

TESTIMONY OF
Robert C. Brennan, Executive Director
Maryland Economic Development Corporation
BEFORE
House Committee on Appropriations
Subcommittee on Education and Economic Development

February 13, 2017

3:00PM

Background and History

MEDCO was created by the Maryland Legislature in 1984 to assist the state in its economic development efforts by owning real and personal property. The legislature gave MEDCO broad powers to accomplish its mission, including the authority to issue revenue bonds to finance its projects. In 2000, MEDCO's enabling legislation was broadened to allow it to assist other entities of government. MEDCO is managed by an Executive Director who is appointed by its Board with the approval of the Governor. The Executive Director reports to the Board of Directors, which is comprised of 12 members appointed by the Governor. Included on the MEDCO Board are the Secretaries of the Maryland Department of Transportation (MDOT) and the Maryland Department of Commerce (Commerce) or their designees.

MEDCO is staffed with nine employees and one part-time employee. The activities of MEDCO are divided between financing, project development, project administration and accounting. A significant portion of MEDCO's activities are focused on portfolio maintenance and ongoing oversight of its projects. MEDCO monitors its projects' compliance with the provisions of their financing documents to ensure that all of the terms and conditions of its loans are in compliance.

MEDCO structures its financings on a non-recourse, project-specific basis. The State of Maryland and MEDCO are not guarantors for the repayment of the bonds that are issued by MEDCO. The repayments of MEDCO bonds are limited to the revenues and the resources of each project.

Types of MEDCO Activities

Conduit Bond Issuance

MEDCO is a statewide issuer of conduit bonds. These bonds allow certain businesses that are eligible to borrow on a tax-exempt basis to arrange financing with their bank or access the capital markets and obtain a lower interest rate. The types of eligible borrowers are defined by the IRS and include nonprofits, certain manufacturers and other eligible tax-exempt activities such as port and transportation facilities. Conduit issuance is the core of MEDCO's business, and MEDCO has issued more than 200 of these types of bonds since its inception.

MEDCO-Owned Projects and Bond Issuance

MEDCO issues tax-exempt or taxable revenue bonds for projects that it will own and operate. Examples of these types of projects include the Chesapeake Bay Conference Center (Hyatt Cambridge), the University of Maryland College Park energy project, two of the Montgomery County business incubators and student housing projects. These are projects that are, from an accounting perspective, assets of MEDCO, and MEDCO operates each of these projects as a standalone business enterprise. MEDCO closely monitors the operating matrix and performance to ensure the projects are financially stable. When a project is not financially stable, MEDCO works closely with the day to day management company to take corrective measures. In the case of its student housing facilities, MEDCO also includes the host university in crafting operating solutions. This activity requires close attention by MEDCO staff, and the Director of Bond Financing is tasked with assuring portfolio compliance.

MEDCO-Financed Lease Revenue Bonds

MEDCO has issued both taxable and tax-exempt lease revenue bonds to finance both State and Federal projects. In these transactions, the bond financing is secured by the lease agreement and, in some instances, the real property. The portfolio of lease revenue bonds includes the MDOT headquarters building, the Southwest Airlines terminal piers A&B, the Laboratory for Telecommunication Sciences on behalf of the US Army Corp of Engineers, the Hilton Street facility for the Department of General Services, the Maryland Public Health Laboratory which is under construction in east Baltimore and, most recently, the Maryland State Archives warehouse. In all of these projects MEDCO is actively involved through the procurement, development, financing and construction phases of the project. After construction, MEDCO's involvement is dictated by the lease agreements. By example MEDCO's involvement with the MDOT headquarters building is minimal while involvement with the State Health Lab will be ongoing, as MEDCO will actively oversee the building management and will work with the Department of Health and Mental Hygiene to ensure the facilities are functional in an optimal capacity.

Public Private Partnerships (P3s)

MEDCO has been at the forefront when conducting P3s in Maryland. The P3s include student housing projects, the University of Maryland College Park energy project and Seagirt Marine Terminal. Depending on how much private sector involvement is desired, P3s can take on a variety of structures, such as design, build, finance, operate and maintain, or as MEDCO has structured, a hybrid transaction in which the private sector is only engaged for the operations and maintenance portion of the project. MEDCO has also used private entities to design and build, but has retained the financing of the asset using tax-exempt financing. MEDCO has been working with MDOT on the Purple Line, where it is anticipated that MEDCO will issue the transportation revenue bonds for the project.

Tax Increment Financing (TIF)

While MEDCO is not an eligible issuer for TIF bonds in most jurisdictions, it was given the authority to issue TIF bonds for Baltimore City. Additionally, the statewide TIF legislation was expanded to provide enhanced features to support Transportation Oriented Development (TOD) projects, and in this past session, Sustainable Communities. MEDCO was named as an authorized issuer of TIF bonds in these designated areas and was also provided the capability to own certain acquired or improved assets.

MEDCO financed and owns a parking garage in the Owings Mills Town Center in Baltimore County using its TOD TIF capabilities. MEDCO has been working closely with MDOT on other TOD opportunities, and there are several projects that MEDCO may be able to assist in developing and/or financing.

Commerce Sponsored Projects

MEDCO has developed industrial parks, spec buildings and other types of facilities in areas where private developers will not invest funds and in One Maryland jurisdictions. These projects are oftentimes funded by Commerce and MEDCO will, when available, apply for other funding through the host county, USDA, US-EDA and or ARC. MEDCO will hold the property and work collaboratively with the host-county and Commerce to either lease or sell the property. MEDCO also maintains a portfolio of loans that originated through Commerce to industrial and other types of business users. MEDCO is currently working with Commerce and Montgomery County to repurpose the Shady Grove Innovation Center into a facility that will be used as the National Cybersecurity Center of Excellence (NCCoE). This facility became operational in January 2016.

Consulting and Advisory Services

MEDCO has worked with local governments in the procurement of economic feasibility or other technical studies. These studies are usually funded through partner governmental agencies. MEDCO assists the governmental entity by writing the request for proposals and developing the scope of the engagement to assure the proper elements are obtained to make a decision for a project. MEDCO has worked with MDOT on the Purple Line to procure and contract the financial transaction advisor, and will work closely with MDOT to assist with the structuring of the project. MEDCO is involved in several state organizations such as the Bainbridge Development Corporation and PenMar Development Corporation.

Below are highlights from MEDCO's 2016 Annual Report.

