

MEMORANDUM

April 25, 2016

TO: Planning, Housing and Economic Development Committee
FROM: Jacob Sesker, Senior Legislative Analyst 
SUBJECT: FY17 Operating Budget: Economic Development Fund

Those expected to attend this worksession include: Peter Bang, Chief Operating Officer, DED; and Pofen Salem, OMB.

Relevant pages from the FY17 Recommended Budget are attached at © 1-3. The EDF Annual Report is attached at © 4-16. A memorandum regarding the MOVE Program is attached at © 17-18.

Staff Recommendation: Concur with the CE's recommended FY17 budget for the EDF

In FY16, the Council originally approved an operating budget of \$1,853,591. In FY17, the Executive requests \$2,577,780, representing an increase of \$724,189. This increase is largely attributable to a request for an additional \$500,000 for the MOVE program. The remainder of the difference is attributable to two smaller amounts to fund the County's FY17 obligations under two already executed Economic Development Fund Agreements (EDFAs).

The FY17 recommended budget of the Economic Development Fund includes the following:

<i>Economic Development Fund Budget</i>	<i>FY17 CE Rec</i>
FY16 Original Appropriation	\$1,853,591
Adjustments with no service impacts	(\$10,822)
MOVE Program	\$500,000
ByteGrid	\$120,238
NOAA	\$114,773
Total FY17 Recommended	\$2,577,780

The County will have FY17 obligations under several executed Economic Development Fund Agreements, including: ByteGrid (\$120,238); NOAA/Foulger Pratt (\$114,773); Choice Hotels (\$176,000); Mars (\$80,000); Donohoe (\$100,000); and Rain King (\$100,000). The Executive recommended funding the biotech tax credit at \$500,000 and funding the MOVE Program at \$500,000. The balance of the appropriation (\$769,691) is undesignated—this amount is almost equal to the undesignated appropriation in FY16. The undesignated balance in the EDF could be used to fund administrative expenses, consultant studies, small grants or loans (e.g., equal to or below \$100,000), or equity investments.

Non-Program Specific Costs	
Personnel	\$113,078
Capital outlay	\$0
Administrative Costs/OE	\$4,000
Budget available for Programs	\$2,460,702
Small Business Revolving Loan Program	\$0
Technology Growth Program	\$0
Small Business Assistance Program	\$0
EDFGLP	\$2,460,702
Total EDFGLP	\$2,460,702
Biotech tax credit	\$500,000
MOVE Program	\$500,000
NOAA	\$114,773
Meso Scale Diagnostics	\$0
ByteGrid	\$120,238
Choice Hotels	\$176,000
Mars	\$80,000
Donohoe	\$100,000
Rain King	\$100,000
<i>Undesignated*</i>	<i>\$769,691</i>

*Note: * The grants for HMSHost, Wedding Wire, and Novavax are not included as part of the FY17 budget. The grant amount is equal or greater than \$500K which will be funded through a supplemental request.*

The EDF is a continuous, non-lapsing fund. As such, the EDF also includes appropriations made in prior years. The EDF will likely begin FY17 with more than \$2 million in fund balance spread across multiple programs. Some of that fund balance is held pursuant to past agreements with the State of Maryland, and a significant portion is held in order to fund tax credit programs that are under-subscribed. Below is a detailed description of the programs, fund balances, and appropriation requests.

EDF Program Summaries and Issues

Overview

The mission of the Economic Development Fund (EDF) is to assist private employers who are located, or plan to locate or substantially expand operations, in the County. While there are four separate programs that are related to the Economic Development Fund, this year, as in most years, the lion's share of the appropriation request relates to the Economic Development Grant and Loan Program. Each year, the Department of Economic Development compiles a report on the Economic Development Fund—the most recent report was transmitted to the Council in March. *See EDF Annual Report, © 4.*

The EDF has always been legally administered by the Department of Finance, although Finance has relied heavily on the Department of Economic Development when it comes to originating and closing transactions. Following the privatization of the Department of Economic Development, all EDF-related operations (including EDF staff) that were housed in the Department of Economic Development will also transfer to Finance. EDF staff will continue to work with the Maryland Department of Commerce to source, analyze, negotiate, and close incentive packages. Beginning in FY17, EDF staff will also work with the staff of the new Montgomery County Economic Development Corporation.

Economic Development Grant and Loan Program

The Grant and Loan Program is the Fund's signature program. About 80% of the total assistance provided through the EDF has been provided through the grant and loan program. Over time, the program has benefitted a wide range of companies from all across the County. The program goals are strategic attraction and retention projects that generate significant economic development benefits in the County. *See EDF Report, © 7.*

- Roughly half of program expenditures are for attraction projects, and roughly half are for retention/expansion projects.
- Roughly two-thirds of the awards are \$100,000 or less.
- Biotechnology and Information Technology sectors account for 57% of total transactions.
- State leverage is frequently involved in these transactions—on average, the State leverage per County dollar is \$2.03, although the leverage was below that amount in both FY15 (\$1.83) and FY16 (\$1.73).

The County Executive must notify the Council regarding offers that are greater than \$100,000. Offers that are \$100,000 or less do not require notification. However, under the law, the Executive produces an annual report that includes information about the activities of the fund. When an offer has been accepted, the next step is to execute an agreement. The agreement will establish the terms, including the milestones that must be met before disbursements can occur. FY16 disbursements are below:

- Meso Scale Diagnostics: \$167,000
- Choice Hotels: \$176,000
- Sucampo: \$300,000
- VariQ: \$100,000
- Teaching Strategies: \$150,000

- innoScience: \$53,600
- HIAS, Inc.: \$80,000
- University Research: \$200,000
- St. Gobain Performance Plastics: \$80,000

This program does not have any excess prior appropriation. However, the program is likely to receive \$26,000 from the City of Rockville as repayment of Rockville's portion of the \$176,000 disbursement to Choice Hotels. That payment is expected in May.

The FY17 recommended budget for the EDF Grant and Loan program is \$2,460,702. Of that amount, \$1,691,011 relates to agreements already executed. The CE's recommended budget also includes \$769,691 for undesignated balance (down from \$777,088 in FY16).

