

Maryland Agricultural and Resource-Based Industry Development Corporation

Future Harvest Presentation

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Steve McHenry, MARBIDCO Executive Director

WEBSITE: www.marbidco.org



“Mar_BID_Co”

◎ “Is a Rural Business Development Financial Intermediary Organization Serving All of Maryland” (and is an instrumentality of the State)

◎ With a focus on:

- Farming
- Forestry
- Seafood
- Aquaculture



◎ Think: Food & Fiber
Production & Processing



MARBIDCO

A nimble and collaborative quasi-public service provider focused exclusively on enhancing the viability and profitability of ag and resource-based business and industry.



MARBIDCO
growing rural ventures™

Business Activity for MARBIDCO Includes:

- ❖ Food production and processing, including:
 - commodity crops
 - table crops
 - seafood & aquaculture
- ❖ Fiber prod./processing:
 - timber/wood products
 - lumber, pallets, floors, paper and pulp, etc.
- ❖ Renewable energy:
 - Biomass, etc.



Results – In Our First 12 Years....

- Since 2007, MARBIDCO has funded 494 farm and rural business projects (e.g., farm purchases, rural business start-up or expansion projects, and equipment purchases), with over \$54 million in direct financing, in every county in Maryland (including Baltimore City).
- Partnered with 19 banks and 4 local government revolving loan funds, with a leverage of \$143 million in bank financing (more than a 3.5-to-1 ratio).
- Helped 279 young or beginning farmers who have been assisted with loans, grants and or easement option purchases.
- Helped to fund 170 on-farm value added processing projects.
- 2,143 acres of farmland being preserved (primarily through the Next Gen Program).

Key MARBIDCO Functions

- ❖ MARBIDCO is authorized to: **1) Help develop food, feed and fiber production industries and markets; 2) Assist with rural working land preservation efforts; and 3) Alleviate the shortage of nontraditional capital and credit available at affordable interest rates.**
- ❖ MARBIDCO is **very nimble** and **“works at the speed of business”**.
- ❖ Today, MARBIDCO offers about a **dozen financing programs**, often working in conjunction with commercial lenders. Most of these are low interest loan programs, but MARBIDCO does provide a few small incentive grants for targeted activities as resources permit (e.g., value added processing).
- ❖ MARBIDCO also **facilitates “silo connecting”** among public and private sector service providers to leverage knowledge and business capital.

MARBIDCO's programming (12+) fall into three broad categories

- **Core Rural (and urban/urban-edge) Business Development**
 - Several loan and grant financing programs that are funded as a result of the landmark *Agricultural Stewardship Act of 2006*
- **Higher Credit Risk “Specialty Lending”**
 - Revolving loan programs that are funded by partnering Federal/State/Regional agencies (or nonprofit foundations) for targeted purposes (e.g., farm energy efficiency, shellfish aquaculture, and Southern Maryland revolving ag loans)
- **Rural Land Preservation Facilitation**
 - Land conservation easement purchase related programs that are funded from transfer taxes or other funds (inactive currently)
 - included here is the new **Next Generation Farmland Acquisition Program** (which is both a Young/Beginning Farmer land purchase assistance program and a rural land preservation program)

List of MARBIDCO “Core” Loan Programs

- ❖ Maryland Resource-Based Industry Financing Fund (“MR BIFF”)

(SEE HANDOUT BROCHURE)

- ❖ Rural Business Equipment and Working Capital Loan Fund
- ❖ Maryland Vineyard/Hops/Tree Fruit Planting Loan Fund
- ❖ Forestry Equipment and Working Capital Loan Fund
- ❖ Agricultural Cooperatives Equity Investment Fund

MARBIDCO Grant Incentive Programs

MARBIDCO offers four small grant incentive programs that are designed to leverage federal, county or private capital dollars:

- ◉ *Local Government Ag/RBI Project Cost Share Program (Open and available year-around)*
- ◉ *Maryland Value Added Producer Matching Grant – USDA Leveraging Option (Available at one-time annually)*
- ◉ *Maryland Value Added Producer Grant – Capital Assets Option (Available at one-time annually)*
- ◉ *Maryland Urban Agricultural Commercial Lending Incentive Grant (Open and available year-around)*