**MARYLAND
ECONOMIC DEVELOPMENT
CORPORATION**



Annual Activities Report

&

Audited Annual Financials

Fiscal Year Ending:

June 30, 2016

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Secretary, MD Department of Transportation

The Honorable R. Michael Gill (Ex-Officio)

Secretary, MD Department of Commerce

Mr. Robert C. Brennan

Executive Director and Corporate Secretary

Corporate Overview

MEDCO is staffed with nine full-time employees and one part-time employee. A significant portion of MEDCO's ongoing project management responsibilities include reviewing and providing management oversight. MEDCO monitors its projects' compliance with the provisions of financing documents to ensure that the current financial statements of participants are available, required compliance benchmarks are achieved and current and appropriate insurance requirements are being met. MEDCO also collects and reviews the monthly financials for its owned projects.

MEDCO structures its financings on a non-recourse basis. The State of Maryland, any State agency and MEDCO are not responsible for the repayment of the bonds that are issued by MEDCO. The repayment of MEDCO bonds is limited to the revenues and the resources of the project.

MEDCO has a website which lists MEDCO's projects, presents MEDCO's annual audited financials, highlights many MEDCO projects, lists MEDCO's Board Members, and provides other useful information at www.medco-corp.com.

Bond Financed Projects in FY 2016

MEDCO's bond financed projects encourage business activities, retain businesses, relieve unemployment, promote the welfare of State residents, and generally promote economic development in the State.

For the fiscal year ending June 30, 2016, MEDCO provided bond financing for the following projects:

University of Maryland, College Park Series 2016: On March 17, 2016, MEDCO issued its non-recourse, tax-exempt revenue bonds in the amount of \$133,595,000 named Maryland Economic Development Corporation Student Housing Refunding Revenue Bonds (University of Maryland, College Park Project) Series 2016 (or the "2016 Bonds") at the request of University of Maryland, College Park (the "University") to refund its Maryland Economic Development Corporation Student Housing Refunding Revenue Bonds (University of Maryland, College Park Projects) Series 2006 (the "2006 Bonds") and the Maryland Economic Development Corporation Student Housing Revenue Bonds (University of Maryland, College Park Projects) Series 2008 (the "2008 Bonds"). The 2016 Bonds were issued as additional bonds under the documents for the 2006 Bonds.

Proceeds of the 2016 Bonds were used along with other funds held by the trustee for the benefit of the holders of the 2006 and 2008 Bonds to (i) currently refund the 2006 Bonds originally issued in the principal amount of \$133,645,000, (ii) advance refund the 2008 Bonds originally issued in the principal amount of \$38,200,000, (iii) pay the premium for the bond insurance policy, and (iv) pay the costs of issuing the Series 2016 Bonds.

MEDCO used the proceeds of 2006 Bonds to (i) refund the (a) MEDCO Student Housing Revenue Bonds (Collegiate Housing Foundation-University Courtyard Project) Series 1999, (b) MEDCO Student Housing Variable Rate Demand Revenue Bonds (College Park L.L.C.- South Campus Project) Series 2000, and (c) MEDCO Student Housing Revenue Bonds (University of Maryland, College Park Project) Series 2003, collectively used to finance certain student housing facilities on land owned by the State of Maryland for the use of the University System of Maryland on behalf of its constituent institution, the University of Maryland, College Park; (ii) fund a portion of the debt service reserve fund, (iii) pay the premium for a bond insurance policy for the Series 2006 Bonds; and (iv) pay the costs of issuing the 2006 Bonds.

The proceeds of 2008 Bonds were used to (i) pay the costs of the acquisition, construction, furnishing and equipping of a 368-bed student housing facility in College Park, Maryland, and leased to MEDCO by the State of Maryland for the use of the University System of Maryland on behalf of its constituent institution University of Maryland, College Park, (ii) fund a deposit to the Debt Service Reserve Fund, (iii) pay the interest expected to accrue on the Series 2008 Bonds through June 1, 2010, (iv) pay the working capital and marketing costs associated with opening the project, and (iv) pay the costs of issuing the 2008 Bonds. The student housing facilities financed or refinanced with proceeds of the 2006 and 2008 Bonds are owned and operated by MEDCO and herein referred to as the “Project.”

The Project provides critical housing for students of the University. MEDCO will continue to own and operate the Project until the 2016 Bonds are redeemed, after which time, ownership of the Project will revert to the University. The 2016 Bonds bear interest at fixed rates with staggered maturities with final maturity being June 1, 2043. Payments on the 2016 Bonds are payable from Project revenues and are further supported by a debt service reserve fund. Under the Project ground lease, surplus cash flow from the Project is paid to the University as ground rent. The 2016 Bonds have an underlying rating of Baa2 from Moody’s Investors Services (“Moody’s). With bond insurance from Assured Guaranty Municipal Corporation, the 2016 Bonds were given a rating of A2 from Moody’s.

The refinancing will result in significant debt service savings for the Project over the term of the 2016 Bonds which will provide a more stable operating entity for MEDCO, keep rental rates down for University students, and ultimately generate larger ground rent payments to the University. The net present value savings associated with the refunding is \$20,718,855 or 13.8% of refunded principal, which equates to approximately \$1,390,000 and \$311,000 per year in reduced debt service for the 2006 and 2008 Bonds and 2008 Bonds, respectively.

University of Maryland, Baltimore County Series 2016: On April 5, 2016, MEDCO issued its non-recourse, tax-exempt revenue bonds in the amount of \$21,065,000 named Maryland Economic Development Corporation Student Housing Refunding Revenue Bonds (University of Maryland, Baltimore County Project) Series 2016 (the “2016 Bonds”) at the request the University of Maryland, Baltimore County (the “University”) to refund its Maryland Economic Development Corporation Student Housing Refunding Revenue Bonds (University of Maryland, Baltimore County Project) Series 2006 (the “2006 Bonds”). The 2016 Bonds were issued as additional bonds under the documents for the 2006 Bonds.

Proceeds of the 2016 Bonds were used along with other funds held by the trustee for the benefit of the holders of the 2006 Bonds to (i) currently refund the 2006 Bonds originally issued in the principal amount

of \$31,915,000, (ii) pay the premium for the Bond Insurance Policy, and (iii) pay the costs of issuing the 2016 Bonds.

MEDCO used the proceeds of the 2006 Bonds to (i) refund its Maryland Economic Development Corporation Variable Rate Demand Student Housing Revenue Bonds (University of Maryland, Baltimore County) Series 2002 Bonds which financed the cost of constructing and equipping a 581-bed student housing facility on land leased to MEDCO by the State of Maryland for the use of the University System of Maryland on behalf of its constituent institution, University of Maryland, Baltimore County, located on the campus of the University of Maryland, Baltimore County (“Project”) (ii) pay premiums for a bond insurance policy and a debt service reserve fund credit facility, and (iii) pay the costs of issuing the 2006 Bonds.

