



Maryland Agricultural and Resource-Based Industry Development Corporation
Minutes of the Open Meeting of the Board of Directors
Friday, July 14, 2023
Virtual Zoom

Members Present:

Ms. Mary Shank Creek, Chair, Owner, Palmyra Farm Ayrshires & Holsteins
Mr. Mark C. Krebs, Secretary/Treasurer, Executive Vice President & Chief Financial Officer, Farmers and Merchants Bank
Dr. Donald Darnall, Executive Director, Maryland Food Center Authority
Ms. Charlotte Davis, Executive Director, Rural Maryland Council
Mr. Paul Goeringer, Esq., Senior Faculty Specialist, Department of Agricultural and Resource Economics, University of Maryland
Ms. Sarah O'Herron, Owner, Black Ankle Vineyards
Mr. John Jastrzembski, Vice-Chair, Regional Business Developer – Northern Virginia, Davey Business Development Team, The Davy Tree Expert
Mr. Steve Connelly, Deputy Secretary, Maryland Department of Agriculture
Dr. Jinhee Kim, Associate Dean & Associate Director, University of Maryland Extension (UME)
Ms. Victoria Brown, owner of Shop Cove Aquaculture LLC

Members Absent:

Mr. Robert Yates Claggett, Jr., Bald Eagle Farm
Dr. Doug Lipton, Senior Research Economist, National Marine Fisheries Service (NOAA)
Mr. Berran Rogers Jr., Project Director/Small Farm Coordinator, University of Maryland Eastern Shore
Mr. Wayne Richard, Regional Lending Manager, Horizon Farm Credit

MARBIDCO Staff:

Mr. Stephen McHenry, Executive Director
Ms. Stacy Kubofcik, Senior Programs Manager
Ms. Tina Wilkins, Senior Accounting Coordinator
Ms. Allison Roe, Financial Programs Officer
Ms. Jill Kubatko, Communications Associate

Call to Order

Chair Creek called the meeting to order at 10:03 a.m. on July 14th and welcomed all the attendees. Mr. McHenry introduced new Board member Victoria Brown and announced that Dr. Faith Elliott-Rossing had concluded her service on the Board and thanked her for dedicated service over 14 years. Introductions of the Board members and staff were made. A roll call of Board members indicated that a quorum was present.

Approval of Previous Board Meeting Minutes

Chair Creek asked for consideration of the April 6th Board meeting minutes.

Action 1: Mr. Jastrzembski made a motion to approve the April 6, 2023, meeting minutes as written. Ms. Davis seconded the motion. The motion passed unanimously.

MARBIDCO Staffing and FY 2023 Operating Budget Update

Mr. McHenry began by announcing that MARBIDCO has achieved a historic milestone – funding over \$100 million in projects which includes than 1,200 loans and loans since opening for business in 2007. He noted that the Corporation now has 18 active programs. He thanked the review committees and staff for their hard work over the last 16 years.

Staffing Updates

Mr. McHenry stated that two senior loan officers retired over the last year-and-a-half and MARBIDCO has been quite understaffed, especially given the very heavy Core loan program demand. Despite this, the Corporation had a record-setting year in FY 2023. MARBIDCO recently hired Brittany Rawlings as a Financial Programs Specialist and will hire another individual soon, bringing the staffing level to nearly 10 FTE's.

Summary of Activities of FY 2023

Mr. McHenry gave an overview of the Programmatic Activity Report for FY 2023.

- In Core Loan programs, MARBIDCO had \$10 million in requests and \$8,958,700 was funded.
- MARBIDCO funded 40 Specialty loans at \$861,541 with most of that being in the Watermen's Microloan Program. There was a total of nearly 60 Watermen's Microloan requests. This program includes a debt forgiveness component for good repayment performance.
- Under Core Grant programs, MARBIDCO funded 31 requests at \$72,125.
- Through the Next Generation Programs, including the original Next Gen and Small Acreage Next Gen programs: 9 projects were funded for \$3 million.
- In summary, MARBIDCO approved \$14,097,939 in funded projects in FY 2023 (with about \$4.8 million is left to disburse at year-end.)