List of MARBIDCO “Specialty” Loan Programs

- ❖ Maryland Shellfish Aquaculture Financing Fund
- ❖ Remote Setting Shellfish Aquaculture Loan Fund
- ❖ Rural Business Energy Efficiency Improvement Loan Fund
- ❖ Southern Maryland Agricultural Revolving Loan Fund
(Funded by SMADC and available in 5 Counties in So. MD only)



Rural Land Preservation Facilitation Programs

◎ Next Generation Farmland Acquisition Program

- \$2.5 million starting in FY '18 (last year), and continuing now through FY '22.

Popular MARBIDCO Programs for Young & Beginning Farmers

- Maryland Resource-Based Industry Financing Fund (MR BIFF)
- Maryland Urban Agricultural Commercial Lending Incentive Grant
- Next Generation Farmland Acquisition Program (“Next Gen Program”)

Maryland Resource-Based Industry Financing Fund (MRBIFF)

- ❖ Offers low-interest (3.25% APR initially) loans for the purchase of land and capital equipment
- ❖ Maximum Loan Amount: \$250,000
(\$450,000 for land purchase & \$650,000 for a major project)
- ❖ Financial commitment:
 - A commercial lender and/or a public instrumentality must have an equal or greater financial commitment in the project (usually providing 60% or more of the commercial financing).
- ❖ MARBIDCO will accept a **junior lien** position in most situations.

Benefits of a “MRBIFF” loan

- ❖ Complements the financial services offered by commercial lenders by helping to make rural business “gap” financing both available and affordable.
 - ❖ This is because MARBIDCO is lending money where a bank would normally expect to see “equity” contributed towards the project from the borrower (e.g., down-payment money).
- ❖ Flexible loan terms to match and enhance commercial lender offerings.

Maryland Urban Agricultural Commercial Lending Incentive Grant

- ❖ Established to help urban farmers (on smaller lots) to start or expand their business operations.
- ❖ The program is designed to meet financing needs of urban farmers by providing an incentive to seek commercial lender loans for the development or expansion of their enterprises.
- ❖ The maximum amount of the incentive grant is 20% of the project cost and 25% of the loan amount (capped at \$10,000).

Maryland Urban Agricultural Commercial Lending Incentive Grant

Eligible applicants must be Beginning Urban Farmers with the principal operator(s) having:

- ❖ limited personal or business financial resources;
- ❖ a food/fiber growing operation located in an urban community
- ❖ ten or fewer years of commercial farming experience
- ❖ no previous commercial agriculture loan history

Maryland Urban Agricultural Commercial Lending Incentive Grant

Loan Conditions:

- ❖ Maximum Amount: \$10,000 (matching a \$50,000 or more bank loan)
- ❖ Minimum Amount: \$1,000 (matching a \$4,000 bank loan)
- ❖ Commercial Lender participation required
- ❖ Funds will be disbursed to an approved applicant on a schedule to be determined when the grant and loan are awarded

Next Generation Farmland Acquisition Program

“Next Gen Program”

- ❖ A rapid-response, farmland conservation easement option purchase program, designed to:
 - help qualified young/beginning farmers who seek to purchase farmland, but need some specialized financial assistance to enter (or continue in) the agricultural profession; and
 - effectively preserve the agricultural land from future development.
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- ❖ Next Gen applicants are selected on a competitive basis, but all eligible applicants have been approved thus far.

The Next Gen Program

❖ Target Audience:

- A “Beginner Farmer” is defined as one who:
 - Has not owned a farm or ranch (or who currently owns less than 20 acres of ag land); AND
 - Has not operated a farm or ranch as a principal operator for more than 10 years; AND
 - Has at least one year of farming experience (or has completed a qualified farm management-training program that includes substantial fieldwork experience); AND
 - Expects to substantially participate in the farm operation on the subject property.
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❖ Target Farmland:

- The farm property must be eligible for a permanent conservation easement, such as through the Maryland Ag Land Preservation Foundation (MALPF)*, Rural Legacy (DNR program), a county program, etc.

*MALPF requires a min. 50 acres in size (or contiguous), and 50% Class I, II and III soils.

