



City Of Annapolis

Economic Development Working Group

Report to the Mayor and City Council

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Economic Development Working Group Members

Co-Chair Karen Hardwick- Ms. Hardwick has more than a decade of experience in economic development in Washington, DC. As a founding board member and then Chair of the Board of the former National Capital Revitalization Corporation (NCRC), Ms. Hardwick played an instrumental role in the renewal of Washington's 14th Street, NW retail corridor, which burned during the 1968 riots and today enlivens Columbia Heights, one of Washington's most diverse and revitalized neighborhoods.

Co-Chair Fred Delavan - Mr. Delavan is a principal in the real estate and land use law firm of Blumenthal, Delevan and Williams, P.A., a past chair of the Annapolis and Anne Arundel County Chamber of Commerce and played a significant role in establishing the structure of the Anne Arundel Economic Development Corp., a quasi-government nonprofit that functions as Anne Arundel County's economic development arm.

Bob Burdon Mr. Burdon has been the president and CEO of the Annapolis and Anne Arundel Chamber of Commerce for over 10 years. Mr. Burdon has been a publisher and advertising director for business journals and newspapers including the Capital Gazette Newspapers. Mr. Burdon is a business commentator on television, radio and in print news.

Connie Del Signore Ms. DelSignore is president and CEO of the Annapolis and Anne Arundel County Conference and Visitors Bureau. She has served as the leader of three successful visitors bureaus and has served on tourism boards at a local, state and federal level.

Dick Franyo Mr. Franyo is the proprietor of The Boatyard Bar & Grill in Eastport. Mr. Franyo served in the Navy in Vietnam, spent 30 years as an investment banker and managing director with Deutsche Bank Alex Brown and serves on many boards in our community focusing on the environment, business development and community issues.

Rick Morgan Mr. Morgan is the President and CEO of CommerceFirst Bank. Mr. Morgan served as CEO of the Anne Arundel County EDC and has been treasurer of the Maryland Economic Development Association since 1998. Mr. Morgan sits of the Federal Reserve Board of Richmond as well as many other business and charitable boards.

Midgett Parker Mr. Parker is a partner with Linowes and Blocher LLP. He is a business lawyer whose practice includes land development, complex real estate transactions, non-profit religious institutions and environmental work. He serves our community on the boards of many religious, charitable, environmental and legal organizations.

Doug Smith Mr. Smith serves as the Chief Administrative Officer for the City of Annapolis. He has held senior management positions with F100 corporations, and has been a founder, President and CEO for a number of high-tech start up companies. Mr. Smith has served as a community leader as president of the First Ward Community Association as well as serving on the board of the Downtown Annapolis Partnership.

Chuck Walsh Mr. Walsh is an attorney and was a founding partner of Fleischman & Walsh for nearly 30 years. He is involved in real estate development here in Annapolis and Anne Arundel County and founded the non-profit ArtWalk to promote and implement the exhibition of public art in our community. Mr. Walsh served as Chair of the Mayor's Economic Development Idea Transition Team.

Alderman Ross Arnett Alderman Arnett is the Chairman of the Rules and City Government Committee as well as an economist, community activist and consultant with over 30 years of public service with the U.S. Department of Health and Human Services.

Alderwoman Classie Hoyle PhD Alderwoman Hoyle is the chairwoman of the Finance Committee as well as a retired educator and professor.

Alderman Fred Paone Alderman Paone is the chair of the Economic Matters Committee as well as a lawyer, law professor and Assistant States Attorney.

Introduction

In early April, 2010, Mayor Joshua Cohen appointed an Economic Development Working Group (hereinafter referred to as the “Committee”) to analyze the economic development activities of the City of Annapolis and to recommend improvements in the City’s economic development program.

On April 14, 2010, the Mayor presented the following questions to the Working Group:

QUESTION 1: What are the pros and cons of restructuring our economic development function as:

- a) A public/private corporation?
- b) A City of Annapolis department or agency?

QUESTION 2: If the recommendation is to restructure as a public/private corporation, which of the following choices does the Working Group recommend and why?

- a) Partnering/merging with AACo EDC, or
- b) Forming our own EDC focused solely on the City of Annapolis?

QUESTION 3: If the recommendation is to form a City controlled EDC, what does the group recommend on the following questions?

- a) Which is preferred, a 501-c-3 or 501-c-6?
- b) What are the recommended structure, bylaws, organization and funding?

QUESTION 4: What immediate steps should the City take in the meantime (e.g., hiring a Business Retention Coordinator, etc.)?

QUESTION 5: What is the basis for your recommendation?

This Report of the Economic Development Working Group addresses these questions and provides the rationale to support the Committee’s recommendations.

Pros and Cons of Restructuring

After focused deliberation, this Committee strongly recommends that the City of Annapolis form 501(c)(3) economic development corporation (“EDC”). We believe this form would draw on the best of government and the best of the private sector in ways that enhance the City’s ability to successfully implement economic development programs. The advantages of the EDC model include:

- The opportunity for the City of Annapolis, business community and other community stakeholders to benefit from the focus and collaborative efforts of a professionally managed economic and community development corporation.
- The flexibility to meet rapidly changing needs and circumstances confronting the local jurisdiction it serves.
- The ability to act as a strong voice for the interests of local businesses by providing access to the highest levels of government.
- The resources and the mandate to implement the economic development program of the City of Annapolis.
- The enhanced access to funding resources in both the private and public sectors that otherwise would not be available to a government agency.
- The ability to better leverage the City’s financial investment by combining resources (both monetary and non-monetary) with the private sector.
- Provides the eligibility for grants from foundations and other charitable organizations for economic development projects and initiatives (eliminates the need to create complex arrangements with other 501(c)(3) organizations).
- The opportunity to secure buy-in and engagement from all stakeholders in both the public and private sectors who, ideally, will become vested and involved in the success of the economic development effort.

