REVIEW OF MONTGOMERY COUNTY'S ECONOMIC DEVELOPMENT INCENTIVE PROGRAMS

OFFICE OF LEGISLATIVE OVERSIGHT
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Review of Montgomery County's Economic Development Incentive Programs

OFFICE OF LEGISLATIVE OVERSIGHT REPORT 2013-2: EXECUTIVE SUMMARY
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This OLO report responds to the County Council's request to review and offer recommendations on measuring and assessing the impact of Montgomery County's economic development incentive programs.

Economic Development Incentives in Montgomery County

Local governments across the nation provide $80 billion per year in economic development incentives to businesses. In general, local governments provide incentives as a means to increase local economic growth through business investment and creating new jobs. Montgomery County provides incentives via an Economic Development Fund and tax credits, and within the framework of a strategic plan.

- **Economic Development Fund (EDF).** The EDF is established in the County Code to "aid the economic development of the County by assisting private employers who are located or plan to locate or substantially expand operations in the County." The EDF is a discretionary program administered by the Department of Economic Development (DED).
- **Tax Credits.** The County has four "economic development" tax credits, administered by the Department of Finance, for qualifying businesses to locate or expand in Montgomery County. The tax credit programs are entitlement incentives, meaning a company qualifies for the credit as long as they meet the criteria established for the program in law.

Administration of Incentive Programs

Montgomery County's economic development programs, to a large extent, align with best practices cited in the research literature for structuring and administering incentives to maximize potential effectiveness.

Best Practice #1. Align incentive use with a clearly articulated economic development strategy. The County's current strategic plan includes action items relevant to economic development incentives. The Council's 2012 amendments to the EDF law formalize this link by requiring that financial assistance provided from the EDF must be consistent with the strategic plan.

Best Practice #2. Conduct prospective cost-benefit analyses. DED conducts a multi-year cost-benefit analysis on most potential EDF program incentive awards as part of the standard review process, resulting in the projected net annual fiscal impact of each award on the County.

Best Practice #3. Align incentive design with business needs. The EDF law specifies that assistance provided to private employers can take multiple forms, including: grants or loans; transfers of real or personal property; provision of services by a County agency; or plans, studies, or technical assistance.

Best Practice #4. Include clear performance standards, mechanisms for monitoring performance, and penalties for breach of contract in all agreements with incentive recipients. DED develops an Economic Development Fund Agreement (EDFA) with each incentive recipient that stipulates the specific terms, conditions, and performance requirements the company must meet. Each EDFA also includes a "claw-back" provision to recapture the award if requirements are not met.

Best Practice #5. Evaluate incentive programs regularly. DED annually reports on performance and funding measures, but has not conducted a formal evaluation of incentive programs.

The complete OLO Report 2013-2 is available at: www.montgomerycountymd.gov/olo

Economic Development Fund

The Economic Development Fund has provided over $34 million in direct financial assistance to companies in Montgomery County through 2012. Most assistance (~75%) is through the Grant and Loan program.

Award Data for EDF Programs

EDF Program	Year Established	Cumulative Assistance Provided	Total Awards Provided
Grant and Loan	FY96	$25.8 million	161
Technology Growth	FY99	$3.96 million	71
Small Business Revolving Loan	FY00	$2.1 million	38
Biotech Supplement	FY12	$500,000	66
Impact Assistance	FY05	$478,000	27

Data on the Grant and Loan program show that about two-thirds of program awards were made for business retention projects compared to one-third for business attraction projects. The total funding amounts, however, were nearly equal for retention and attraction projects. Additionally, DED targets Grant and Loan program awards to companies in industry types identified by the County's strategic plan. Three industry types – Technology/IT, Biotechnology, and Business Services – account for 82% of grant and loan awards and 46% of total program funding.

Tax Credits

Montgomery County has provided $34.8 million to businesses in economic development incentive property tax credits through FY12. By offering these tax credits, the County foregoes the collection of some property tax revenue that otherwise would have gone to the General Fund. The Department of Finance annually reviews and certifies that each recipient remains compliant with the terms and conditions of the credit, but does not compile or report any performance or outcome data associated with the tax credit programs.

Tax Credit Summary Data

Tax Credit Program	Year Established	Value of Credits Issued	Total Credits Issued
Enterprise Zone	FY99	$15.5 million	840
Enhanced New Jobs	FY00	$12.9 million	11
New Jobs	FY00	$6.4 million	76
Arts & Entertainment District	FY05	$25,000	25

Research Literature on Performance Outcomes

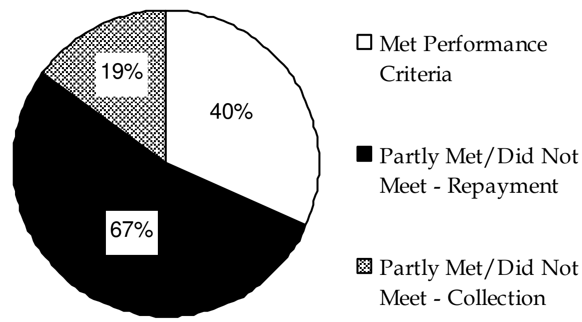
The research literature on evaluating economic development incentives includes three key themes:

- Measuring the "success" of economic development programs is difficult, and empirical studies do not provide a definitive answer on whether or not incentives create desired economic growth.
- A particular challenge in measuring incentive programs is determining "decisiveness" (i.e., the degree to which an incentive actually plays a role in a business's decision-making process). Relevant to Montgomery County, some researchers suggest that local incentive programs within large metropolitan areas may be more "decisive."
- Since incentive programs are difficult to definitively link to economic growth, many jurisdictions assess the impact of incentives by measuring and reporting various program outcome data. The most typical performance data on incentives reported by state and local jurisdictions are job creation, investment, and cost data.

Compliance with Performance Requirements

Each Grant and Loan program award recipient must comply with certain performance criteria for a set period of time. As shown by the graph, 40% of the Grant and Loan Program award recipients that have completed monitoring successfully met all performance criteria. Recipients that did not meet all performance criteria were subject to "claw-back" provisions and required to repay some or all of the award. 67% made the required "claw-back" repayment, while 19% did not and those cases were sent for collection.

Grant and Loan Program Award Outcomes*

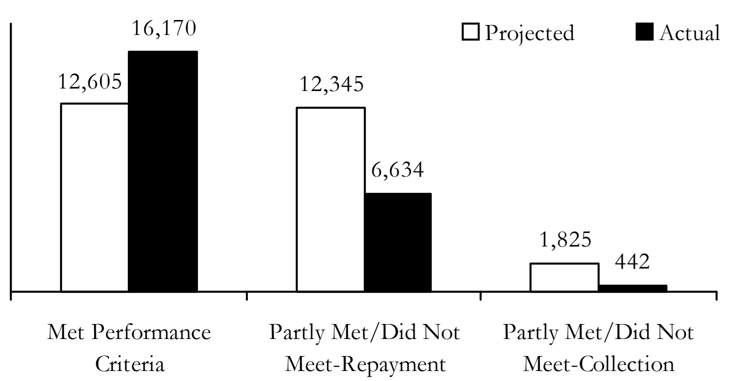


*As of December 2012

Job Retention/Creation Outcomes

DED tracks and reports annually on compliance with jobs requirements, allowing for a comparison of the projected jobs "pre-award" versus the actual results "post-award." Grant and Loan Program award recipients that have completed monitoring retained or created 23,246 jobs in Montgomery County, or 87% of the required total.

