

**MEMORANDUM**

January 22, 2015

TO: Planning, Housing, and Economic Development Committee

FROM: Jacob Sesker, Senior Legislative Analyst *JS*

SUBJECT: Update—Expansion of MOVE program

The following individuals from DED will attend this briefing:

- Sally Sternbach, Acting Director
- Peter Bang, Chief Operating Officer

Last year, DED announced a new program intended to reduce office vacancies. The program—Make Office Vacancies Extinct, or MOVE—would provide for small grants to companies signing their first lease for office space in Montgomery County (for example, companies relocating from a neighboring jurisdiction). In the Council approved budget, the program was funded with \$250,000 that had already been appropriated (in FY14) for another program but had not yet been disbursed (the Economic Development Fund is a continuous non-lapsing fund, meaning that funds need not be spent or encumbered before the end of the fiscal year).

On January 6, 2015, the County Executive advised the Council of his intent to expand the MOVE Program, using \$500,000 previously appropriated to the Economic Development Fund in FY14 to fund an economic development grant to Zyngenia. In his letter, the County Executive not only announces his intent to expand the program by repurposing the \$500,000 appropriated for Zyngenia, but also expresses a request for support and invites Council discussion in a PHED worksession.

The MOVE program provides small entitlement grants to certain companies that sign leases in Montgomery County office space. To be eligible for the grants, a company must meet certain requirements. The most significant requirement is that the company is not currently occupying office space in the County (i.e., is relocating from outside of the County, is a new company, is a company that was previously located in someone's home, etc.). Originally, the program also required that the recipient sign a lease for at least 2,000 square feet and also restricted eligibility to firms in a small number of strategic industries. The proposed changes to the program would increase the size of the grant (from \$4/square foot to \$8/square foot); eliminate the 2,000 square foot minimum; eliminate the

industry limitations (allowing recipients to be in any industry other than retail or restaurant); and expand eligibility criteria to include companies offering shared executive office space.

At this briefing, DED will provide the Committee with information regarding the MOVE program to date. Topics of discussion should include the following:

1. Utilization of the MOVE program to date: how many recipients, how much disbursed.
2. Characteristics of companies receiving money via the program to date: where were they previously located, in what industries, how many square feet occupied, etc.
3. Characteristics of companies that have contacted DED about the MOVE program but who have not met eligibility requirements.
4. Proposed changes:
  - a. Increase from \$4 to \$8.
  - b. Elimination of 2,000 square foot minimum.
  - c. Expansion of eligibility to include all office users.
  - d. Expansion of eligibility to include those offering shared or executive office space.

Attachments: Letter re Zyngenia	©1
Letter re Expanding the MOVE Program	©2
2014 MOVE Program Summary	©4

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OFFICE OF THE COUNTY EXECUTIVE  
ROCKVILLE, MARYLAND 20850

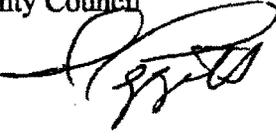
Isiah Leggett  
County Executive

MEMORANDUM

RECEIVED  
MONTGOMERY COUNTY  
COUNCIL

December 22, 2014

TO: George Leventhal, President, County Council

FROM: Isiah Leggett, County Executive 

SUBJECT: Closure of Zyngenia

This memorandum is to update you about Zyngenia's closure in the county.

Zyngenia was a promising, early-stage biotechnology company that began in 2009. Both the county and state provided sizeable incentives to partner with New Enterprise Associates ("NEA") to assist the company's growth. The county offered \$1.5 million to Zyngenia, which was to be disbursed in \$500,000 tranches as Zyngenia achieved certain milestones based on private investments. The county disbursed \$1 million in total to the company in FY2010 and FY2012. The final tranche was appropriated in FY2015 in anticipation of Zyngenia meeting the final milestone.

NEA and Zyngenia approached the county and state in August to communicate that the company was ceasing operations and would close by the end of 2014. NEA and Zyngenia were unsuccessful in attracting the necessary capital to sustain the company through commercialization of their technology. NEA invested more than \$44 million and estimates that another \$35 to \$45 million is necessary to bring the company's technology to market. It was also learned, and verified by the state, that the company lacked the assets necessary to meet all of their liabilities and repay the county and state. The county will not be able to recoup any of the \$1 million that has already been disbursed.