Mr. McHenry provided a summary of the FY 2023 Budget at year-end. Revenues came in over budget as there were loans paid off early totaling about \$2 million. Program income also came in better than expected. Operational and programmatic expenditures were lower than budgeted.

Loan Servicing and Loans Paid-in-Full

Mr. McHenry provided a summary of the loans paid-in full. Two-hundred twenty (220) loans have been paid in full, including 30 in the last fiscal year. In FY 2023, eight loans paid off early totaling almost \$1.8 million and the year prior the early payoff amount was about double that.

Fiscal Year Activities FY 2016-2023

Mr. McHenry shared a projects and transactions summary of the last eight fiscal years of core and specialty loans, incentive grants, and Next Generation programs, highlighting the overall activity for each fiscal year. In FY 2023, MARBIDCO had a total of 223 project approvals and transactions.

Loan Loss Reserve and Average Interest Earnings Target

Mr. Mc Henry stated that MARBIDCO's loan loss reserve was at 3.06% currently, which is lower than in the recent past. Actual booked loan losses have been less than 2%. He noted that a well-managed small business revolving loan fund should expect to have loan losses between about 5% to 7%.

MARBIDCO's average loan portfolio interest rate target is 4.00%. In the month preceding the start of the pandemic, it was 4.25% and today is 3.65%. It is below the target set because during the pandemic when interest rates were so low, MARBIDCO lowered the interest rates for existing Core program borrowers. He noted that there are 143 MRBIFF loans in the portfolio and over the next ten years as the rates increase in the second and third phase of each of these loans, the average interest rate will go up. The new MRBIFF loan participation program interest rate has been set at a flat 4.25%. MARBIDCO's specialty loan interest rates are generally set at 3.00% to 4.00%.

Update on Core Loan Programs

Loan Participation Program

Mr. McHenry said due to staffing issues, MARBIDCO has been working to create a MRBIFF loan participation program that is a blend of three other state programs (Minnesota, Iowa, and Kentucky) that follows the basic model of the lender receiving funds from MARBIDCO and the lender will close and service each loan. MARBIDCO has been working with Farm Credit to develop a "first lien, last out" program to replace the MRBIFF direct loan program.

He explained that in the models reviewed, all three states share the first lien, but in two of the three states, they are contractually subordinate to the bank in a liquidation. All three states actively use FSA loan guarantees. MARBIDCO's loans can but are not required to have FSA guarantees. Mr. McHenry said we are in the final stages of working with Horizon Farm Credit to establish the program. MARBIDCO has asked MRBIFF applicants to push their loan closing dates farther into the future while the program is being developed.

With respect to the Agribusiness Equipment and Working Capital Loan program, MARBIDCO staff is working with the Department of Agriculture to provide a bridge loan for a manure energy pilot program project approved by the Board recently. This is quite innovative, as this is the first time that MARBIDCO is taking an assignment on MDA grant proceeds to get repaid for making a loan.

Livestock Processing Equipment Grant

Mr. McHenry stated that MARBIDCO received \$500,000 last year from the State general funds for the Livestock Processing Equipment Grant Program. MARBIDCO approved 6 projects, totaling just under \$300,000. He explained MARBIDCO will carry over \$200,000 in funds for this program and reopen it in the fall. He said MARBIDCO has another \$500,000 and will propose to use it as an incentive grant to work with the new USDA Livestock Processing Loan program.

Maryland Urban Ag Lending Incentive Grant Program

Mr. McHenry explained that MARBIDCO staff would like to make larger grants available for farmers that want to purchase land in urban areas through the Maryland Urban Ag Commercial Lending Incentive Grant Program. The existing program is partly funded with a grant from Horizon Farm Credit to provide an equity incentive grant to commercial urban farmers to help them get a bank loan. The Programs Committee met and recommended the following:

- Increase the UACLIIG grant from \$10,000 to \$15,000 for equipment and working capital up to 25% of the project cost (funds a max \$60,000 project at: 75% Bank / 25% MARBIDCO)

- Increase the UACLIG grant to \$35,000 for a real estate purchase up to 25% of the project cost) funds a max farm property purchase of \$140,000 at: 75% Bank / 25% MARBIDCO)

Action 2: Mr. Krebs made a motion to approve raising the Maryland Urban Agriculture Commercial Lending Incentive grant from \$10,000 to \$15,000 for equipment and working capital and up to \$35,000 for real estate at no more than 25% of the total project cost (and 33% of the total commercial financing). Mr. Jastrzembski seconded the motion. The motion passed unanimously.

