PHED COMMITTEE #1
October 15, 2009

MEMORANDUM

October 13, 2009

TO: Planning, Housing and Economic Development Committee

FROM: Justina J. Ferber, Legislative Analyst

SUBJECT: Briefing with DED Director Steve Silverman on Incubator Program and Economic Development Fund (EDF) Strategies

As a follow-up to FY10 budget deliberations and to the OLO study of the Department of Economic Development, the PHED Committee requested DED to conduct an assessment of the its incubator program and to develop strategies for the Economic Development Fund.

EDF Strategies

The PHED Committee requested DED to develop strategies for awarding EDF program and relate them to the goals in the Vision for Economic Development. Attached is a memorandum from DED Director Silverman providing background information on the County's EDF including a summary of EDF activities with more details on the status and usage of the Fund, activities of the Fund's sub-programs, the cumulative economic impact generated and the projected impact expected to be generated from the companies assisted. The Director notes that the level of funding for the EDF has changed significantly over the years.

The EDF appropriation for FY10 was approved at $852,440, with $131,730 for the Small Business Revolving Loan Program (SBRLP) and the remaining $720,710 for the EDF Grant/Loan Program (EDFGLP), Technology Growth Program (TGP), and the Impact Assistance Program (IAP).

DED has initiated a quarterly Technology Growth Program (TGP) application review and award process to aggregate and choose the best applicants. Four hundred thousand dollars of the FY10 appropriation has been set aside for the TGP, with $100,000 to be allocated each quarter. With $400,000 allocated to the TGP, there is a limited amount of funding left for the EDFGLP and IAP for the remainder of FY10.

Staff Comment: The Committee may want the Director to elaborate on the TGP application review and awards process.

A chart with EDF program highlights is at ©3; information the impact of EDF programs is at ©4; and program measures are at ©5-9.

Incubators

The PHED Committee requested DED to develop a plan for reducing or stabilizing incubator costs including: a) ongoing budget requirements; b) program effectiveness and economic impact; and c) possible program improvements. Attached is a memorandum from DED Director Silverman describing the Innovation Center

Network (incubator programs). He advised that DED will continue to monitor operations and conduct a comparative analysis with other incubator facilities both inside and outside of the region.

The Director believes the incubator discussion should focus on programming, the type of companies admitted and the economic impact and expectations/requirements of graduating companies. DED is evaluating a number of potential strategies to address these issues. One possible strategy is the repositioning of part or an entire center as an accelerator for venture backed technology start-ups.

A general description of the program is on ©11-13. On ©13-14 is a brief history of each center:

1) Shady Grove (formerly MTDC) – 88% leases; 41 companies; room for 40-50 companies.
2) Silver Spring – 91% leased; 24 companies; room for 20-25 companies.
3) Wheaton – 94% occupied; 21 companies; room for 15-25 companies.
4) Rockville – 93% leased; 29 companies; room for 20-30 companies.
5) Germantown – 80% leased; 22 companies; room for 25-35 companies.

DED notes that a large portion of the operating income is used to service the debt on incubator facilities' construction/acquisition financing and/or master leases. In future years, DED believes that costs will stabilize or reduce once the debt is retired. DED notes that it has implemented numerous cost-cutting and operational efficiency measures over the last several years.

Also attached are two spreadsheets: 1) data on historical expenditures and on projected expenditures for FY10 and FY11; and 2) fiscal impact of centers.

A cursory review of the incubator materials bring several questions to mind:

Staffing: What is the specific staffing for each incubator? Is there shared staffing and what are the workyears attributed to each center? Are there contractors in addition to county staff?

Trends: Are there identifiable trends in increased costs such as utilities, staffing, and other expenditures?

Costs: Shouldn't costs for building operations be separated from center operations for each center?

Leased vs. Occupied: Explain the difference between leased and occupied incubator space? The space in Wheaton is listed as occupied, not leased.

Graduation – Are there other measures for success in addition to "graduation" from a center?

Attachments:

©1 - October 13, 2009, Memo from DED Director Silverman – Discussion of EDF
©3 - EDF Program Highlights
©4 - Impact of EDF programs
©5-9 - EDF Program Measures
©10 - October 13, 2009, Memo from DED Director Silverman – County Innovation Center
©11-14 - Background information on innovation centers
©15 - Data on historical expenditures and on projected expenditures for FY10 and FY11
©17 - Fiscal impact of centers

MEMORANDUM

October 13, 2009

TO: County Council, PHED Committee

FROM: Steven A. Silverman, Director
Department of Economic Development

SUBJECT: Discussion on Economic Development Fund on October 15, 2009

This memo is intended to convey relevant background information on the County's Economic Development Fund (EDF or the Fund) for the County Council's PHED Committee discussion on October 15, 2009.

The EDF was created in 1995 to provide financial assistance to companies that retain jobs or stimulate job creation in the County, with a special focus on advanced technology, biotechnology, manufacturing, businesses in urban revitalization areas and other private employers that provide the greatest public benefits. With its five sub-programs, EDF programs remain successful and have proven to be a powerful and flexible economic development tool, especially during the current difficult economic times. The attached brief summary of the EDF activities provides more details on the status and usage of the Fund, activities of the Fund's sub-programs, the cumulative economic impact generated and the projected impact expected to be generated from the companies assisted.

It is worth pointing out that the level of funding for the EDF has changed significantly over the years. During the first six – seven years of the program, the level of appropriation approved each year was adequate to provide financial support for companies that were expanding and growing in the County and to enable Montgomery County to compete effectively with other jurisdictions. Only a selected few large, strategically important transactions required supplemental appropriations.

However, since FY03, new sub programs have been added but the level of EDF funding has been reduced significantly. For instance, in FY05 the appropriation for EDF, including its five sub-programs, was reduced to $566,580, with $100,000 for the Impact Assistance Program (IAP), $114,750 for the Small Business Revolving Loan Program (SBRLP), with the remaining $352,010 reserved for EDF Grant/Loan Program (EDFGLP) and Technology Growth Program (TGP).

The appropriation for FY10 was approved at $852,440, with $131,730 for the SBRLP and the remaining $720,710 for the EDFGLP, TGP, and IAP.