This undesignated balance can be used to fund pipeline projects (originated but not executed) or smaller projects that can be both originated and executed within one fiscal year. As a point of reference, in FY14, DED offered assistance totaling \$725,000 to nine employers in amounts of \$100,000 or less (the undesignated balance in the EDF also can be used to cover costs such as consultant studies for due diligence, and has been used to make equity investments as well). In FY15, DED was able to offer assistance totaling \$585,000 to eight employers in amounts of \$100,000 or less using the undesignated balance in the EDF.

This undesignated balance is important for the EDF to function effectively as a tool to attract and retain private employers. Council staff thinks that an annual undesignated appropriation of \$700,000 to \$1,000,000 is appropriate, and this year's appropriation request falls into that range. **Council staff recommends approval of the FY17 request for the EDF Grant and Loan Program. FY17 follow-up: if there is limited use of the Green Investor Incentive Program and Cybersecurity Investment Tax Credit in FY17, then a portion of the previously appropriated amounts for these programs should be repurposed to support the EDF Grant and Loan Program.**

Small Business Revolving Loan Program

The small business revolving loan fund was created in 2000 to assist small businesses that lack access to traditional private and public funding. Over its history, the program has loaned \$1.9 million to 36 recipients. The current fund balance available for SBRLF is approximately \$934,131. The outstanding balance on SBRLP loans made in the past decade is \$445,914.

In FY16, no SBRLP loans closed. From FY11 to FY15, a total of 7 loans closed for a total of \$418,459. Total SBRLP loans over the past decade amount to \$1,360,959. *See EDF Report, © 10.*

The SBRLP fund balance will be automatically reappropriated in the FY17 budget, absent an action to reduce or repurpose the prior appropriation. The CE did not request appropriation in FY17 for this program.

The State provided seed-funding for this program. The County should continue to engage the State in discussions about whether the Small Business Revolving Loan Program represents the best use of current fund balance.

The SBRLP has potential utility for providing assistance to small/neighborhood businesses as the “incubator without walls” program ramps up operations. Council staff recommends reevaluating the program in one year.

Biotechnology Investor Incentive Program

The Biotechnology Investor Incentive Program was approved by the County Council in FY11 and supplements a parallel state program. Qualified investors who receive the tax credit from the State for investment in companies located in Montgomery County are eligible to receive the County’s incentive supplement. The goal of the program is to provide grants to qualified investors for their investments in early-stage, Montgomery County-based biotechnology companies.

From FY11-FY15, all funds appropriated (\$500,000 per year) were disbursed. In FY16, a portion (\$80,253) of the original appropriation has not been disbursed but will be disbursed pending validation of credit applications (yet again, the program is over-subscribed in FY16). *See EDF Annual Report, © 11.* The Executive recommended \$500,000 for this program again in FY17. **Council staff recommends approval of the CE’s recommended budget for this program.**

Cybersecurity Investment Tax Credit

This program was created in FY14 with the passage of Bill 25-13. The program was not funded in the FY14 operating budget and was not funded by supplemental appropriation during the first three quarters of FY15. DED will begin marketing the program, in conjunction with the State of Maryland, once funding is approved.

This program is similar to the Biotech Investor Incentive Program insofar as it is a supplement to a State tax credit program. It is different from the Biotech Investor Incentive Program insofar as the County supplement will be given to the cybersecurity company rather than to its qualified investors.

No County cybersecurity company received (or even applied for) tax credits from the State under its program for calendar year 2014. In calendar year 2015, one company received a credit of \$16,500.

The CE did not request additional appropriation in FY17 for this program. Since the EDF is a continuous and non-lapsing fund, the \$483,500 appropriated but not spent in FY15 and FY16 will be reappropriated in FY17. **Council staff recommends reevaluating this program in light of the applications for tax year 2016 (in the first or second quarter of calendar year 2017).**

Green Investor Incentive Program

In FY14, the EDF budget included \$500,000 for the Green Investor Incentive Program. The Green Investor Incentive Program (Bill 40-12) was introduced in December of 2012 and enacted on April 16, 2013. Unlike the Biotech Investor Incentive Program and the Cybersecurity Investment Tax Credit, the Green Investor Incentive Program is not a supplement to a Maryland tax credit.

To date, no companies qualified for and received funding from the EDF through the Green Investor Incentive Program. Over the course of FY15, half of the \$500,000 appropriated for this

program in FY14 was repurposed to fund other EDF incentives. DED continues to market the program, but to date has not disbursed funds under the program. The CE did not recommend any FY17 appropriation for this program. **The program will start FY17 with a fund balance of \$250,000. EDF staff is working to improve/alter this program in order to achieve greater economic impact and will update the PHED Committee if changes to the program/appropriation are warranted.**

Small Business Assistance Program

This program was created to provide technical and financial assistance to small businesses located in an enterprise zone or urban renewal area that are adversely impacted by redevelopment projects located on County property or financed in whole or in part by the County. This “incubator without walls” program will be administered by Finance using economic development partners. The cost of setting up the program has been funded in the FY16 DED appropriation, and in FY17 will be funded in the Incubators NDA (\$360,000) and managed by Finance.

The recommended budget includes no designated funding for this program in FY17. The undesignated appropriation (almost \$770,000) in the EDFGLP is one potential source of funds for this program, as is transfer of appropriation from other EDF programs. A cleaner approach to fund this program might be supplemental appropriation. **Council staff recommends careful tracking of expenditures related to the Small Business Assistance Program given that funding for the program operations and financial assistance may be drawn from multiple accounts and programs.**

Equity Investment Program

This program was created after the Council approved Bill 3-13. Since the inception of the program, the County has invested \$250,000 in three companies. *See* © 13. There is no specific appropriation or set-aside within the EDF for equity investments, and **the CE did not request an appropriation for this purpose in FY17.**

Make Office Vacancies Extinct (MOVE) Program

In 2014, DED announced a new program intended to reduce office vacancies. In January of this year, the PHED Committee discussed—and ultimately supported—some changes to the program that should result in more companies being eligible, and increasing the maximum award from \$40,000 to \$80,000 (\$8 per square foot for up to 10,000 square feet).