Partnering with the County vs. City Focused EDC

The Committee recommends the creation of the Annapolis Economic Development Corporation (“AEDC”) to focus exclusively on the vision, goals and objectives of economic development for the City of Annapolis and its citizens. We recommend that the AEDC actively collaborate with the Anne Arundel Economic Development Corporation (“AAEDC”) when it would be mutually beneficial for the City and the County. We recommend active collaboration rather than the addition of a department or subgroup within the existing AAEDC. That way, the City still would derive the benefit of working on shared goals with AAEDC but it would be spared the risk that AEDC’s laser focus on the Annapolis economy would be diffused in the broader County context due to competing policy objectives and factors beyond the City’s control.

Tax Status, Structure and Funding

The Committee recommends that the AEDC be created as a 501(c)(3) community development corporation because such an entity can engage in an array of community development activities and charitable fundraising. Unlike a 501(c)(6), a 501(c)(3) can accept grants and/or charitable contributions from other 501(c)(3) non-profits and foundations; it also would appeal to corporate and individual donors who seek favorable tax treatment for gifts and contributions as a part of their investment and tax planning strategy.

With respect to an AEDC Board of Directors, we recommend that the Board consist of twelve (12) members allocated as follows: (a) four (4) members shall be appointed by the Mayor and confirmed by the City Council; (b) three (3) voting ex-officio members, the City Manager, the President of the Annapolis & Anne Arundel County Chamber of Commerce and the President of the Annapolis & Anne Arundel County Conference & Visitors Bureau; (c) four (4) members selected by the above stated Board of Directors; and (d) as a nonvoting ex-officio member, the President and CEO of AEDC. Once fully constituted, the Board would elect a Chair from among the non-ex officio members. The Board would exercise the authority to hire and fire the President and CEO.

Board members shall be drawn from business sectors within the greater Annapolis community including but not limited to: Financial; Real Estate, Major Employer; Advertising/Public Relations; Land Use/Development; Attorney/Architect/Planner/Engineer; Information Technology; Defense Industry; Trade and Professional Associations; Hospitality; Maritime; Retail; Health Care. The board should reflect the diversity of the Annapolis community.

Except for the ex-officio members, the founding board members shall be selected from a pool of candidates submitted by the Steering Committee consistent with the qualifications stated above. Subsequently, the Board of Directors shall establish a nominating committee to identify and pre-qualify candidates for vacant board seats.

We further recommend that the President and CEO of the AEDC serve as an ex-officio member of the Mayor's cabinet. This role would affirm the dual public/private responsibilities of the AEDC and its chief executive, afford the President and CEO peer access to all City department heads, establish the importance of economic development to the City Of Annapolis, and facilitate coordination with the array of City departments whose charge relates to economic development.

With respect to funding, we recommend that beginning in FY2011, the City of Annapolis provide annual funding to the Economic Development Corporation in an amount not less than \$400,000 per year. Thereafter, the AEDC would submit an annual report to the Mayor and City Council on the activities, initiatives, programs and accomplishments of the AEDC in the preceding year. The AEDC would submit to the Mayor its annual \$400,000 funding request for inclusion with the budget the Mayor presents to the Council each spring.

The AEDC would also pursue additional funding through grants as well as other revenue from public and private sources. The AEDC would seek funding from the State of Maryland through the Capital City Commission and other State programs to further the

objective of maintaining and enhancing the economic viability and vitality of Maryland's Capital City.

As a means of encouraging further private sector support, the AEDC might also explore whether to encourage the formation of one or more "Business Improvement Districts" (or "BIDs") authorized by recent enactment of House Bill 1182 (Economic Development Article, Subtitle 4, Sections 12-401 through 12-411). Other jurisdictions have found that BIDs can play complementary, satellite role in advancing a centralized economic development program by creating a vehicle for businesses to fund specific improvements and initiatives within geographically defined areas. The four "Opportunity Areas" identified in the 2009 Comprehensive Plan (Bay Ridge, Forest Drive, Outer West Street and West Annapolis) might be appropriate candidates. Of course, the ultimate authority to create a BID rests with the landowners within the proposed district and with the City Council.

Recommended Immediate Steps

To create the AEDC, the first steps would be for the City Council to (a) pass legislation amending the current Title 2.17.070 as needed to set forth the City's economic development program; and (b) appropriate funds for the AEDC pursuant to Article III Section 16 in the Charter:

The City may establish, by ordinance, an economic development program for the promotion, stabilization and protection of private sector enterprises and economic development opportunities. The City may exercise all powers reasonable and necessary for the fulfillment of the objectives of the program, including, but not limited to, the adoption and administration of a plan; the acquisition and disposition of property; and the issuance of general obligation and revenue bonds. The program may be funded with the proceeds of general obligation or revenue bonds of the City, general or special funds of the City or other funds as specified in the ordinance establishing the program. Funds available under the program may be loaned, granted, pledged or otherwise made available to any person, business organization or other entity upon terms and conditions as specified by resolution of the City Council. Any real or personal property acquired by the City in connection with the program may be sold, leased or otherwise disposed of by the City by negotiated sale without public bidding or otherwise as specified by ordinance, upon terms and conditions and for the price as specified by resolution of the City Council. In addition, the City may continue to exercise any powers that previously existed, reasonable and necessary for the fulfillment of pertinent programs and those powers shall not be limited or diminished by the powers granted in these sections.