DED has initiated a quarterly TGP application review and award process to aggregate and choose the best applicants. Four hundred thousand of the FY 10 appropriation has been set aside for the TGP, with $100,000 to be allocated each quarter. For the first quarter of FY10, DED received a total of 12 TGP applications. Based on the review of the applicants' business plans, six received a favorable review and were considered eligible for a TGP award. However, with $100,000 for each quarter, we can only fund a maximum of two companies at $50,000 per company.

With $400,000 allocated to the TGP, there is only a limited amount of funding left for the EDFGLP and IAP for the rest of FY10. DED is currently working on two transactions that are strategically important to the County – Choice Hotels International and Hanger Orthopedic. For each transaction, we are working with the State to provide a joint offer to retain these companies in Montgomery County.

SS/pb

Attachment

Economic Development Fund

Program Highlights

Inception of each sub program

EDF Grants/Loans Program (EDFGLP)	1995
Technology Growth Program (TGP)	1999
Small Business Revolving Loan Program (SBRLP)	2002
Impact Assistance Program (IAP)	2005
Microenterprise Loan Program (MLP)	2007

Fund Appropriation & Current Balance

Sub Programs	Appropriation	Total Disbursement	No. of Recipients	Current Fund Balance
EDFGLP	$ 26,210,010	$ 23,504,162	149	$ 703,867
TGP	$ 900,000	$ 3,570,000	66	$ -
SBRLP	$ 2,673,040	$ 1,648,000	29	$ 422,388
IAP	$ 650,000	$ 457,521	27	$ 172,479
MLP	$ 150,000	$ 45,000	4	$ 105,000
Demolition Loan	$ 100,000	$ 100,000	2	$ -
Agricultural Assistance	$ 1,500,000	$ 1,500,000	N/A	$ -
	$ 32,183,050	**$ 30,824,683**	**277**	**$ 1,403,734**

Revenue

Actual Real Estate & Personal Property Tax Collected (1999-2008) from the EDF-assisted Companies	$89,000,000
Total EDFGLP/TGP Grant and Loan Repayments	$3,410,000
Total SBRLP Loan Repayments	$765,000

EDF Grant/Loan Program Performance

Number of EDFGLP Funded and Committed Transactions	149
Total Jobs Created & Retained	28,000+
State Funds Leveraged	$45.5 Million
Total Private Capital Investment Induced	$1.14 Billion

Impact of EDF Programs

- **Creating Economic Impact** - EDF programs (the Fund) continue to serve as a successful tool for business attraction and expansion. The economic impact of the Fund, as evidenced by the fiscal impact analysis and actual tracking through the County's tax revenue database, has been significant. The charts and statistics in this report illustrate the EDF economic impact from the program's inception in 1995.

- **Providing Flexible Financial Assistance to Businesses -** The EDFGLP is a powerful and flexible economic development instrument, and an effective way for the County to substantiate its pro-business commitment and maintain its competitive advantage.

- **Diversity of the Programs -** With the addition of the TGP, the SBRLP, the IAP and the MLP, the Fund has truly become a versatile program capable of assisting a wide range of businesses of various sizes and industry types.

- **A Vital Tool to Compete with Other Jurisdictions** – The EDFGLP remains a vital mechanism to help the County compete with other jurisdictions for strategically important economic development projects.

- **Leveraging State Funding -** The EDFGLP has enabled the County to effectively leverage financial assistance from the Maryland Department of Business and Economic Development (DBED). The State has committed funds totaling $45.4 million in grants and loans to new and expanding companies in the County during the last 12 years. The Department has made a deliberate effort to leverage County funding by seeking funding from DBED and other State resources whenever possible.

- **Enhancing Entrepreneurial Opportunities and Leveraging Private Sector Funding** – The TGP has been vital to encourage and support early stage, innovative technology companies and leverage private sector funding, especially during the current recession, which has dried up capital markets.

- **Serving as an Economic Development Barometer -** Negotiations with business prospects enable the County to effectively assess the potential impact of its current and long-term economic development incentives, and to strengthen its economic development public policies.

- **Gathering Economic Intelligence -** Negotiations with business prospects allow the Department of Economic Development to learn about the economic development strategies of competing jurisdictions. This information allows the County to compare key social and economic parameters and adjust its programs to maintain a competitive edge.

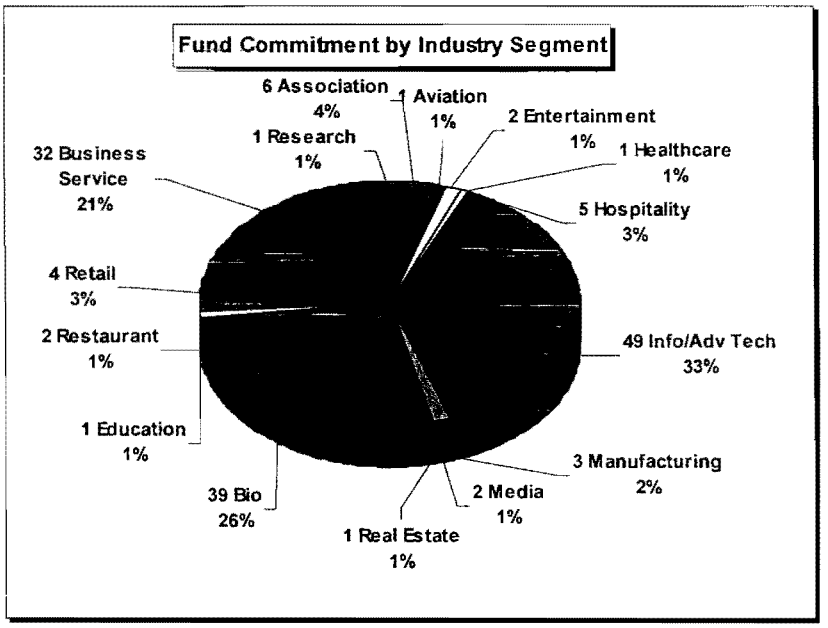
- **Cultivating Long-Term Positive Relationships with Resident Businesses -** The Fund's programs require annual performance monitoring of recipient businesses. With these frequent contacts, the County maintains a positive, ongoing relationship with businesses and is able to monitor their changing requirements and growth.

- **Enhancing the Success of Incubator Programs** - The Fund's programs have been a significant strategic tool to attract and retain a high volume of early stage companies in the County's Innovation Network program by providing critical seed funding.