The following description was provided in the Executive’s Six Point Economic Plan: “One component of the Six Point Economic Plan is to expand the existing MOVE Program to reduce vacant Class A and B office space in the County. Through the MOVE program, businesses new to the County or businesses creating their first shared office space in the County receive a one-time grant for relocation or build out assistance. The MOVE Program was expanded in February 2015 to increase financial assistance from \$4 to \$8 per square foot, up to a maximum of 10,000 square feet, for any industry sector except retail and restaurant.”

According to a March memo from Acting Director Sternbach to Council President Floreen (see © 17-18), 31 businesses have received MOVE grants. Those 31 businesses occupy 118,000 square feet

of Class A office space and have brought 219 new jobs to the County. The recipients project growth in excess of 400 additional new jobs in the next three years. One early recipient of a MOVE grant (REGENXBIO) received a grant in 2015 in connection with a lease of 10,000 square feet to house 20 employees. The company now employs more than 60 employees and has occupied an additional 40,000 square feet of office space.

The program has been well received. Total FY16 disbursements to date are close to \$400,000. In FY16, a supplemental appropriation was necessary to continue meeting demand for the program. Including the March 2016 supplemental appropriation, the current fund balance is approximately \$350,000. The CE recommended \$500,000 in FY17 to continue the program. **Council staff recommends approval of the CE's recommended budget for the MOVE program.**

Attachments: © 1 Recommended FY17 Operating Budget: EDF
© 4 EDF Annual Report
© 17 March MOVE Memo – Sternbach to Floreen

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Economic Development Fund

Mission Statement

The mission of the Economic Development Fund (EDF) is to assist private employers who are located, plan to locate, or substantially expand operations in the County. Each program under the EDF is administered by the Department of Finance and by the respective departments as noted below.

County Government Reorganization

In Spring 2015, the County Executive announced restructuring the Department of Economic Development (DED) which includes transitioning staff management and administrative responsibilities of the Economic Development Fund to the Fiscal Management Division of the Department of Finance.

Budget Overview

The total recommended FY17 Operating Budget for the Economic Development Fund is \$2,577,780, an increase of \$724,189 or 39.07 percent from the FY16 Approved Budget of \$1,853,591. Personnel Costs comprise 4.43 percent of the budget for no full-time position(s) and no part-time position(s), and a total of one FTEs. Total FTEs may include seasonal or temporary positions and may also reflect workforce charged to or from other departments or funds. Operating Expenses account for the remaining 95.57 percent of the FY17 budget.

Linkage to County Result Areas

While this program area supports all eight of the County Result Areas, the following are emphasized:

- ❖ **Healthy and Sustainable Neighborhoods**
- ❖ **Strong and Vibrant Economy**

Initiatives

- ★ Add funds to expand the MOVE Program to reduce the County's commercial office space vacancies. Since the announcement of the expanded criteria in January 2015 to increase financial assistance from \$4 to \$8 per square foot for any industry sector except retail and restaurant, the County has attracted 23 new businesses and 132 new jobs to Montgomery County.
- ★ Add funds to disburse grant payment for the National Oceanic and Atmospheric Administration retention project.
- ★ Add funds to disburse grant payment for the Bytegrid data center retention project.

Accomplishments

- ☑ Provided grants through the Biotechnology Supplement Program for 95 investments, totaling more than \$13.5 million in 12 Montgomery County biotech companies in 2015.
- ☑ Facilitated the attraction of Rapid Financial Services to create 87 new jobs to the Montgomery County. The company will generate more than 120 additional jobs within the next four years.
- ☑ Facilitated the retention and expansion of Sucampo Pharmaceuticals, a biotech business which is expected to create 100 new jobs in the next five years.



- Facilitated the retention and expansion of VariQ Corporation, a rapidly growing IT business expected to create nearly 160 new jobs in the next three years.

Program Contacts

Contact Peter Bang of the Department of Finance at 240.777.2008 or Pofen Salem of the Office of Management and Budget at 240.777.2773 for more information regarding this department's operating budget.

Program Descriptions

Economic Development Grant and Loan Program

The Economic Development Grant and Loan Program was established in FY96 to assist private employers who will either retain jobs already in the County or create additional jobs in the County through the expansion of current operations or relocation of new operations in the County. This program is administered by the Department of Finance through its Fiscal Management Division. Finance identifies and develops prospects that meet the criteria for a grant or loan from the EDF and then develops an assistance package. Frequently, Finance works in close cooperation and coordination with the State of Maryland. The County Executive submits an annual report by March 15 on the status and use of the EDF as required by Chapter 20-76 (b) of the Montgomery County Code.

FY17 Recommended Changes	Expenditures	FTEs
FY16 Approved	1,853,591	1.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	724,189	0.00
FY17 Recommended	2,577,780	1.00

Technology Growth Program

The Technology Growth Program was created in FY99 to facilitate the growth of technology-based companies located or desiring to relocate in the County. Financial assistance is based on the evaluation of the technology and the innovation proposed, along with potential impact for the County. The program is aimed at leveraging private-sector financing and State Challenge and Equity Investment funds. The Biotech Tax Credit Supplement Program, established in FY10, provides additional incentive for investors who invest in Montgomery County biotech companies and works in conjunction with the State of Maryland Biotechnology Investment Tax Credit Program. Investors who qualify under the State's Program receive an additional supplement for their investment in a Montgomery County biotech company. The Green Investor Incentive Program, established in FY14, provides financial incentives to investors of qualified green companies in Montgomery County, encouraging the development of innovative green technologies.

FY17 Recommended Changes	Expenditures	FTEs
FY16 Approved	0	0.00
FY17 Recommended	0	0.00

Small Business Revolving Loan Program

The Small Business Revolving Loan Program was established in FY00. The program augments a grant from the Maryland Economic Development Assistance Authority and Fund Act under Senate Bill 446 to finance economic development projects that do not receive priority consideration from institutional lenders or other public sources because they are in a non-priority industry sector, a non-priority transaction site, and/or cannot fully satisfy the credit requirements of a conventional loan. The program offers secured loans typically in the range of \$25,000 to \$100,000.