The 2016 Bonds bear interest at fixed rates with staggered maturities with final maturity being July 1, 2035. Payments on the 2016 Bonds are payable from Project revenues and are further supported by a debt service reserve fund. The 2016 Bonds have an underlying rating of Baa2 and with bond insurance from Assured Guaranty Municipal Corporation, a rating of A2 from Moody’s Investors Service. Under the Project ground lease, surplus cash flow from the Project is used to optionally redeem the Series 2016 Bonds.

The refinancing of the Series 2006 Bonds will result in significant debt service savings for the Project over the term of the 2016 Bonds which will result in a more stable operating entity for MEDCO and keep rental rates down for University students. The net present value savings associated with the refunding is \$2,755,332 or 11.7% of refunded principal, which equates to approximately \$257,000 per year in reduced debt service.

Purple Line Light Rail Series 2016: On June 17, 2016, MEDCO issued its non-recourse, private activity revenue bonds in the aggregate principal amount of \$313,035,000 named Maryland Economic Development Corporation Private Activity Revenue Bonds (Purple Line Light Rail Project) in the following series and amounts: \$100,000,000 Private Activity Revenue Bonds (RSA) Series 2016A (Green Bonds), \$23,320,000 Private Activity Revenue Bonds (FCP) Series 2016B (Green Bonds), \$27,480,000 Private Activity Revenue Bonds (SLP) Series 2016C (Green Bonds), and \$162,235,000 Private Activity Revenue Bonds (AP) Series 2016D (Green Bonds) (collectively, the “2016 Bonds”).

Proceeds of the 2016 Bonds were loaned to Purple Line Transit Partners, LLC, a Delaware limited liability company (the “Company” or “Borrower”) that was formed to design, build, finance, operate, and maintain the Purple Line Light Rail Project as described below (the “Project”) by Meridiam Infrastructure Purple Line, LLC, (“Meridiam”), Fluor Enterprises, Inc. (“Fluor Enterprises”) and Star America Purple Line, LLC (“Star America,” and together with Meridiam and Fluor Enterprises, the “Sponsors”). The Sponsors each own membership in the Company.

The Borrower will use the proceeds of the 2016 Bonds to: (a) finance a portion of the eligible costs of designing and constructing the Project; (b) pay a portion of the interest payable on the 2016 Bonds during construction of the Project; (c) fund a Debt Service Reserve Fund for the Series 2016D Bonds; and (d) pay the costs of issuing the 2016 Bonds.

In addition to funding from bond proceeds, the Project costs will be funded from (i) progress payments, a revenue service availability payment, a final completion payment, and availability payments (the “Progress Payments”, the “RSA Payment”, the “Final Completion Payment”, and the “Availability Payments”, respectively, and all collectively, the “State Payments”) to be paid by the Maryland Department of Transportation (“MDOT”) and Maryland Transit Administration (“MTA,” and with MDOT, the “Contracting Authority”) to the Company pursuant the Public-Private Partnership Agreement dated as of April 7, 2016 (the “P3 Agreement”), (ii) equity contributions from the Sponsors, (iii) interest earnings on proceeds of the 2016 Bonds, (iv) proceeds of a loan to the Company to be provided by the United States Department of Transportation (acting by and through the Federal Highway Administrator) pursuant to the Transportation Infrastructure Finance and Innovation Act of 1998, as amended (“TIFIA”) and (v) other funds.

The Project consists of financing, development, design, construction, equipping, supply of light rail vehicles for, and operation and maintenance of a 16.2 mile light rail transit line that extends from Bethesda in Montgomery County to New Carrollton in Prince George’s County (the “Project”). The Project is being developed pursuant to the P3 Agreement under which the Contracting Authority has granted the Company an exclusive concession to finance, develop, design, construct, equip, supply light rail vehicles for, operate and maintain the Project in return for the State Payments. The State Payments are performance based and are only payable subject to annual appropriation by the Maryland General Assembly and demonstration of satisfactory performance by the Company under the P3 Contract.

The 2016 Bonds are structured into four series (A, B, C, and D, with varying maturities tied to their pledged sources of repayment) and will bear interest at fixed rates. The 2016A Bonds, with stated maturity in 2024, are expected to be repaid upon successful demonstration of Project operating capabilities with the RSA Payment in 2022. The 2016B Bonds, with stated maturity in 2026, are expected to be repaid upon final completion of the Project with the Final Completion Payment in 2023. The 2016C Bonds have maturity of approximately 12 years and will be paid with 8 special lifecycle payments which will be part of the Availability Payments. The 2016D Bonds will fully amortize over their approximate 29-year term and will be paid from monthly Availability Payments earned by the Borrower through successful operation of the Project by making the light rail service “available” for public use.

The 2016 Bonds have been assigned BBB+ ratings by Standard and Poor’s Rating Services and Fitch Ratings. DBRS has rated the 2016A Bonds and 2016B Bonds A (low) and on the 2016C Bonds and 2016D Bonds BBB (high).

Loan Financed Projects in FY 2016

MEDCO’s loan-financed projects encourage and aid the development of business within Maryland’s expanding technology sector.

For the fiscal year ending June 30, 2016, MEDCO provided funding assistance to the following entity:

Simon Pearce: In July 2015, at the request of Simon Pearce, MEDCO paid off an outstanding Maryland Department of Commerce’s Maryland Economic Development Assistance Authority Fund

(MEDAAF) loan from 1998 which was used to purchase a former Bausch & Lomb manufacturing facility in Garrett County and fund capital improvements (“Project”). MEDCO is the owner of the Project and leases it to Simon Pearce. The loan payoff and subsequent restructuring of the lease allowed for the Project to lower lease payment amounts, extend the lease term, and retain Simon Pearce’s exclusive right to purchase the Project at any time during the extended lease term.

Portfolio Project Updates

National Cybersecurity Center of Excellence: In December 2015, MEDCO completed the approx. \$11M renovation of a 57,000sq/ft. the Shady Grove Innovation Center facility, located at 9700 Great Seneca Highway, Rockville, MD (the “Facility”), in transforming the Facility’s usage from a biology and information technology business incubator into the National Cybersecurity Center of Excellence (“NCCoE”). The NCCoE program was established in 2012, through a partnership and a Memorandum of Understanding between the National Institute of Standards and Technologies (“NIST”), the Department of Commerce (“Commerce”) and the County’s Department of Economic Development (DED), and is dedicated to furthering innovation through the rapid identification, integration and adoption of practical cybersecurity solutions. The NCCoE is part of the NIST Information Technology Laboratory and operates in close collaboration with NIST’s Computer Security Division. The NCCoE integrates commercially available technologies to build practical cybersecurity solutions that can be rapidly applied to the real challenges that businesses face each day. The off-campus facility will be used to attract private companies to the Center to collaborate on advanced and innovative solutions to the private sector’s cybersecurity needs. In September 24, 2012, NIST obtained a program of requirement for an off-campus facility to house the NCCoE program. In early 2013, NIST approached the County and expressed interest in redeveloping the Facility in order to accommodate the NCCoE and auxiliary cybersecurity incubator efforts associated therewith. Commerce and the County requested MEDCO’s support and assistance in transforming the Facility into the NCCoE, including but not limited to: cooperating with the County in amending certain agreements; engaging an architecture firm to create a redevelopment plan; securing redevelopment funding through options available to MEDCO; and overseeing the redevelopment of the Facility to accommodate the NCCoE program.