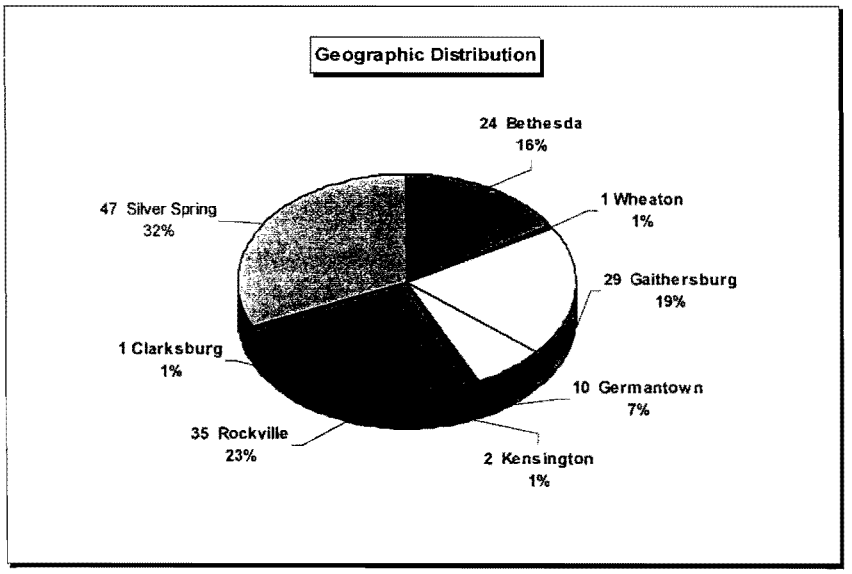
- **Providing Access to Capital for Microenterprises** - The MLP provides access to capital for microenterprises that have difficulty obtaining financing from conventional sources.

Performance Measures -EDF Grant and Loan Program Fund

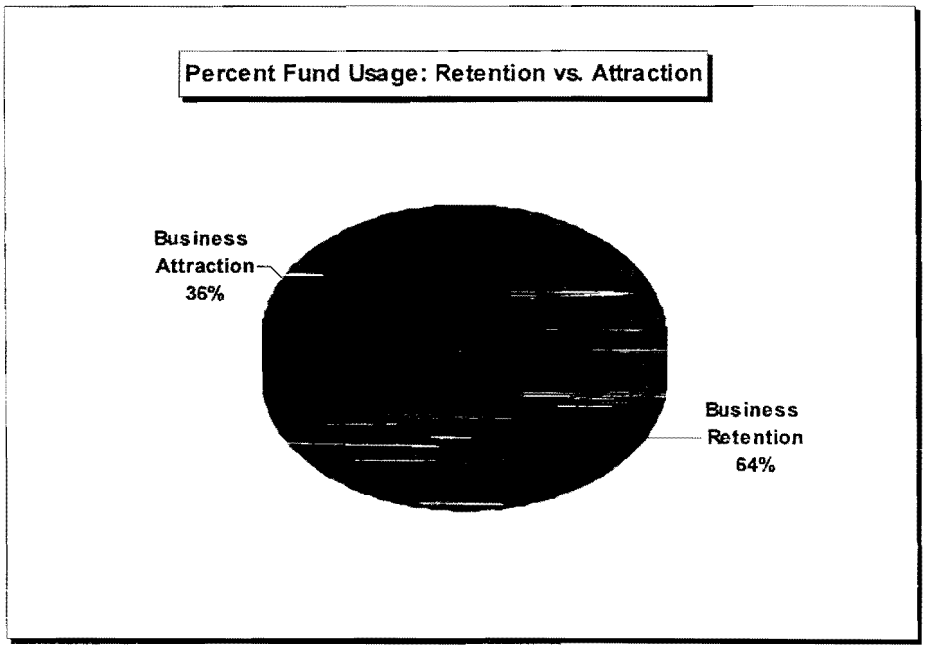
1. Industry Sector



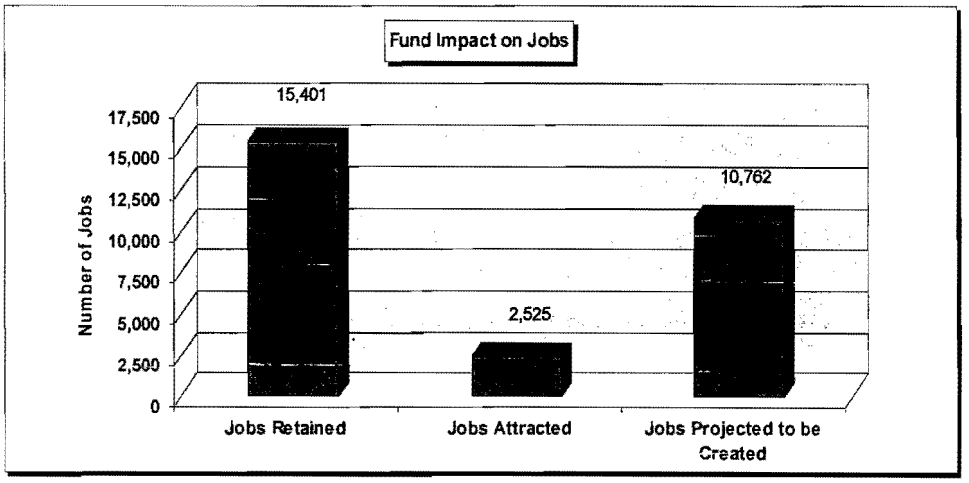
2. Location



3. Retention and Attraction



4. Impact on Jobs



** For the companies that either moved out of the County or closed their operations during the EDF monitoring period, the peak annual employee number during their stay in the County was used.*