Total Jobs Retained/Created by Award Outcome



The chart shows projected versus actual job performance sorted by award outcome. Award recipients that successfully met all performance criteria actually exceeded job requirements and thus "drove" the cumulative jobs total. For measuring and reporting purposes, DED combines data on existing jobs retained and new jobs created.

Investment and Fiscal Impact Outcomes

DED has approved incentive awards projected to provide a large "return on investment" to the County: $1.24 billion in private investment and $38 million in annual net economic benefit. These data, however, are only "pre-award" measures and do not assess the extent to which the projections are met.

Planned Private Capital Investment and Projected Fiscal Impact

Grant and Loan Program Awards	Planned Private Investment	Projected Annual Fiscal Impact
Met Performance Criteria	$575 million	$13.4 million
Partially Met/Did Not Meet: Repayment	$354 million	$15.6 million
Partially Met/Did Not Meet: Collection	$25 million	$3.1 million
Under Monitoring	$285 million	$5.8 million
Total	**$1.24 billion**	**$38.0 million**

Award outcome data indicate that many recipients may not achieve the presumed level of investment or impact. Award recipients that met all performance criteria are the most likely to have achieved the forecasted investment and impact (and in some cases may have exceeded the projections). On the other hand, it is also likely that award recipients did not achieve the planned level of private investment and/or economic impact if they partially met or did not meet the performance criteria.

Long-Term Retention of Incentive Recipients

To assess whether companies that receive incentive awards are staying in Montgomery County for the long-term (i.e., after the monitoring period ends), OLO analyzed data from the Maryland State Department of Assessment and Taxation. OLO's review found that the proportion of EDF incentive recipients still in business and located in Montgomery County (as of December 2012) varies by program. Specifically:

- 68% of the 154 unique Grant and Loan award recipients remain located in Montgomery County, while 32% have moved out of the County or gone out of business.
- 49% of the 71 Technology Growth award recipients remain located in Montgomery County, while 51% have moved out of the County or gone out of business.
- 58% of the 38 Small Business Revolving Loan award recipients remain located in Montgomery County, while 42% have moved out of the County or gone out of business.

There are multiple factors that influence the long-term success and location of a business, so the fact that a company has moved or gone out of business does not mean it was unsuccessful in creating economic benefits or in meeting performance targets while in the County. At the same time, incentive recipients that remain in the County are more likely to provide a longer lasting economic impact.

Recommendations for Council Action

The Office of Legislative Oversight's review of Montgomery County's economic development incentive programs illustrates opportunities to build upon the current performance monitoring and measurement efforts. OLO has three recommendations for Council action, intended to provide both the Council and the Executive Branch with the most complete picture possible when reviewing incentive programs from a programmatic, strategic, and funding perspective.

Recommendation #1. Request that the County Executive enhance the data collection and reporting procedures for economic development incentives by expanding pre-award and post-award measurement of performance indicators. The County Government should expand current data collection and/or reporting associated with three key performance outcome measures – private capital investment, the estimated net fiscal impact of awards, and jobs created and retained – as detailed below:

- Collect and report data on the actual private investment made by award recipients at the completion of the monitoring period for comparison with what was projected.
- Revise the estimated fiscal impact for each project at the completion of the monitoring period for comparison with what was projected.
- Differentiate between jobs retained and jobs created within data reporting for program awards.

Recommendation #2. Request the County Executive track and annually report on the long-term outcomes of businesses that have received incentives (i.e., whether they remain located in Montgomery County or have moved or gone out of business). Regularly tracking and reporting data on whether or not businesses that receive incentive awards are staying in Montgomery County will help the Council and the Executive Branch assess the success of these programs over the long-term.

Recommendation #3. As part of the economic development strategic planning process, the Council should discuss with the Executive Branch performance targets or guidelines for actual versus projected jobs, investment, fiscal impact, and long-term retention results. There are multiple variables that impact the dynamics of business growth and development within a region, and it is not unexpected that some incentive recipients will not meet some or all performance criteria. However, the Council would benefit from being able to review actual performance data within a set of guidelines or standards for each measure that indicate whether or not the incentives are meeting strategic goals.

Office of Legislative Report 2013-2

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Chapter I. Authority, Scope, and Organization of Report

A. Authority

Council Resolution 17-517, *Fiscal Year 2013 Work Program of the Office of Legislative Oversight,* adopted July 31, 2012.

B. Purpose and Scope of Report

The Department of Economic Development (DED), in conjunction with the Department of Finance, administers two types of financial incentives designed to encourage and/or assist private employers to locate, remain, or expand operations in Montgomery County:

- Direct financial assistance – primarily through grants or loans from the County's Economic Development Fund; and
- Tax credit programs – The New Jobs and Enhanced New Jobs Tax Credits, the Enterprise Zone Tax Credit, and the Arts and Entertainment District Tax Credit.

The purpose of this report is to enhance the Council's oversight of publicly-funded economic development incentives by tracking and reviewing these awards and offering recommendations on how to best measure and assess their impact. Specifically, this report:

- Reviews the research literature on administering, measuring, and evaluating economic development incentive programs;
- Describes the governance structure and administrative processes for Montgomery County's economic development incentive programs;
- Provides financial and awards summary data on incentive programs; and
- Reviews and assesses the performance outcome data maintained by DED.

C. Organization of Report

Chapter II, Economic Development Incentives: Research and Best Practices, summarizes key theoretical and practical findings from the research literature on economic development incentives.

Chapter III, Overview of Economic Development Incentives in Montgomery County, introduces the legal, administrative, and strategic governance structure for the County's economic development incentives.

Chapter IV, Economic Development Fund, provides an overview of the County's Economic Development Fund and its programs.

Chapter V, Economic Development Tax Credit Programs, provides an overview of the County's four different economic development tax credit programs.

Chapter VI, Economic Development Incentives: Performance and Outcome Data, analyzes key performance, monitoring, and outcome data reported by DED for the three largest EDF programs, and reviews the long-term retention data for businesses that received incentives.

Chapters VII-VIII present OLO's **Findings and Recommendations to the Council.**

Chapter VII contains **Agency Comments** received from the Chief Administrative Officer on the final draft of this report.

D. Methodology

Office of Legislative Oversight (OLO) staff members Craig Howard and Natalia Carrizosa conducted this study. OLO gathered information through document reviews, data analysis, and interviews with staff from the County Government's Department of Economic Development and Department of Finance.

E. Acknowledgements

OLO received a high level of cooperation from County Government staff involved in this study. OLO appreciates the significant time commitment, the information shared, and the insights provided by all staff who participated. In particular, OLO acknowledges the following staff for their assistance: Steve Silverman, Peter Bang, and Lydia Lan from the Department of Economic Development; and Joe Beach, Mike Coveyou, and Mike Parent from the Department of Finance.