FY17 Recommended Changes	Expenditures	FTEs
FY16 Approved	0	0.00
FY17 Recommended	0	0.00

Budget Summary

	Actual FY15	Budget FY16	Estimate FY16	REC FY17	%Chg Bud/Rec
ECONOMIC DEVELOPMENT FUND					
EXPENDITURES					
Salaries and Wages	100,322	101,987	102,943	90,866	-10.9 %
Employee Benefits	25,986	27,013	26,758	23,312	-13.7 %
Economic Development Fund Personnel Costs	126,308	129,000	129,701	114,178	-11.5 %
Operating Expenses	1,958,262	1,724,591	4,394,942	2,463,602	42.9 %
Economic Development Fund Expenditures	2,084,570	1,853,591	4,524,643	2,577,780	39.1 %
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	1.00	1.00	1.00	1.00	—
REVENUES					
Investment Income	28,438	55,970	33,253	33,253	-40.6 %
Loan Payments	107,932	94,970	94,970	94,970	—
Miscellaneous Revenues	85,210	0	0	0	—
Economic Development Fund Revenues	221,580	150,940	128,223	128,223	-15.1 %

FY17 Recommended Changes

	Expenditures	FTEs
ECONOMIC DEVELOPMENT FUND		
FY16 ORIGINAL APPROPRIATION	1,853,591	1.00
Changes (with service impacts)		
Enhance: MOVE Program	500,000	0.00
Add: ByteGrid Project	120,238	0.00
Add: National Oceanic and Atmospheric Administration (NOAA) Retention Project	114,773	0.00
Other Adjustments (with no service impacts)		
Increase Cost: FY17 Compensation Adjustment	4,374	0.00
Shift: Budget for CoStar Licenses from Department of Economic Development	4,000	0.00
Increase Cost: Group Insurance Adjustment	625	0.00
Decrease Cost: Retirement Adjustment	(1,103)	0.00
Decrease Cost: Annualization of FY16 Personnel Costs	(18,718)	0.00
FY17 RECOMMENDED	2,577,780	1.00

Future Fiscal Impacts

Title	CE RECOMMENDED (\$000s)					
	FY17	FY18	FY19	FY20	FY21	FY22
ECONOMIC DEVELOPMENT FUND						
EXPENDITURES						
FY17 Recommended	2,578	2,578	2,578	2,578	2,578	2,578
No inflation or compensation change is included in outyear projections.						
Labor Contracts	0	2	2	2	2	2
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						
Subtotal Expenditures	2,578	2,580	2,580	2,580	2,580	2,580

Montgomery County Economic Development Fund Annual Report

For the Year Ended February 29, 2016



**Prepared by
Department of Economic Development**

Introduction

The Economic Development Fund (EDF) is a suite of programs that provide financial assistance to businesses that are located in or relocating to Montgomery County (the County). The purpose of the EDF is to generate economic development activity that would not have occurred without assistance from the public sector. Most of the assistance is awarded to projects that will generate economic benefits to the County through job creation and substantial capital investments in real or personal property. However, the EDF is flexible and houses programs that incentivize economic growth in other sectors that may not be significant job creators immediately. For example, there is an EDF program that provides loans for small businesses and others that incentivize investments into early-stage biotechnology or cybersecurity companies.

This report summarizes the activity and performance of each EDF program for the past year. Summary and performance data is dependent on each program's purpose and is collected through performance documents required by the County's agreements and may be supplemented through other sources. For this year's report, each program's activity and performance data was consolidated into one section per program to allow readers to more easily digest the information for each program. Any transactions funded since last year's report are detailed in the appendices.

There are eight active programs currently administered through the EDF. The table below summarizes the total assistance provided for all EDF programs since the funds inception through February 2016.

Active Programs	Year Established	Cumulative Assistance Provided
Economic Development Fund Grant and Loan Program	FY 1996	\$41,315,150
MOVE Program	FY 2014	\$816,976
Small Business Revolving Loan Program	FY 2000	\$2,535,959
Biotechnology Investor Incentive Program	FY 2012	\$2,000,000
Cybersecurity Supplement Program	FY 2014	\$16,500
Green Investor Incentive Program	FY 2013	\$0
Small Business Assistance Program	FY 2013	\$0
Equity Investment Program	FY 2013	\$255,000
Inactive or Discontinued Programs	Year Established	Cumulative Assistance Provided
Technology Growth Program	FY 1999	\$4,055,000
Emergency Agricultural	FY 1998	\$1,500,000
Demolition Loan	FY 2000	\$100,000
Export Montgomery	FY 2001	\$12,000
Micro-Enterprise	FY 2008	Merged into SBRLP

Grant and Loan Program (EDFGLP)

Program Goals: Strategic attraction and retention projects that generate significant economic development benefits in the County.

Program Mechanics: Projects are awarded after a business executes an agreement, which stipulates the grant disbursement and performance conditions. All agreements contain repayment provisions to recapture incentive dollars when a business fails to achieve the expected economic output. The program typically uses total jobs, both retained and created, and capital expenditures as milestones but has flexibility to accommodate projects that generate other types of significant economic development activities.

Six-Year Program Summary

Projects Awarded	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Total
Projects awarded	10	5	4	13	10	2	44
Amount awarded	\$24,585,000	\$3,760,000	\$14,890,150	\$5,495,000	\$13,005,000	\$180,000	\$61,915,150
Projects State partnered with County	3	1	1	7	3	2	17
State leverage per County dollar	\$2.29	\$2.00	\$0.65	\$2.38	\$1.83	\$1.73	\$2.03
Jobs retained	4,383	410	4,692	1,973	314	45	11,817
Jobs attracted or created	540	187	90	881	664	188	2,550
Private capital investment (millions)	\$299.4	\$115.9	\$75.2	\$35.8	\$10.0	\$12.4	\$548.7
Award dollars per total jobs ¹	\$1,031	\$971 ⁴	\$604	\$1,925	\$1,107	\$773	\$1,070
Estimated annual net benefit per job (job impact only) ²	\$1,129	\$762	\$952	\$1,487	\$1,224	\$623	\$1,124
Estimated annual net benefit per job (job and CAPEX impact combined) ³	\$1,677	\$1,086	\$1,295	\$1,538	\$3,078	\$651	\$1,569
Projects Funded							
Number of projects	8	6	4	14	5	5	42
Amount funded	\$750,000	\$4,995,000	\$3,450,000	\$6,546,150	\$375,000	\$730,000	\$16,846,150
Total jobs at funding	185	1,661	232	2,441	198	195	4,912
Average salary at funding	\$89,950	\$103,160	\$103,400	\$97,750	\$87,200	\$92,260	\$99,370

1 - Excludes projects awarded (both award value and jobs) where the actual amount disbursed will be based on increase in real or personal property taxes (3 projects, NOAA, HHS, and ByteGrid).

