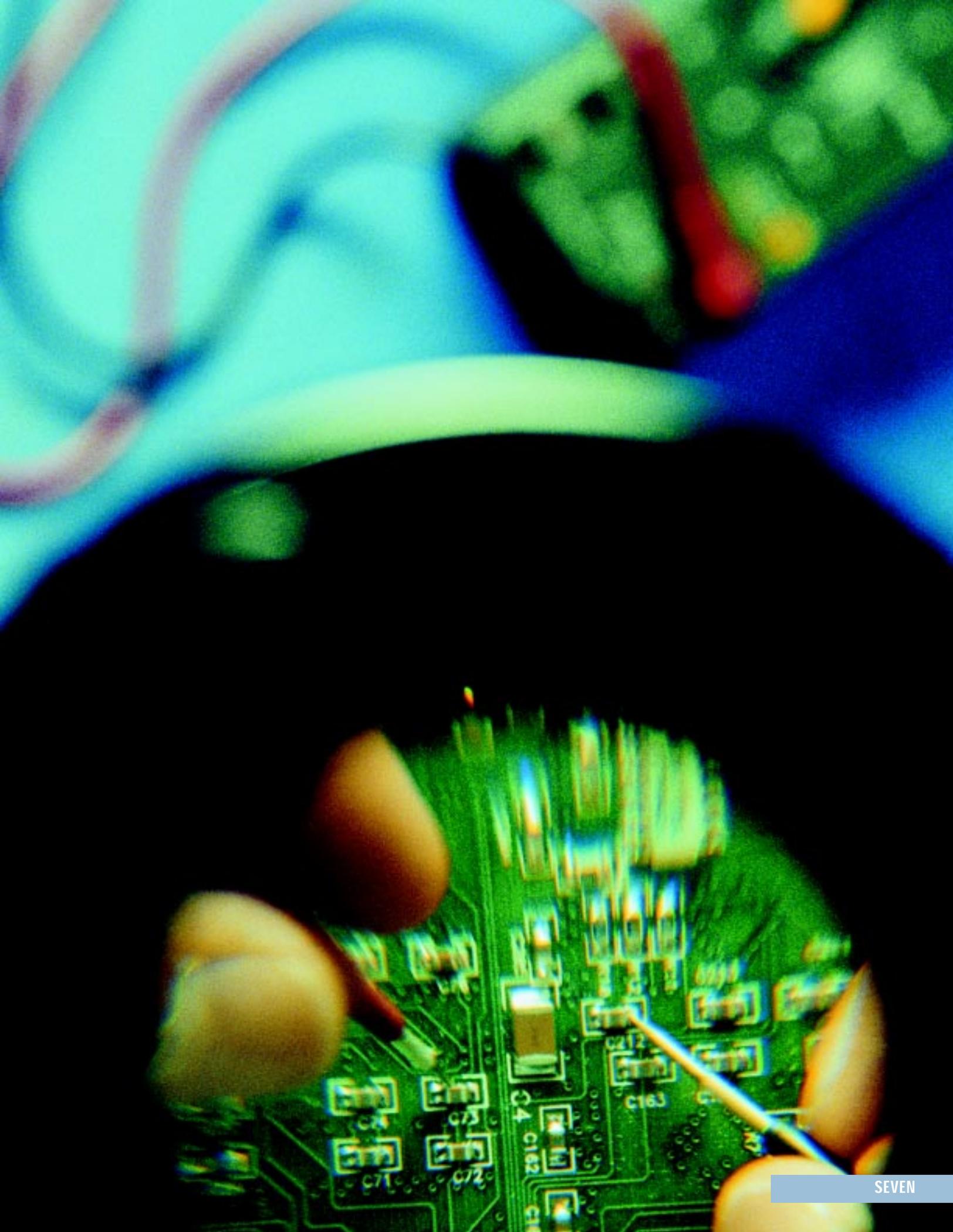
Enterprise Investment Program

This program makes direct equity investments in emerging high technology companies with patented or proprietary products or manufacturing processes and a marketing strategy in place. Whereas the Challenge Investment Program works with emerging companies, the Enterprise Investment Program works with established companies to move them into their next stage of development as a viable business. The amount of investment ranges from \$150,000 to \$500,000.

- Applicants must be in a high-tech industry targeted for assistance.
- The applicant must agree to maintain its principal place of business in Maryland for five years.
- A minimum of 3:1 co-investor match is required.

Maryland Enterprise Venture Capital Limited Partnership

Provides investment in private venture capital limited partnerships with the understanding that each partnership will make its best efforts to invest in Maryland start-ups.





FEDERAL INCENTIVES

Community Development Block Grant Program-Economic Development (CDBG-ED)

Provides funding to commercial and industrial economic development projects. Program funds are dispersed to a local jurisdiction in the form of a conditional grant and are then used for public improvements or loaned to a business. Funding ranges from \$200,000 to \$1,000,000.

- Project must create employment for individuals with low to moderate income in non-urban areas of the State.
- The political subdivision may be liable if the project fails.
- The use of funds is fairly broad and include the acquisition of fixed assets and infrastructure and feasibility studies.