Chapter II. Economic Development Incentives: Research and Best Practices

State and local governments have made increasing use of economic development incentives over the past fifty years in an effort to retain existing jobs, create new jobs, grow the tax base, and strengthen local economies. The *New York Times* estimates that, as of 2012, states, counties, and cities nationwide provide $80 billion per year in economic development incentives to companies.[1]

The substantial body of research on incentives does not offer a definitive answer on whether incentives deliver the desired benefits. However, the research does identify several "best practices" for administering and monitoring incentive programs.

This chapter summarizes key theoretical and practical findings within the research literature on economic development incentives, and is organized as follows:

- **Section A** defines economic development incentives and explains why state and local governments provide them;
- **Section B** describes the challenges associated with measuring and evaluating the impact of incentive programs; and
- **Section C** identifies "best practices" for maximizing the effectiveness of incentive programs.

A. Overview of Economic Development Incentives

Economic development incentives are typically one component of a state or local government's overall economic development program or strategy. Economic development programs have common goals, but can encompass a broad range of policies and activities, as explained by the International Economic Development Council:

> The main goal of economic development is improving the economic well being of a community through efforts that entail job creation, job retention, tax base enhancements and quality of life. As there is no single definition for economic development, there is no single strategy, policy, or program for achieving successful economic development. Communities differ in their geographic and political strengths and weaknesses. Each community, therefore, will have a unique set of challenges for economic development. [2]

This section reviews the different types of economic development incentives offered by state and local governments, and how economic development incentives can help achieve the desired economic benefits within a community.

1. What are Economic Development Incentives?

Economic development incentives refer to assistance provided by governments (or sometimes quasi-governmental or non-governmental agencies) directly to businesses to influence their decision to locate, expand or remain in a community. The type and structure of an economic development incentive can vary, and the research literature describes four key parameters of incentive programs:

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[1] Louise Story, "As Companies Seek Tax Deals, Governments Pay High Price," *New York Times*, Dec. 3, 2012.
[2] "What is Economic Development?" *Economic Development Reference Guide*, (International Economic Development Council, accessed Jan. 28, 2013), http://www.iedconline.org/?p=Guide_Overview .

- **Incentives can take the form of financial or non-financial assistance**. Financial incentives include tax exemptions and credits, grants, loans, and loan guarantees. Examples of non-financial incentives include provision of infrastructure, job candidate screening services and customized training, and land and building subsidies.[3]

- **Incentives can be structured as entitlement or discretionary programs**. An entitlement incentive program is structured so that any business that meets a set of pre-established criteria receives the incentive. Discretionary incentive programs are those that allow governments to negotiate incentive packages with specific companies or provide incentives on a competitive basis, and may or may not include pre-established eligibility criteria.[4]

- **Incentives can provide "up-front" or "back-loaded" assistance.** Up-front incentive programs provide the agreed-upon assistance as soon as a business is approved for an award. Back-loaded incentive programs require that businesses meet specific milestones or performance targets prior to receiving the incentive.[5]

- **Incentives can be available throughout a jurisdiction, or can be targeted to selected geographic areas or location types.** Targeted incentive programs limit the eligibility for an incentive to companies within specific areas, such as economically distressed neighborhoods or downtown areas, or to specific types of locations such as contaminated properties.[6]

2. Why Provide Economic Development Incentives?

In general, governments provide economic development incentives to enhance the local economy. Alan Peters and Peter Fisher summarize the central rationale for economic development incentives:

> There are two broad but related justifications for incentives. The first is that incentives will lead to business investment and thus new jobs, producing an increase in the local demand for goods and services, giving rise to further rounds of economic growth. The second justification is that economic growth increases public revenues, thus allowing for improved public services or a decline in tax rates. Other justifications of economic development are commonly given - including industrial diversification or the promotion of high-technology industries - but most of these justifications are derivatives of the first two.[7]

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[3] Timothy J. Bartik, "Local Economic Development Policies," (Working Paper No. 03-91, Kalamazoo, MI: W. E. Upjohn Institute for Employment Research 2003), p. 16.
[4] Peter Fisher, "The Fiscal Consequences of Competition for Capital," in *Reining In the Competition for Capital*, ed. Ann Markusen (Kalamzoo, MI: W. E. Upjohn Institute for Employment Research 2007), pp. 57-58.
[5] Rachel Weber and David Santacorre, "The Ideal Deal: How Local Governments Can Get More for their Economic Development Dollar," (Good Jobs First and the University of Illinois at Chicago Center for Urban Economic Development, 2007), http://www.goodjobsfirst.org/sites/default/files/docs/pdf/idealdeal.pdf, p. 27.
[6] Bartik (2003), "Local Economic Development Policies," pp. 33-38.
[7] Alan Peters and Peter Fisher, "The Failures of Economic Development Incentives," *Journal of the American Planning Association* (Winter 2004), p. 28.

In theory, incentives accomplish these economic goals by attracting or retaining businesses that would not otherwise locate, remain, or expand in the community. The businesses that receive incentives can generate benefits in two ways: 1) directly through their own investments and hiring; and 2) indirectly by bringing about increased demand for other local businesses.[8] Specific potential benefits that can accrue from economic development incentives include:[9]

- Increased sales for some local businesses resulting from demand from incentive recipients and from increased household incomes in the area;
- Increased employment and household incomes for the previously unemployed and for residents whose wages increase as a result of greater demand for workers; and
- A larger tax base as a result of the presence of incentive recipients, growth of other local businesses, increased household incomes and property values, and new residents.

On the other hand, the research literature also details potential costs associated with incentives, including:[10]

- Reduced sales for some local businesses that suffer negative effects from competition with incentive recipients, and therefore reduced tax revenue from these businesses;
- Forgone tax revenue from incentive recipients that would have located or expanded in the community regardless of the incentive; and
- Increased public expenditures resulting from commercial and residential development and population increases.

B. Challenges of Evaluating Incentive Programs

Measuring the "success" of economic development programs, including incentive programs, poses difficulties for evaluators.[11] Much of the difficulty lies in determining and quantifying the change directly *caused by* an economic development program. For example, when a researcher develops an evaluation plan for a program designed to increase jobs and grow the tax base, it is analytically challenging to design a study that can distinguish between change caused by the economic development program itself versus change caused by external factors, such as business cycles, natural firm growth and development, or program participant selection bias.[12]

This section reviews two specific factors often-cited as challenges when analyzing the outcomes of incentive programs, and summarizes the conclusions within the research literature as to whether or not economic development incentives work as intended.

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[8] Fisher (2007), "The Fiscal Consequences of Competition for Capital," pp. 59-60 and Bartik (2003), "Local Economic Development Policies," p. 5.

[9] Bartik (2003), "Local Economic Development Policies," pp. 4-14; and Timothy J. Bartik, "Solving the Problems of Economic Development Incentives," in *Reining In the Competition for Capital*, edited by Ann Markusen (Kalamzoo, MI: W. E. Upjohn Institute for Employment Research 2007), p. 108.

[10] Bartik (2003), "Local Economic Development Policies," pp. 8-9; and "Evidence Counts: Evaluating State Tax Incentives for Jobs and Growth," (The Pew Center on the States, April 2012), p. 19.