2 - Impact estimated using the Department of Finance Fiscal Impact Model.

3 - CAPEX impact is estimated from the taxes generated by the real and personal property investments from each project.

4 - Excludes Duball Project (\$3,180,000), which was awarded for new construction in Rockville and doesn't include a job milestone.

Additional Notes for FY 2011 – 2016 Summary

- 1) Five CAPEX projects account for \$50,680,000 (82% of total) of the total award offers (ByteGrid, Costco, Duball, HHS, and NOAA).
- 2) The Biotechnology (12 cases) and Information Technology (13 cases) industry sectors accounted for 57% of the total transactions.

EDFGLP Continued

Program Outcomes: Cases are monitored annually after funding and closed once a business achieves the contracted milestones, repays the required penalty, or the Department of Finance forwards the case to the Office of the County Attorney for collection.

Ten-year Summary of Outcomes (FY 2007 – 2016)

Outcome	Number of Cases	Funded Amount	Recalled Amount ²	Repaid Amount	Contracted Jobs	Final Jobs ⁴	Award Dollars per Final Job	Annual Net Benefit per Job ⁷
Closed Cases								
Satisfied Agreement Terms								
Met contracted milestones	6	\$465,000	-	-	530	893	\$521	\$1,352
Partially met contracted milestones, made repayment	8	\$450,000	\$374,750	\$426,275 ³	1,144	828	\$543	\$646
Did not meet contracted milestones, made repayment	1	\$230,000	\$80,000	\$80,000	54	5	\$46,000 ⁵	\$1,126
Total Satisfied Cases	15	\$1,145,000	\$454,750	\$506,275	1,728	1,726	\$663	\$1,010
Did Not Satisfy Agreement Terms								
Did not meet contracted milestones, no repayment	7	\$3,180,000 ¹	\$75,000	-	159	65	\$48,923 ⁶	\$11,959 ⁸
Active Cases								
Monitoring	37	\$16,596,150	\$88,000	-	6,042	4,526	\$3,667	\$1,824
Total All Cases	59	\$20,921,150	\$617,750	\$506,275	7,929	6,317	\$3,312	\$1,706

1 - \$2,875,000 (90%) is from two cases, Bethesda Cultural Alliance and Zyngenia.

2 - Only includes instances where the County issued an official recall notice to the business.

3 - Interest is included in the repaid amount.

4 - For Closed Cases, final count when case closed, not current job count in the County. For Active Cases, current job count from the most recent performance reports.

5 - Value is higher than average because the project (RNL Biostar) was CAPEX intensive for biotech equipment.

6 - Value is higher than average because the Bethesda Cultural Alliance was for a CAPEX project and Zyngenia was a biotech investment project.

7 - Estimated using the Fiscal Impact Model from the Department of Finance. Impact was calculated at the close of the project. Personal and real property taxes are averaged on a five-year sliding scale from the grant award date and real property taxes are only included for projects that involved a significant investment in real property improvement (e.g. Bethesda Cultural Alliance, Choice Hotels, etc.).

8 - The Bethesda Cultural Alliance was awarded to incentivize investment in real property. Though the project did not satisfy the agreement terms, there was a real property investment that generated real property taxes.

Additional Notes for FY 2007 – 2016:

- 1) 27 cases (46% of total funded cases) were to attract businesses from outside of the County.
- 2) The most funded industry sectors were biotechnology (21 cases, 36% of total) and information technology (18 cases, 31% of total).
- 3) The reported average wage for all cases was \$97,200 during the calendar year of 2015.

EDFGLP Continued

Five-Year Comparison to Comparable Incentive Programs

Jurisdiction	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Montgomery County						
Projects awarded	10	5	4	13	10	42
Amount awarded	\$24,585,000	\$3,760,000	\$14,890,150	\$5,495,000	\$13,005,000	\$61,735,150
Estimated jobs ¹	4,933	597	4,784	2,854	908	14,076
Award dollars per job ²	\$1,031	\$971 ⁴	\$604	\$1,925	\$1,107	\$1,070
Maryland, MEDAAF³						
Projects awarded	14	10	15	10	23	72
Amount awarded	\$6,837,000	\$6,710,000	\$13,135,000	\$6,960,000	\$12,229,000	\$45,871,000
Estimated jobs ¹	7,697	4,158	7,734	5,173	12,055	36,817
Award dollars per job	\$888	\$1,613	\$1,698	\$1,345	\$1,014	\$1,246
Virginia, Commonwealth Opportunity Fund³						
Projects awarded	21	21	24	33	27	126
Amount awarded	\$10,594,000	\$13,150,000	\$7,875,000	\$9,635,000	\$24,839,000	\$66,093,000
Estimated jobs	4,239	4,802	2,052	3,892	6,717	21,702
Award dollars per job	\$2,499	\$2,738	\$3,838	\$2,476	\$3,698	\$3,045

1 - Includes retained and created jobs. Using only new jobs, the average was \$4,193 for MD and \$6,569 for the County from FY 2011 - 2015.

2 - Excludes projects awarded (both award value and jobs) where the actual amount disbursed will be based on increase in real or personal property taxes (3 projects, NOAA, HHS, and ByteGrid).

3 - Source: MD data was reported in the MEDAAF annual reports (only conditional grants and loans for Capability #2); VA data was reported in November 16, 2015 Report to the MEI Project Approval Commission.

