

Economic Development Incentive Overview



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State Financing and Incentives



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- **Maryland Economic Development Assistance Fund (MEDAF)**

- Flexible, broad-based program, that provides grants, loans, and investments to major projects

- **Job Creation Tax Credit**

- Tax credit provided for new employees over 25; range from \$3,000 - \$5,000 per employee

- **More Jobs For Marylanders 2.0**

- Incentives for new or existing Maryland manufactures
- Income tax credit of 5.75% of wage per new position. Minimum creation of 5 new jobs
- Accelerated and bonus depreciation



County & State Tax Credits



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- **Enterprise Zone**

- **State Income Tax Credits for New Job Creation**

- One-time tax credit of \$1,000 - \$6,000 per new worker

- **Real Property Tax Credit**

- Ten year real property tax credit on the value of a portion of real property improvements. The credit is 80% for the first five years and decreases 10% annually thereafter to 30% in the 10th year

- **Focus Area Enterprise Zone**

- **State Income Tax Credits for New Job Creation**

- One-time tax credit of \$1,500 - \$9,000 per new worker

- **Real Property Tax Credit**

- Ten year real property tax credit at 80% for the full ten years

- **Personal Property Tax Credit**

- Ten year, 80% credit against County personal property taxes on new investment in personal property within a focus area



County & State Tax Credits



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- **Revitalization Tax Credit**
 - Five year real property tax credit on the incremental value that businesses add for making certain real property improvements. The credit is 100% for the first five years and decreases 20% annually thereafter to 20% in the 5th and final year
- **New Jobs Tax Credit**
 - Tax credit for new or expanded premises and the personal property located on the premises that may be claimed
 - Six year real property tax credit of 52% for the first and second taxable year, 39% in the third and fourth taxable years, 26% in the fifth and sixth taxable year
 - Must obtain at least 5,000 SF of new or expanded premises
 - Employ at least 25 persons with at least 30% County residents with 24 months



Small Business Loans



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- **Commercial Real Estate Loan Program – SBA 504**
 - Purchase real estate, construction, machinery and equipment, leasehold improvements
 - Loans up to \$5.5 million
 - Interest rate fixed, below market financing
 - Down payment of 10% - 20%
- **Small Business Growth Fund (SBGF)**
 - Targeted to smaller, established business (3-5 years)
 - Purchase real estate, construction, machinery and equipment, leasehold improvements, working capital, inventory, payroll
 - Loans between \$25,000 - \$250,000 (\$100,000 max for start-up businesses)
 - Down payment of 10% - 20%



Small Business Loans



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- **Microenterprise Loan Fund – MD DHCD**
 - Micro loans to business located in Priority Funding Areas
 - Leasehold improvements, equipment purchases, working capital, and human capital
 - Loans range from \$5,000 - \$50,000
 - Interest rate is up to 12%
 - Loan terms range from 2-5 year maximum
- **The VLT Small Business Flex Fund**
 - Provides flexible funding solutions for small, minority, veteran, and woman-owned businesses
 - Loans up to \$250,000
 - Interest rate determined at underwriting
 - Loan term 10 years maximum



The Economic Development Incentive Fund

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- County Executive Rushern Baker's unprecedented \$50 million multi-year commitment to economic development in Prince George's County.
- Assist in the retention and attraction of businesses
- Create new jobs and retain existing jobs for County residents
- Broaden the commercial tax base
- Special focus: the developed tier, Gateway and TNI Communities, Transit Oriented Development (TOD), and Enterprise Zone (EZ)
- Promote local, minority, and small businesses
- Special Assistance for Local Entrepreneurship (51% ownership - County residency)



EDI Fund Features



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- Minimum loan amount of \$250,000
- Loan terms up to 10 years
- Base Interest Rate of 4%
- Conventional and Conditional Loans
- Eligible Uses:
 - Acquisition of land, buildings, and associated costs
 - Construction, reconstruction, rehabilitation, repair, and improvements
 - Machinery, equipment, furniture & fixtures
 - Relocation fees, training expenses, and working capital

Disclaimer: The Prince George's County Prime Rate is established as the base rate for the EDI Fund. The borrower's rate will be commensurate with the negotiated term and risk of the loan.