[11] Timothy Bartik and Richard Bingham, *Can Economic Development Programs be Evaluated?,* (Working Paper 95-29, Kalamazoo, MI: W. E. Upjohn Institute for Employment Research 1995), p. 4.

[12] Ibid.

1. "Decisiveness" of Economic Development Incentives

The "decisiveness" of incentives refers to the role an incentive actually plays in a business's decision-making process. In other words, does an incentive cause a business to make a particular location decision or would the business have likely made that same decision without the incentive?

The research indicates that businesses consider a number of factors when deciding whether to locate or expand in a community, including access to inputs and suppliers, availability of labor, proximity to customers, and relative tax burdens.[13] An evaluation can overstate the benefits if it assumes that the incentive program was a decisive factor for *all* businesses that received incentives and located, expanded, or remained in the community. Some of the benefits generated by incentive recipients might have materialized even if the program were not in place.[14]

Additionally, local governments are unlikely to have sufficient information to determine with certainty whether an incentive will be decisive for any given business. In contrast, businesses seeking incentives have access to extensive information about the characteristics of the jurisdictions they are considering, their own costs, and incentive offers from different jurisdictions – providing them with an inherent advantage in incentive negotiations. Several researchers provide case study evidence that shows businesses often act as though the incentive is decisive in their final decision, even if it is not, to maximize their negotiating leverage and get the best deal possible from the state or local government.[15]

Two recent reviews of State-level incentive programs in Virginia attempt to quantify what factors are most important in driving business location decisions. A 2010 report to the Virginia Senate Finance Committee presents data on interviews conducted by the Virginia Economic Development Partnership with 178 companies that were pursued but chose to locate elsewhere between 2005 and 2009. 13% of the companies indicated that incentives were the key factor in their location decision, compared to 34% that indicated "business model" (financing, market proximity, logistical concerns, etc.) and 32% that indicated "real estate" (infrastructure, availability of facilities, etc.) as the reason for not selecting Virginia.[16]

A November 2012 report by Virginia's Joint Legislative Audit and Review Commission (JLARC) notes that the current best estimate based on studies done by economists is that a typical incentive package plays a decisive role in a business's site selection decision approximately 10% of the time.[17] The report concludes that:

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[13] Greg LeRoy, *The Great American Jobs Scam: Corporate Tax Dodging and the Myth of Job Creation (*San Francisco: Berrett-Koehler Publishers, Inc., 2005), pp. 48-50.
[14] Bartik (2007), "Solving the Problems of Economic Development Incentives," p. 107.
[15] Ann Markusen and Katherine Nesse, "Institutional and Political Determinants of Incentive Competition," in *Reining In the Competition for Capital*, edited by Ann Markusen (Kalamzoo, MI: W. E. Upjohn Institute for Employment Research 2007), p. 22; and Kenneth Thomas, "The Sources and Processes of Tax and Subsidy Competition," ," in *Reining In the Competition for Capital*, edited by Ann Markusen (Kalamzoo, MI: W. E. Upjohn Institute for Employment Research 2007), p. 46.
[16] *Economic Development Incentives*, (Virginia Senate Finance Committee, November 2010), p. 14. http://sfc.virginia.gov/pdf/retreat/2010_Retreat/8_Econ_Develop.pdf
[17] Virginia Joint Legislative Audit and Review Commission, *Review of State Economic Development Incentive Grants*, (November 13, 2012), pg. 28. Report currently published as a "Commission Draft" pending final approval.

> Businesses' decisions to locate or expand in a particular area are based on a variety of factors that will affect their operations and employees. Although the importance of factors will vary based on the requirements of the business and project, transportation and labor costs typically have greater and longer-term implications on a business's profitability and sustainability than incentive grants. Consequently, they are likely to have a more substantial impact on the project's ultimate location than incentive grants. However, if they do affect decisions, incentive grants appear to become more important toward the end of the site selection process, after the fundamental business requirements have been met.[18]

The geographical context of an incentive program does appear to play a role in increasing the relative decisiveness. Experts suggest that incentives in local jurisdictions within large metropolitan areas may have a larger effect than statewide incentives. This is because the jurisdictions in a metropolitan area are similar to one another with respect to many of the characteristics that impact location decisions, such as labor force and access to suppliers and consumers.[19] Thus, a local incentive program may be able to draw businesses from neighboring jurisdictions.

2. Variability of Job Creation Benefits

Another factor that creates difficulty in measuring incentive programs is that the costs and benefits of an economic development program, in particular job benefits, may spill outside of the local jurisdiction or community.[20] Evaluations can misrepresent the local benefits of job creation, for example, if they do not consider the context of the larger local, regional, and national labor market. Each new job can have different economic and fiscal effects depending on whether it is filled by a previously unemployed local resident, a new resident, or a commuter.

Hiring local residents that are unemployed or not previously in the labor force is likely to generate net fiscal benefits as well as social benefits. The government will benefit from increased income and sales tax revenues as a result of increased household incomes and from reduced expenditures on social programs for the unemployed.[21] On the other hand, if new jobs are filled by individuals who were previously employed in other jobs, then the fiscal effects will depend on who takes the jobs that they leave vacant.

An influx of new residents attracted by jobs may generate net fiscal costs, because "the typical household consumes more in public services than it pays in state and local taxes."[22] Existing evidence indicates that a large portion of new jobs are filled by new residents or commuters from other jurisdictions. A recent study of Virginia found that, between 1990 and 2000, 50% of new jobs in local jurisdictions were taken by commuters from other jurisdictions, 10% were taken by residents who had previously commuted outside of the local jurisdiction, and 40% were taken by either new residents or other residents who did not previously participate in the local labor force.[23]

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[18] Ibid., p. 24.
[19] Bartik (2007), "Solving the Problems of Economic Development Incentives," p. 107.
[20] Ibid., p. 113.
[21] Fisher (2007), "The Fiscal Consequences of Competition for Capital," p. 60; and Xiaobing Shuai, "Who Benefits from Job Creation at County Level? An Analysis of Leakage and Spillover of New Employment Opportunities in Virginia," *Business Economics*, Vol. 45, No. 1 (January 2010): p. 39.
[22] Bartik (2003), "Local Economic Development Policies," p. 8.
[23] Shuai (2010), "Who Benefits from Job Creation at County Level?" p. 40.

For communities located in large metropolitan areas where commuting plays a major role, the benefits of job creation impact the labor market as a whole, rather than the local jurisdiction exclusively. As Timothy Bartik explains:

> Commuting spreads the effects of job creation throughout the local labor market, and even affects job opportunities and wages for workers who don't commute. For example, if new jobs in the suburbs go to suburbanites who previously commuted to the city, the resulting city vacancies will provide job opportunities for city residents who never commute to the suburbs.[24]

3. Do Economic Development Incentives Work?

The conclusion of researchers on economic development incentives is mixed: most researchers conclude that it is difficult to prove the effectiveness of incentives, but at the same time many argue that the potential benefits combined with the economic and political realities call for the continuation of these programs.