Thereafter, the next steps would include:

- 1) Establish a steering committee to guide the formation of the EDC. The members of this committee propose to serve as the steering committee. Continuing the current group would accelerate the creation and launch of the EDC.
- 2) Incorporate the EDC as a 501(c)(3) "not for profit" corporation. (Proposed Articles of Incorporation enclosed)
- 3) Steering committee submits their list of qualified board nominees to the Mayor.
- 4) Mayoral selection and Council confirmation of first four members of the Board of Directors.
- 5) Selected board members and ex officio members select the remaining 4 members of the board from the pre-qualified nominees.
- 6) File for 501(c)(3) status with the IRS.
- 7) Hire, through the board, the AEDC President and CEO.
- 8) Establish AEDC offices in available City space with necessary infrastructure (computers, phones etc) that is near related City departments.

We recommend against hiring an interim business retention coordinator.

Basis for the Committee's Recommendations

1. Vision

In our analysis of the issues and factors, which lead to the above recommendations, we would submit that a vision for the EDC would include those elements described below.

The new Economic Development Corporation will work to attract, expand and retain businesses and employment in the City. It will work to create a business friendly reputation and environment for the City of Annapolis. The Economic Development Corporation will market and communicate the City's business opportunities. It will focus on job creation and retention for the City of Annapolis.

The Economic Development Corporation will drive coordination and foster partnership with City departments. The unique status of the organization and its staff as an independent group with the ear of the City will allow it to usher in a new era of cooperation between the public and private sectors in Annapolis.

The core objective of the creation of an economic development corporation is to expand employment opportunities and the commercial tax base in the City Of Annapolis. This would establish more balance with the residential taxpayers by expanding the tax BASE to help us avoid increasing the tax RATE for all taxpayers. The Economic Development Corporation would accomplish this by attracting and retaining Annapolis businesses.

The work of the Economic Development Corporation is to improve the quality of life for all Annapolis residents, businesses and visitors. This would be accomplished through supporting Annapolis' business owners (many of whom are also Annapolis residents), creating job opportunities for Annapolis residents and increasing the business tax revenue thus reducing the burden on the residential taxpayers. The AEDC would also work to create diversity in business development that would enhance those products and services that appeal to the residents, visitors and businesses of Annapolis.

The Economic Development Corporation will work with the Mayor, City Manager, City Council and City Departments to move economic development forward by creating a partnership between those entities that seek creative and proactive ways to help business move forward.

2. Goals and Objectives

The Economic Development Corporation will seek long term recurring funding sources to sustain the entity by working with state and municipal governments to obtain public funding, seek public and private grants and seek funding from the businesses that rely on its efforts.

The Economic Development Corporation will compile, analyze and retain statistics on space potential and desired businesses in various zones. This important work will allow the entity's sponsors, public and private, to see the success of the Economic Development Corporation and it will allow the staff and CEO to better direct their efforts based on solid data.

The Economic Development Corporation will work with the mayor and the City Council to recommend revisions to antiquated City Code and use tables as they relate to economic development. Working with the City Attorney and department heads, the Economic Development Corporation will facilitate a collaborative effort to identify and reform language in the City Code and use tables that currently impede business development with out offering substantial benefit to the community.

Another key objective of the Economic Development Corporation will be to prioritize and implement the 2009 Comprehensive Plan with a focus on job creation and development in the opportunity zones. This new entity would create a comprehensive action plan to implement these opportunity zones.

The Economic Development Corporation will establish measures to track and evaluate the success of the 501(c)(3) Economic Development Corporation and the City departments that are working with them. They will track metrics in the following categories: outcomes, attraction, retention, communications and marketing. These metrics will include the percentage of tax revenue coming from businesses, the expansion and retention of businesses, the quantity and quality of jobs created and retained, the number of minority owned firms and the number of permits issued. The Economic Development Corporation will use these metrics as a measure of its own success as well as the success of the related City departments and organizations.

3. Performance Measures

The Committee has operated with a working definition of what a successful economic development corporation would accomplish. We believe the ultimate goal is to advance a sustainable community for Annapolis residents and businesses alike.

A vibrant economic community in Annapolis requires that the public and private sectors unite to take responsibility for creating economic development in Annapolis.

Essential elements in the public sector for this to happen are: (i) timely decision-making; (ii) predictability in the outcomes; and (iii) dependability in the review and approval processes.

Essential elements in the private sector for this to happen are: (i) positive attitudes about our City departments with the expectation of great results; (ii) investment of resources (time & money) to assist in economic development; and (iii) acceptance of talented and diverse new businesses entering our market.

To measure the performance of economic development, and ultimately, of the AEDC we recommend creating a three sets of metrics. The first set of metrics would be internal measurements of the performance of the AEDC (termed “performance metrics” or “**PM**” below). The second category would be external measurements of the effectiveness of City departments (team related – culture of yes) in promoting the essential elements of economic development described above (termed “economic indicator metrics” or “**EIM**” below). The third metric will calculate the **Positive Tax Impact** (by using categories such as retail, office, etc.) and thus, the overall success of the economic development efforts in Annapolis. This metric should be developed by the AEDC with assistance from various City departments.

The AEDC Board and City will establish targets for these categories of measurements. The performance of both the EDC and the City departments will be evaluated for effectiveness. The following measurements will be reported by the AEDC on an annual basis and included in annual reports and presentations distributed to the City of Annapolis and the general public. Select measurements will also be included in quarterly reports and meetings with the Mayor, City Manager, City Council, and department heads.

