

M E M O R A N D U M

October 9, 2012

TO: Planning, Housing, and Economic Development Committee
FROM: Jacob Sesker, Senior Legislative Analyst 
SUBJECT: Status Report – Department of Economic Development

Introduction

The Department of Economic Development (DED) will present its quarterly update. The previous quarterly update to the Planning, Housing, and Economic Development Committee was held on July 23, 2012.

The following individual is expected to attend this meeting: Director of Economic Development Steve Silverman.

Several issues, with accompanying updates from DED, are outlined below. The Director may also provide an additional update on other issues related to economic development and the County's economy.

FY13 Issues and Updates

Montgomery Business Development Corporation

Issue:

- In approving the FY13 Operating Budget, the Council placed limits/conditions on the appropriation of \$500,000 to DED to contract with the MBDC, and required that both parties provide quarterly reports on the status of contract negotiations and contract deliverables. To date, there is no contract between DED and MBDC.

Updates:

- MBDC and DED jointly submitted a report which included the following statement: "Dialogues establishing priority actions to supplement DED's efforts for business retention, expansion, and attraction were conducted on July 5, 2012 and August 15, 2012...These

meetings identified several areas of potential collaboration. Ongoing negotiations are planned to include MBDC's future President and other representatives, Council staff and DED officials in order to finalize the delivery of work contracts." See © 1-2.

- DED has contributed FY13 funds totaling \$50,000 to MBDC to provide operational support to MBDC's operations. DED: **"The remaining \$450,000 is intact and waiting to be encumbered once the contract is executed."**

Implementation of Bill 5-12 (Small Business Navigator)

Issue:

- Bill 5-12 added §2-25B to the County Code, which requires the Executive to establish a program to assist certain small businesses located in the County and to appoint a dedicated staff member to assist small businesses to comply with County requirements and regulations. The key issue is the status of the efforts to implement the new law.

Update:

- DED: "We have completed the position descriptions and created the position in the ERP on 9/11/2012. Due to the system being new to everyone, it is taking longer than we thought. Both OMB, on 10/8/12, and OHR on 10/9/12 approved the position creation. DED is currently working with OHR recruitment team to place an ad. DED expects the ad to be out in the next 5-7 working days."

Implementation of Bill 6-12 (Small Business Assistance)

Issue:

- Bill 6-12 added §20-76B to the County Code¹. Under §20-76B (f), the Executive must adopt regulations to implement the law, and through those regulations must specify eligibility criteria for grants and loans under the program. The issue is the status of the regulations.

Update

- DED: "The update is that we have completed the initial draft of the Executive Regulation and are in the process of refining it. There were a number of meetings in Wheaton regarding this Bill, and we are waiting for feedback from Ana Lopez [Ana Lopez van Balen, Mid-County Regional Services Director] who will summarize the community inputs...."

¹ §20-76B establishes a program to assist certain small businesses located in the County who are adversely impacted by County redevelopment projects (in urban renewal areas or enterprise zones) or by redevelopment projects located on County property, authorizes financial assistance from the Economic Development Fund to certain small businesses, and provides technical assistance and training to any small business that receives such financial assistance.

Implementation of Bill 14-12 (Economic Development Fund—Amendments)

Issue:

- Bill 14-12 requires (in the transition section) that the Executive submit an economic development strategic plan within 180 days after the bill becomes effective (the effective date is December 20, 2012). Submitting a strategic plan within that timeframe represents the most significant challenge to implementing the law in FY13.

Update:

- No update as of the time of publication.

Senior Business Development Specialist position

Issue:

- Staff's May 4, 2012 memorandum to the County Council regarding the DED Operating Budget stated that DED intended to fill a Senior Business Development Specialist position in the first quarter of FY13.

Updates:

- **DED: "Based on reassessment of capacity needs and skill sets, we are abolishing this [Senior Business Development Specialist] position and seeking to create two new positions; one for social media marketing, and the other an administrative support position."**
- In creating two positions, the Department would be able to meet one of its needs (additional administrative staff capable of processing submissions and payments) while adding to its capacity to communicate via new media.

Professional service contracts to support business development

Issue

- The Approved FY13 Operating Budget included \$100,000 for contracts to support business development activities.

Updates:

- **DED: "We have selected 18 vendors under six service categories and one task order (conference planning and management) has been issued last week, and two are being issued (loan marketing and administrative service, and event administration) next week."**
- \$20,000 is also earmarked for the Cybersecurity consulting to assist in the current partnership with NIST and the State.