Peters and Fisher conducted a "metareview" in 2004 of studies that analyze the impact of economic development incentives on economic growth, and report that the "consensus" position among researchers has shifted back and forth over the years.[25] In the end, the authors conclude that the evidence does not provide a definitive answer either way:

> The upshot of all this is that on this most basic question of all – whether incentives induce significant new investment or jobs – we simply do not know the answer. Since these programs probably cost state and local governments about $40-50 billion a year, one would expect some clear and undisputed evidence of their success. This is not the case. In fact, there are very good reasons – theoretical, empirical, and practical – to believe that economic development incentives have little or no impact on firm location and investment decisions.[26]

The 2012 Virginia JLARC report acknowledges the lack of clarity within the broad research on incentive programs, but makes the argument why state and local governments would still want to provide economic development incentives:

> Although it is not clear to what extent incentive grants sway the location and expansion decision of businesses in Virginia, their use can benefit the State and its economy….Because it is not possible to precisely distinguish in which cases a grant is truly necessary for a project to locate in Virginia, grants may have to be awarded to many businesses in order to attract the few that would not locate in the State without an incentive grant. While this approach may be costly and inefficient, it recognizes the reality of economic development nationally, whereby states are compelled to compete against each other for businesses that can provide needed employment and other economic benefits.[27]

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[24] Bartik (2003), "Local Economic Development Policies," p. 11.
[25] Peters and Fisher (2004), "The Failures of Economic Development Incentives," p. 29.
[26] Ibid., p. 32.
[27] Virginia Joint Legislative Audit and Review Commission (2012), *Review of State Economic Development Incentive Grants*, p. 31.

C. Best practices to maximize the effectiveness of incentive programs

Although the empirical evidence does not provide definitive answers on "success", researchers recommend several "best practices" for maximizing the potential effectiveness of incentives:

1. Align incentive use with a clearly articulated economic development strategy that defines specific goals and objectives

Economic development strategies identify priorities and goals for the community's future, and they can offer important guidance for the implementation of incentive programs. Michael Oden argues:

> Setting clear goals based upon the kind of economic activities a region wants to stimulate and carefully targeting public investments based on a clear and sophisticated strategy is what separates successful local economic development efforts from unsuccessful and wasteful initiatives.[28]

For example, if the strategy calls for high-wage job creation, reducing unemployment and increasing environmental sustainability, the corresponding incentive program should prioritize businesses that pay relatively high wages for the occupation or background of the workers, businesses that will hire the local unemployed, and businesses that can generate environmental benefits.[29]

2. Conduct prospective cost-benefit analyses and consider the potential decisiveness of the incentive when selecting incentive recipients

Evidence indicates that, while the vast majority of local governments undertake cost-benefit analyses or other quantitative analyses to evaluate incentive requests from businesses some of the time, fewer than half always do so.[30]

Rachel Weber and David Santacorre recommend that governments thoroughly evaluate the potential costs and benefits of incentive deals, including foregone revenues, the cost of additional public services, environmental effects, new tax revenues and job creation before providing the incentives.[31] Weber and Santacorre also note that cost-benefit procedures can allow governments to establish cost-per-job caps as is done in Illinois, Minnesota, Pennsylvania, New Jersey, West Virginia, and by federal government agencies.[32]

As indicated above, the true costs and benefits of incentives depend on how decisive the incentive is for incentive recipients. Some programs require that businesses demonstrate or certify that they need the incentives to locate in the targeted jurisdiction or zone.[33]

[28] Michael Oden, *Building a More Sustainable Economy: Economic Development Strategy and Public Incentives in Austin* (Austin, TX: Liveable City, 2008), p. 26.
[29] Bartik (2003), "Local Economic Development Policies," p. 19.
[30] Hyunsang Ha and Richard C. Feiock, "Bargaining, Networks, and Management of Municipal Development Subsidies," *The American Review of Public Administration*, Vol. 42, No. 4 (2012), p. 490.
[31] Weber and Santacorre, "The Ideal Deal," p. 7.
[32] Ibid.
[33] Bartik (2007), "Solving the Problems of Economic Development Incentives," p. 117.

3. Align incentive design with business needs

Considering business needs and objectives in the design of incentives can help to ensure that incentive programs influence business decisions as intended. For example, businesses often make decisions based on short-term profit objectives, and as a result, up-front incentives may be more effective than back-loaded incentives.[34]

However, recovering these costs in the case that a business fails to meet standards or comply with rules may not be possible, even if incentive agreements include provisions that require non-compliant businesses to refund the incentives ("clawbacks"). Timothy Bartik suggests that providing incentives in the form of infrastructure or employee training allows businesses to receive benefits up-front, while minimizing the extent to which the community suffers if the businesses leave, since the infrastructure will remain in place and the workers will still be trained.[35]

4. Include clear performance standards, mechanisms for monitoring performance, and penalties for breach of contract in all agreements with incentive recipients

Contract design can have a major impact on the extent to which an incentive program benefits the community. Many experts recommend the use of "clawbacks," which require businesses to refund incentives to the government if they do not meet performance standards. However, strong incentive agreements also include clear performance standards, mechanisms for monitoring performance, and penalties for breach of contract.[36]

Related to this best practice, OLO sought out examples of how other state and local jurisdictions measure and report on the performance of incentive programs. Overall, OLO found that:

- The most typical performance data reported for incentive programs were job creation, investment, and cost data. At the same time, OLO found several types of incentive performance data that are not consistently reported, such as: average salaries of jobs created or retained; whether past incentive recipients are still in the jurisdiction; whether the incentive was an attraction or retention project; and actions taken against incentive recipients that have not complied with program requirements or met performance targets.

- Some jurisdictions that provide up-front incentive programs compare actual jobs and investment data with projections made when the incentives were provided. For example, Virginia's annual report on business incentives compares the expected investment and jobs for Governor's Opportunity Fund recipients with actual investment and job creation.[37] Similarly, the New York City Annual Investment Projects Report provides information on current jobs for each incentive recipient, and the number of jobs that were initially estimated to be created by year three of the project.

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[34] Bartik (2003), "Local Economic Development Policies," p. 18.
[35] Bartik (2007), "Solving the Problems of Economic Development Incentives," p. 121.
[36] Weber and Santacorre (2007), "The Ideal Deal".
[37] James S. Cheng ,"Report on Business Incentives 2010-2011," (Secretary of Commerce and Trade for the State of Virginia, October 28th, 2011).

- Incentive program reports vary with respect to the time frames for which information is reported. For example, while the performance data for the Virginia Governor's Opportunity Fund reports on current jobs and investment for business that received awards four years prior to the report, the New York City Annual Investment Projects Report provides data on projects that are currently receiving assistance.