Outcomes

- Growth in targeted business sectors in four opportunity areas [EIM & PM]
- Percentage of city real estate taxes from commercial vs. residential [EIM]
- Average & Median Office Rental Rate (Class A, B & C) [PM]
- Average & Median Retail Rental Rate [PM]
- Average & Median Industrial/Flex Rental Rate [PM]
- Growth in Real Estate Tax Base (year/year): [EIM]
- New sq. ft. leased and owned as a % of total commercial inventory [PM & EIM]
- Overall office vacancy rate (by class) [PM]
- Growth of office sq. ft. (Class A, B & C) [EIM]
- Growth of retail sq. ft. [EIM]
- Permits issued for office [EIM]
- Permits issued for retail [EIM]
- Permits issued for residential [EIM]

Attraction

- Sq. ft. leased, purchased or constructed [PM]
- Total money invested in the city [EIM & PM]
- Total new private sector jobs created [PM & EIM]
- Total number of companies (in size & location) [EIM & PM]
- Number of minority-owned firms [PM & EIM]
- Type of private sector jobs created [PM]
- Average & median private sector salary [PM]
- Tourism measures – hotel tax for city hotels [PM]

Retention

- Sq. ft. leased, purchased or constructed [EIM & PM]
- Total private sector money Invested (build-out, equipment, etc.) [EIM & PM]
- Identified at-risk private sector firms retained [PM & EIM]
- Number of private sector firms assisted [PM & EIM]
- Total jobs retained [PM]
- BRAC metrics (TBD)
- Naval Academy satisfaction metrics [PM]
- Naval Stadium events metric [PM]
- Boat Shows metric (\$ & tourism effect) [PM]

Communication

- Number of referrals made [PM]
- Website hits [PM]
- Articles & press coverage (AEDC impacted) [PM]
- Ads from local business community in press [PM]
- Number of meetings with community & civic groups [PM]
- Customer satisfaction ratings [EIM]
- Customer satisfaction ratings [PM]

Marketing

- Number of events conducted & attendees [PM]
- Number of advertisements placed [PM]
- Number of retention contacts [PM]
- Number of new prospects assisted [PM & EIM]
- Number of meetings with prospects [PM & EIM]
- Number of prospect visits to Annapolis [PM]

Appendix 1 – Articles of Incorporation

ARTICLES OF INCORPORATION

OF

ANNAPOLIS ECONOMIC DEVELOPMENT CORPORATION

FIRST: I, Midgett S. Parker, Jr., Esquire, whose address is One Park Place, Suite 585, Annapolis, Maryland 21401, being at least eighteen (18) years of age, am hereby forming a corporation under and by virtue of the General Laws of the State of Maryland.

SECOND: The name of the corporation (which is hereafter called the “Corporation”) is

“ANNAPOLIS ECONOMIC DEVELOPMENT CORPORATION”

THIRD: The purposes for which the Corporation is formed are:

- (a) To organize and operate an association of persons, business firms and/or corporations, and affiliated incorporated or unincorporated associations, residing, doing business or interested in improving the climate and conditions for economic development in Annapolis, Maryland; to promote civic activities and governmental cooperation to achieve an improvement in business and commercial opportunities and the general economic welfare of Annapolis, Maryland; and to organize the Corporation’s and its members’ efforts and resources, either public or private, for the furtherance of the purposes and objectives of the Corporation within the guidelines and requirements for a tax-exempt organization established under Section 501(c)(3) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law).

- (b) To pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in this Article THIRD except that no part of the net earnings of the Corporation shall inure to the benefit of or be distributable to its members, directors, officers, or other private persons.
- (c) Included among the purposes for which the Corporation is organized, as qualified and limited by subparagraphs (a) and (b) of this Article THIRD are the following:
 - 1) To purchase or otherwise acquire, hold, mortgage, pledge, sell, transfer, or in any manner encumber or dispose of goods, wares, merchandise, implements, and other personal property or equipment of every kind.
 - 2) To purchase, lease or otherwise acquire, hold, develop, improve, mortgage, sell, exchange, let, or in any manner encumber or dispose of real property wherever situated.
 - 3) To apply for, obtain, purchase, or otherwise acquire any patents, copyrights, licenses, trademarks, trade names, rights, processes, formulae, and the like, which might be used for any of the purposes of the Corporation, and to use, exercise, develop, grant licenses in respect of, sell and otherwise turn to account, the same.
 - 4) To accept contribution of real and personal property from public and private sources and to loan the proceeds of such contributions to economically disadvantaged or individuals and businesses not having sufficient access to commercial lending sources to enhance economic development and employment in Annapolis.

- 5) To provide personnel and resources to educate and assist public and private entities in the administration, management and promotion of economic growth and development activities in Annapolis, Maryland.
 - 6) To provide educational opportunities to individuals and businesses regarding business and management skills and procedures, including the acquisition and management of capital resources, proper methods of business accounting and reporting and personnel management methods and procedures.
 - 7) To carry out any and all other activities and functions necessary or incidental to the furtherance and promotion of the goals and objectives of the Corporation allowed by the laws of the State of Maryland and the Internal Revenue Code as aforesaid.
- (d) It is the intention that none of the powers defined in any of the foregoing clauses of this Article shall be in anywise limited or restricted by referenced to, or influence from, the terms of any other clause but that the powers defined in each such clause shall be regarded as individual powers. It is also the intention that the Corporation shall be authorized to exercise and enjoy the powers, rights and privileges granted to or conferred upon non-stock, non-profit corporations by the laws of the State of Maryland and that the enumeration above of certain powers is not intended as exclusive of, or as a waiver of other powers, rights and privileges granted and conferred to such corporations by the laws of said State except the Corporation shall not carry on any activities not permitted to be carried on by a corporation exempt from Federal Income Tax under Section

501(c)(3) of the Internal Revenue Code (or the corresponding provision of any future United States Internal Revenue law).