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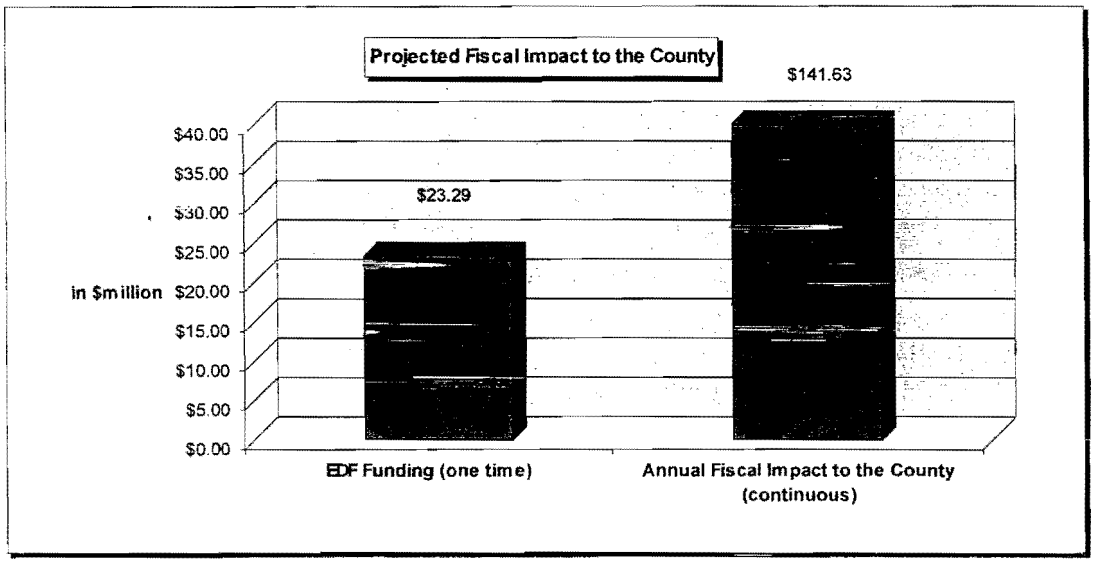
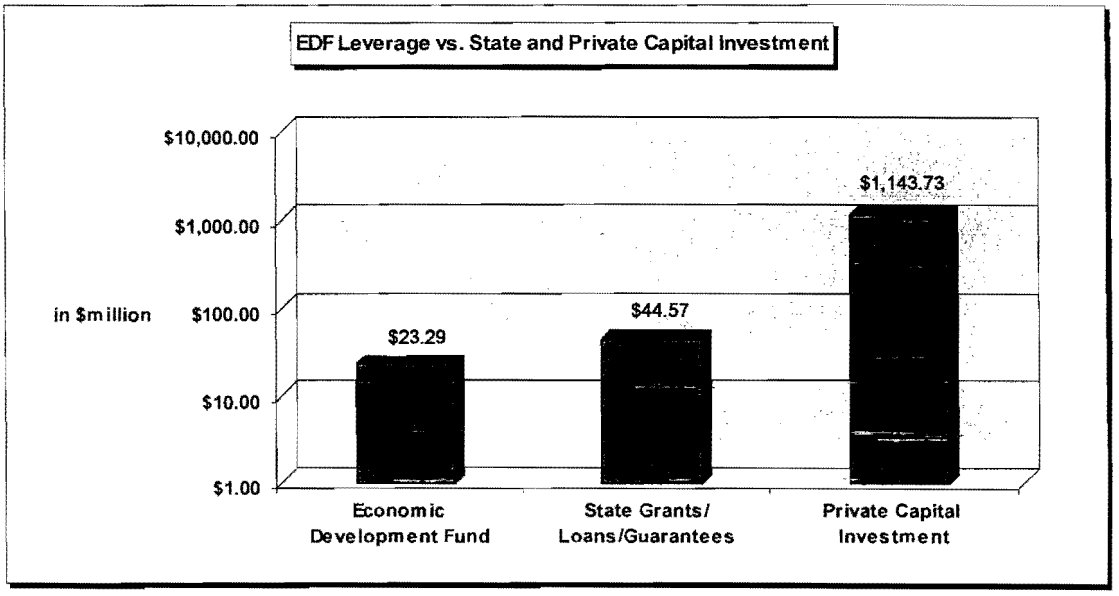
5. Fiscal Impact to the County



6. Leverage of State and Private Capital Investment



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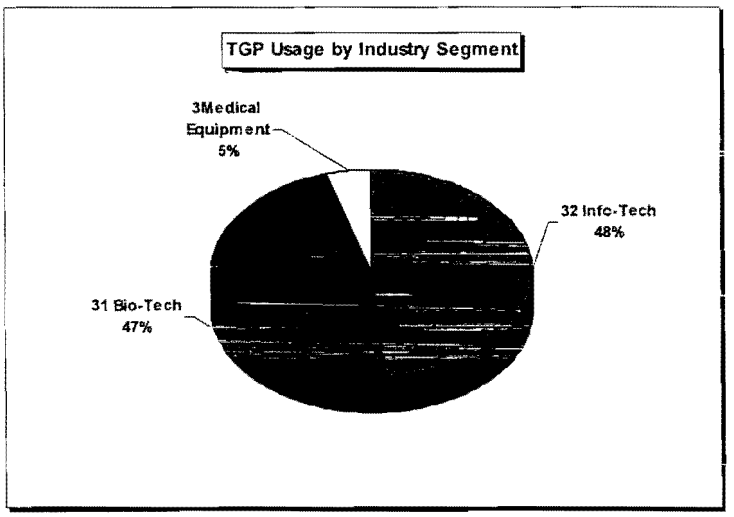
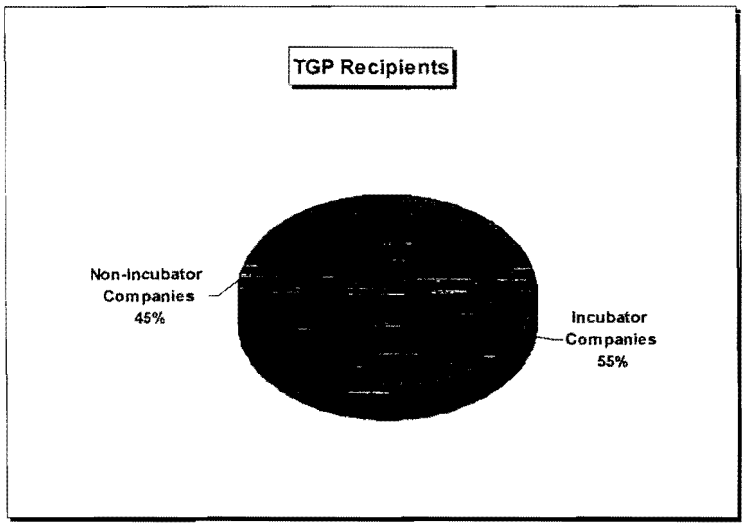
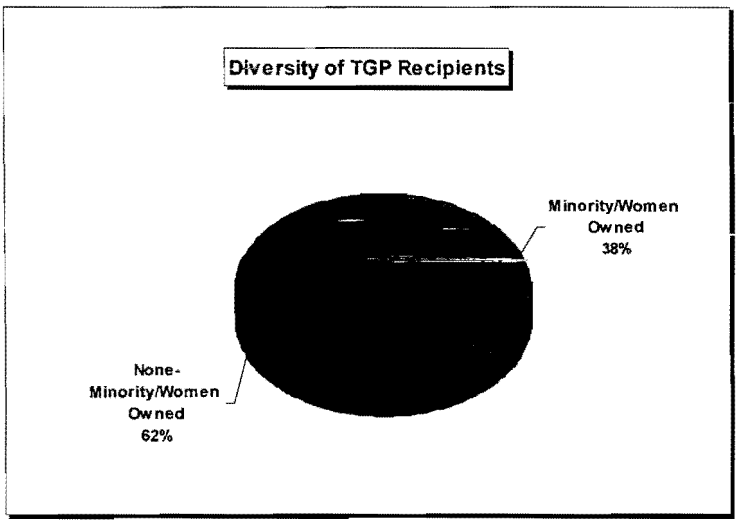
Performance Measures –Technology Growth Program