- Some incentive programs evaluate the net benefit of each award using cost benefit analysis. For example, the New York City Economic Development Corporation (NYCEDC) provides both a "prospective" and "actual to-date" public benefit analysis for each business that receives financial assistance in the form of loans, grants, and tax or energy benefits.[38]

5. Evaluate incentive programs regularly

While prospective cost-benefit analyses allow governments to determine whether an incentive should be provided in the first place, concurrent and retrospective evaluations provide information regarding whether incentives are working in practice. The Pew Center on the States emphasizes that in order for evaluations to be useful, there must be an ongoing schedule to review all incentive programs, evaluations must examine incentive programs in the context of the stated goals of the programs, and evaluations must be discussed during policy and budget deliberations.[39]

At the same time, because evaluating the impact of incentive programs is difficult and resource-intensive, the research suggests that local economic development agencies should consider limiting outcome evaluations to their most expensive programs "for which the possible gains for better policy are the greatest."[40]

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[38] *Annual Investment Projects Report, Volume I*, (New York City Economic Development Corporation, January 31, 2012), p. 41.
[39] "Evidence Counts," Pew Center on the States (2012).
[40] Timothy Bartik, *Evaluating the Impacts of Local Economic Development Policies On Local Economic Outcomes: What Has Been Done and What is Doable?*, (Working Paper 03-89, Kalamazoo, MI: W. E. Upjohn Institute for Employment Research, Nov. 2002), p. 8.

Chapter III. Overview of Economic Development Incentives in Montgomery County

Montgomery County provides economic development incentives to businesses through two primary mechanisms: 1) an Economic Development Fund (EDF), which provides direct financial assistance on a discretionary basis to businesses in the form or grants or loans; and 2) tax credit programs, which grant tax abatements to businesses that meet statutory requirements. Additionally, Montgomery County provides these economic development incentives within the framework of an economic development strategic plan last updated in 2008.

This chapter introduces the legal, administrative, and strategic governance structure for the County's economic development incentives, and is organized as follows:

- **Section A** describes the legal framework for the County's Economic Development Fund and tax credit incentive programs, including a summary of recent changes to the EDF law adopted by the County Council in September 2012; and
- **Section B** summarizes the County's economic development strategic planning efforts, and highlights the role of incentives within the strategic framework.

A. Legal Framework for the County's Economic Development Incentives

County and State statutes and regulations establish the purpose and structure of the County's economic development incentives. The relevant sections of the County and State Code and Regulations are listed below for each type of program, and described in detail in the following pages. Chapters IV (Economic Development Fund) and V (Economic Development Tax Credit Programs) describe how the various programs are administered and implemented by County departments.

Statutes and Regulations Relevant to County Economic Development Incentives

Financial Assistance Programs
Economic Development Fund • Chapter 20, Article XIII of the County Code • Chapter 20 of the Code of Montgomery County Regulations
Tax Credit Programs
New Jobs Tax Credit and Enhanced New Jobs Tax Credit • Title 9, Subtitle 2, Maryland Code Ann., Tax – Property • Chapter 52, Article X of the County Code
Enterprise Zone Tax Credit • Title 5, Subtitle 7, Maryland Code Ann., Economic Development • Title 9, Subtitle 1, Maryland Code Ann., Tax – Property • Code of Montgomery County Regulations, Chapter 2, Section 02.64L
Arts and Entertainment District Tax Credit • Title 4, Subtitle 7, Maryland Code Ann., Economic Development • Title 9, Subtitle 2, Maryland Code Ann., Tax – Property • Chapter 52, Article I of the County Code

1. Economic Development Fund

In 1995, the County Council passed a law establishing an Economic Development Fund (EDF) to "aid the economic development of the County by assisting private employers who are located or plan to locate or substantially expand operations in the County."[1] Both the County Code and Executive Regulations create a governance structure for the EDF as a whole, as well as for some (but not all) individual EDF programs. Recently, the Council amended the EDF law through Bill 14-12 that took effect as of December 20, 2012.

County Code. Chapter 20, Article XIII of the County Code establishes the basic structure and purpose of the Economic Development Fund, as defined by the original 1995 EDF law, as well as the parameters of two EDF programs established through subsequent legislation.

By law, the EDF is "continuing and non-lapsing" and consists of funds appropriated by the County Council, loan repayments, interest earned on the fund, and funds received from any other public or private entity.[2] The law further specifies that assistance to private employers may take the form of: loans or grants; transfers of real or personal property; provision of services by a County agency; or plans, studies, or other technical assistance.[3]

The law provides two basic parameters for EDF use (while stating that more specific criteria can be developed through Executive Regulations):

- The proposed assistance will materially improve the County's economy and advance County economic development objectives and strategies; or
- The assistance is necessary to bring a significant number of new jobs to the County, add and/or retain a significant number of new jobs to an existing operation in the County, or respond to other economic development objectives.[4]

The Code also includes EDF notification and reporting requirements: that the County Executive must notify the County Council before offering assistance from the EDF valued at more than $100K to a private employer, and that the Executive must submit an annual report to the Council (by March 15 of each year) on the status and use of the EDF.[5]

Two individual programs within the EDF are also established by law in Chapter 20. Section 20-76A of the Code establishes a Biotechnology Tax Credit Supplement Program (adopted by the Council in 2010 by Expedited Bill 5-10 and amended in 2011 by Expedited Bill 34-11) and requires the County to pay a tax credit supplement (in the form of direct financial assistance) to eligible investors in biotech firms that have qualified for a State of Maryland biotech investment incentive credit during the preceding calendar year.

Section 20-76B of the Code establishes a Small Business Assistance Program (adopted by the Council in 2012 by Bill 6-12) to assist small businesses located in either an enterprise zone or an urban renewal area that are adversely impacted by: redevelopment projects located on property owned by the County; or redevelopment projects financed in whole or in part by the County.

[1] County Code § 20-74 (a)
[2] County Code § 20-73
[3] County Code § 20-74(b)
[4] County Code § 20-75(a)
[5] County Code §§ 20-75(b), 20-76(b)

Bill 14-12. In September 2012, the Council passed Bill 14-12, *Economic Development Fund – Amendments*, that made notable changes to the law. These changes, which took effect as of December 12, 2012, will impact administration of EDF awards going forward.

First, Bill 14-12 requires the County Executive to propose (on or before July 2015) and update every four years thereafter an economic development strategic plan for the County, subject to Council approval. While DED has adopted economic development strategic plans previously (the current plan was published in 2008), it was not required by law nor did it require Council approval. As part of the new strategic plan requirement, the law notes that the "success or progress of the strategic plan must be measurable and the plan must include measures to address:

- Job creation;
- Private sector compensation and benefits;
- Target industries;
- Target geographic areas;
- Workforce education and training;
- Growth in tax base;
- Economic opportunity for residents;
- Encouragement of entrepreneurs and small business;
- Land use; and
- Other actions necessary to promote economic development in the County."

Second, the law links the EDF awards and the measureable strategic plan criteria listed above by stating that the offers of financial assistance from the EDF must be "consistent with the economic development strategic plan." The intent behind linking the EDF awards with the strategic plan is to "create a framework for the Executive and the Council to evaluate each individual request for EDF assistance. The County has not previously created an explicit link between any strategic planning effort and the County's economic development incentives."[6]

Third, Bill 14-12 requires Council approval (in the form of a supplemental or special appropriation) for all offers of financial assistance to a private employer valued at more than $500,000. Last, Bill 14-12 changes the content and timing of the notification requirements related to offers of assistance over $100,000. Under the new law, the DED Director must provide the Council with notice and all fiscal analyses and other supporting documents at least five working days (an increase from the prior requirement of two days) before the Executive tentatively offers assistance valued at more than $100,000. The law also now includes the type of supporting documents that must be provided:

- The name, industry, location, employee compensation profile, and estimated current and future taxes paid by the prospective recipient;
- The estimated employment and tax revenue gains resulting from the proposed assistance;
- Each assumption, variable, and model used to generate estimates of employment and tax revenue gains;

[6] September 18, 2012 memorandum from Senior Legislative Attorney Drummer and Senior Legislative Analyst Sesker to the County Council for Council Agenda Item 5: *Action: Bill 14-12, Economic Development Fund – Amendments*. pg. 4.