Maryland State Archives: On October 3, 2014, MEDCO issued its non-recourse, tax-exempt revenue bonds in the amount of \$9,200,000 named Maryland Economic Development Corporation Revenue Bond (Maryland State Archives Project) Series 2014 and used the bond proceeds along with \$2,300,000 of MEDCO funds (“MEDCO Contribution”), to acquire approximately 5.9 acres of land located at 2255 Rolling Run Drive, Woodlawn, Maryland 21244 containing an approximately 134,240 square foot building previously used by the Social Security Administration as a record retention facility (the “Project”).

MEDCO owns the Project and has entered into an Intergovernmental Lease Agreement with Maryland State Archives (“MSA”) for use of the entire Project for an initial fifteen year term. MSA will pay for operating expenses associated with the Project in addition to the lease payments. MSA consolidated three leased facilities into one building. The new facility has capacity for at least 15 years and more importantly the facility has the environmental control to protect the stored records. Additionally, MSA has the option to renew the Lease for up to two additional ten year terms.

In late June 2016, MEDCO initiated renovations of an approximately 130,000 sq. /ft. office/warehouse facility, located at 2255 Rolling Run Drive, Woodlawn, MD (the “Facility”), in order to improve the former Social Security Administration-occupied space and accommodate the furtherance of certain archival storage, restoration and preservation efforts of the Maryland State Archives. Renovations to the Facility include the complete overhaul of the HVAC system (including roof top cooling units), a new roofing system, the addition of a back-up generator, the reconfiguration and refinish of two stories of office space, and other improvements to the Facility aligned with the archival nature of its usage. The Facility is currently scheduled to be completed by the end of February 2017.

Studies and Reports

Smart Growth Investment Fund: In 2013, a Maryland Smart Growth Investment Fund Workgroup was created by the General Assembly. The Workgroup requested that MEDCO assist in the initial development of a Smart Growth Investment Fund with the goal of exploring the creation of an investment fund to accelerate growth and sustainable development in Maryland. MEDCO has engaged a consultant to study infrastructure funds and to formulate a plan to create an infrastructure fund in Maryland. The effort is being paid by MEDCO, the Department of Housing and Community Development, the Maryland Department of Transportation and Maryland Department of Commerce.

Prince George’s Stadium Repurposing Feasibility Study: A prior study completed by the Workgroup Green Branch Athletic Complex recommended that resources be allocated towards obtaining an additional report which will specifically focus on the costs and data required to analyze repurposing the Prince George’s Stadium into a multi-sports stadium. MEDCO has been requested to assist in the procurement and overseeing of the additional study to determine the feasibility and sustainability of repurposing the Prince George’s Stadium into a multi-sports stadium. Maryland National Capital Park and Planning Commission requested MEDCO’s assistance, has funded the entire cost of the abovementioned study and the study is scheduled to commence before the end of calendar year 2016.

Prince George’s County Performance Art Center Feasibility Study: MEDCO has been requested to assist in the procurement of a market and economic feasibility study for a performance arts center in Prince George’s County (County). The County supports a significant, growing arts community and the Maryland National Capital Park and Planning Commission (MNCPPC). The County and MNCPPC have sought to explore the possibility of constructing a new performance arts center at various potential locations and desire assistance in conducting a County-wide study to determine the feasibility and sustainability of a new performance arts center based on an analysis of the demographics and potential locations within the County, region and State. MNCPPC funded the entire cost of the abovementioned study, the study is in progress and the first half of findings will be presented to MNCPPC before the end of the year.

One Maryland Projects

The General Assembly intends that MEDCO assist governmental units as well as State and local economic development agencies in contributing to the expansion, modernization, and retention of existing enterprises in the State as well as the attraction of new business to the State. MEDCO follows through on

these intentions through its continued involvement with One Maryland projects. The One Maryland Program is funded by the Maryland Department of Commerce (Commerce) and provides economic development assistance to economically distressed jurisdictions. MEDCO assisted One Maryland projects have been completed in Allegany County, Garrett County, Dorchester County, Worcester County, Caroline County, Somerset County and Baltimore City.

MEDCO's 2016 involvement in One Maryland projects includes:

Barton Farms Business Park, Allegany County: Developed by MEDCO and located south of Cumberland on US Route 220, the project initially included land acquisition, permitting, installation of utilities and site preparation. In June of 2004, approximately 40 acres were sold to American Woodmark Corporation. In May 2015, the County purchased approximately 27.5 acres of land from MEDCO in order to construct a flex building to attract businesses to the project. The flex building is schedule to be completed by late spring 2016. MEDCO, Allegany County and Commerce continue to market the remaining property to technology based businesses looking to relocate to the Western Maryland region

Pocomoke Flex Building, Worchester County: Constructed by MEDCO in 2002, this 43,000 square foot industrial shell building provides the County with marketable flex space. In 2006, Mid-Atlantic Institute for Space and Technology (MIST) master leased the entire building. In 2007, MIST and MEDCO co-applied for and MIST was awarded an EDA grant totaling \$200,000.00. The award provided for interior improvements to expand existing work space within the building. In February 2012, MIST relinquished its master lease of the facility. In June 2015, MEDCO master leased the entire facility to Hardwire, LLC. Hardwire has a lease purchase agreement and intends to use this space to expand their manufacturing capabilities and work space.

Maryland Economic Development Assistance Authority and Fund (MEDAAF) Project
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MEDCO is enabled by statue to receive funds from the Maryland Department of Commerce (Commerce) under MEDAAF in furtherance of its economic development activities.

