

Maryland Opportunities for Offshore Wind Businesses

A. The Advantages of Maryland

Maryland occupies a strategic location in the Mid-Atlantic region, with well-developed transportation nodes and comprehensive business incentives for establishing a business in the state. Within easy reach are available New York for finance and Washington for national policy and legislation. State and county economic development agencies, technology institutes, and the state energy office all provide incentives, infrastructure development support, and grants for new and expanding businesses.

Of particular interest to the offshore wind industry, Maryland has three commercial deepwater ports—Baltimore, Cambridge, and Salisbury. Within the Baltimore port, Dundalk has been identified by consulting firm Kinetik Partners as the most strongly suitable to commence a cluster structure for manufacturing and staging the distribution of an offshore wind supply chain industry. The Dundalk port can also provide a staging facility for the construction and commissioning phase of Maryland's own offshore wind farms. Baltimore is well served by freight rail and highways.

The Maryland Clean Energy Center provides a conduit of information sharing about all clean energy technologies and supports early-stage clean technology development. It has a close partnership with the Clean Energy Technology Incubator at the University of Maryland, Baltimore County. The Maryland Clean Energy Center has bond issuance capability, which to date has been used for the commercial use of energy efficiency and geothermal systems for Maryland's residential properties.

Recent onshore wind farm development in the western Maryland has created some job benefits to the state. There is a collaborative effort organized by several company leaders, including AC-Wind, CDI Inc., and Delaware's Center for Composites Materials, to lead an initiative for new and improved performance for the design and manufacture of offshore wind blades. The state is home also to the U.S. headquarters of Areva, a 5 MW offshore wind turbine producer; Atlantic Wind Connection, which is championing the marine transmission line along the Atlantic coast; Cianbro, an energy engineering construction company; and Lockheed Martin, which recently won an award for its design of vessels for offshore wind operations and maintenance.

The University of Maryland has a new and comprehensive Energy Research Center that works with all forms of renewable energy, including wind. The university also has a very active wind tunnel for blade design testing and evaluation.

Maryland-based businesses have quick and cost-effective access to international and domestic markets via Baltimore Washington Thurgood Marshall International Airport, Dulles International Airport, Philadelphia International Airport, I-95, and Acela rail service.

B. Government Policies Pertaining to Offshore Wind Power

Renewable Resource Portfolio Standard

Maryland's Renewable Resource Portfolio Standard (RPS) was adopted in 2002 and increased in 2008. It requires electricity providers to supply at least 20% of their total retail electric sales from renewable energy sources by 2022.

Offshore Wind Planning

Maryland has aggressively raised its profile to become a champion of offshore wind energy. In 2010, Maryland convened the second Federal/State task force and became the second state (after Delaware) to formerly receive expressions of interest for leasing of specific federal waters of its coastline. Offshore wind is the only local "scalable" renewable energy resource that will allow Maryland to achieve its RPS goals while simultaneously keeping the environmental and economic development attributes.

C. Government Policies Pertaining to Manufacturing and Service Activities Related to Offshore Wind

The Maryland Department of Business and Economic has a wide range of relevant programs and incentives for companies entering into the offshore wind supply chain. An array of incentives is available for large and small businesses.

Maryland Tax Credits

Businesses located in Maryland that create new positions and establish or expand business facilities in the state may be entitled to a **Businesses that Create New Jobs Tax Credit**. To be eligible, businesses must first have been granted a property tax credit by a local government for creating the new jobs. The credit may be taken against corporate income tax, personal income tax, or insurance premium tax. The business must create at least 25 new positions as part of the new or expanded business facility, 5,000 square feet or more, in Maryland.

Businesses locating in a **Maryland Enterprise Zone** may be eligible for income tax and real property tax credits in return for job creation and investments. Businesses located in one of two focus areas are also be eligible for personal property tax credits.

There are two forms of **Enterprise Zone Tax Credits**: (1) Ten-year credit against local real property taxes on a portion of real property improvements. The credit is 80% the first five years, and decreases 10% annually to 30 percent in the tenth and final year; and (2) One-time income tax credits of \$1,000 per new worker. For economically disadvantaged employees, the credit is \$6,000 per employee over three years.

Focus Area Tax Credits for businesses in Baltimore City or Prince George's County enterprise zones include: (1) Ten-year, 80% credit against local real property taxes on a portion of real property improvements; (2) Ten-year, 80% credit against local personal property taxes on new investment in personal property; and (3) A one-time \$1,500 income tax credit per new

employee. For economically disadvantaged employees, the credit is \$9,000 per employee over three years.

