



MARBITCO

Maryland Agricultural and Resource-Based Industry Development Corporation

Special Meeting of the Board of Directors

Thursday, April 6, 2023 (10:00 a.m. to 11:00 a.m.)

Virtual via 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
Mr. Wayne Richard, Regional Lending Manager, Horizon Farm Credit
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. Faith Elliott-Rossing, Director of Economic Development and Agriculture (Retired)
Dr. Jinhee Kim, Associate Dean & Associate Director, University of Maryland Extension (UME)

Members Absent:

Mr. Robert Yates Claggett, Jr., Bald Eagle Farm
Ms. Sarah O'Herron, Owner, Black Ankle Vineyards
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

MARBITCO Staff Present:

Mr. Stephen McHenry, Executive Director
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 10:10 a.m.

Ms. Wilkins called the roll, and a quorum of members was confirmed to be present.

Minutes

Chair Creek asked for consideration of the February 27, 2023, Board meeting minutes and supplemental minutes.

Action 1: Mr. Krebs made a motion to approve the February 27, 2023, meeting minutes as written. Mr. Goeringer seconded the motion. The motion passed unanimously.

Update on 2023 Legislative Session and FY 2024 State Budget

With the General Assembly Legislative session ending very soon, Mr. McHenry reviewed items that will have an impact on the Corporation.

- Mr. McHenry reported that Governor Wes Moore fully funded the Corporation's FY 2024 Budget request of \$15.235 million, and that the General Assembly has approved it with one fund swap suggested by MARBIDCO because of the large increase in Core loan program demand caused by high commercial loan interest rates currently. The General Assembly approved the move of \$6 million from the Next Generation Farmland Acquisition Program budget of \$10 million over to the Core programs budget to help facilitate the increase in MARBIDCO lending, especially in the MRBIFF program. The Core programs will now receive \$8.3 million in FY 2024, and all other MARBIDCO budget items were approved as presented in the Governor's budget.
- The Farms and Families Fund (MDA), which supports the Maryland Market Money program, will receive \$300,000 in the FY 2024 State Budget, which is \$200,000 more than in recent years. The new launch and operation of the new FFARMD Foundation is also moving forward as planned to help support the MMM program.
- House Bill 152, the Statewide Urban Agriculture Grant Program, was passed with four years of funding beginning in FY 2024 (with at least \$100,000 annually). Funds will be available to both commercial and non-commercial urban farms. An amendment offered by MARBIDCO was adopted to allow urban farmers across the state located in incorporated municipalities to participate, as well as those in census-designated urban areas (which conforms to MARBIDCO's lending incentive grant program service territory). MDA has also made tremendous progress in pushing new urban farming programs forward, with the new urban ag water and electric power infrastructure program starting on July 1st.
- Additional legislation supported by MARBIDCO (SB 386/HB 60) which passed will allow invasive finfish from an expanded "Certified Local Farm and Fish Program" to count toward the 20% procurement goal that State agencies and institutions must try to purchase locally grown food and locally harvested eligible seafood. Given how serious the Blue Catfish problem is currently, MARBIDCO offered an amendment to move the effective date up by three months to July 1, 2023. The name of the former Certified Local Farm Enterprise Food Aggregation Grant Fund was changed appropriately as well, and MARBIDCO will therefore potentially be able to make grant funds available beginning in July 2023 for blue catfish institutional aggregation projects.
- Senate Bill 433 (Economic Development – Woman- and Minority-Owned Shellfish Aquaculture Fund), is legislation that consumed a huge amount of staff time during the session. The legislation as originally introduced proposed, in an unconstitutional manner, to establish a new shellfish aquaculture loan at MARBIDCO to serve exclusively women and minority oyster farmers. MARBIDCO supported this legislation, with amendments, to establish both a legal and practical-to-implement program that included both a new grant program and an expanded shellfish aquaculture loan program funding. The proposed new grant program, had the bill passed, would have been called the "Beginning Small, Minority and Woman-Owned Shellfish Aquaculture Enterprise Grant Program". The individual grant would have maxed out at \$100,00 and the loan program at \$300,000 per approved applicant. The Senate Finance Committee has not taken a

vote on SB 433, and thus the legislation has probably died as a result. It is not clear if a Croson (disparity) study will be conducted by MDOT in the future.

Discussion of the New MRBIFF Loan Participation Program

Mr. McHenry explained that, given the staffing challenges that many agencies are having today, including MARBIDCO, we began last fall researching ways to operate our key direct loan program more efficiently - the MRBIFF Program - that is offered now in conjunction with commercial lenders (including Maryland's Farm Credit Associations). During this process the staff reached out to the Kentucky Agricultural Finance Corporation (KAFC) and the Minnesota Rural Finance Authority (MN RFA) to learn if either of their agricultural loan participation programs might provide a suitable model for MARBIDCO to better facilitate its partnership economic development loan-making.

One of several advantages of a loan participation program, in addition to reducing the staff's workload over time, is that a government loan guarantee may be available for the entire loan-making facilitated by the partnering Lender. Moreover, because a state ag finance authority is participating in a project financing, the USDA Farm Service Agency (FSA) may be able waive its loan guarantee fee for a qualifying Beginning Farmer.

The MARBIDCO Loan Review Committee, as well as the Programs Committee meeting very recently, considered the possibility of converting the MRBIFF Program from a "direct loan program" to a "loan participation program". The Committees are recommending the approval of the loan participation model.