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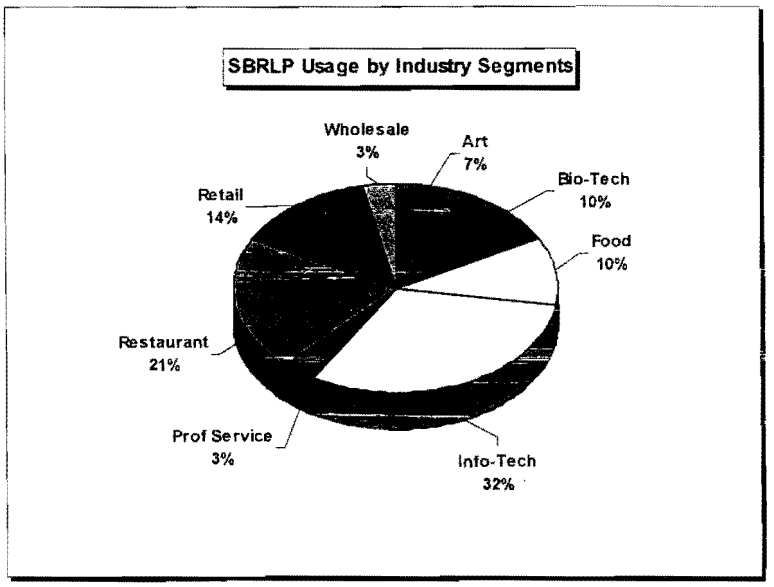
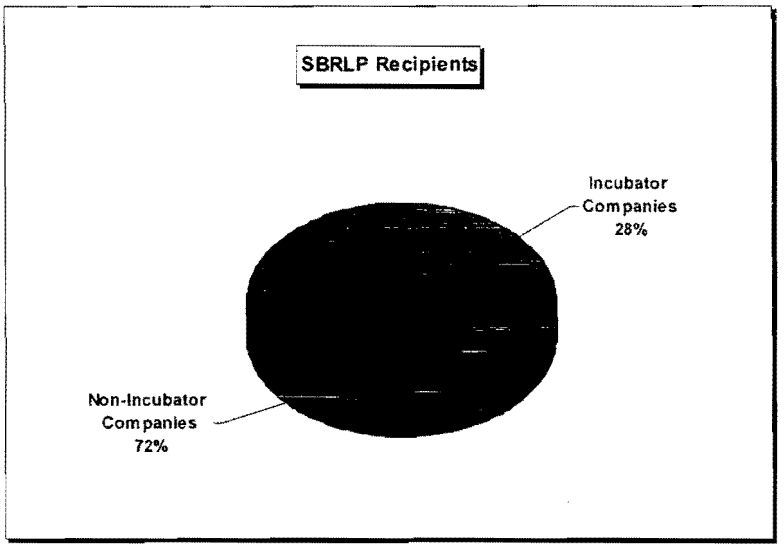
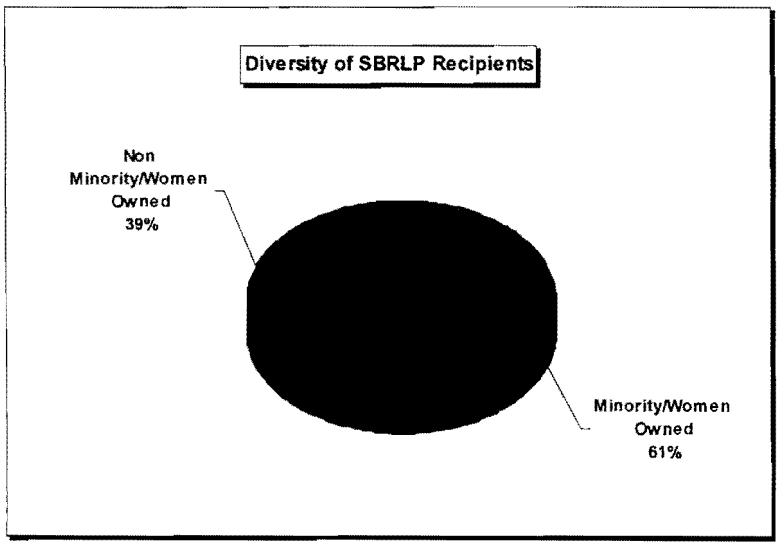
Performance Measures –Small Business Revolving Loan Program







October 13, 2009

TO: County Council, PHED Committee

FROM: Steven A. Silverman, Director
Department of Economic Development

RE: County Innovation Center Discussion on October 15, 2009

This memo conveys the relevant background information on the County's Innovation Center Network (Innovation Network) for the County Council's PHED Committee discussion on October 15, 2009.

During the FY10 budget approval process, Council staff, concerned over increasing budget requests for the Innovation Network, recommended that the PHED Committee review the Innovation Network to fully understand: 1) ongoing budget requirements; 2) program effectiveness and economic impact; and 3) possible program improvements.