4 - Excludes Duball Project (\$3,180,000), which was awarded for new construction in Rockville and doesn't include a job milestone.

MOVE Program (MOVE)

Program Goals: Attract new businesses to the County and reduce vacant Class A and B office space

Program Mechanics: New businesses to the County can apply for the program after signing a direct lease for at least three years. Upon verification, businesses receive a grant that is equal to the product of \$8 and the leased square footage.

Program Summary

	FY 2014	FY 2015	FY 2016	Total
Number of awards	1	18	12	31
Amount awarded	\$8,060	\$499,972	\$308,944	\$816,976
Square footage leased	2,015	77,265	39,450	118,730
Average lease term	39	64	69	65
Initial jobs	4	162	53	219
Award dollars per initial jobs	\$2,015	\$3,086	\$5,829	\$3,730
Projected three-year job total ¹	9	405	213	627
Award dollars per total jobs	\$896	\$1,234	\$1,450	\$1,302

¹ - Job total was reported by applicant on their application. Actual jobs will be verified in future years using Maryland Quarterly Census of Employment and Wage data.

Additional Notes:

- 1) MOVE was expanded in February 2015 from \$4 to \$8 per leased square foot and the industry criteria were expanded to include most industries in the County. A total of eight businesses received MOVE grants under the pilot-version of the program.
- 2) The information technology industry sector received the most MOVE grants (11 awards, 35.5% of total).
- 3) Most of the MOVE grants were awarded to businesses signing leases in Rockville (13 awards, 41.9% of total). The next highest location was Silver Spring (8 awards, 25.8% of total).

Small Business Revolving Loan Program (SBRLP)

Program Goals: Provide financing for Montgomery County small businesses that lack access to traditional funding sources (e.g. banks).

Program Mechanics: Each business must execute a loan agreement that details the term and repayment conditions. In addition, recipients must execute a personal guarantee in the event of default.

Six-Year Program Summary

	FY 2011 - 2013 ¹	FY 2014	FY 2015	FY 2016	Total
Loans closed	-	3	4	-	7
Amount	-	\$125,000	\$293,459	-	\$418,459
Initial jobs	-	11	58	-	69
Private Capital Investment	-	\$800,000	-	-	\$800,000

1 - No loans were awarded due to lack of qualified applicants.

Ten-year Summary of Outcomes (FY 2007 – 2016)

Outcome	Number of Cases	Loaned Amount	Outstanding Balance	Repaid Amount ¹	Written-off Amount	Current Jobs ²
Closed Cases						
Fully paid-off	5	\$159,500	-	\$234,380	-	5
Partial Repayment – Written off	8	\$348,000	-	\$64,090	\$317,376	24
Full write-off	5	\$249,500	-	\$19,600	\$249,500	6
Active Cases						
Still open	9	\$563,459	\$445,914	\$180,365	-	107
Total All Cases	27	\$1,360,959	\$634,160	\$498,436	\$506,275	142
Program Totals (All Fiscal Years)	45	\$2,535,959	\$634,160	\$1,411,424	\$939,623	359

1 - Includes interest and loan fees

2 - Data was collected from Maryland Quarterly Census of Employment and Wages reports, when available.

Additional Notes for FY 2007 – 2016:

- 1) A majority of loans were awarded to Rockville businesses (9 cases, 33% of total).
- 2) A majority of loans were awarded to hospitality and retail businesses (14 cases, 52% of total)
- 3) Hospitality and retail businesses represented 75% of the written off amount and is likely reflective of the general difficulties (e.g. high fixed costs, seasonal revenue fluctuations, and broad competition) that all restaurants and retail businesses must overcome to be successful.

Biotechnology Investor Incentive Program (BIIP)

Program Goals: Provide grants to qualified investors for their investment in early-stage biotechnology companies in the County.

Program Mechanics: The grants are awarded to qualified investors who receive a final tax credit certificate from the State of Maryland's Biotechnology Investor Incentive Tax Credit Program. Grants are prorated based on the amount appropriated for the program and portion of an investor's state tax credits compared to the total state tax credits received by all investors of County biotechnology businesses.* Data is reported on a calendar year basis, instead of the County's fiscal year, because the BIIP is awarded for investments made in the previous calendar year.

Program Summary

	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	Total
County funding available	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$2,500,000
Number of businesses	10	11	10	14	12	57
Number of investments ¹	66	61	51	59	95	332
Total private investment dollars	\$5,902,500	\$6,253,987	\$7,053,700	\$7,002,711	\$13,579,920	\$39,774,818
Percent of State tax credits that the County received	38.0%	42.3%	39.5%	36.2%	Not available ⁴	38.8%
County supplement percent ROI	8.5%	8.0%	7.1%	7.1%	3.8%	-
Total ROI, including MD tax credit ²	58.5%	58.0%	57.1%	57.1%	53.8%	-
Total jobs ³	53	41	45	77	110	326

1 - Does not represent total number of investors. State tax credits are awarded on a qualified investment basis.

2 - Represents the return on investment for qualified investments into County biotechnology companies based on Maryland tax credit and County supplement. Maryland tax credit is cash refundable when there is no MD tax liability.

3 - Job data is not reported under this program. Data was collected from Maryland Quarterly Census of Employment and Wages reports, when available.

4 - CY 2015 total awarded tax credits were not available from the State at the time of this report.

* Example: County appropriates \$500,000. Total State tax credits for all investors of County biotechnology companies are \$3,000,000. Investor A received \$180,000 in State tax credits. Investor A will receive a \$30,000 supplement from the County under the BIIP (\$180,000 divided by \$3,000,000 equals 6%. 6% times \$500,000 equals \$30,000).

Cybersecurity Supplement Program (CSP)

Program Goals: Provide grants to qualified County cybersecurity businesses for successfully securing financing.

Program Mechanics: The grants are awarded to qualified businesses which receive a final tax credit certificate from the State of Maryland's Cybersecurity Investment Incentive Tax Credit Program. Grants are prorated based on the amount appropriated for the program and portion of the businesses' state tax credits compared to the total state tax credits received by all qualified businesses in the County. Data is reported on a calendar year basis, instead of fiscal year, because the CSP is awarded for investments made in the previous calendar year.