FOURTH: The post office address of the principal office of the Corporation in this State is _____, Annapolis, MD 21401. The name and post office address of the Resident Agent of the Corporation in this State is _____, Annapolis, Maryland 21401. Said Resident Agent is an individual actually residing in this State.

FIFTH: The Corporation is not organized for profit; it shall have no capital stock and shall not be authorized to issue capital stock. The qualifications for membership and other matters relating to its members shall be as set forth in the By-Laws of the Corporation.

SIXTH: The initial number of Directors of the Corporation shall be nine (9), which number may be increased or decreased pursuant to the By-Laws of the Corporation, but shall never be less than three (3) nor greater than twenty-one (21). The names of the Directors, who shall act until the first annual meeting or until their successors are duly chosen and qualified, are: _____,
_____, _____,
_____, _____,
_____, _____, and _____.

SEVENTH: Upon the dissolution of the Corporation's affairs, or upon the abandonment of the Corporation's activities due to its impracticable or inexpedient nature, the residual equity of the Corporation then remaining in the hands of the Corporation shall be distributed, transferred, conveyed, delivered and paid over to Annapolis.

EIGHTH: The Corporation may by its By-Laws make any other provisions or requirements for the arrangement or conduct of the business of the Corporation, provided the same be not inconsistent with these Articles of Incorporation nor contrary to the laws of the State of Maryland or of the United States.

NINTH: In these Articles of Incorporation,

(a) References to "charitable organizations" or "charitable organization" mean Corporations, trusts, funds, foundations, or community chests created or organized in the United States or in any of its possessions, whether under the laws of the United States, any state or territory, the District of Columbia, or any possession of the United States, organized and operated exclusively for charitable purposes, no part of the net earnings of which inures or is payable to or for the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda or otherwise attempting to influence legislation and which do not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidates for public office. It is intended that the organization described in this Article NINTH shall be entitled to exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as now in force or afterwards amended.

(b) The term "charitable purposes" shall be limited to and shall include only charitable, for public safety, literary, or educational purposes within the meaning of the terms used in Section 501(c)(3) of the Internal Revenue Code of 1986 but only such purposes as also constitute public charitable purposes under the laws of the United States, any state or territory, the District of Columbia, or any possession of the United States.

TENTH:

- (a) The Corporation shall distribute its income for each taxable year at such time and in such manner as not to become subject to the tax on undistributed income imposed by Section 4942 of the Internal Revenue Code of 1986, or corresponding provisions of any subsequent federal tax laws.
- (b) The Corporation shall not engage in any act of self-dealing as defined in Section 4941(d) of the Internal Revenue Code of 1986, or corresponding provisions of any subsequent federal tax laws.
- (c) The Corporation shall not retain any excess business holdings as defined in Section 4943(c) of the Internal Revenue Code of 1986, or corresponding provisions of any subsequent federal tax laws.
- (d) The Corporation shall not make any investments in such manner as to subject it to tax under Section 4944 of the Internal Revenue Code of 1986, or corresponding provisions of any subsequent federal tax laws.

- (e) The Corporation shall not make any taxable expenditures as defined in Section 4945(d) of the Internal Revenue Code of 1986, or corresponding provisions of any subsequent federal tax laws.

ELEVENTH: As used in this Article ELEVENTH, any word or words that are defined in Section 2-418 of the Corporations and Associations Article of the Annotated Code of Maryland (the “Indemnification Section”), as amended from time to time, shall have the same meaning as provided in the Indemnification Section.

- (a) The Corporation shall indemnify a present or former director or officer of the Corporation in connection with a proceeding to the fullest extent permitted by and in accordance with the Indemnification Section.
- (b) With respect to any corporate representative other than a present or former director or officer, the Corporation may indemnify such corporate representative in connection with a proceeding to the fullest extent permitted by and in accordance with the Indemnification Section; provided, however, that to the extent a corporate representative other than a present or former director or officer successfully defends on the merits or otherwise any proceeding referred to in subsections (a) or (b) of the Indemnification Section or any claim, issue or matter raised in such proceedings, the Corporation shall not indemnify such corporate representative other than a present or former director or officer under the Indemnification Section unless and until it shall have been determined and authorized in the specific case by (i) an affirmative vote, at a duly constituted meeting of a majority of all the votes cast by members who were not parties to the proceeding, that indemnification of such corporate representative other than a present or former director or officer is proper in the circumstances.

TWELFTH: The duration of the Corporation shall be perpetual.

[SIGNATURE PAGE FOLLOW]

IN WITNESS WHEREOF, I have signed these Articles of Incorporation the ____ day of _____, and I acknowledge same to be my act.

WITNESS:

Midgett S. Parker, Jr., Incorporator

CONSENT TO ACT AS RESIDENT AGENT:

Pursuant to Section 1-208 of the Corporations and Associations Article of the Annotated Code of Maryland and Article FIFTH above, the undersigned consents to serve as the Resident Agent of Annapolis Economic Development Corporation.