Update on Core and Specialty Grant Programs

Cold Storage Equipment Grant

Mr. McHenry recommended increasing the Maryland Producer Cold Storage Grant amount from \$1,000 to \$2,000. MARBIDCO last year offered a 50% matching grant up to \$1,000. Mr. McHenry proposed to re-open the Producer Cold Storage Equipment Grant again, increasing the minimum to \$500 and increase the maximum to \$2,000.

Action 3: Ms. O'Herron made a motion to reopen the Maryland Producer Cold Storage Grant Program this fall and approve increasing the maximum grant under and from \$1,000 to \$2,000. Ms. Davis seconded the motion. The motion passed unanimously.

Watermen's' Microloans

Mr. McHenry stated that the first year of the Watermen's Microloan Program was very successful and MARBIDCO used almost all the available funding for 33 approved loans.

Shellfish Aquaculture Loans

There were four Maryland Shellfish Aquaculture Financing Funds loan made last year, while there were just two Remote Setting Program loans made. These totaled \$460,000.

USDA Meat and Poultry Intermediary Lending Program Grant

Mr. McHenry explained that MARBIDCO had applied to USDA-Rural Development for a Meat and Poultry Intermediary Lending Grant (MPILP) and was awarded a grant of \$3.8 million to set up a revolving loan fund to increase capacity for large animal slaughter and blue catfish processing. MARBIDCO added \$1.3 million of its own funds to make the application more competitive.

Proposed structure of the program includes the following:

- Loans of \$250,000 up to \$2.5 million to build new facilities or expand capacity, especially in existing facilities in underserved parts of the State.
- 4.00% interest rate, 3-12 months interest only period, and 0.25% loan origination fee up to \$5,000 maximum.
- Provide a grant match up to 10% of project cost up to \$250,000 to be an incentive for the borrower to make an equal equity investment in project.
- No more than 10% of the loan amount can be for working capital.
- Establish a September 28, 2023, Round 1 deadline. Rolling application period thereafter.

Action 4: Mr. Jastrzembski made a motion to approve the structure of the MPILP Livestock Processing Loan Program shared with the Board. Mr. Krebs seconded the motion. The motion passed unanimously.

Oyster Shucking House Loan Program

Mr. McHenry reported MARBIDCO is being provided \$1 million in a State appropriation to make loans up to \$250,000 for supporting the construction or rehabilitation of oyster shucking houses. The maximum loan amount is \$250,000 with no more than \$25,000 for each new job created or retained. A current shucking house owner expressed a need for more money but was not expecting to create more than a couple of new jobs. This may require that they apply for additional financing through MARBIDCO's Agribusiness Equipment and Working Capital Loan Fund. Because the intent of the program is to incentivize an increase in shells going back into the Chesapeake Bay, the program includes debt forgiveness for each bushel of shell returned to the Department of Natural Resources.

Mr. McHenry proposed that MARBIDCO would offer the Oyster Shucking House Loan Program beginning this fall in a manner that conforms with the tenants of the law. MARBIDCO would charge an interest rate of 3.50% and not require a loan origination fee. MARBIDCO would also make available the Agribusiness Equipment and Working Capital Loan Fund if supplemental capital was needed from a second loan. The existing parameters of that program would apply.

Action 5: Ms. O'Herron made a motion to approve the concept of the Oyster Shucking House Loan program outlined during the Board Meeting. Mr. Connelly seconded the motion. The motion passed unanimously.

Update on the Maryland Market Money Program Transition

Mr. McHenry provided the Board a brief history on the Maryland Market Money (MMM) program, which MARBIDCO helped to rescue in the Spring of 2020, and which is run day-to-day by SMADC, a division of the Tri-County Council for Southern Maryland. MARBIDCO had been serving as the statewide governmental sponsor and fiscal agent of the program until recently. The Board previously determined the need for a 501(c)(3) nonprofit to be created and shift the role of statewide fiscal agent to the nonprofit to aid in raising grant-funding for MMM which Mr. McHenry set up and established as the Farms and Food Access for a Resilient Maryland Foundation (FFARMD) last winter.

