



Agenda Item 3

RISE Zone and E-Innovation Programs Update



BOARD OF REGENTS

SUMMARY OF ITEM FOR ACTION **INFORMATION** OR DISCUSSION

TOPIC: RISE Zone and E-Nnovation Programs Update (information item)

COMMITTEE: Economic Development and Technology Commercialization

DATE OF COMMITTEE MEETING: January 29, 2015

SUMMARY: The Committee will be updated on the RISE Zone and E-Nnovation programs that were passed during the 2014 legislative session. The Regional Institution Strategic Enterprise (RISE) Zone Program is intended to spur significant financial investments in designated "RISE Zones" through enhanced property and income tax credits and accelerated depreciation schedules. The anticipated impact is stronger ties between key state, federal, and higher education institutions and increased economic development and neighborhood revitalization.

The Maryland E-Nnovation Initiative offers a state match to private funds raised in support of endowed chairs, allowing for the auctioning of varied tax credits to the private sector to match higher education funding to attract the best researchers to USM institutions.

ALTERNATIVE(S): This item is for information purposes.

FISCAL IMPACT: This item is for information purposes.

CHANCELLOR'S RECOMMENDATION: This item is for information purposes.

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: Joseph F. Vivona (301) 445-2783

Maryland E-Nnovation Initiative Fund Authority
December 17, 2014
3pm – 5pm

Department of Business and Economic Development
World Trade Center Baltimore
401 E. Pratt Street, 17th Floor
Baltimore MD 21202

The Maryland E-Nnovation Initiative Authority (“MEIFA” or the “Authority”) convened at 3:00 p.m. on December 17, 2014 in Baltimore. A quorum was present.

Members:

Robert Hallenbeck, Chairman (*by phone*)
Dominick E. Murray, Secretary, Maryland Department of Business and Economic Development
William E. (Brit) Kirwan, Chancellor, University System of Maryland
Thomas S. Dann, Managing Director of Equity Funds, Maryland Venture Fund
Robert Rosenbaum, Executive Director, TEDCO (*by phone*)
John M. Wasilisin, Chief Operating Officer, TEDCO
David Baggett, Founder, Arcode Corporation (*by phone*)

Staff and Representatives:

David Porter, OAG
Lara Hjortsberg, OAG
Frank Dickson, MVF
Seth Shuldiner, MVF
Sandy Popp, DBED Policy & Government Affairs (*by phone*)
Patrick Murray, Johns Hopkins Institutions
Sabine Dillingham
Lynn Davis
Judy Britz, BioMaryland Center
Gary Grant, Washington College (*by phone*)

I. Chairman’s Remarks

Chairman Hallenbeck called the meeting to order at 3:00 p.m., took roll and asked the participants in person and on the phone to introduce themselves.

II. Minutes of Previous Meetings

After motion duly made and seconded, the Authority members approved the minutes of the previous meeting of the Authority held on November 21, 2014.

III. Review of Pending Regulations

Lara Hjortsberg and David Porter led the Authority members through a discussion of the pending regulations. The following terms and definitions within the regulation were reviewed: Cash Equivalents, Marketable Securities, Readily Convertible to Cash, Governing Body, and Bequests.

Based on guidance from the legislature, DBED's counsel advised that there would not be any proposed legislative changes to the 90-day deposit provision in the statute. There was discussion regarding the "arbitrary and capricious" standard of review for "rational determination" by the Authority when weighing industry sectors to receive funding or other weighted selection factors.

The Authority discussed the interpretation of Section C(2) of the regulations regarding "lab and scientific equipment". The consensus was that this language should be interpreted not as a limiting factor, but rather as an example. In order to clarify this point, it was recommended that the phrase "including but not limited to" be inserted into the language of Section C(2) to reflect the Authority's interpretation.

The Annual Application and timeline for making guidelines public were discussed by the Authority. The Authority is aiming for an April 1, 2015 deadline.