The primary reason for the Innovation Network's steady budget increases has been that from FY05 – FY10, the County was adding new facilities: the Wheaton Innovation Center in FY05-FY06, the Rockville Innovation Center in FY06-FY08 and the Germantown Innovation Center in FY07-FY09.

The Department of Economic Development has made a diligent effort to accurately project all necessary costs associated with developing and operating the Innovation Network. However, by structure and design, four of the County's five facilities require ongoing operational subsidies because a large portion of the operating income is used to service the debt on the facilities' construction /acquisition financing and/or master leases. The Rockville and Germantown Innovation Centers have both required DED to adjust operational subsidies over the first two – three years of operations in order to identify true operational costs at full occupancy.

We believe that we have adequate resources budgeted for each of the five facilities beginning in FY11. In subsequent years, the operating budget requirements for the Innovation Network will either be stable or reduced once the debt is retired. With help from our partner MEDCO (the Maryland Economic Development Corporation) and excellent facility management company, we have also implemented numerous cost-cutting and operational efficiency measures over the last several years.

DED will continue to monitor operations and to conduct a comparative analysis with other incubator facilities both inside and outside of the region to further improve operations. We believe, however, that the key Innovation Network discussion should focus on programming, the type of companies admitted, and the economic impact expectations/requirements of graduating companies.

We are in the process of evaluating a number of potential strategies to address these issues. Possibilities include creating a public-private partnership with a private equity group to reposition part of or an entire facility as an accelerator for venture backed technology start-ups, managed by a sophisticated VC/management team.

We welcome the opportunity to discuss the Innovation Network program with the PHED committee, and have provided a program overview below.

Mission of Innovation Center Network
To create a positive economic impact by nurturing the development of businesses that create jobs, attract capital and contribute to the County's tax base.

Strategy
To provide commercial space (both office and wet labs) to companies on very flexible and favorable terms, and provide a supportive environment to foster the successful development of early stage companies.

Facilities

1. *Shady Grove Innovation Center (formerly Maryland Technology Development Center)*
   - 60,000 sf of office and wet labs in the Shady Grove Life Sciences Campus. 40-50 companies.
2. *Silver Spring Innovation Center*
   - 20,000 sf of office space in downtown Silver Spring near the Silver Spring Metro 20-25 companies.
3. *Wheaton Business Innovation Center*
   - 12,000 sf of office space near the Wheaton Metro, 15-25 companies.
4. *Rockville Innovation Center*
   - 23,000 sf of office space in the Rockville Town Square near the Rockville Metro, 20-30 companies.
5. *Germantown Innovation Center*
   - 32,000 sf of office and wet labs, 25-35 companies (partnership with Montgomery College).

Shared amenities include:

- conference rooms
- receptionist
- business equipment
- lab equipment
- kitchens
- audio-visual equipment
- telephone & video conferencing ability
- spaces are voice & data ready

Summary of Key Terms

- No long term leases required. Companies sign a one-year agreement, renewable for three – four years
- No large security deposit – limited to one month's rent
- No personal guarantees required
- No equity taken
- Easy in and out
- Easy expansion and reduction to accommodate changing business needs
- Educational luncheons several times a week at no cost on a range of "soup to nuts" start-up issues
- Free accounting consultations
- Free one-year membership to the Technology Council of Maryland and the Maryland World Trade Center Institute
- CEO roundtable discussions
- Company "Info exchange days"
- On site staff to facilitate access to public (federal, state and county) and private sector resources and other sources of capital
- Free tickets to numerous networking events

Entrance and Graduation

- Applicants present their business plans to a tenant review committee
- The committee conveys its decision within 24 hours
- Companies in the Innovation Network are encouraged to use the resources of the entire network
- Graduation is flexible and encouraged within three - four years

Results

- 253 companies have participated in the Innovation Network
- Graduates have created 1,500 jobs in the County and occupy in excess of 500,000 sf of commercial space
- Notable graduates: Avalon Pharmaceutical, Tetracore, Nextone, Rexahn Pharmaceuticals, Advanced Vision Therapy, Radius Technology, RioRey, Aeras Global Foundation, GeneDX, Canon Life Sciences and Opgen.

Current Portfolio

- 150 companies in total
  - 15 foreign companies
  - 76 minority or women owned companies
  - 6 publicly held companies – both U.S. and foreign markets

Current Portfolio, continued

- Industries: aerospace, information technology, biotech, medical devices, nanotechnology and professional services.
- 23 "virtual" tenants ($200/month) that do not lease physical office/lab space but utilize the Innovation Network's common space, network and programs

Management Team

- ▷ Montgomery County DED owns and manages the entire Innovation Network
- ▷ We contract for engineering services, facility management and maintenance functions
- ▷ We contract for educational program management and support

History of Innovation Center Facilities

Shady Grove Innovation Center (formerly Maryland Technology Development Center)
9700 Great Seneca Highway, Rockville, MD 20850

- 1998: Construction begun
- January 1999: IT space open
- April 1999: Biotech space open
- December 1999: Full occupancy
- February 2002: IT space expansion (County CIP of $850,000)
- 2009 New Name: Shady Grove Innovation Center
- Today: 88% leased, 41 companies

Silver Spring Innovation Center
8070 Georgia Avenue, Silver Spring, MD 20912

- Initiated by Montgomery County in 2000
- Opened in July 2004
- Funded by the State of Maryland and Montgomery County
- Land provided by the County
- $ 1 million grant from TEDCO (Maryland Technology Development Corporation)
- Private developer participation(The JBG Companies)
- Today: 91% leased, 24 companies

Wheaton Business Innovation Center
11002 Veirs Mill Road, 7th Floor (Westfield South) Wheaton, MD 20902

- Initiated by Montgomery County in 2005
- County leased and rennovated existing office space (TI Allowance)
- Today: 94% occupied, 21 companies

History of Innovation Center Facilities, continued

Rockville Innovation Center

155 Gibbs Street, Rockville, MD 20850 (Arts and Innovation Building)

- Planned as part of the Rockville Town Square project
- Opened in June 2007
- Funded by State of Maryland & Montgomery County
- $1.0 million grant from State (TEDCO)
- $1.0 million invested by County
- Project carries $4.4 million conventional mortgage
- Today: 93% leased, 29 companies

Germantown Innovation Center

20271 Goldenrod Lane, Germantown, MD

- Initiated by the County and Montgomery College in 2006
- Opened in October 2008
- Funded by the State of Maryland and Montgomery College
- Space is leased from Montgomery College Foundation
- $1.0 million grant from State (TEDCO)
- Today: 80% leased, 22 companies

Financial Information

- ▷ Spreadsheet detailing historical expenditures and projected expenditures for FY10 and FY11 is attached.
- ▷ Spreadsheet on macro impact of Innovation Center Network is attached.