The **One Maryland Tax Credit** applies to businesses that invest in an economic development project in a “qualified distressed county.” Project tax credits may be up to \$5 million and start-up tax credits may be up to \$500,000.

A site that qualifies for the **Brownfield Revitalization Incentive Program** may qualify for real property tax credits as well. For five years after cleanup, a site may qualify for a real property tax credit between 50% and 70% of the increased value of the site. (In an Enterprise Zone, the tax credit may last for up to 10 years). This credit, combined with other real property tax credits, may not exceed 100% of the tax on the increased value of the site.

The **Clean Energy Tax Credit** is \$0.85 for each kilowatt hour of electricity sold that was produced from a Maryland qualified energy resource during the 5-year period specified in the initial credit certification. The annual tax credit may not exceed one-fifth of the maximum amount of credit stated in the initial credit certificate.

Access to Capital

The **Maryland Industrial Development Financing Authority (MIDFA)** encourages private sector financing in economic development projects located in Priority Funding Areas. MIDFA facilitates capital access by issuing private activity revenue bonds and can provide credit insurance in the form of a deficiency guaranty to reduce lender’s risk. While the transaction size is generally not limited, the credit enhancement is subject to applicable program limits.

Private Activity Revenue Bonds are available in the form of both taxable bonds and tax-exempt bonds. Both types of bonds provide access to long-term capital markets for fixed asset financing. Eligibility for the tax-exempt bonds is limited by Federal tax law to 501(c)(3) non-profit organizations and manufacturing facilities. Additional limitations apply to the specific transaction type.

Credit Insurance is available in two ways:

- The Conventional Program insures up to 80%, not to exceed \$2.5 million of transactions made by a financial institution. Export transactions may be insured up to 90 percent.
- The Bond Program insures bonds up to 100%, not to exceed \$7.5 million of taxable or tax-exempt bonds.

Linked Deposits are available in designated distressed jurisdictions; the MIDFA can provide a certificate of deposit to the lender as a funding source and pricing incentive to provide below market rate loans to an eligible small business. The certificate of deposit is not a guaranty or collateral to the loan.

The Maryland Small Business Development Financing Authority administers the following programs:

- The **Contract Financing Program** provides financial assistance to eligible businesses in the form of a direct loan or the guaranty of loans made by a financial institution. These funds may be used for working capital and the acquisition of equipment needed to begin, continue, or complete work on contracts where a majority of funds are provided by a federal, state or local governments or utilities regulated by the Public Service Commission. Financing is limited to \$1,000,000 and must be repaid during the term of the contract. Interest rates generally range from the prevailing prime rate up to prime plus two percent.
- The **Surety Bond Program** assists eligible small businesses in obtaining bid, performance, or payment bonds necessary to perform on contracts where the majority of funds are also provided by a government agency or public utility. Bonds that are directly issued are limited to \$5,000,000. Guaranties are limited to the lesser of 90% of the amount of the bond or \$1,350,000.
- The **Guaranty Fund Program** provides financial assistance to eligible businesses in the form of loan guaranties and interest rate subsidies to financial institutions for long-term loans and short-term lines of credit. A loan guaranty cannot exceed the lesser of 80% of the loan or \$1,000,000. The term of the loan cannot exceed 10 years, with a maximum interest rate of prime plus 2%. Loan proceeds can be used, among other things, for working capital, the acquisition and installation of machinery or equipment, and the purchase or improvements to real property owned or leased by the applicant. The program can also subsidize up to four percentage points of the interest rate.
- The **Equity Participation Investment Program** is designed to encourage business ownership of socially or economically disadvantaged entrepreneurs. Financial assistance is provided through the use of loans, loan guaranties and equity investments.

D. Other Applicable Incentives

Commercial Product Development

Maryland businesses wanting to improve product through research and development may seek to investigate technology transfer programs that take advantage of research conducted at Maryland's many federal and academic research centers which include:

- The Maryland Technology Enterprise Institute at the University of Maryland accelerates new ventures, spurs economic growth, and brings university expertise to Maryland companies through technology entrepreneurship and research programs.
- The [Maryland Manufacturing Assistance Program](#) is the state affiliate of the federal NIST Manufacturing Extension Partnership. It draws upon a national network of solution providers, as well as the expertise of the entire University System of Maryland.
- The [Maryland Technology Development Corporation](#) brings innovations from universities and federal labs into the economy by facilitating the transfer of technology to the private

sector and by providing emerging technology companies and university researchers with vital seed funding and specialized technical assistance.

The Maryland World Class Consortia increases the capacity of Maryland business through World Class principles and methods. Businesses of all types can benefit from Consortia resources, including benchmarking, educational workshops and programs, networking and shared learning, and consulting support.