An issue arose five weeks ago from the Tri County Council's attorney, that FFARMD could not serve as the fiscal agent for SMADC/TCCSMD in the role that MARBIDCO had been filling because the fiscal agent also needed to be the statewide governmental sponsor. Fortunately, MDA has stepped in to be the statewide government sponsor and fiscal agent for at least the next year. FFARMED will continue in a fundraising role for MMM and will send any MMM funds that are raised to MDA to be disbursed.

Next Generation / Rural Land Preservation Facilitation Programs

Mr. McHenry introduced Allison Roe to give an update of the Next Generation and SANG programs. Ms. Roe said MARBIDCO has processed 58 applications to date, with 49 have been approved and 44 going to closing. Total acreage preserved is almost 4,000 acres thus far. The SANG program has preserved 100 acres on four small acreage projects.

Mr. McHenry added that Allison has done a great job and has been promoted to Program Coordinator. She will mentor other staff for these two programs.

Mr. McHenry said that the Programs Committee met to discuss an issue related to the Next Gen program that needed to be brought to the Board.

Under the current program, which conforms to the basic MALPF structure, the property generally must be at least 50 acres in size. MARBIDCO will pay the farmer 51% of the FMV (of the land only) in exchange for putting an easement option contract and temporary easement on the property. The farmer receives this cash at the settlement table. The farmer then has seven years to sell the easement to a permanent conservation easement holder like MALPF, Rural Legacy, or county program. If the permanent easement is sold, the farmer pays back MARBIDCO the 51% plus 3% to cover the administrative costs.

Not everyone will be able to sell the permanent easement and, in that case, MARBIDCO will purchase the easement and convey it to an agency that administers permanent easements. (MARBIDCO only holds temporary easements.) In that case, the farmer will be required to pay the closing costs for conveying the permanent easement. As a matter of good policy, MARBIDCO recommends that in these situations, for farmers that have reserved lots for future residential development but choose not to develop those lots, that MARBIDCO could step up to pay the closing costs up to \$3,000 as an incentive not to develop these lots.

Action 6: Contractually every Next Gen Program participant is required to pay for the costs of closing the permanent easement when it is assigned to a land preservation agency. MARBIDCO proposes that if the borrower is unable to sell the permanent easement and is willing to give up the additional development rights on the property, MARBIDCO will pay the closing costs, up to \$3,000, to record the permanent easement in the land records. Mr. Krebs made a motion to approve the proposal. Mr. Jastrzembski seconded the motion. The motion passed unanimously.

Ms. Shank Creek, Chair of the Board, asked to be excused from serving as chair for a few minutes and turned the meeting over to Vice-Chair Mr. Jastrzembski.

Project Acceptance Report

Mr. McHenry provided an overview of the Project Acceptance Report and asked the Board to accept the report.

Action 7: Ms. Davis made a motion to approve the Project Acceptance Report. Mr. Jastrzembski seconded the motion. The motion passed unanimously.

MARBIDCO's FY 2024 Operating Budget

Mr. McHenry provided a report on the proposed FY 2024 Operating Budget as well as the loan and revenue projections.

MARBIDCO will be receiving \$2.3 million in Core program funding in FY 2024. Some \$10 million in Next Generation Farmland Acquisition Program funding was originally to have been appropriated pursuant to statute but \$6 million of this was approved by the General Assembly to move to Core program funding and the remaining \$4 million allocated to the Next Gen Program.

Mr. McHenry reminded the Board that MARBIDCO must be self-sustaining after FY 2025 pertaining to the Core programs. The modeling suggests that through FY 2027 is that MARBIDCO can fund \$6 million per year in new loans and cover our administrative costs without any shortfalls. He added that there could be a shortfall of about \$1.7 million in FY 2030, but that is several years out. Mr. McHenry believes that the bottom line is that with prudent management and potentially restricting Core grant funds, MARBIDCO should be able to be self-sustaining for many years ahead.