Montgomery County Innovation Center Expenditure History

MTDC (New Name: Shady Grove Innovation Center)

FY Budget	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TOTAL
OE	350,000	250,000	380,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	224,710	300,000	3,904,710
PE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CIP-780100	-	-	850,000	-	-	(82,497)	-	-	-	-	-	-	-	767,503
Actual														-
OE	363,755	250,000	380,000	300,000	310,270	345,000	195,000	250,000	159,130	134,563	400,000	200,000		3,287,718
PE	-	-	-	-	-	-	-	-	103,720	115,437	-	-		219,157
CIP-780100	-	-	-	744,075	17,915	-	-	-	-	-	-	-		761,990
TOTAL	363,755	250,000	380,000	1,044,075	328,185	345,000	195,000	250,000	262,850	250,000	400,000	200,000	-	**4,268,865**

Remark 1: Includes MTDC expansion project. Portion of left over funds was transferred to SSIC project in FY04. In FY07 and FY08 personnel general funds for one position were used to offset costs to operate the facility and were used in place of direct subsidy payment. FY09 funding included funds to cover utility charges for the facilities and was loaded under the 782001006 index code. There was an FY10 cut in expenses for the MTDC and RIC of $53,145 each for the TSC positions that were eliminated and replaced with County employees.

Remark 2: The facility is currently estimated to be valued at $10-11 million for the improvement. The mortgage will be paid off in 2019 (FY2020).

SSIC (Silver Spring Innovation Center)

FY Budget	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TOTAL
OE	-	-	-	-	-	-	-	-	-	-	-	-		-
PE	-	-	-	-	-	-	-	-	-	88,000	88,000	89,400	93,000	358,400
CIP-780200	-	-	1,375,000	-	1,149,000	82,497	-	-	-		-	-	-	2,606,497
Actual														-
OE	-	-	-	-	-	-	-	-	-	-	-	-		-
PE	-	-	-	-	-	-	-	-	-	72,700	84,000	89,400		246,100
CIP-780200	-	-	-	811,206	-	1,703,432	-	-	82,497	-	-	-		2,597,135
TOTAL	-	-	-	811,206	-	1,703,432	-	-	82,497	72,700	84,000	89,400		**2,843,235**

Remark 1: SSIC project was completed in FY04 with final retainage payment occurring in FY07. No funding for subsidy payments has been paid out for this facility. $82,497 was transferred to SSIC CIP from MTDC expansion project.

Remark 2: The facility carries no debt and is 100% owned by the County. The SSIC is currently valued at $4 million.

WBIC (Wheaton Business Innovation Center)

FY Budget	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TOTAL
OE	-	-	-	-	-	-	-	-	140,440	240,440	240,440	275,270	282,151	1,178,741
PE	-	-	-	-	-	-	35,360	72,860	78,700	88,000	114,510	116,260	120000	625,690
Actual														-
OE	-	-	-	-	-	-	-	-	140,526	240,334	254,370	275,270		910,500
PE	-	-	-	-	-	-	-	41,659	89,100	111,000	114,510	116,260		472,529
TOTAL	-	-	-	-	-	-	-	41,659	229,626	351,334	368,880	391,530		**1,383,029**

Remark: Funding for the incubator is in the general fund and pays directly for rent. In FY08 additional funding was added to cover the expansion of the Incubator and increased rent as a result of the larger space. FY05 personnel costs were budgeted at .4 wy. The position was filled in December, 2005 (FY06.) Increase in personnel figures is due to Manager's absence while on Military Leave and transfer of current employee into that position for one year. FY09 increase in salary result of promotion of employee.

RIC (Rockville Innovation Center)

FY Budget	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TOTAL
OE	-	-	-	-	-	-	-	-	250,000	150,000	200,000	224,710	399710	1,224,420
PE	-	-	-	-	-	-	-	-	-	88,000	88,000	92,550	96000	364,550
Actual														-
OE	-	-	-	-	-	-	-	180,000	86,074	287,500	320,000	400,000		1,273,574
PE	-	-	-	-	-	-	-	-	-	75,000	89,400	92,550		256,950
TOTAL	-	-	-	-	-	-	-	180,000	86,074	362,500	409,400	492,550		**1,530,524**

Remark 1: FY06 payment of $180,000 for start-up. FY07 budget for RIC subsidy was $250,000 including one-time start up costs of $100,000 plus annual operating subsidy of $150,000. FY08 budget for RIC subsidy was decreased by $100,000 for one-time item for total budget of $150,000. FY09 budget for RIC subsidy was increased by $50,000 to $200,000. FY10 budget for RIC subsidy was increased by another $50,000 to $250,000, but there was a simultaneous FY10 cut in expenses for the MTDC and RIC of $53,145 each for the TSC positions that were eliminated and replaced with County employees.

Remark 2: The facility is valued at $7 million presently. The $4.7 million mortgage on the facility will be paid off in 2032.

GIC (Germantown Innovation Center)

FY Budget	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TOTAL
OE	-	-	-	-	-	-	-	-	-	512,000	262,000	312,000	442,000	1,086,000
PE	-	-	-	-	-	-	-	-	-	88,000	88,000	-		176,000
CIP-780701	-	-	-	-	-	-	-	-	3,000,000	2,200,000	-	-		5,200,000
Actual														
OE	-	-	-	-	-	-	-	-	350,000	971,287	828,674	310,000		2,459,961
PE	-	-	-	-	-	-	-	-	-	-	-	-		-
CIP-780701	-	-	-	-	-	-	-	-	-	3,153,193	2,046,800	-		5,199,993
TOTAL	-	-	-	-	-	-	-	-	350,000	4,124,480	2,875,474	310,000		**7,659,954**

Remark: In FY08 the budget for GIC included $350,000 subsidy payment with $88,000 allocated for personnel expenses. Additional $250,000 was approved to cover the reimbursement payment due to the College. FY09 budget for GIC subsidy was $262,000 with the personnel funds remaining in the budget and adjusted based on annualization and increases for COLA and Merit. The operating funds allocated for both FY08 and FY09 were lower than expenses for rent and start-up costs that were not covered under the CIP. In FY10, the budget for GIC subsidy was increased by $50,000 and the GIC Incubator Manager position was eliminated in response to the 5% reduction plan approved by the CE and County Council. FY10 Expenses are estimated at $310,000 with assumptions that rent will be covered by tenant revenue.