MEDCO's 2016 involvement in MEDAAF projects include:

Patuxent Business Park: In 2000, MEDCO, with Commerce financing, purchased approximately 92 acres of land for the development of a business park in Calvert County, Maryland. The park is designed for Class A office and flex space. In 2005, MEDCO secured additional Commerce funding for the continued ongoing costs of engineering, design, permitting and construction of infrastructure; completed around 2007. In February 2016, Dominion Cove Point LNG purchased lot 6 of the park and is in the process of constructing an approx. 20,000 sq. /ft. office/warehouse building and a helicopter pad on the lot in furtherance of Dominion's liquid natural gas initiatives in Calvert County. MEDCO and County are researching the potential of developing a 10,000 to 20,000 sq. /ft. flex/spec building upon one of the park's lots and both parties continue to use the services of a commercial broker to assist with marketing efforts and increase exposure of the park to potential buyers.

Student Housing Projects

MEDCO provides assistance to Maryland's higher education entities through the bond financing and ownership of student housing projects. These projects enable Maryland's higher education entities to attract and house students without adversely affecting their State mandated debt capacities.

In these student housing projects, MEDCO assumes project ownership by way of ground leases that terminate contemporaneously with the repayment of the bonds issued by MEDCO to finance each project. Upon repayment of the bonds, the ownership of these projects reverts to the ground lessor.

The following is a brief summary of the student housing currently owned/ground leased by MEDCO and the debt outstanding for each project as of June 30, 2016:

Projects that revert to the University System of Maryland upon repayment of MEDCO bonds:

- **Bowie State University, Prince George's County** - \$16,285,000– 460 beds
- **Frostburg State University, Allegany County** - \$14,065,000– 406 beds
- **Salisbury University, Wicomico County**- \$23,260,000- 890 beds
- **Towson University, Baltimore County** - \$43,350,000- 1,088 beds
- **University of Maryland, Baltimore** - \$27,065,000– 337 beds
- **University of Maryland, Baltimore County** – \$21,065,000– 578 beds
- **University of Maryland, College Park** - \$133,595,000– 2,933 beds

Projects that revert to Morgan State University upon repayment of MEDCO bonds:

- **Morgan State University, Baltimore City** - \$29,590,000– 794 beds

Projects that revert to Sheppard Pratt Health Systems upon repayment of MEDCO bonds:

- **University Village at Sheppard Pratt, Baltimore County** - \$19,820,000– 615 beds

Information and Biological Technology Incubator Projects

In the legislative findings which were part of the basis for MEDCO's creation, the General Assembly of Maryland determined that the State's economy continues to experience technological change and that such change may result in economic contraction and dislocation, but affords opportunities to expand productive employment and expand the State's economy and tax base. MEDCO capitalizes on these opportunities through its continued ownership of and involvement in information and biological technology incubator projects.

Here is an overview of those six incubators, as well as an overview of the virtual licensee program:

Montgomery College Germantown Innovation Center (GIC): In September 2008, Montgomery College ("College") and Montgomery County Department of Economic Development renovated a vacant 67,000 square foot commercial building adjacent to Montgomery College's Germantown Campus. The County subleases the second floor (roughly 35,000 SF) from the College for the GIC. The GIC includes 12 labs, two clean room facilities and 8,500 square feet of office space. GIC companies have access to

business resources including training, development, and best practices seminars led by industry experts, free counseling and legal services. MEDCO assisted in the construction of the GIC and continues to assist the GIC as its conduit manager.

Currently the GIC accommodates 19 companies that support 86 employees. The GIC supports 5 virtual companies that have a total of 9 employees.

Rockville Innovation Center (RIC): On July 12, 2007 MEDCO obtained a loan in the amount of \$4,700,000 from Mercantile Potomac Bank (now PNC Bank) for the construction of a two story information technology incubator as part of a five story mixed use building in Rockville, Maryland. RIC companies have access to business resources including training, development, and best practices seminars led by industry experts, free counseling and legal services. The RIC is backed by an operational grant agreement between MEDCO and Montgomery County. MEDCO is the owner and conduit manager of the RIC.

Currently the RIC accommodates 14 companies that support 78 employees. The RIC supports 6 virtual companies that have a total of 8 employees. Two companies at RIC have both physical office agreements as well as a virtual agreement.

Silver Spring Innovation Center (SSIC): The SSIC is a 40,000 square foot building located in and owned by Montgomery County. The SSIC is an information technology incubator that excels in providing fast and efficient telecommunication connections for all of its companies. SSIC companies have access to business resources including training, development, and best practices seminars led by industry experts, and free counseling and legal services through the Maryland Intellectual Property Legal Resource Center. MEDCO is the conduit manager of the SSIC.

Currently, the SSIC accommodates 13 companies and supports 51 employees. The SSIC supports 3 virtual companies that have a total of 8 employees.

Wheaton Business Innovation Center (WBIC): The WBIC opened in 2006 and contains approximately 10,000 square feet of office space and conference rooms. WBIC companies have access to business resources including training, development, and best practices seminars led by industry experts, free counseling and legal services, networking conferences, and business counseling. MEDCO is the conduit manager of the WBIC. As of June 2016, the WBIC closed as a physical innovation center and became the “Incubator Without Walls” Program (IWWP). The IWWP offers start-up companies with the same level of business support provided by the WBIC, with the exception that this support is provided directly by hired consultants to start-up companies, rather than the companies receiving such support within a physical building.

WBIC closed in March 2016. During FY 16, WBIC accommodated 8 physical companies and supported 23 employees.

Virtual Licensees: In the spirit of Great Britain’s HUB concept, MEDCO and Montgomery County collectively designed a concept that would allow researchers, scientists and entrepreneurs with limited capital the usage of certain incubator resources on a scheduled basis for a minimal monthly fee. Such resources include mailbox space, shared office resources (phone, fax, copy machine, computers,

etc.), conference rooms and access to programs offer at the various incubators located in Montgomery County.

There are currently 16 virtual licensees, including two licensees that have both physical and virtual agreements.

Emerging Technology Center @ Johns Hopkins Eastern (ETC Eastern): MEDCO received financial commitments from the Department of Business and Economic Development, the Maryland Technology Development Corporation, US Department of Commerce-Economic Development Administration, Baltimore Development Corporation and Johns Hopkins University, and employed both federal and State historic tax credits to assist in the building out of space within the former Eastern High School in Baltimore City. MEDCO leases one floor of the facility from Johns Hopkins University to accommodate the ETC Eastern and acts as conduit manager for the ETC Eastern.

The ETC Eastern facility contains approximately 45,800 square feet of office space, distributed over 35 separate offices and 10 cubicle spaces. The ETC Eastern is managed and financially supported by the Baltimore Development Corporation and provides its information technology companies with an assortment of business assistance services.