- The number of new residents estimated to move into the County resulting from gains in employment by the proposed recipient;
- The number and cost of new students estimated to enroll in County public schools;
- And analysis of how the proposed assistance supports the overall goals of the economic development strategy; and
- Offers, if any, made by or expected from other competing jurisdictions.

Executive Regulations. There are currently two sets of Executive Regulations related to the EDF; one for the EDF as a whole and one for a program within the EDF – the Technology Growth Program. DED staff report that regulations for another EDF program, the Small Business Assistance Program, are currently under development. In sum, the current regulations: [7]

- Further define the parameters set up in the County Code for using the EDF by establishing program eligibility, award criteria, and a process for administering programs within the Fund;
- Establish a specific award process and criteria for the Technology Growth Program, designed to provide assistance to early-stage high technology companies that are located in, or want to be located in, the County; and
- Clarify that procurement laws (Chapter 11B of the County Code) do not apply to the selection of a grant or loan recipient from the EDF.

2. Tax Credit Programs

State law, the County Code, and Executive Regulations combine to provide the legal framework for the County's four tax credits designed to encourage businesses to locate or expand within Montgomery County.

New Jobs Tax Credit and Enhanced New Jobs Tax Credit. Title 9, Subtitle 2 of the Maryland Tax – Property Code authorizes the County Council to establish two types of tax credits, a basic tax credit and an "enhanced" tax credit, for businesses that obtain newly constructed business space in the County and that create a minimum number of new jobs.[8]

State law defines the type of tax credit (to County property taxes on real and personal property owned by a business), the number of years a qualifying business can claim the tax credit (6 or 24 years), and the amount of the tax credit in each of the years.[9] State law also limits both tax credits to businesses with newly constructed business space in State-defined "priority funding areas" and limits the enhanced tax credit to businesses in certain industries.[10]

In 1998, the County Council enacted legislation to implement a New Jobs Tax Credit and Enhanced New Jobs Tax Credit as authorized under the State law. Chapter 52, Article X of the County Code establishes the criteria for a business to qualify for the tax credit in Montgomery County, and assigns responsibility for administering the jobs tax credit programs to the Department of Finance. Both State and County law specify that businesses that meet the legal requirements for the tax credits are entitled to receive them.[11]

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[7] COMCOR 20.73.01 and 20.73.02
[8] MD Code Ann., Tax – Property § 9-230(b), (c)
[9] MD Code Ann., Tax – Property § 9-230(b)(1), (c)(2), (d)(4)(i), (d)(4)(ii)
[10] MD Code Ann., Tax – Property § 9-230(b)(4); (d)(2)
[11] MD Code Ann., Tax – Property § 9-230(n); Montgomery County Code § 52-69

Enterprise Zone Tax Credit. Title 5, Subtitle 7 of the Maryland Economic Development Code and Title 9, Subtitle 1 of the Maryland Tax-Property Code establish an Enterprise Zone Tax Credit Program and require the County Council to grant the credit to qualified properties.[12]

Under the State law, an area is eligible for an Enterprise Zone designation if it is a State-defined "priority funding area" and also meets one of four other criteria relating to the rate of unemployment, the level of poverty, the level of income, or the condition of property in the area.[13] To designate an area as an Enterprise Zone, a County's or a municipality's chief elected officer must submit an application to the Maryland Secretary of Business and Economic Development.

State law specifies that the application for the designation of an enterprise zone must include a set of standards established by the County that businesses located in an Enterprise Zone must meet in order to receive the tax credit.[14] If the proposed zone is located in a municipality, the county must obtain prior consent from the municipality. Furthermore, a municipality that applies for the designation of an enterprise zone may not offer a tax credit against county property tax unless the county agrees to the designation.

Once the State designates an Enterprise Zone, State law requires a county or municipality to grant a tax credit for ten years against the property tax assessment on qualifying property in the zone.[15] The State reimburses local jurisdictions for one-half of the property tax abatement.[16]

Under this law, the State of Maryland has designated four Montgomery County enterprise zones located in Silver Spring (now expired), Wheaton, Long Branch/Takoma Park, and Gaithersburg. County regulations exist for the enterprise zones in Wheaton and Long Branch/Takoma Park.[17] The regulations provide the framework for administering the tax credits in these zones, including formulating applications for the program and determining the eligibility of businesses.[18]

Arts and Entertainment District Tax Credit. Title 9, Subtitle 2 of the Maryland Tax – Property Code authorizes the County Council to establish a property tax credit for the construction or renovation of property located in areas designated by the State as Arts and Entertainment Districts and that can be used by artists or an arts and entertainment enterprise. The Arts and Entertainment District Tax Credit can be granted for up to ten years.[19]

The chief elected officer of a county or municipality may apply to the State for the designation of an Arts and Entertainment District within its boundaries.[20] According to State law, an area must be within a State-defined "priority funding area" to be designated as an Arts and Entertainment District.

[12] MD Code Ann., Economic Development §5-701 to §5-709
[13] MD Code Ann., Economic Development § 5-704(a)(1), (2)
[14] MD Code Ann., Economic Development § 5-703(a), (b); MD Code Ann., Tax-Property § 9-103 (c)
[15] MD Code Ann., Tax – Property § 9-103(b), (d)
[16] MD Code Ann. Tax – Property § 9-103 (h)
[17] COMCOR §§ 02.64L.02 and 02.64L.03
[18] The Code of Montgomery County Regulations specifies that the Administrator for the Wheaton Enterprise Zone is, "the Director, Montgomery County Department of Economic Development or the Director's designee" and that the Administrator for the Long Branch/Takoma Park Enterprise Zone is, "Director, Montgomery County Department of Housing and Community Affairs or the Director's designee" (COMCOR, 02.64L.02.03 and 02.64L.03.03).
[19] MD Code Ann., Tax – Property § 9-240
[20] MD Code Ann., Economic Development § 4-703 and § 4-704

Chapter 52, Article 1 of the County Code implements the tax credit locally. The County has three designated Arts and Entertainment Districts in Bethesda, Silver Spring and Wheaton. The County Code limits the tax credit to renovated property and establishes the amount of the tax credit, to be calculated by the Director of Finance.[21]

B. Economic Development Strategy

In addition to the specific requirements and limitation of economic development incentive programs established in law, the County Government has adopted an Economic Development Strategic Plan (initially approved in 2004 and updated in 2008) to provide an overall vision and framework for all economic development activities – including incentives.

The 2004 and 2008 strategic plans were developed at the discretion of the County Executive (there was no requirement to adopt a strategic plan). As indicated on page 14, recent legislation passed by the County Council formalizes the economic development strategic planning process by requiring the County Executive to propose (on or before July 2015) and update every four years thereafter an economic development strategic plan for the County, subject to Council approval.