How Does the Next Gen Program Work?

- ❖ MARBIDCO will award selected applicants with an “easement option purchase”.
 - The “easement option purchase” is a contractual agreement that requires the “Next Gen Farmer” to use the purchased property for ag purposes and stops future development.
- ❖ For the option purchase, MARBIDCO will pay up to 51% of the Fair Market Value (FMV) of the land only (with a cap of \$500,000).
 - The FMV is determined by an appraisal (requested and paid for by MARBIDCO).
 - The option purchase money is used as an equity down-payment at a real estate settlement.
 - This money enables a commercial lender to make a loan to help with the purchase of a farm, and a commercial bank or Farm Credit Association participation is required for all Next Gen farm purchase projects.

How Does the Next Gen Program Work?

continued

- ❖ At settlement to purchase the farmland,
 - MARBIDCO will bring the option purchase money to be used as an equity down-payment; and
 - The Next Gen Farmer will enter into an Option Purchase Agreement

- ❖ During the “option period”, the Next Gen Farmer will then have a period of several years to sell the permanent conservation easement on the farmland to a rural land conservation program, such as the Maryland Agricultural Land Preservation Program (MALPP).
 - The sale of the permanent easement will extinguish the development rights on the property forever.

How Does the Next Gen Program Work?

continued

- ❖ Once the Next Gen Farmer sells the permanent easement, MARBIDCO will be repaid:
(using the money from the permanent easement sale)
 - 100% of the original Next Gen – Option Purchase amount, plus a 3% administrative fee
 - The Next Gen Farmer will retain any additional money from the sale.
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- If the permanent easement sale money is less than the 103% of the original Next Gen money, then the Next Gen Farmer is only obligated to forward the lesser amount that was paid for the permanent easement to MARBIDCO (and the difference is omitted).
 - If the Next Gen Farmer cannot sell the permanent easement within the option period, the option purchase will be exercised to grant the permanent easement to a “third-party default easement holder” for no additional money.
 - The third-party default easement holder will either be: a county government; or a statewide or local land trust.

The Next Gen Program Features

❖ Maximum Repayment Amount:

- 100% of the original Next Gen Program permanent sale amount advanced, plus an administrative fee of 3%
- The Next Gen Farmer will retain the balance of permanent easement sale funds (if any)
- Could theoretically be less than 103% if new permanent money is not available.

❖ Length of Time for the Option Period:

- Up to 4 years (if a County is the default easement holder); OR
- Up to 7 years (if MARBIDCO will designating a statewide or local land trust to be the default easement holder).

❖ Next Gen applicants will be selected on a competitive basis.

❖ Target Audience is a “Beginner Farmer”.

❖ Applicant’s cannot own more than 20 acres of farmland.

❖ The farm property must be “MALPP-eligible”.

The Next Gen Program “Forms”

(contained in the Application Package)

- ❖ **Form 1: Property Seller’s Information Form**
(completed by the property seller)
- ❖ **Form 2: Applicant Information Form**
(completed by the applicant)
- ❖ **Form 3: Subject Farm Property Information Form**
(completed by the county ag land preservation administrator)
- ❖ **Form 4: County Government Submission Form**
(completed by a county official)
- ❖ **Other required submission items includes: detailed farm business plan, proforma financial projections, contract of sale, etc.**

Submitted very shortly after being selected:

- ❖ **Form 5: Commercial Lender Information Form**
including Commitment Letter

Who To Contact About The Next Gen Program?

❖ **County Ag Land Preservation Staff:**

- You will need to be in contact with your respective county ag land preservation administrator or designee to discuss the subject farm property (as this individual will assist in the application process)
- NOTE: Form 1 must be provided to the county staff.

❖ **Bank or Farm Credit Lender:**

- MARBIDCO encourages you to contact your commercial lender soon
- You will need to have a loan commitment concerning your farm purchase and have a clear idea of the Lender's financing needs (Form 5 and commitment letter will be required after program approval)

❖ **MARBIDCO Staff:**

- Your contact is *Allison Roe*, Financial Programs Specialist, at aroe@marbidco.org or (410) 267-6807
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Any Questions or Comments?



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