FISCAL IMPACT ANALYSIS OF JOB CREATION & CAPITAL INVESTMENT OF MONTGOMERY COUNTY BUSINESS INCUBATOR NETWORK

Assumptions for the Analysis

FY09 is set as a base year.

1. County's Incubator Network has five centers with total leasable space of approximately 144,000 square feet, with first center MTDC opening in 1999.
2. Five centers have 137 tenant companies with 378 jobs presently.
3. Beginning in 2009 and every 3 years thereafter, 70% of the tenants (94 companies) will graduate and expand in Montgomery County.
4. These 94 companies will create 263 new jobs (based on FY09 average of 2.8 jobs per incubator company) split evenly between infotech and biotech.
5. An annual salary of $52,000 per job is assumed. For simplicity, all graduates are assumed to retain 2.8 jobs w/o creating new jobs.
6. Capital investment (FFE) for biotech company is assumed @ $20,000/job, and infotech company@ $8,000/job.
7. These 94 companies (per 3 year cycle) will in aggregate absorb 196,466 square feet of space (based on 70% of historical absorption from 2001-2008).
8. All graduates will take existing building/space and invest $40/sq.ft. in leasehold improvement.
9. 25% of new jobs are assumed to be new residents and 75% residents with no new housing & spouse impacts and no new residency related costs as well.
10. Resident jobs (75%) are assumed to be switching jobs within the County with 25% increase in salary.
    As such only 25% of their income tax is captured as new income tax revenue.
11. All assumed variables will be held constant (without growth or downsizing) thru the duration of analysis to avoid NPV comparison.
12. This analysis does not take into the consideration of secondary economic impact where 1 new job creates 1.67 new jobs (NBIA data).

INVESTMENT	TOTAL IMPACT	in 2009 137 companies	by 2012 231 companies	by 2015 94 companies	by 2018 94 companies	by 2021 94 companies
Effects of Primary Investment:						
Estimated investment in Real Property	**$39,293,200**	$7,858,640	$15,717,280	$23,575,920	$31,434,560	$39,293,200
Estimated Value of Personal Property	**$26,460,000**	$5,292,000	$10,584,000	$15,876,000	$21,168,000	$26,460,000
Real Property Tax rate at location	**$1.013**	$1.013	$1.013	$1.013	$1.013	$1.013
Personal Property Tax rate at location	**$2.500**	$2.500	$2.500	$2.500	$2.500	$2.500
Number of Jobs Created (Tenants+Graduates)	**1,430**	**378**	**641**	**904**	**1,167**	**1,430**
Average Salary per Job Created	**$52,000**	$52,000	$52,000	$52,000	$52,000	$52,000
Income Tax per primary job	**$1,248**	$1,248	$1,248	$1,248	$1,248	$1,248
Secondary Investment and Jobs:						
FCV Investment from homeownership	**$168,742,737**	$33,748,547	$67,497,095	$101,245,642	$134,994,189	$168,742,737
Weighted Average Real Property Tax Rate		$1.013	$1.013	$1.013	$1.013	$1.013
Secondary Jobs Created (Spouses)	**167**	44.1	74.8	105.5	136.2	166.9
DEMOGRAPHICS						
Net new households created	**322**	64.4	128.8	193.3	257.7	322.1
New Population created	**861**	172	344	516	689	861
Schoolchildren generated	**129**	25.8	51.5	77.3	103.1	128.8
College students generated	**21**	4.18	8.36	12.54	16.72	20.90
Number of new jobs generated	**1,597**	422.1	715.8	1,009.5	1,303.2	1,596.9
% of Jobs New County Residents	**25%**	25%	25%	25%	25%	25%
Net new jobs are County residents	**1,597**	422.1	715.8	1,009.5	1,303.2	1,596.9
REVENUES						
Property Tax Revenues						
From Primary Investment	**$1,059,540**	$211,908	$423,816	$635,724	$1,271,448	$1,059,540
From Secondary Investment	**$1,709,364**	$341,873	$683,746	$1,025,618	$1,367,491	$1,709,364
Income Tax Revenues						
From Primary Income	**$1,031,940**	$206,388	$412,776	$619,164	$825,552	$1,031,940
From Secondary Income	**$166,671**	$44,057	$74,710	$105,364	$136,017	$166,671
Energy & Telephone Taxes	**$175,957**	$42,547	$75,899	$109,252	$142,605	$175,957
Other Job Related Revenues	**$52,437**	$13,861	$23,505	$33,149	$42,793	$52,437
Other Population Related Revenues	**$221,335**	$44,267	$88,534	$132,801	$177,068	$221,335
Total County Revenue Benefit (in Year 2021)	**$4,417,244**	$904,901	$1,782,986	$2,661,072	$3,962,974	$4,417,244
COSTS OF COUNTY SERVICE		Based on Operating Budget Expenditures including Debt Service				
Population related costs	**$597,867**	$119,573	$239,147	$358,720	$717,440	$597,867
Job related costs	**$177,853**	$47,013	$94,026	$112,433	$224,866	$177,853
Schoolchildren costs	**$1,270,332**	$254,066	$508,133	$762,199	$1,016,265	$1,270,332
College student costs	**$136,714**	$27,343	$54,686	$82,028	$109,371	$136,714
Total County Service Costs (in Year 2021)	**$2,182,766**	**$447,995**	**$895,991**	**$1,315,381**	**$2,067,943**	**$2,182,766**
TOTAL ANNUAL FISCAL IMPACT of the Tenant and Graduates (Revenue less Costs) in Year 2021	**$2,234,478**	**$456,905**	**$886,996**	**$1,345,692**	**$1,895,031**	**$2,234,478**
Cumulative Fiscal Impact of the Tenants and Graduates from 2009 through 2021	**$[illegible]**					