In FY 2016, the ETC Eastern graduated 3 companies. Currently the ETC Eastern accommodates 24 companies that support 156 employees, and works with 13 virtual tenants.

bwtech@UMBC Incubator and Accelerator: The bwtech@UMBC Incubator and Accelerator is a nationally-recognized life-science and technology business incubation program that is home to over 30 early-stage bioscience and technology companies. bwtech@UMBC is managed by UMBC and owned by MEDCO. Companies enjoy 165,000 square feet of affordable office and wet lab space, flexible lease arrangements, as well as access to resources and networking opportunities to help their businesses succeed. An experienced entrepreneurial services staff provides resident companies with general business support services and access to an active network of mentors and investors.

Since its inception in 1989, the bwtech@UMBC Life Science and Technology Incubator has graduated 79 companies, including Celsis/InVitro Technologies, Next Breath LLC, AVicode Inc. and Noxilizer, Inc. and currently accommodates 45 companies that support 250 employees.

Active Bond Financed Projects

MEDCO's financed projects encourage business activities, retain businesses, relieve unemployment, promote the welfare of State residents, and generally promote economic development in the State.

Since its inception in 1984, has MEDCO has provided financing for hundreds of projects. Below is a list of MEDCO's active financed projects to date:

Bond Financed and Owned Projects

Laboratory for Telecommunications Science Facility Series 2003

Towson University Series 2007

Chesapeake Resort and Conference Center Series 2006
Maryland Public Health Laboratory Series 2011
Morgan State University Series 2012
Salisbury University Series 2012
Sheppard University Series 2012
Towson University Series 2012
Salisbury University Series 2013
Frostburg State University Series 2013
Metro Centre at Owings Mills Series 2014
Maryland State Archives Series 2014
Bowie State University Series 2015
University of Maryland, Baltimore Series 2015
University of Maryland, College Park Series 2016
University of Maryland, Baltimore County Series 2016

Conduit Bond Financed Projects

Human Genome Sciences Series 1997
Dietz & Watson, Inc. Series 1999
Human Genome Sciences Series 1999
AFCO Cargo BWI II, LLC Series 1999
Maryland Soccer Foundation Series 2000
The Arc of Howard County Series 2000
Bindagraphics, Inc. Series 2001
CWI Limited Partnership Series 2001
Goodwill Industries of Monocacy Valley, Inc. Series 2001
Mountainview Landfill and USA Waste Series 2002
Phenix (Redrock, LLC) Technologies, Inc. Series 2002
AFCO Cargo BWI II, LLC Series 2003
American Red Cross Series 2003
Blind Industries and Services of Maryland Series 2003
Hardwood Mills, Inc. Series 2003
University of Maryland Alumni Association Series 2003
Goodwill Industries International Series 2004
YMCA Metro Washington Series 2005
Prologue, Inc. Series 2005
Canusa Hershman Recycling, LLC Series 2005
Potomac Electric Power Company Series 2006
St. Stephen's Economic Development Corporation Series 2007
Catholic Relief Services, Inc. Series 2007
Easter Seals Series 2007
Bindgraphics, Inc. Series 2007
Gamse Lithographing Company, Series 2007
Lutheran World Relief Series 2007
Opportunity Builders, Inc. Series 2007

United States Bullet Proofing Series 2007
Howard Hughes Medical Institute Series 2008
Linemark Printing Series 2008
Jewish Council for Aging Series 2009
Crossroads Partnership, LLC Series 2009
Ardmore Enterprises, Inc. Series 2009
Seagirt Marine Terminal Series 2010
Maryland Department of Transportation Series 2010
CNX Marine Terminal Series 2010
Gold Crust Baking Series 2010
Federation of America Societies for Experimental Biology Series 2010
Emerge Series 2010
Arc of Baltimore (BARC) Series 2010
Cornell Associates Series 2010
Living Classroom Foundation Series 2010
Providence Center Series 2010
The Baltimore Museum of Art Series 2010
The Maryland Food Bank Series 2010
The Arc of Prince George's County Series 2010
University of Maryland College Park Utility Infrastructure Series 2011
YMCA of Central Maryland Series 2011
United States Pharmacopeial Convention Series 2012
Your Public Radio Corporation Series 2012
American Urological Association Series 2012
Maryland Aviation Administration Series 2012
Universities Space Research Association Series 2012
Washington Research Library Consortium Series 2013
Santa Barbara Court Series 2013
Chesapeake Bay Foundation Series 2013
Hospice of the Chesapeake Series 2014
Allegany College Series 2014
929 N. Wolfe Street Series 2014
Lyon Bakery Series 2014
Compass, Inc. Series 2015
Purple Line Light Rail Series 2016

Loan and Grant Financed Projects

Thoroughbred Racing Association
UMBC Research Park
Chesapeake College
Hilton Street
Simon Pearce
Barton Business Park
Pocomoke Flex Building

Patuxent Business Park
Emerging Technology Center- Eastern High
Rockville Innovation Center
Germantown Innovation Center
Wheaton Business Innovation Center
UMBC Tech Center
Silver Spring Innovation Center
National Cybersecurity Center of Excellence

Advisory Capacity

MEDCO, through the involvement of its staff, directly promotes economic development and assists in maximizing new economic opportunities in the State by active service in board memberships and advisory positions within various organizations throughout the State. These organizations include:

Maryland Industrial Partnership (MIPS): MIPS promotes the development and commercialization of products and processes through research partnerships between universities and industries. MEDCO's Executive Director is a member of MIPS' advisory board.

PenMar Development Corporation: The PenMar Development Corporation is solely focused on the redevelopment of the Fort Richie site. MEDCO's Executive Director serves as an ex-officio member of the board of directors.

Bainbridge Development Corporation: The purpose of the Bainbridge Development Corporation is to develop the Bainbridge Naval Training Center and to accelerate the transfer of the site to the private sector. MEDCO's Executive Director is an ex-officio member of the board of directors.

Emerging Technology Centers (ETC): The ETC is a non-profit business incubator venture of the Baltimore Development Corporation that helps early-stage companies grow and prosper. MEDCO's Executive Director serves as a member of the ETC's advisory board.

Maryland Economic Development Association: MEDCO's Executive Director is a member of MEDA's Past Presidents. Past Presidents provide economic development consulting services to parties requesting services. Additionally, MEDCO's Associate Director for Development and Information Technology serves on MEDA's program committee.

Maryland Department of Housing and Community Development (DHCD), Revenue Bond Advisory Board: The purpose of the Revenue Bond Advisory Board is to provide independent advice and expertise to the Department of Housing and Community Development on the issuance of revenue bonds by the Department, and the policies and procedures related to the issuance of those revenue bonds. MEDCO's Executive Director serves as a member of the Revenue Bond Advisory Board.

Crownsville Redevelopment Taskforce: The taskforce on the Disposition of the Crownsville Hospital Center was established by legislation during the 2015 legislative session. MEDCO's Executive

Director was appointed to serve on the taskforce as the individual with expertise in the disposition of property.