Mr. Jastrzembski agreed that MARBIDCO could temper future expenditures appropriately. His concern is that the MARBIDCO's staff workload is compounding when managing the old loan repayment programs as well as the new loan and grant programs. He asked Mr. McHenry if he is building that into the cost of servicing these loans over the long term?

Mr. McHenry said that right now he is projecting basically a status quo on number of staff at 10 FTE's. Currently, MRBIFF loans on the books have a 10-year balloon feature and at maturity they have to refinance or pay the balance due, with the majority so far paying off within 10 years. With the MRBIFF program becoming a loan participation program, the post-closing workload over time should be diminishing. Additionally, he noted that the General Assembly has recently been giving MARBIDCO new programs to administer. Presumably with these new programs there would be a new revenue stream or grant funds provided to help administer any new specialty loan or grant programs.

Mr. McHenry then provided an overview of the draft FY 2024 Operating Budget. Total income is projected to be \$21.4 million with operating income projected to be \$1.7 million. Program expenditures are projected to be \$19.8 million and operating expenditures are projected to be \$1.6 million.

Action 8: Mr. Krebs made a motion to approve the FY 2024 budget as presented. Mr. Connelly seconded the motion. The motion passed unanimously.

Miscellaneous Updates

Mr. McHenry serves on the Maryland Food System Resiliency Council (FSRC) which meets quarterly, He serves on two FSRC subcommittees, one of which meets every other week. He provided a brief update on the Council's work. He also shared his experience of a recent all-day FSRC bus tour of Caroline County.

Other Items/Announcements

Mr. McHenry asked Mr. Connelly to provide information on a \$3.8 million grant that MDA has received to help with food distribution issues. Mr. Connelly explained that USDA has asked that listening sessions and surveys be conducted to provide community feedback before making a final decisions on how best to disburse these funds. Mr. Connelly asked that the Board help get the word out about the survey and that a listening session was going to be held on July 21st.

Next Meeting

Mr. McHenry suggested that the next Board meeting take place in the fall. He said a Doodle Poll will be sent in September to members to help choose a date.

Mr. Jastrzembski thanked the staff for their hard work.

Newly appointed Board member Victoria Brown thanked MARBIDCO for its past loan support and shared how its programs have helped her shellfish aquaculture business grow.

Motion to Move into a Closed Session

Mr. McHenry suggested that a motion be made to adjourn the meeting to move into a closed session, pursuant to the applicable provisions of General Provisions Article Section 3-305 (b): To consider matters that concern:

- (4) To consider a matter that concerns the proposal for a business or industrial organization to locate, expand, or remain in the State;
- (5) To consider the investment of public funds;
- (8) To consult with staff, consultants, or other individuals about pending or potential litigation;

Action 9: Mr. Jastrzembski made a motion To adjourn the regular session at 12:03 p.m. to move into a closed session to consider a matter that concerns the proposal for a business or industrial organization to locate, expand, or remain in the State; the investment of public funds; and consult with staff, consultants, or other individuals about pending or potential litigation. The motion was seconded by Chair Creek. The motion passed unanimously.

During the closed meeting, from 12:04 p.m. to 12:25 p.m. on July 14th, 2023, via internet conference call the following Board members were present: Ms. Mary Shank Creek, Mr. Mark C. Krebs, Dr. Donald Darnall, Ms. Charlotte Davis, Mr. Paul Goeringer, Esq., Ms. Sarah O'Herron, Mr. John Jastrzembski, Mr. Steve Connelly, Dr. Jinhee Kim, and Ms. Victoria Brown.

The following Board members were absent: Mr. Robert Yates Claggett, Jr., Dr. Doug Lipton, Mr. Berran Rogers Jr., and Mr. Wayne Richard.

The following MARBIDCO staff were present: Stephen McHenry, Stacy Kubofcik, Jill Kubatko, Allison Roe, and Tina Wilkins.

Topics Discussed:

- A. Approval of the previous Closed meeting minutes of April 6th.
- B. Consideration of new loan projects.
- C. Consideration of the investment of public funds.
- D. Consideration of delinquent loan accounts.

Respectfully submitted by Jill Kubatko,
MARBIDCO Communications Associate