Loan Structuring



Loan Structuring with EDIF

Scenario:

Commercial Building Acquisition	\$5,000,000
Renovations	\$250,000
Furniture, Fixtures & Equipment	\$150,000
<u>Working Capital</u>	<u>\$50,000</u>
Total Project Costs:	\$5,450,000



Loan Structuring with EDIF - Solution #1

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Use of Proceeds	1 st Trust Lender (75% LTV)	Owner's Contribution (25%)	EDIF	Total Project
Building Acquisition	\$3,750,000	\$1,250,000		\$5,000,000
Renovation Construction			\$250,000	\$250,000
FF&E			\$150,000	\$150,000
Working Capital		\$50,000		\$50,000
Total	\$3,750,000	\$1,300,000	\$400,000	\$5,450,000
Percent of total	68.8%	23.9%	7.3%	100%



Loan Structuring with EDIF - Solution #2

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Use of Proceeds	1 st Trust Lender (50%)	SBA 504 FSC First (40%)	Owner's Contribution (10%)	EDIF	Total Project
Building Acquisition	\$2,500,000	\$2,000,000	\$500,000		\$5,000,000
Renovation Construction				\$250,000	\$250,000
FF&E				\$150,000	\$150,000
Working Capital			\$50,000		\$50,000
Total	\$2,500,000	\$2,000,000	\$550,000	\$400,000	\$5,450,000
Percent of total	45.9%	36.7%	10.14%	7.3%	100%

EDI Fund Means BUSINESS

Prince George's County's
Economic Development Incentive Fund

Employ.
Develop.
Invest.



Rushern L. Baker, III
Prince George's County Executive

Contact Us

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Alternative Financing



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• **Technology Development Corporation (TEDCO)**

- Flexible, broad-based programs, that provides grants, loans, and investments to innovative, high-growth, technology-enabled companies
- Maryland Stem Cell Research Fund/Maryland Innovation Initiative (8.2M/5M annual funds)
- Pre-Seed Investment Fund (50K per deal)
- Market Research Databases/Executive Exchange
- MdPace –medical device 510(k) clearance support
- Seed Fund – 6M (100k-550k)
- Legacy MVF – 110M (500k-1.5M)
- Maryland Opportunities Fund 25M (500k-1.5M)
- www.Tedco.md



Alternative Financing



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Maryland Industrial Partnerships (MIPS)

- Funding to support industry-academic partnerships for innovation aimed at job creation
- Commercialization potential is key criteria
- Up to \$100,000/year in funding
- Funds Research and Development at USM Universities & St. Mary's College of Maryland
- Company-owned and University-owned IP
- Mtech.umd.edu/ www.mips.umd.edu (May1/Oct1)
- **Commercial PACE**
 - Commercial Property Assessed Clean Energy financing mechanism for commercial property owners to fund clean energy and water conservation related improvement projects.
 - Commercial, industrial, multi-family, agricultural and non-profits can use this financing vehicle – 33 states/ several md counties
 - Pacealliance.org/ paceservicing.com/ FSCfirst.com/ md-pace.com



Alternative Financing



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- **Friends and Family**
- **Angel Investors**
 - High Net Worth Individuals or groups of individuals that invest in and help fund innovative start-ups and small businesses at lower dollar amounts 10k, 25k, 100K up to 1M
 - Angel decisions may be made more quickly/motivations unique
 - Angels may also provide guidance and other support
 - Examples: Dingman Angels/Baltimore Angels/ Keiretsu Forum
- **Venture Capital Firms**
 - Firms/Funds versus Individuals or groups
 - Larger amounts of funding 2.5M and up
 - Investing funds based on potential return on investment
 - Complex deal terms, board seats, control of follow-on funds



Additional Resources

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- **PGCEDC**
 - Workforce Training Grants/Hiring Assistance/International Assistance/ Experts in manufacturing, retail, tech, federal agencies/ co-working space for \$175 a month/free programming and events/ Score counselors/ PTAC Counselors/ SBDC Counselors/ FSC First Contacts
 - www.pgcedc.org
- **Maryland Women's Business Center**
 - Programming and counseling for women and others
 - Fedmine.com database access for clients
 - Marylandwbc.org
- **SBA/SBDC /Business Incubators/Co-working**
 - Innovation Station/BowieBic/mi2/Mtap
- **Maryland Procurement Technical Assistance Center**
 - Programming/One-on-one Counseling
 - Mdptac.org

Thank you!

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