IN WITNESS WHEREOF, I have signed this Consent and acknowledged it to be my act as of the ____ day of _____ 2010

WITNESS:

name

Resident Agent

Twelfth

Appendix 2 – Membership of Working Group

Karen M. Hardwick

Karen M. Hardwick presently has the honor of serving as City Attorney for the City of Annapolis, Maryland. She is a seasoned general counsel and litigator. Ms. Hardwick began her legal career with the law firm of Hogan and Hartson L.L.P. (now Hogan Lovells) as an associate in 1988 and eight years later became the first African American woman to rise through its ranks to partnership. In her sixteen years of practice with the firm, she successfully litigated business tort, unfair competition, public utility, intellectual property and contract disputes in the Maryland and District of Columbia state and federal courts and in federal courts across the country. Ms. Hardwick's clients included Fortune 100 telecommunications and technology companies, real estate owners and developers, nonprofits, energy conglomerates and nationally known entertainers.

From 2000 to 2004, as a founding board member and then Chairman of the Board, Ms. Hardwick was instrumental in the success of the National Capital Revitalization Corporation, a quasi-public corporation best known for its catalytic role in the renewal of Columbia Heights, one of the District of Columbia's revitalized and most diverse neighborhoods. In recognition of her professional achievements in law and economic development, she was named the 2004 DC Chamber of Commerce Business Leader of the Year and received the 2004 DCBIA Community Service Award.

In 2006, Ms. Hardwick decided to pursue full-time public service as the General Counsel for the Anacostia Waterfront Corporation (AWC), another independent redevelopment arm of the District of Columbia. AWC launched economic development projects along the banks of the Anacostia River, most notably in the neighborhood surrounding the Washington National's state-of-the-art baseball stadium. When the AWC portfolio was consolidated into the District government's economic development office, Ms. Hardwick commenced a research sabbatical to pursue her life-long passion for genealogy as understood in the context of the history, law, religion and economics of the colonial, antebellum and Reconstruction-era South.

Raised in Columbia, Maryland, and a product of Howard County public schools, Ms. Hardwick graduated from the Harvard Law School in 1988. In 1985, she earned a B.S.E. in Systems Engineering from the University of Virginia, where she was a Jefferson Scholar. She lives in Eastport, Annapolis, MD and in Sixteenth Street Heights in northwest Washington, DC.

Fred Delavan

EDUCATION:

J.D. Degree, December, 1972, University of Arkansas School of Law

Honors: Dean's List

Extra Curricular Activities: Co-Chairman, Law Students' Civil Rights Research Council; Director, Minority Students' Tutorial and Scholastic Assistance Program; 1st Year Students' Orientation Committee

B.A. Degree, June, 1968, Vanderbilt University

Course of Study: Major, Political Science; Minors, Business Administration and German

Extra-Curricular Activities: President, Beta Theta Phi Fraternity; Impact Symposium Committee; Member, Junior Bar Association; Member, Inter-Fraternity Council

MILITARY EXPERIENCE:

1st Lieutenant, U.S. Army Military Intelligence Division.

Served as Outstation-Detachment Commander and Assistant Operations Officer at Rothwesten Field Station in Kassel, Germany. Awarded Army Commendation Medal.

LEGAL WORK EXPERIENCE:

February, 1973 to December, 1973 Law Clerk for Bernard F. Goldberg, Esquire, Ellicott City, Howard County, Maryland 21043

December, 1973 to October, 1974

Associate with Bernard F. Goldberg, Esquire

November, 1974 to April 1976

Assistant County Solicitor, Anne Arundel County, Maryland Office of Law

April, 1976 to October, 1994

Associate and Partner (since 1980) with Blumenthal, Goldsborough, May and Downs and successor law firms.

October, 1994 to Present

Principal in Blumenthal, Delavan & Williams, P.A.

LEGAL QUALIFICATIONS:

Admitted to Maryland Bar, December, 1973

Member, Anne Arundel County and Maryland State Bar Associations

LEGAL EXPERIENCE:

Trial Practice: Maryland District and Circuit Courts; U.S. District Court, Maryland District

Appellate Practice: Maryland Court of Special Appeals and Court of Appeals; U.S. Court of Appeals, Fourth Circuit

Administrative Law Practice: Zoning/Administrative Hearing Officer and Board of Appeals, Anne Arundel County, Maryland; Anne Arundel County Council; Annapolis City Council and Board of Appeals

PROFESSIONAL ASSOCIATIONS:

Past President, Maryland Hall for the Creative Arts (1983-1985); Past Chair (FY 2000) and present Member, Board of Directors, Annapolis and Anne Arundel County Chamber of Commerce; Member, American Planning Association; General Counsel, BWI Business Partnership

Bob Burdon

Bob Burdon is the President & CEO of the Annapolis and Anne Arundel County Chamber of Commerce (AAACCC). He has served in that capacity since 1997. Mr. Burdon was instrumental in the merger of the Anne Arundel Trade Council and the Greater Annapolis Chamber of Commerce in 1999. The Annapolis and Anne Arundel County Chamber is a regional chamber of commerce serving businesses throughout Anne Arundel County and the City of Annapolis with over 800 members and growing. Prior to his leadership role at the Chamber of Commerce, Mr. Burdon was President & Publisher of the Washington Business Journal and Baltimore Business Journal, where he successfully led an effort to expand small business news coverage in both publications. Mr. Burdon also published newspapers in Pennsylvania and Virginia where he successfully started a morning daily newspaper in Pennsylvania and several weekly newspapers in Virginia. He also was advertising director for Baltimore Magazine in the early to mid-1980s. Mr. Burdon started his publishing career with The Capital Gazette Newspapers in Annapolis, Maryland.

Bob Burdon writes a monthly business column for Capital Gazette Newspapers. He also has served as a weekly business news commentator for WBAL Television in Baltimore from 1992 to 1993. He recently was host of a “Business Beat” segment for Anne Arundel County with Comcast Cable Television and currently is a monthly radio guest on WNAV Radio.