It is also noteworthy that all the existing eligibility and credit underwriting standards of the current MRBIFF direct loan program will continue under the new loan participation program, with the major difference being that the Partnering Lender will be servicing the MARBIDCO portion of any debt financing that is provided to fund an eligible business project. Under the proposed new MRBIFF Loan Participation Program, the Lender will decide whether MARBIDCO will be asked to contribute either a 45% or 33% share of the loan amount needed to finance the project (with MARBIDCO's share of the loan offered on a subordinate basis). The Lender will charge a market rate of interest on its pro rata share (either 55% or 67%) of the loan amount, while MARBIDCO's interest rate would be fixed at 4.25% for the term of its portion of the loan (with a 15-year balloon provision now, rather than a 10-year balloon).

During the discussion it was emphasized that MARBIDCO would continue to be subordinate to the participating Farm Credit Association or a commercial bank, which is what KAFC does. Mr. McHenry noted that the collateral risk will most likely be the same as what MARBIDCO faces today in the direct loan version of the MRBIFF program.

Mr. McHenry said he has a meeting scheduled with the Farm Service Agency leadership to find out what requirements should be adopted when the FSA is working with the Corporation and participating banks. Also, the MARBIDCO financial programs staff will be meeting virtually with a representative from Minnesota Rural Finance Authority shortly to follow up with any remaining questions. The staff is also working with our legal counsel to ensure that the forms and legal documents meet State laws and requirements. He also thanked staff members Stacy Kubofcik and Allison Roe for their hard work on developing the new program including the new documents and application forms.

Action 2: Mr. Krebs made a motion to approve moving forward with the conversion from MRBIFF to a loan participation program. Additionally, within the motion was an increase of the \$900,000 for large-

scale food/fiber processing projects to \$1 million. Mr. Goering seconded the motion. The motion was approved by the quorum with one objection noted (to raising the loan amount maximum to \$1 million).

Discussion of a USDA Meat and Poultry Intermediary Lending Program Grant (MPILP) and the MARBIDCO Livestock Processing Equipment Grant Program

- Mr. McHenry explained that the original request by the Corporation was \$3.8 million for an MPILP grant but MARBIDCO was offered a lesser amount of \$1.88 million. MARBIDCO would be required to contribute \$653,000 of its Core programs money as a match to the federal grant funding. A loan and grant combination could be made available to those in the large animal livestock and the invasive blue catfish processing business, with a total available of \$2.4 million for the loans. Mr. McHenry explained how the roll out of the Maryland Livestock Processing Equipment Grant Program could work in combination with some state-provided grant funding.
- MARBIDCO could use upwards of \$500,000 from its FY 2024 appropriation as matching grants for the livestock processing loans. The current plan is particularly focused on helping to finance a much-needed additional large animal processing facility as well as a new blue catfish processing facility.
- Additionally, the Maryland Livestock Processing Equipment Relief Grant Program is getting ready to launch using FY 2023 State funding. Nearly \$500,000 will be available. MARBIDCO will contribute up to 50% towards the eligible costs of equipment to expand processing capacity, with a maximum grant award amount of \$50,000 for USDA-inspected facility projects and a maximum grant award amount of \$30,000 for custom-exempt processing or mobile processing projects. The application deadline is June 1, 2023.

Action 3: Mr. Jastrzembski made a motion to accept the \$1.88 million grant award from the USDA Meat and Poultry Intermediary Lending Program (MPILP), together with the required level of match, and that MARBIDCO can move forward with offering a combination of livestock processing loans with incentive matching grant funding as proposed. Mr. Connolly seconded the motion. The motion passed unanimously.

Other Items / Announcements

Chair Creek Shank asked the Board if there were any other items to be up for discussion, and the Board and staff indicated that there were none.

Closed Session

Action 4: Ms. Davis made a motion, seconded by Mr. Jastrzembski, to close the meeting pursuant to the applicable provisions of General Provisions Article Section 3-305(b) of the Annotated Code of Maryland) as follows:

To consider matters that concern:

- *proposals for a business or industrial organization to locate, expand or remain in the State;*
- *And that the meeting be adjourned at the conclusion of closed session.*

The motion passed unanimously.

Chair Shank Creek adjourned the open meeting at 10:48 a.m.

The Closed Meeting of the Board was held beginning at 10:48 a.m., via Zoom.

During the closed meeting the following Board members were present: Ms. Mary Shank Creek, Mr. Mark C. Krebs, Dr. Donald Darnall, Ms. Charlotte Davis, Mr. Paul Goeringer, Esq., Mr. Wayne Richard, Mr. John Jastrzembski, Mr. Steve Connelly, Dr. Faith Elliott-Rossing, and Dr. Jinhee Kim.

The following Board members were absent: Mr. Robert Yates Claggett, Jr., Ms. Sarah O'Herron, Dr. Doug Lipton, and Mr. Berran Rogers, Jr.

The following MARBIDCO staff were present: Mr. Stephen McHenry, Ms. Tina Wilkins, and Ms. Jill Kubatko.

Topics Discussed:

- A. Approval of closed meeting minutes from February 7, 2023.
- B. Consideration of a proposal for a business or industrial organization to locate, expand or remain in the State.

Respectfully Submitted,
Jill Kubatko
Communications Associate