	CY 2014	CY 2015	Total
County funding available	\$500,000	\$500,000	\$500,000 ¹
Number of businesses	0	1	1
Number of investments	0	1	1
Total private investment dollars	0	\$100,000	\$100,000

¹ – Funding total remained at \$500,000 for both years because the \$500,000 appropriation in FY 2015 rolled over to FY 2016.

Green Investor Incentive Program (GIIP)

Program Goals: Provide grants to qualified investors for their investment in early-stage green technology companies in the County.

Program Mechanics: The grants are awarded to qualified investors who make an investment in a qualified green technology company. Grants are prorated based on the amount appropriated for the program and portion of an investor's investment compared to the total investments made by all investors of County green technology businesses.

Program Summary: No data available. No investor has taken advantage of the program since its inception. The County continues to market and assess how best to incentivize investments into green-technology businesses.

Small Business Assistance Program (SBAP)

Program Goals: Provide financial and technical assistance to small businesses adversely impacted by redevelopment projects that are either funded by the County or are located on County-owned land and in an Urban Renewal Area or an Enterprise Zone.

Program Mechanics: The County will provide technical assistance to small businesses that may be adversely impacted twelve months before a qualified redevelopment project occurs. Small businesses that can demonstrate that they were financially healthy before the redevelopment project and that they were adversely impacted by the redevelopment project can be awarded up to \$75,000 in financial assistance.

Program Summary: No data available. No qualified redevelopment projects occurred since the last report.

Equity Investment Program

Program Goals: Provide equity investments to select businesses. This program is used in lieu of a traditional EDFGLP agreement when projects cannot yield traditional performance milestones.

Program Mechanics: The County executes closing documents for an investment round issued by the business. The business must remain in the County for an agreed upon term, and in the event of a successful exit, the County receives its investment and a prorated portion of the valuation increase.

Program Summary: The County invested in three businesses in FY 2014 for a total of \$250,000. One business filed for bankruptcy and the County lost most of the \$50,000 investment. The other two businesses continue to operate in the County.

Technology Growth Program (TGP)

Program Goals: Provide grants to early stage, technology businesses.

Program Mechanics: Each business must execute a TGP Agreement that would require repayment, if and only if, the business achieved certain investment or revenue thresholds. If those thresholds were not met, the grant would be forgiven.

The TGP is inactive and no longer funding companies; the final year for awards was FY 2012. All open TGP cases were closed this fiscal year, so the data provided below is a summary for the program.

Program Summary (FY 2001 – 2012)

Outcome	Recipients	Award Amount	Private Funding	Repaid Amount
Grant forgiven	45	\$2,345,000	\$10,630,250	\$0
Grant Repaid	21	\$1,285,000	\$26,674,510	\$1,187,693
Forwarded to Collection	6	\$425,000	\$6,187,170	\$0
Totals	72	\$4,055,000	\$43,491,930	\$1,187,693

Appendix A: FY 2016 Appropriation Details (as of February 29, 2016)

FY16 Appropriation (including supplemental) for All Programs	\$1,853,591
FY15 Year End Cash Balance carried over (based on CAFR report)	\$2,250,774
Total Appropriation for All Programs for FY16	\$4,104,365
FY16 Year-to-Date Disbursement for All Programs:	
EDFGLP	\$1,026,600
MOVE Program	\$308,944
SBRLP	\$0
Equity Investment Program	\$0
Biotech Investor Incentive Program	\$0
Green Investor Incentive Program	\$0
Cybersecurity Supplement Program	\$16,500
Small Business Assistance Program	\$0
Adm. Cost for FY16	\$0
Personnel Cost for FY16 (Full Year Reserve)	\$129,751
Total	\$1,481,795
Available Fund Balance for All Programs for Remaining FY16	\$2,622,570
Reserved for SBRLP (estimated)	\$935,158
Reserved for MOVE	\$153,524
Reserved for Cybersecurity Tax Credit Supplement Program	\$483,500
Reserved for Green Investor Incentive Program	\$250,000
Reserved for Biotech Tax Credit Supplement Program	\$500,000
Total	\$2,322,182
Available Fund Balance for EDFGLP	\$300,388
Reserved for Committed Transactions Pending Disbursement	
Saint Gobain Performance Plastics	\$80,000
Total	\$80,000
Remaining Balance for FY16	\$220,388

(E)

Appendix B: EDFGLP Ongoing and Committed Transactions

Recipient Name	Total Funding Amount	Annual Funding Amount	FYs of Funding	Remaining Commitment	Notes
Choice Hotels	\$900,000	\$150,000 for 6 years	FY 2014 - 2020	\$600,000	
Fishers Lane (HHS)	\$19,500,000	Up to \$1,300,000 for 15 years	FY 2017 - 2031	\$19,500,000	Annual amount based on real property value at Project Site
Foulger Pratt (NOAA)	\$12,000,000	Up to \$923,077 for 13 years	FY 2017 - 2030	\$12,000,000	Annual amount based on increase in real property values at Project Sites
Meso Scale Diagnostics	\$1,670,000	Up to \$167,000 for 10 years	FY 2014 - 2023	\$1,169,000	First three years, \$167,000, remaining based on increase in real property values at Project Site
ByteGrid Holdings	\$12,000,000	Up to \$1,000,000 for 12 years	FY 2016 - 2027	\$12,000,000	Annual amount based on lessor of energy tax or 50% of personal property value for each qualified tenant
Saint Gobain Plastics	\$80,000	\$80,000	FY 2016	\$80,000	
Totals	\$46,150,000	\$3,787,077		\$45,349,000	