The company did not achieve the final milestone at the time they ceased operations. The final \$500,000 tranche was never disbursed and remains in the Economic Development Fund. In a separate memorandum, I communicate how I intend to repurpose those funds for an expanded MOVE Program.

If you have any questions regarding Zyngenia and the county's agreement, Peter Bang of the Department of Economic Development stands ready to answer your questions.

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OFFICE OF THE COUNTY EXECUTIVE  
ROCKVILLE, MARYLAND 20850

Isiah Leggett  
County Executive

MEMORANDUM

RECEIVED  
MONTGOMERY COUNTY  
COUNCIL

December 22, 2014

TO: George Leventhal, President, County Council

FROM: Isiah Leggett, County Executive 

SUBJECT: **Expanding the MOVE Program**

This memorandum is to update you about the MOVE Program and request that we repurpose the undisbursed, appropriated \$500,000 for the now defunct Zyngenia to fund the program's expansion.

I announced the MOVE Program in March to reduce the amount of vacant Class A and B office and lab space in Montgomery County. The county has provided assistance to six companies directly through the MOVE Program. The program's current administration and criteria are attached for your reference.

I intend to expand the MOVE Program so that the county is better able to attract more companies to reduce our vacant office space. The new criteria will be:

- **\$8 per square foot** of newly leased Class A or B office or lab space, excluding subleases (increase from \$4 per square foot)
- The lease must be for **less than 10,000 square feet** (eliminate the 2,000 square foot minimum)
- Recipient can be in **any industry sector** other than retail or restaurant; also qualified are recipient's **offering shared executive office space** to small businesses, up to 10,000 square feet will be eligible
- Recipient must sign a three year lease (unchanged)
- Recipient must be new to the County's commercial office market (unchanged)

I shared in a memorandum dated December 22, 2014 that Zyngenia ceased operations in the county. The Economic Development Fund ("EDF") has \$500,000 in appropriated funds for the Zyngenia agreement. These funds were never disbursed, and I request

George Leventhal  
December 22, 2014  
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that we repurpose them to fund the expansion of the MOVE Program. This provides an initial funding cap for the program until we can evaluate additional funding needs and its impact.

I intend to announce these changes so that they will affect all leases signed after February 1, 2015. This provides an opportunity for the Department of Economic Development and their partners to aggressively market the expanded program. In addition, this timing provides an opportunity for the Montgomery County Council to discuss it during a January Planning, Housing, and Economic Development Committee session.

I would appreciate your support for the expansion of the MOVE Program and its funding source as we work to reduce our vacant office space in the county. If you have any questions regarding this matter, Peter Bang of the Department of Economic Development stands ready to answer your questions.

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Attachment



## DEPARTMENT OF ECONOMIC DEVELOPMENT

Isiah Leggett  
*County Executive*

Steven A. Silverman  
*Director*

### MOVE Program Summary

The Make Office Vacancy Extinct (MOVE) Program is part of the Montgomery County Economic Development Fund and is designed to attract IT, life science, cybersecurity, and green technology businesses to Montgomery County. Through the MOVE program, businesses new to the County receive financial assistance to reduce rent costs for the first year. The assistance available is \$4 per square foot for a company's first lease of Class A or Class B office space in Montgomery County.

To qualify for the assistance under MOVE program, applicants must meet the following criteria:

1. The applicant must operate primarily in the information-technology, life science, cyber-security or green technology industries, as evidenced by objective documentation (i.e. business plan, business proposal, client list, etc.).
2. The applicant has signed a commercial lease with a landlord for at least three years for Class A or Class B commercial office building in the County. In the case of a life science company, leased lab space will qualify under this program.
3. Total commercial space leased must be at least 2,000 rentable square feet but no more than 10,000 rentable square feet.
4. The lease date must begin after March 18, 2014, and the application receipt date must be within 90 days of the signed lease date.

The application will be reviewed and if qualified, the applicant will receive assistance upon receipt of the executed lease and verification of occupancy. A pre-qualification letter will be issued upon request to applicants that qualify, noting approval once verification of occupancy is received.

Please fill out the attached application form and return the application and any required supporting documentation to Montgomery County Department of Economic Development, 111 Rockville, Suite 800, Rockville, Maryland 20850.

For questions about the MOVE Program, please contact Gene Smith or Lydia Lan with the Department of Economic Development at 240-777-2000.

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