The Authority deliberated the sequence of events that must take place from the time universities submit their Research Endowment Plan until the time a determination is made by the Authority and money is awarded. After discussion, the Authority determined that the Application Approval Process should take place as follows:

- 1) Nonprofit Institution of Higher Education (NPIHE) submits application to Authority, including proposed research endowment plan(s) ("Plans"). Plans should include expressions of interest from donors but not necessarily commitments. DUE DATE – July 1, 2015.
- 2) Authority reviews and evaluates NPIHE application(s) and provides decision to NPIHE (approve, reject, request more information). Decide on timeframe to approve the applications.
- 3) NPIHE submits request(s) for specific disbursement from Authority, including evidence of qualified donations. NPIHE should have qualified donations "in hand" but not necessarily deposited in the designated research endowment. Suggestions - Request must specify specific

\$\$\$ amounts and use of funds for a specific endowment chair(s) (or other permissible use) included in the approved Plan.

- 4) Authority reviews disbursement request from NPIHE (process, reject, request for modification).
- 5) Authority disburses funds to NPIHE designated research endowment fund. (§6-618(e)).
- 6) NPIHE has 90 days to move Donor funds into designated research endowment fund. (§6-619).

The following items remained open for discussion at the next meeting:

- Allocation of funds to competing NPIHE;
- Beginning of encumbrance period; and
- Length of encumbrance period

The members determined that the next Authority Meeting would take place on January 13, 2015 at DBED offices (World Trade Center, Baltimore) at 2pm.

IV. Adjournment

There being no further business, a motion to adjourn was entered, seconded and approved unanimously at 4:35pm.

E-Nnovation - Application/Disbursement Approval Process

- 1) Nonprofit Institution of Higher Education (NPIHE) submits application to the Authority. The primary piece of the application is the proposed research endowment plan (REP), and an NPIHE may submit multiple applications, with each REP being a stand-alone application. REP must include expressions of interest from donors but not necessarily commitments.

TWO DUE DATES PER FISCAL YEAR – June 1 and November 1

Note: Based on the 1/9/15 Meeting with JHU and USM Officials (including donor development officials) (the 1/9/15 Meeting), it sounds as if the advancement offices are continuously meeting with potential donors so no “busy” period per say – at least two dates preferred.

- 2) Authority reviews and evaluates NPIHE application(s) and provides decision to NPIHE (**approve, reject, request more information**)
 - *Authority approval timeframe: For initial year of program, the suggestion from the 1/9/15 Meeting is to not include in regulations a deadline for Authority approval; once the Authority has experience with how long it takes to review and approve applications, a time period could be included. The goal should be 30-45 days. Need to determine DBED resources available for the processing of applications.*
 - *Evaluation criteria: Prior to the application deadline(s), the Authority will announce evaluation criteria for the Fiscal Year.*
- 3) NPIHE submits request(s) for specific disbursement from Authority, including evidence of qualified donations (donor/gift agreement signed by the qualified donor). NPIHE should have qualified donations “in hand” but may not necessarily have it deposited in the designated research endowment.

Note: Both the statute and 12/12/14 draft of the regulations include requirements for distribution request, including amount requested and use of funds for a specific endowment chair(s) (or other permissible use) included in the approved REP.
- 4) Authority reviews disbursement request from NPIHE (**process, reject, request for modification**).

Note: If distribution request is consistent with approved REP, the approval of distribution requests should be a ministerial function and not require a lengthy review by the Authority.
- 5) Authority disburses funds to NPIHE designated research endowment fund. (§6-618(e))
- 6) NPIHE has 90 days to move donor funds into designated research endowment fund. (§6-619)

Note: The two application deadline per Fiscal Year structure allows a qualified donor to make donations two times during his/her/its tax year.

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Items to review discuss and decide for next meeting:

1) Allocation of Program funds to NPIHE

Evaluation Criteria:

- (a) How long before the application deadline will the Authority announce the criteria?
- (b) Where will the Authority announce the criteria (e.g., website)?

2) When to encumber funds and how much to encumber per NPIHE?

Proposal from 1/9/15 Meeting with JHU and USM Officials: Encumber Program funds when the Authority approves the application (REP), approved on application (REP) by application (REP) basis, rather than an NPIHE by NPIHE basis (meaning, an NPHIE could be eligible for several allocations under the Program based on individual REPs).

3) How long are funds to be encumbered before they are unencumbered?

Proposal from 1/9/15 Meeting with JHU and USM Officials: Once application (REP) approved by the Authority, the Program funds equal to the amount of the approved allocation for the Fiscal Year remain encumbered for the remainder of the Fiscal Year. If an NPIHE fails to submit a disbursement request and deposit qualified donations into the research endowment fund by the end of the Fiscal Year, the unused Program funds will be reallocated in the next Fiscal Year using the same application (REP) approval process as above.