One Maryland Blue Ribbon Commission on Procurement: MEDCO's Executive Director was appointed as a member of the Commission to review State procurement and provide a report of its findings and recommendations to the General Assembly.

Minority Business Enterprises Participation

MEDCO seeks to implement its statutory purpose of promoting economic development in the State by purchasing supplies and services from entities with operations in the State. While the majority of its projects are funded privately, MEDCO complies in practice with applicable minority business enterprise requirements for projects that involve governmental funding sources.

During fiscal year 2016, MEDCO directed the purchasing of goods and services for its operation and administration from the following MBE's and WBE's: The Canton Group (MBE, SBE, & DBE) for data base restructuring and monthly servicing at a cost of \$300.00; FiveL, a Human Resources consulting firm (WBE) was paid \$175.00; Curry Printing and Copy Center was paid \$2,119.00.00 for printing and business cards; and Centric Business Solutions was paid \$1,719.04 for copier/scanner maintenance services;

The National Cybersecurity Center of Excellence Project, completed construction at 9700 Great Seneca Highway, Rockville, MD, Montgomery County in December 2015. The Project achieved the inclusion of 25% MBE/WBE/LBE participation in the State's \$5.4M capital contribution to the final construction contract amount and 36% participation by Montgomery County businesses in the overall \$8.8M final construction contract amount.

MEDCO staff attends MBE networking/procurement events where minority businesses promote their products and services. MEDCO staff attended the 13th Annual 2016 Spring Breakfast Meeting/Business Showcase Expo and the Greater Baltimore Urban League Equal Opportunity Day events. The Governors' Office of Minority Affairs and various directories are checked monthly, at a minimum, for upcoming exhibitions that could be beneficial to MEDCO.

Member Maryland Washington Minority Contractor's Association since 2012.

Member Maryland Minority Contractors Association since 2012.

Project Classification Report

MEDCO has adopted a loan classification policy whereby projects are characterized as "Performing", "Watch" or "Non-Performing." The following are projects that are classified as either Non-Performing or Watch where MEDCO was either the issuer or owner during the 2016 fiscal year:

Chesapeake Resort and Conference Center: *(Status: Non-Performing)* The Chesapeake Bay Conference Center (CBCC) was classified as a “Watch” in 2010 as the project failed to achieve the required minimum debt service coverage ratio of 1.25 and the project was reclassified as “Non-Performing” in 2014 after the June debt service payment was only partially made. With the downturn in the economy in 2008, the resort suffered a loss in business.

During the economic downturn, CBCC revenues declined over 30% from their peak to a low of \$35,434,000 for the fiscal year ended June 30, 2010. Initially, the resort’s efforts to increase revenues had been stalled for reasons including a stagnant market for resort conference facilities. While resort conference facilities around the country have rebounded from the recession, the resort conference facilities in our market area have continued to struggle. The single largest loss of business has been in the large group business segment which has not rebounded to its pre-2008 performance level. The resort needs to increase revenues to its pre-great recession levels of over \$45,000,000 to achieve the 1.25 coverage ratio. The operating costs at the project are being paid on a timely basis. The financial impact has been absorbed by the bondholders who received, at times, partial payments. For the year ending June 30, 2016 the investors received their full interest payment but no payments were made against the principal. The excess cash from operations not used for debt service was deposited into the debt service reserve fund.

The bondholders have been active in the financial review and oversight of the project. The bond trustee retained a consultant to assist in the review and oversight of the project. Additionally, the bondholders have continued to work with MEDCO and have supported the ongoing operations through a forbearance arrangement which has brought in additional oversight and management. The forbearance agreements have been for relatively short periods, no more than 9 months, and MEDCO believes that as long as improvement continues in the resort’s financial performance, the bond holders will extend the forbearance period. As part of the additional oversight, a new General Manager started in January 2015, and the property hired a new Marketing Director in May of 2014. Additionally, in May, 2014 MEDCO retained a turnaround consultant with a strong track record in working with underperforming hospitality projects. The consultant meets at the property at least monthly and has regular communication with MEDCO and onsite management to track current marketing, financial performance and other operational issues. The project retains a healthy capital replacement reserve and the property is undergoing a capital improvement plan which will include complete room makeovers as well as updates to other key visible areas of the property. All of the improvements will be funded through the existing capital reserve fund and ongoing contributions to the fund. More importantly, the CBCC customer experience remains at a four star quality as the resort continues to deliver an excellent customer experience.

TESTIMONY OF

**Robert C. Brennan, Executive Director
Maryland Economic Development Corporation**

BEFORE

**House Committee on Appropriations
Subcommittee on Education and Economic Development**

**February 13, 2017
3:00PM**

- 1) The Department of Legislative Services recommends that MEDCO comment generally on the status of its operating projects and specifically on the designation of the Chesapeake Bay Conference Center as “non-performing.”**

Response: MEDCO’s portfolio monitoring and loan administration responsibilities include regular oversight of the financial and operating performance of its projects. Most of the operating projects are managed by third party management companies. The management companies provide MEDCO regular reports, in some cases as often as weekly. These reports are reviewed by MEDCO, and if necessary, MEDCO actively engages with the management companies to address financial and operating issues.

With the exception of the Chesapeake Bay Conference Center project highlighted by the analyst, MEDCO can report and represent its other operating projects are stable and performing well.

MEDCO utilizes a loan classification system, designating its projects as performing, watch, or non-performing.

A “**Watch**” project is one that is making its payments where no event of default has occurred, although the project may not have met all of its financial covenants. A “**Non-performing**” project is one that is in payment default or is not making its payments on a timely basis and is not in compliance with its financial covenants.

Chesapeake Bay Conference Center (CBCC) - “Non-Performing”

The CBCC was classified as a “Watch” in 2010 as the project failed to achieve the required minimum debt service coverage ratio of 1.25, and the project was reclassified as “Non-performing” in 2014 after the June debt service payment was only partially made.

Since the downturn in the economy in 2008, resort hospitality facilities have suffered a loss in business, and at the CBCC the loss of business has had an impact its financial operating performance. During the economic downturn, CBCC revenues declined over 30% from their peak to a low of \$35,434,000 for the fiscal year ended 6/30/10.

The resort needs to increase revenues to its pre-great recession levels of over \$45,000,000 to achieve the 1.25 coverage ratio. The daily operating costs at the project are being paid on a timely basis. The financial impact has been absorbed by the bondholders who received a partial payment on the interest due on the bonds starting with the June 2014 payment. Full interest payments were made to the senior debt holders for the payments due since December 2014 and through December 2016. While funds were available to make a partial principal payment due in June 2016, the investors deferred taking that payment to allow the resort to grow the balance in the interest fund. The bondholders have been active in the financial review and oversight of the project. The bond trustee has retained a consultant to assist in the review and oversight of the project. Additionally the bondholders have continued to work with MEDCO and have supported the ongoing operations through a forbearance arrangement which included the retention of the consultants to provide additional oversight and management guidance.