Website and marketing efforts

Issue

- The FY12 Approved Budget included a \$350,000 one-time increase or enhancement to the DED budget. The FY13 Approved Budget included \$250,000 to enhance marketing initiatives. The new website, <http://www.choosemontgomerymd.com/>, went live last spring, but DED continues to add content and functionality. A specific area of need is to improve the DED calendar, and to allow non-County users to add events related to business development to the Department's calendar.

Update

- DED: **“The Phase II [website], as initially planned, will be completed towards the end of this calendar year or at the latest early next year.”** At that point, DED hopes that the social media marketing position (referenced above) will have been filled so that there will be a staff person capable of providing frequent updates to content and executing a successful social media outreach effort.

Web/tech support from DTS

Issue

- DED lacks internal resources to address web or technology issues as they arise.

Update

- DED: **“An RFP was issued and we received the response in late September. We are hoping that by October 20, we will have an IT contractor visiting DED office at a regular interval (2-3 times/week), and assuring 4-hour response time for all other called in problem resolution.”** The anticipated contract cost is approximately \$30,000 to \$35,000 per year.

Bethesda Blues and Jazz Club

Issue

- The FY13 Approved Budget included \$750,000 for a one-time payment/reimbursement related to failure to meet conditions that were attached to a previous state grant and payment which arose out of the foreclosure of the Bethesda Theatre. At that time, the new use of that facility, Bethesda Blues and Jazz Supper Club, was scheduled to open in the fall of 2012.

Update

- The County made its payment to the State of Maryland on July 18, 2012. Bethesda Blues and Jazz Supper Club is proceeding as planned—it **remains on schedule for a late 2012 opening.**

TEDCO

Issue

- The FY13 Operating Budget included \$80,000 for the first of ten annual payments to TEDCO for the repayment of a \$2.6 million grant to the Business Innovation Network (incubator program). The County will be making payments to TEDCO as part of an agreement that will keep the County out of default on a royalty provision that was included in the original agreement between TEDCO and the County related to TEDCO's assistance with the County's incubator program. Negotiations with TEDCO regarding the schedule of payments and terms were near completion during the budget deliberations.

Update

- The County has reached an agreement with TEDCO. Under the agreement, the County **will make 10 annual reimbursement payments of \$80,000** (FY13 through FY22). DED: **“Repayment beyond year 10 is conditional**—we are only obligated to continue repayments after year 10 if we can not come to terms with TEDCO on why imposing a royalty requirement to our incubator tenants will be detrimental to the success of the incubator....If we do need to continue repayments beyond year 10, the repayment schedule for those payments is: to be determined...”



To: Councilmember Nancy Floreen, Chair, PHED committee

From: Brian Gragnolati, Chair, Montgomery Business Development Corp
Steve Silverman, Director, Department of Economic Development

Date: September 17, 2012

RE: FY13 Quarter 1 report on Resolution 17-443, budget provision #61

As indicated in Resolution 17-443, budget provision #61, *“The Department of Economic Development and the MBDC must report to the Council quarterly, beginning not later than September 30, 2012, on the status of contract negotiations and contract deliverables.”* Both organizations appreciate the Council’s support for resources to enhance the County’s business retention, expansion and attraction activities. We are pleased to report on the following actions in the first quarter:

MBDC Organizational Growth:

- MBDC is in the final stages of our search for a President with an anticipated selection by the end of October. The President will provide daily leadership to support the operations of the MBDC Board in the execution of its defined mission [see Articles of Incorporation] to supplement, enhance, evaluate, and study the County’s economic development programs and activities. The President will work closely with the Department of Economic Development (DED) and Council members and staff.
- MBDC held multiple meetings to further work plan development, refine proposed organizational structures and budgets, and evaluate office space options. We anticipate that many of the actions discussed will be finalized with input from the new President.

Strategic Planning:

- Dialogues establishing priority actions to supplement DED’s efforts for business retention, expansion, and attraction were conducted on July 5, 2012 and August 15, 2012. Participants included Sally Sternbach, Leslie Ford Weber, Ellie Giles and Jacob Sesker. These meetings identified several areas of potential collaboration. Ongoing negotiations are planned to include MBDC’s future President and other representatives, Council staff and DED officials in order to finalize the delivery of work contracts.
- MBDC Board members continue to be available to Council members and the County Executive to provide advice regarding current or proposed legislation relating to business development.

Current Contracts:

- DED has issued a contract in the amount of \$50,000 to be used for restructuring costs and for payment (over a 6 month time period) to an independent consultant to provide administrative and Board support.