With eye on startups, UMd. to apply for tax breaks for College Park businesses

Jan 6, 2015, 10:26am EST Updated: Jan 6, 2015, 2:05pm EST

Kasra Kangarloo
Staff Writer- *Washington Business Journal*

The University of Maryland is expected to apply for tax breaks for businesses around some high-profile areas in College Park, including the planned Hotel at the University of Maryland.

The University of Maryland will be applying for status as a qualified institution to give tax breaks to businesses — particularly startups — located around some of College Park's higher-profile locales, such as the planned hotel-conference center and research park.

The school is applying for that status under Maryland's Regional Institution Strategic Enterprise Zone program, which provides local property and income tax credits for businesses in its designated areas. The program, which begins this year, is designed to drive business activity around the state's colleges and universities.

Brian Darmody, the University of Maryland's associate vice president for corporate relations, told me the initial application is still being put together. The university must first apply for approval as a qualified institution before it can apply for the creation of RISE Zones.

According to Darmody, the university will "very likely" apply for RISE Zone status for the area surrounding The Hotel at the University of Maryland, a \$115 million luxury hotel expected to break ground along Route 1 this spring.

Darmody also said the area surrounding the university's research park, the College Park Metro station and some other spots along U.S. Route 1 would also be considered. The details of the plan are still in the early stages and are being put together by a special university work group, which includes a number of student and faculty representatives.

Darmody also heads the work group, and told me that Ken Ulman, who was recently tapped by the university to transform College Park into a tech hub, will be included in the discussions.

Ulman, a former Howard County executive who made an unsuccessful bid for lieutenant governor in November, recently partnered with the university to bring more businesses and entrepreneurs into the College Park area.

The plans are all part of a concerted effort by university President Wallace Loh to transform the campus into a bastion of startup activity.

Elana Fine, managing director of the Dingman Center for Entrepreneurship at the university's business school, told me that "innovation and entrepreneurship" are "strategic priority No. 1" for the administration. This has led to the creation of a number of new business classes and a deliberate focus within the general student curriculum on entrepreneurship.

The ultimate goal is to make the area a place where students can stick around after graduation and start businesses, and where the university's vast research apparatus can be more readily accessible to commercial enterprises.

The planned hotel and conference center, which could open as early as 2016, is a central part of this effort, according to Darmody, who said the area is currently lacking a vibrant social atmosphere that could help attract new businesses.

"We've never had a place to locate these startups. ... You need to have the infrastructure, the hotels, the restaurants, and we've not had that," he said. "We have the steak, but we haven't had the sizzle, and now we're sort of getting the sizzle."

Regional Institution Strategic Enterprise (RISE) Zone Program

A RISE Zone is a geographic area that has nexus (a strong connection) with a qualified institution and is targeted for increased economic and community development.

Qualified institutions include institutions of higher education, regional higher education centers or non-profits affiliated with a federal agency.

The purpose of the RISE Zone program is to access institutional assets that have a strong and demonstrated history of commitment to economic development and revitalization in the communities in which they are located. Qualified institutions and local governments develop a targeted strategy to use the institutional assets and financial incentives to attract businesses and create jobs within the zone.

A RISE Zone designation will be in effect for 5 years, with a possible additional 5-year renewal. Counties and municipalities are limited to a maximum of three RISE Zones.

BENEFITS

Businesses locating in a RISE Zone or an existing business doing a significant expansion within the Zone, may qualify for real property tax credits and income tax credits related to capital investment and job creation. A business concierge with DBED will be available to assist businesses with identifying and utilizing other State programs for which they might qualify, and with permitting and licensing applications.

APPLY

The designation of a RISE Zone requires a two-step process. Institutions must first apply to DBED to be designated a Qualified Institution. Qualified Institutions applying to DBED to designate a RISE Zone shall jointly apply with a county, municipality or the economic development agency of a county or municipality to designate a RISE Zone.

Applications to designate Qualified Institutions will be accepted on or after December 1, 2014. Within 90 days of submission of the application, the applicant will be notified if it has been designated a Qualified Institution.

Applications to designate RISE Zones will be accepted on or after July 1, 2015. Within 120 days of submission of an application, the applicants will be notified if the RISE Zone will be designated.

CONTACT

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