As part of the additional guidance, MEDCO retained a turnaround consultant in May of 2014 who has a strong track record in working with underperforming hospitality projects. The consultant meets at the property at least monthly and has regular communications with MEDCO and onsite management to track current marketing, financial performance and other operational issues. The current General Manager who has been with the property since January 2015 has been instrumental in bringing improvements to the overall operations. The project’s Marketing Director left in late 2016, and a new Marketing Director came on board in late November.

The project is undertaking a major room renovation and other upgrades. The planning started in mid-2016, and the actual installation commenced in late January 2017. The room portion of the project is scheduled to be completed by early April, and the remainder of improvements are expected to be completed by June 30, 2017. The total investment is approximately \$8,500,000, and the costs are being funded through the replacement reserve. The resort funds 5% of its monthly revenues to the capital replacement reserve.

More importantly, the CBCC customer experience remains at a four star quality as the resort continues to deliver an excellent customer experience. Over the last few years, the resort has realized a steady increase in revenues from \$36,862,000 for the year ending June 30, 2014, to \$39,904,000 for the year ending June 30, 2016. Over the same period,

there has also been improvement in the net operating income, and the trend is expected to continue through the end of the current fiscal year.

MEDCO remains committed to the CBCC to restore its strong financial performance and protect the positive benefits it provides to the City of Cambridge and the Dorchester County community. While this facility was publicly financed with tax-exempt bonds issued by MEDCO, the repayment of those bonds is limited to the resources of the project. There are no public guaranties of the debt, nor is there a moral obligation by the State to repay the bonds. None of the debt from the project is owed to the State of Maryland.

2) DLS recommends that MEDCO comment on the increase in projects in fiscal 2016 and how these projects fit into its mission and the strategic economic development plan of the State.

Response: MEDCO views other State agencies to be its partners as reflected by the Secretaries of the Department of Commerce (DOC) and Department of Transportation having seats on MEDCO's board. Since MEDCO was originally created as an economic development entity, it is more closely aligned with DOC and its activities particularly for commercial and industrial development opportunities. MEDCO does not compete with DOC but compliments its capabilities, and we view our role as a value added component to the State's economic development efforts. MEDCO participates in these activities by utilizing its ownership, development and financing capabilities. The ability to participate and influence economic development does not solely reside in DOC as a number of other agencies significantly influence economic development. To that extent, if another agency were to request MEDCO's assistance on a project, we would willingly do so. MEDCO regularly participates with other governmental agencies when we are called upon to develop and finance projects.

MEDCO assists the State in realizing its strategic plan for accelerating economic development in Maryland through deployment of its capabilities of owning, developing and financing projects. Those projects include commercial, industrial and governmental opportunities when we are requested to undertake such projects.

Moreover, the DOC has consulted with MEDCO to explore potential participation in their projects by utilizing our ownership and financing tools.

MEDCO's student housing projects are a significant portion of its portfolio. With MEDCO involvement in student housing projects, we are able to preserve the University System of Maryland (USM) and other institutions' direct debt capacity for use in developing nonrevenue generating assets needed to further core academic missions. Additionally, utilizing MEDCO for these facilities allows the host institution to receive maximum excess cash flow through ground rent payments.

The structure of other projects can vary depending on the goals of our State partners. For example, the Maryland State Archives (MSA) project is owned by MEDCO, and the financing was arranged with a local bank through the issuance of MEDCO tax-exempt bonds. The lender to the transaction (the bank) is secured by a lien on the building as well as by the lease between MEDCO and MSA.

The MSA building operations did not require a third party manager as MSA was willing to take on certain of operating responsibilities. MSA pays all of its janitorial, gas, electric and telecom expenses directly. This is not dissimilar from a standard commercial triple-net lease where the tenant only pays the landlord rent for the use of the space and the tenant remains liable for all of the other building operating costs. MEDCO is responsible for the building and improvements made to the structure and enters into contract for professional services relating to roofing, HVAC, landscaping and fire monitoring. MEDCO has been working with MSA on a capital improvement plan to replace the roof and HVAC units as well as to build out the office space. This project was completed in January of 2017 and was delivered ahead of schedule and under budget.

MEDCO views the MSA and student housing projects as State agency projects and only undertakes these initiative when requested by the agency. MEDCO also recognizes that non-USM projects State agency projects require additional approval and consent by CDAC, and Senate and House Committee Chairs and will assure the sponsoring agency coordinates with Legislative Services.

In addition to MEDCO's involvement with the Maryland Smart Growth Investment Fund (MSGIF), MEDCO often receives legislative directive to participate in a project. By example, MEDCO has been a member of the boards for Penmar Development Corporation, Bainbridge Development Corporation and the Maryland Clean Energy Center task force.

The MSGIF was a legislative initiative from 2013 and was championed by the Department of Housing and Community Development (DHCD). MEDCO was recruited by DHCD to participate, and we ultimately agreed to participate in the program if it could be created as a private non-State agency program. MSGIF has been renamed the Maryland Target Community Investment Fund (MTCIF). MEDCO has been working with consultants to evaluate a fund program along with its design and implementation. MEDCO would be responsible for the administration of the loan programs, and we have the capacity to handle those duties within our exiting accounting and loan portfolio administration capabilities.

MEDCO would also intend to assist users of the fund in coordinating with other governmental entities, both State and local, with their participation. In the event there was an opportunity for MEDCO to undertake a commercial project, it could potentially use the fund to assist in providing a portion of the capital funding for a project.

MEDCO sees future opportunities working with county and city governments on economic development opportunities that utilize Sustainable Communities or Transit-

Oriented Development tax increment financing (TIF). One of the first entities to use this financing vehicle was Baltimore County for a public parking garage at the Owings Mills Metro Centre development. MEDCO issued the TIF bonds, owns the garage and contracts out the management of the garage with the developer.

As noted by the analyst, MEDCO has had preliminary conversations with Baltimore City and Baltimore County about the issuance of TIF bonds for the Port Covington and Tradepoint Atlantic projects.

Additionally, MEDCO is working with the Maryland Department of Transportation and Anne Arundel County on the Odenton MARC Station Transit-Oriented Development. MEDCO is being asked to issue the TIF bonds for the County, oversee the construction of the private and public infrastructure and to manage and operate the public garage once it is completed.