Appendix C: EDFGLP Recipients since 2015 EDF Annual Report

Recipient Name	Award Value	Purpose	Industry	Location
Choice Hotels	\$150,000	Remaining Commitment	Hospitality and Retail	Rockville
Meso Scale Diagnostics	\$167,000	Remaining Commitment	Biotechnology	Rockville
Sucampo Pharmaceuticals	\$300,000	Retain/Expand	Biotechnology	Rockville
VariQ Corporation	\$100,000	Retain/Expand	Tech. and Info. Tech.	Rockville
Teaching Strategies	\$150,000	Retain/Expand	Tech. and Info. Tech.	Bethesda
innoScience	\$100,000	Attract	Tech. and Info. Tech.	Gaithersburg
HIAS	\$80,000	Attract	Other	Silver Spring
TSC Advantage	\$85,000	Attract	Tech. and Info. Tech.	Silver Spring
Rapid Financial Services	\$100,000	Retain/Expand	Business Services	Bethesda
HedgeCheck	\$45,000	Attract	Business Services	Silver Spring
Salsa Labs	\$95,000	Attract	Tech. and Info. Tech.	Bethesda
Quality Biological	\$50,000	Retain/Expand	Biotechnology	Gaithersburg
Totals	\$1,422,000			

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Appendix D: MOVE Recipients since 2015 EDF Annual Report

Recipient Name	Award Value	Square Feet	Industry	Location	Initial Jobs
TSC Advantage ¹	\$24,000	6,152	Tech. and Info. Tech.	Silver Spring	38
Alexandria Launchlabs	\$47,016	5,877	Shared Office ²	Gaithersburg	N/A
Steward Partners	\$69,072	8,634	Finance	Bethesda	6
Financial Xchange	\$10,756	1,342	Finance	Rockville	1
Blessed Tree	\$60,920	7,615	Non-profit	Germantown	3
Amped I Fire	\$26,032	3,254	Tech. and Info. Tech	Rockville	9
Accustrata	\$12,568	1,571	Tech. and Info. Tech	Silver Spring	7
Vidoori	\$18,456	2,307	Tech. and Info. Tech	Silver Spring	15
Kalibri Labs	\$46,904	5,863	Tech. and Info. Tech	Rockville	12
Association of Volunteers in Intl. Service	\$5,200	650	Non-profit	Silver Spring	2
Fearless SelfMade Millionaires	\$12,800	1,600	Finance	Gaithersburg	6
Regenxbio	\$80,000	10,833	Biotechnology	Rockville	18
HIBP Medical Services	\$14,544	1,818	Edu. & Healthcare	Silver Spring	2
Vilaseca and Associates	\$12,800	1,600	Finance	Gaithersburg	1
ProSourcing Partners	\$13,864	1,733	Business Services	Rockville	3
DMY Engineering	\$41,800	5,225	Tech. and Info. Tech	Rockville	9
Rebound Physical Therapy	\$25,704	3,213	Healthcare	Rockville	1
ZeroK Nanotechnology	\$29,656	3,707	Tech. and Info. Tech	Gaithersburg	2
innoScience ¹	\$46,400	6,632	Tech. and Info. Tech	Gaithersburg	3
Catylator	\$23,792	2,974	Edu. & Healthcare	Silver Spring	1
Law Office of Linda Cornelius	\$6,800	850	Business Services	Silver Spring	2
Ward and Ward Mental Health Services	\$46,992	5,874	Edu. & Healthcare	Silver Spring	20
Centeva	\$23,120	2,890	Business Services	Rockville	6
Knowledge Analytics	\$23,472	2,934	Tech. and Info. Tech	Rockville	3
Totals	\$722,648	95,148			170

1 - Both recipients were qualified for MOVE but applied for an EDFGLP award. The MOVE award was portioned into the overall grant and was estimated based on projected square footage during negotiations.

2 - Launchlabs is a shared office/lab space that is for early-stage biotechnology firms. No job data available.

Appendix E: SBRLP Recipients since 2015 EDF Annual Report

Recipient Name	Loan Value	Initial Jobs	Industry	Location
Quantum Vision	\$100,000	- 32	Tech. and Info. Tech.	Gaithersburg



DEPARTMENT OF ECONOMIC DEVELOPMENT

Isiah Leggett
County Executive

Sally Sternbach
Acting Director

March 11, 2016

Nancy Floreen, President
Montgomery County Council
Council Office Building, 6th Floor
100 Maryland Avenue
Rockville, Maryland 20850

Dear President Floreen:

On behalf of County Executive Leggett, I am pleased to express the County's support for the proposed \$300,000 supplemental appropriation for the MOVE Program.

The MOVE Program, part of the County Executive's Six-Point Economic Plan, is designed to attract new businesses and new jobs to Montgomery County and to fill our vacant Class A and B office space. The program offers new businesses a one-time grant of \$8 per square foot for newly leased space. The executed lease must be for at least three years and be equal to or less than 10,000 square feet. Based on the criteria, the program targets small- to mid-size businesses that are considering Montgomery County as a location to start or relocate their business.

The MOVE Program has been successful in attracting new companies and new jobs to the County. To date, 31 new businesses received MOVE grants and 5 more businesses are preapproved while they wait to take occupancy of their new office space. Of the 31 businesses, 15 are County startups leasing commercial office space for the first time and 16 relocated from outside of the County. A majority of the businesses (11) are in information technology industry, which includes the strategic cybersecurity and software development sectors. The 31 businesses leased more than 118,000 square feet of Class A and B office space and created 219 new jobs immediately in the County. In addition, these businesses project that they will add more than 400 more jobs in the next three years.

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Ms. Nancy Floreen
March 11, 2016
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One business that bears mentioning is REGENXBIO. This biotechnology firm received a MOVE grant after relocating to the County in 2015, adding close to 20 jobs and leasing approximately 10,000 square feet. As reported by the Washington Business Journal on March 2, 2016, this company has grown to more than 60 jobs and leased an additional 40,000 square feet in the County. While all of our MOVE recipients may not achieve this level of growth, REGENXBIO, supported by the MOVE grant in its relocation, is a great success story for the County's biotechnology industry cluster.

The MOVE Program will continue to attract new businesses and new jobs to Montgomery County through the additional requested appropriation. Thank you for your consideration in supporting the County Executive's recommendation for a supplemental appropriation for the MOVE program.

Sincerely,



Sally Sternbach
Acting Director
Department of Economic Development

cc: Isiah Leggett, County Executive
Timothy Firestine, Chief Administrative Officer
Joseph Beach, Director, Department of Finance
Members of the Montgomery County Council