Maryland Economic Adjustment Fund (MEAF)

This Fund assists business entities in the State with the modernization of manufacturing operations, the development of commercial applications for technology and exploring and entering new markets. The program is administered in accordance with the guideline imposed by the Federal Government's Economic Development Act (EDA)

- Applicants must demonstrate credit worthiness, ability to repay the obligation and inability to obtain financing on affordable terms through normal lending channels.
- The maximum amount of the loan to any one borrower is \$500,000.
- State designated locations eligible are Baltimore City and Baltimore, Howard, Anne Arundel, Harford, Queen Anne's, Somerset, Worcester, Dorchester, Allegany and Washington counties.
- A loan may not be used to relocate jobs from one commuting area to another.





INTERNATIONAL FINANCING AND EXPORT RESOURCES

Trade Financing Assistance

Insurance of commercial loans and other obligations is available for industrial or commercial businesses through the Maryland Industrial Development Financing Authority (see MIDFA). Trade Financing Assistance can also arrange for supplementary export financing assistance through the Export-Import Bank of the U.S.

Export Development Assistance

Trade specialists provide export assistance to small and mid-sized firms with internationally competitive products or services and help companies initiate or expand their overseas marketing with targeted trade activities. They provide counseling and transactional services, conduct international business missions and trade shows and assist in obtaining export-related financing. Specific programs include:

- **Trade Development Program**
- **Export MD Program**
- **Maryland Export Assistance Network**
- **EuroRep and ChinaRep Service**
- **Pathfinder Program**

Additional International Resources

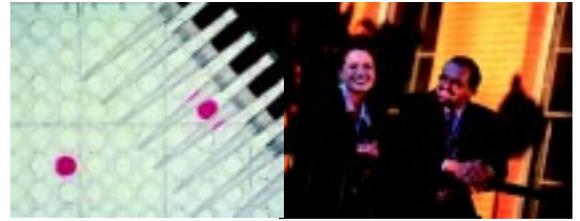
- **Foreign Investment Assistance** - Foreign Investment representatives provide locational services to foreign enterprises wishing to establish or expand an operation in Maryland.
- **Foreign Offices and Representatives** - the State's 10 offices and representatives throughout the world furnish Maryland exporters with current market intelligence, data on foreign companies, support at trade shows and local expertise and representation in Asian, European and other foreign markets.
- **Sister States Program** - The Program, a partnership with the World Trade Center Institute, promotes business, educational and cultural exchanges.
- **The Exporter's Hotline and Referral Service** - Delivers basic trade information to companies in all stages of the export process.

Foreign Trade Zones

Maryland's three foreign trade zones provide economic incentives to companies doing business in international markets. They include:

- **City of Baltimore Foreign Trade Zone #74** - near the Baltimore Harbor.
- **BWI Foreign Trade Zone #73** - near the Baltimore/Washington International Airport.
- **Prince George's County Foreign Trade Zone #63** - located in the Maryland suburbs of Washington, D.C.





TAX INCENTIVES

Following are the major tax credits available to Maryland businesses. Other tax credits and exemptions may be available depending on location and business activity.

Job Creation Tax Credits

The Job Creation Tax Credit is available to businesses primarily engaged in specific industries and meeting certain job creation minimums and other specific requirements. Credit granted will be the lesser of \$1,000 or 2 1/2 percent of a year's wages for each qualifying permanent job. If the new or expanded facility is located in a State enterprise zone, a federal empowerment or a State designated revitalization area, then the credit is increased to the lesser of \$1,500 or 5 percent of a year's wages for each qualifying permanent job.

One Maryland Tax Credit

The One Maryland Tax Credit program is a targeted business tax credit for economically distressed Maryland jurisdictions - Allegany, Caroline, Dorchester, Garrett, Somerset and Worcester counties and the City of Baltimore. A qualified business entity may claim a tax credit against state taxes (including income/insurance premium/financial institution franchise) for up to \$500,000 of the eligible start-up costs and up to \$5 million of the eligible project costs of a certified economic development project. A project must meet specific job creation and/or investment minimums, be engaged in a targeted industry and meet certain other requirements.

Research and Development Tax Credit

A new tax credit that is available to businesses that incur qualified research and development expenses in Maryland. The total credits for all businesses may not exceed \$6 million per year. The credit may be taken against corporate and personal income tax. Sole proprietorships, corporations and pass-through entities, like partnerships, subchapter S corporations and limited liability companies, are eligible.

Enterprise Zone Tax Credits

The 35 Maryland zones represent different mixes of industrial and commercial activity that will meet the circumstances and preferences of new or expanding businesses. These include 15 enterprise zones in Central Maryland, 10 in Western Maryland and 10 on Maryland's Eastern Shore. Advantages of a Maryland enterprise zone location include:

- **Property tax credits** - Ten-year credit against local property taxes on a portion of real property improvements.
- **Income tax credits** - One- to three-year credits for wages paid to new employees in the zone.
- **Focus area tax credits** - Businesses located within "focus areas" in the State's enterprise zones will receive enhanced income and real estate tax credits as well as a special personal property tax credit for investment in equipment.
- Priority access to Maryland's financing programs is available for enterprise zone businesses.