During his tenure as President & CEO of the Annapolis and Anne Arundel County Chamber of Commerce, Mr. Burdon has served on many county and city taskforces and advisory committees addressing issues of importance to our region. Among those is service on two Anne Arundel County Public School Facility taskforces, three government budget taskforces (Anne Arundel County, City of Annapolis, and Anne Arundel County Public Schools), two Anne Arundel County Impact Fees taskforces, City of Annapolis Economic Affairs Commission, and the City of Annapolis Economic Development Advisory Committee.

Mr. Burdon has established the Annapolis and Anne Arundel County Chamber of Commerce as a consensus builder in the community that brings different perspectives together to identify areas of common agreement on the opportunities, challenges, and solutions that face Anne Arundel County and the City of Annapolis. Mr. Burdon is a graduate of Old Dominion University with a Bachelors Degree in Political Science. His wife Kathy is a native of Anne Arundel County and grew up in Edgewater, Maryland. They have two children, Ken and Michele; Ken is married and working as a corporate attorney for a law firm in Boston, Massachusetts. Michele is married and working for the U.S. Department of State and assigned to the U.S. Mission to the United Nations in Geneva, Switzerland.

Connie DelSignore

Ms. DelSignore began her career in destination marketing as the executive director of a small Pennsylvania conference and visitors bureau in 1991. From this rural community where she developed rural marketing initiatives such as the Orchard Trails driving tour, Connie ventured to Reading, Pennsylvania to serve as President of the Berks County CVB. During her 7 year tenure in Reading, she initiated and implemented the Berks County Sports Commission and Co-authored SHOP PA, a \$300,000 statewide marketing program. Curious about the trend she saw of women traveling together for fun, she launched Girlfriends Getaways, making the Berks CVB the first destination marketing organization in the country to package and sell getaway packages to women.

While in Pennsylvania, Connie served on the boards of the PA Association of Convention and Visitors Bureaus both as member and vice president, the Pennsylvania Tourism and Lodging Association, and Reading Regional Airport Authority. In 2000 she was elected to the International Association of Convention and Visitors Bureaus (IACVB) board of directors.

Moving to Annapolis, Md. in 2003 to accept the position of President and CEO of the AAACCVB, Connie wasted no time in advancing the professionalism of the CVB, with measurable results. One example is the sales department which went from booking 4,000 room nights per year to over 15,000 per year, an annual economic impact to the community of \$4M. Her energy and achievements have been noticed by those in the industry as well as local and state officials. Connie and the CVB received 3 letters of commendation from the county executive, she served on Governor O'Malley's Transition Team DBED Workgroup, and was twice listed by the Capital/Gazette as one of the top persons impacting the county's economy. During all of this activity, Connie oversaw a \$1.4 million renovation and expansion of the CVB offices and visitors center which was completed in October 2007, one month earlier than scheduled and within budget.

December 2007 Connie begins serving a 2 year term as Chairman of the Md. Association of Destination Marketing Organizations. She was appointed in October 2007, by Governor O'Malley to serve a 2-year term on the Md. Tourism Development Board.

When not working, Connie enjoys reading, traveling, and spending time with family

Richard L. Franyo

Richard Franyo is the proprietor of Boatyard Bar & Grill in Eastport. Mr. Franyo spent 30 years as an investment banker and Managing Director for Deutsche Bank Alex Brown. He is a graduate of the University of Virginia and The Harvard Business School. He served in the US Navy for four years leaving as a Lieutenant and spent one year of duty in Danang, Vietnam. He serves or has served as a board member of the Chesapeake Bay Foundation, National Sailing Hall of Fame (President), the Ocean Race Chesapeake, the Annapolis Maritime Museum, the Annapolis-Anne Arundel County Conference and Visitor's Bureau Board, the Community Foundation of Anne Arundel County, the Annapolis Community Foundation, St. Paul's School for Boys, Bryn Mawr School for Girls, Pride of Baltimore, Eastport Civic Association, Community Foundation of Anne Arundel County, and the Eastport Business Association. He served on the Mayor's Transition Team on Economic Development and is Co-Chair of the Economic Development Committee of the Annapolis-Anne Arundel County Chamber of Commerce. He is a resident of Eastport.

Richard J. Morgan

Rick Morgan is one of the founders and President/CEO of CommerceFirst Bancorp and its subsidiary CommerceFirst Bank. CommerceFirst Bank opened for business in June 2000 after a successful initial public offering to capitalize CommerceFirst Bancorp. In February 2005 the bank became listed on NASDAQ after a second successful public offering. The bank is currently expanding within the Central Maryland market and continues to focus on its primary goal to provide commercial banking services to the local business community. This is Mr. Morgan's second successful de novo commercial bank project since 1990.

Mr. Morgan has nearly 40 years of banking and financial management experience. He began his career with Marine Midland Bank in Buffalo, N.Y. (now HSBC) in commercial lending after graduating from college and subsequently completing active duty with the U.S. Army. He served in leadership commercial lending roles at Maryland National Bank (now Bank America) and he was a founding director and President/CEO of Annapolis National Bank (now Bank Annapolis). Prior to opening CommerceFirst Bank and returning to the banking industry, he held a cabinet level position as Director of Economic Development in the Administrations of two Anne Arundel County Executives, where he managed economic and community development programs throughout Anne Arundel County. Mr. Morgan has received a number of community and government awards including the U.S. Small Business Administration's "Financial Services Leader of the Year" for the State of Maryland. Most recently, Mr. Morgan was elected to a 3-year term on the Board of Directors of The Federal Reserve Bank of Richmond.

Mr. Morgan currently serves on the Board of Trustees and is Corporate Treasurer for the Anne Arundel Health System and Chairman of its Finance and Audit Committee. In addition, he is a member of the Board of Directors for Atlantic Central Bankers Bank; is a member of the Board of Directors as Finance Officer for the Maryland Economic Development Association (MEDA); and has been chairman of the Economic Development Committee for Annapolis and Anne Arundel County Chamber of Commerce for nearly 20 years. Previous community leadership roles include board member for the BWI Partnership, an economic development and transportation organization; Board Chairman as well as County Campaign Chair of United Way for Anne Arundel County; two term Board Chairman of the Annapolis and Anne Arundel County Chamber of Commerce; and Board and Executive Committee member of Anne Arundel Community College Foundation. Mr. Morgan has received numerous local or State government appointments over the span of his career; the most recent includes six years of service to the State of Maryland's Neighborhood Business Development Loan Program under the Maryland Dept. of Housing, and Chairman of Anne Arundel County's General Development Plan Committee which culminated in legislative approval of a 20-year land use and development plan.

Mr. Morgan graduated with a B.A. from the State University of New York at Buffalo. His wife, Debbie, is a senior executive and career officer at United Virginia/Crestar (now SunTrust) Bank. The Morgans are both natives of Washington DC. Interests include skiing, road bicycling, boating, sport fishing, hiking, and reading.

Midgett S. Parker

Midgett S. Parker, Jr. is a Partner in the firm's Annapolis, Maryland office. His practice involves counseling a variety of clients on a broad range of issues from government regulations to internal operations. He has won numerous major land use cases before local zoning officers, boards, commissions, and councils. Mr. Parker has lobbied federal, state and local officials on administrative matters as diverse as tax legislation, affordable housing, and land use regulations. From 1989 to 2001, he served as the Legal Counsel to the Prince George's County Personnel Board where he authored hundreds of personnel grievance decisions.

Mr. Parker has provided legal counsel to business, church and developer clients in land acquisition, land use regulations, financing, construction contracts and dispute resolution in the construction process. He has also provided legal counsel to small businesses on choice of business entity, franchise review and finance. He has proven to be invaluable in building consensus among civic groups, business leaders, and the professional consultants on many multi-million dollar projects. He frequently lectures on employment issues, construction and financing, business law, and legal professionalism.

Mr. Parker is currently serving as outside general counsel to Greater Morning Star Pentecostal Church (GMSPC) located in Prince George's County, Maryland. He has assisted GMSPC in all phases of its \$12 million construction program. He also serves as legal counsel to Sri Siva Vishnu Temple, the premier Hindu temple in the Washington DC Metropolitan area for over ten years. Mr. Parker served in the capacity of general counsel from 1989 to 2006 to the 15,000 member Ebenezer African Methodist Episcopal Church of Fort Washington, MD through all phases of its \$20 million church construction program.

His involvement for these churches and other religious institutions includes legal representation through zoning and subdivision, permits and interaction with building inspectors, loan negotiation and refinancing, tax exemptions, arbitration of post construction claims and final acceptance of the new facility.

Douglas E. Smith

Profile

As a business professional, and as a leader in community service, Doug Smith has helped build successful commercial operations for major corporations while also contributing to improve the quality of life in his local community. On the commercial side, he has held senior management positions with F100 corporations, and has been a founder, President and CEO for a number of high-tech start up companies.

As a community volunteer and organizer, Smith has represented town government for Sudbury, MA in the negotiation of a citywide licensing agreement for high-speed cable and internet services. More recently Smith served as President of the First Ward community association, Annapolis, MD, and served as a board member and treasurer for the Downtown Annapolis Partnership, a 501c(3) organization, working closely with the municipal departments to revitalize the downtown business climate.

Smith's management background includes strategic planning, B2B marketing, sales management, communications, P+L management, and strong team leadership. Smith is able to quickly assess business potential, construct an achievable business strategy, and then implement with speed.

Education

Ohio State University—Columbus, Ohio

B.S. Chemical Engineering, M.S. Chemical Engineering with graduate work in computer applications for large scale manufacturing operations.

Post-graduate work in mergers and acquisitions; Kellogg School of Business, Chicago, IL

Entrepreneurship Coaching and Advisory Board Memberships

Guest Lecturer at Ohio State University for business strategy and market implementation

Member, Ohio State University Advisory Board

Mentor and coach to MBA candidates through the R.H. Smith School of Business, University of Maryland

Board Of Directors, Downtown Annapolis Partnership, Annapolis Maryland

Member of the Advisory Board for the Chesapeake Region Tech Council (CRTC) in Annapolis, Maryland

Chuck Walsh

Chuck Walsh is an attorney and was founding partner in the Washington D.C. telecommunications law firm, Fleischman & Walsh for nearly 30 years until 2005. He is a graduate of the University of Maryland and the George Washington University School of Law.

Mr. Walsh is now involved in several real estate development projects in the City and neighboring county.

Five years ago he established a non-profit 501 (c)(3) organization operating as ArtWalk, to promote, fund, and implement large scale public art on buildings and plazas in Annapolis and in nearby Anne Arundel County. He serves as Chairman of ArtWalk. He is a member of the Board of Directors of the recently established Annapolis Cultural Arts District.

He has volunteered and participated on numerous entities involving city economic matters and, most recently in 2010, served as Chairman of Mayor Josh Cohen's Economic Development Transition Team.

He and his wife Karen have been residents of the Annapolis Historic District for almost 40 years.