Empowerment Zone Incentives

A federally designated Empowerment Zone in Baltimore, one of only six urban zones in the nation, encompasses 6.8 square miles in three distinct areas of the City, two of which are zoned for heavy industrial use. Firms locating in the Zone may be eligible for state enterprise zone incentives, and may also qualify for potential federal incentives such as:

- Wage tax credits
- Increased depreciation on equipment
- Tax-exempt bond financing
- Employment development incentives

Brownfields Tax Incentives

This legislation encourages the voluntary cleanup and revitalization of brownfields. It allows local taxing jurisdictions to grant property tax credits for increased assessment resulting from the improvement to a “brownfield” property and a financing fund to assist in cleaning up the property.

Other Income Tax Credits

- **Local real estate credits and exemptions**
- **Local personal property tax credits and exemptions**
- **Social tax credits (welfare-to-work, disability, etc.)**
- **Special purpose tax credits (Maryland-mined coal, renewable fuel vehicles, Brownfields, etc.)**



WORKFORCE RESOURCES

Recruitment Assistance

The Maryland Job Service provides recruitment services and coordinates screening at no cost to employers based on their employment specifications. Based on the job requirements of a company, the Department of Business and Economic Development can also coordinate recruitment assistance through local job training agencies, which access qualified candidates through other community resources. Both the Job Service and local job training agencies perform client screening for all job creation and hiring tax credits available from the State and Federal Government.

Training Assistance

- **Maryland Industrial Training Program (MITP)** - provides incentive grants to develop and train new employees in firms locating or expanding their workplace in Maryland. MITP reimburses companies direct costs associated with training programs customized to the work process.
- **Partnership for Workforce Quality (PWQ)** - provides matching, skill upgrade training grants and support services targeted to improve the competitive position

of small- and mid-sized manufacturing and technology companies. PWQ grants are used to increase the skills of existing workers for new technologies and production processes, improve employee productivity and increase industry employment stability. PWQ grants are made directly to companies as well as to manufacturing, software industry and ISO 9000 consortia programs working in cooperation with the Department of Business and Economic Development.

- **Maryland Apprenticeship and Training Program (MATP)** - provides technical assistance for employers who wish to establish apprenticeship programs. Apprenticeship sponsors are certified to conduct programs by the Maryland Apprenticeship and Training Council.
- **Marylandtraining.com** - the Maryland Community College Business Training Network's on-line portal of entry for the business community to locate training available through Maryland Community Colleges is an outgrowth of Advanced Technology Centers located in Maryland community colleges to help businesses adapt quickly to change in technology through industry specific, customized, technical training.





SMALL BUSINESS RESOURCES

SMALL BUSINESS DEVELOPMENT CENTER NETWORK (MDSBDC)

The Maryland Small Business Development Center Network provides consulting services and training programs to current and prospective small business owners in Maryland. MDSBDC services include individual counseling at no cost to the client to assist in developing and refining business plans, solve specific problems, locate capital and brainstorm innovative strategies to build a strong foundation supporting growth and profitability. The MDSBDC also offers training programs designed for all stages of small business development. Additionally, most of our 18 locations throughout Maryland have a resource library available for research on starting, operating and growing a small business. For assistance, call 1-877-787-7232.

Contact the Small Business Development Center nearest you:

Central Region

(serving Baltimore City and Anne Arundel, Baltimore, Carroll, Harford and Howard counties)
1-877-421-0830

Eastern Region

(serving Caroline, Cecil, Dorchester, Kent, Queen Anne's, Somerset, Talbot, Wicomico and Worcester counties)
1-800-999-7232

Southern Region

(serving Calvert, Charles and St. Mary's counties)
1-800-762-7232

Western Region

(serving Allegany, Frederick, Garrett and Washington counties)
1-800-457-7232

Montgomery County

1-240-777-2041

Prince George's County

1-301-429-3044

Maryland Competitive Advantage Financing Fund (MCAFF)

This program provides financial assistance to small businesses that are unable to obtain financing on reasonable terms from traditional sources. The amount of assistance ranges from \$10,000 to \$100,000.

- To qualify, a business must have net revenues of less than \$1 million and fewer than 100 full-time employees.
- Before filing application, a realistic effort to obtain reasonable financial assistance from other sources has to be made.
- The applicant must provide 10 percent of the project costs or needed capital to qualify for assistance.
- The use of funds are fairly broad and include the acquisition of real estate, acquisition of a building, construction, machinery and equipment, furnishings and fixtures, leasehold improvements, site improvements and working capital.

Extension of financial assistance requires a meeting with a Financing Division representative. To arrange a meeting, please contact the Maryland Department of Business and Economic Development Division of Financing at 410-767-6359.

For training assistance, please contact DBED's Division of Regional Development at 410-767-0095.



217 E. Redwood Street
Baltimore, Maryland 21202
1-800-541-8549

www.choosemaryland.org

Parris N. Glendening
Governor

Kathleen Kennedy Townsend
Lt. Governor

David S. Iannucci
Secretary

Sandra F. Long
Deputy Secretary

Robert C. Brennan
Assistant Secretary, Division of Financing