This section briefly summarizes the 2004 and 2008 strategic plans and highlights the components of each plan most relevant to the provision of economic development incentives.

1. Strategic Plan for Economic Development (2004-2008)

In January 2003, the County Executive transmitted to the County Council a proposed strategic plan for economic development. The Executive requested that the Council "adopt this Plan as the official economic development strategy for our community."[22] The Council held several worksessions and a public hearing on the proposed Plan, considered and approved a number of amendments to the Plan, and adopted the Plan in June 2004.

Plan Summary. The Executive Summary of the 2004 Strategic Plan stated that the economic development vision for Montgomery County is to: "Foster a growing, diversified, and innovative economy, providing opportunity and prosperity for businesses and residents alike, while sustaining the County's quality of life." The Plan set forth four guiding principles and seven strategic goals, which are summarized in Table 1. Specifically related to incentives, the guiding principals and strategic goals call for:

- A strategic focus on knowledge-based industries; and
- Providing incentives to promote the expansion and global leadership in bio-sciences and health care, information technology and communications, and related professional services.

[21] Montgomery County Code § 52-18L(b) (d)
[22] Letter from Douglas Duncan (County Executive) to Michael L. Subin (President, County Council); January 24, 2003.

Table 1. Montgomery County's 2004 Strategic Plan for Economic Development Guiding Principles and Strategic Goals

Guiding Principles
1. Our community's quality of life and public services are dependent on the ongoing prosperity of the economy – with economic success and a high quality of life mutually reinforcing.
2. Nurture a supportive business environment.
3. Focus strategically on knowledge-based industries.
4. Promote the development of critical long-term infrastructure through projects with immediate impact and through the commitment of required fiscal resources.
Strategic Goals
1. **Progressive business climate:** Cultivate a business climate that supports economic growth, new job creation, and commercial development.
2. **Transportation infrastructure**: Stimulate the provision of transportation infrastructure with necessary long term financing to support an improved and more efficient transportation system – improving services to residents and helping County firms attract and retain the needed work force.
3. **Global center for technology leadership**: Provide leading-edge infrastructure and incentives to promote the expansion and global leadership in bio-sciences and health care; information technology and telecommunications; and related professional services.
4. **Stimulate existing businesses and entrepreneurship**: Foster the growth of existing businesses and enhance opportunities for small businesses, minority-, female- and disable-owned businesses and entrepreneurship; in addition, work to ensure that existing businesses are not adversely affected by revitalization.
5. **Marketing and business promotion**: Market the unprecedented business opportunities in the County and enhance County-sponsored business services in a concerted effort to attract new firms and expand the existing business base.
6. **World-class work force**: Promote the development and recruitment of a skilled work force, trained in today's technologies and management practices.
7. **Quality of life**: Support housing and community development and continued excellence in public services, and promote richness and vibrancy in the arts and culture, recreation and rural life, and the environment, as vehicles to enhance the County's quality of life.

Source: *Montgomery County: The IDEALocation, Strategic Plan for Our Community's Quality of Life and Economic Development*; June 2004.

2. Vision for Economic Development in Montgomery County (2008-Current)

The *Vision for Economic Development* is the economic development strategic plan currently in effect and was transmitted from the County Executive to the County Council in December 2008. The appendix contains the entire 2008 strategic plan (beginning at ©1).

While the 2004 Strategic Plan articulated a broad vision with policy implications throughout County Government, the 2008 Strategic Plan focuses on the activities initiated and managed by the Department of Economic Development. The current plan also has a greater focus on the global economy, including how to help local businesses compete globally and how to attract international investment to the County. The major sections of the strategy are summarized below.

Vision. The County Executive's vision for Montgomery County is a "globally competitive and highly diversified knowledge-based economy that provides for the retention and growth of existing companies, stimulates new job creation and enhances entrepreneurial opportunities."[23]

According to the *Vision for Economic Development*, both large global corporations and small local businesses contribute to County residents' quality of life. The County's high quality of life, in turn, creates a place where businesses want to locate, helping retain, attract, and create businesses. The strategy explains that all companies, including small businesses, must seek opportunities outside the County in order to remain competitive and the County Government's role is to "create an enabling business environment"[24] and ensure that companies have the tools they need to succeed.

Goals and Action Items. The *Vision for Economic Development* includes four goals and specific action items for each goal. Table 2 describes each goal and lists a selection of action items for each. Multiple goals and/or action items in the strategic plan have particular relevance to economic development incentive programs, including:[25]

- The text associated with Goal One indicates that "retention of existing businesses, especially during trying economic times and heightened competition from other jurisdictions, will be the top priority of DED." It also states that, "alongside retention, business attraction will remain a high priority."

- Action items under Goal One provides guidance as to the industry types incentive programs should target, specifically listing bio-pharma, aerospace, communications, green technology, professional services and government contracting. The strategy suggests that the County should focus on these industries because they form part of the County's established and emerging "clusters", that is, "geographic concentrations of interconnected companies, specialized suppliers, service providers and associated institutions in a particular industry."

- Action items under Goal Two call for the County to enhance incentive programs and better align attraction and retention efforts with incentives, tax policies, and regulations.

- Action items under Goal Three call for enhancing the Economic Development Fund and using it to leverage State resources to attract, retain, and expand businesses in key industry clusters.

[23] *A Vision for Economic Development in Montgomery County*, December 2008, Page 2.
[24] Ibid, p. 2.
[25] Ibid, p. 2-10

Table 2. 2008 *Vision for Economic Development in Montgomery* County: Goals and Selected Action Items

Goal #1: Retain and grow existing businesses, strategically attract new ones, and enhance entrepreneurial opportunities; work to ensure that all business sectors benefit from the knowledge-based economy.

Selected Action Items

- Implement a short-term strategy to help local businesses, including an economic stimulus package.
- Aggressively recruit firms in targeted industry sectors (e.g., bio-pharma, aerospace, communications, green technology, professional services and government contracting) and grow non-tech sectors.
- Upgrade and enhance the DED website and collateral materials to improve marketing and recruitment efforts.
- Open a specialized one-stop career center focused on life sciences and technology careers.
- Support the County's Smart Growth Initiative, with a focus on dense transit-oriented development; affordable, workforce and market-rate housing; high-wage jobs in biosciences and technology; and new higher education opportunities.

Goal #2: Adapt to a more competitive business climate by creating an environment where knowledge-based industries and small businesses thrive.

Selected Action Items

- Enhance economic development incentive programs, and better align attraction and retention efforts with incentives, tax policies and regulations that benefit the growth and development of clusters.
- Cultivate existing (e.g., biosciences, electronics, hospitality) and emerging (e.g., green/clean technology, financial service) industry clusters by forming taskforces that will include business, academia, and federal, state, and regional government entities.
- Work with partners in the private sector and government to develop capital projects to enhance the quality of life in the County, create positive spillover effects, and respond to the needs of key industry clusters.
- Support the commercialization of new technology and high-profile pilot programs.

Goal #3: Foster creative and strong partnerships with academia, the federal research community, the private sector and various levels of government to pursue innovative projects, policies and best practices that support business growth and expansion.

Selected Action Items

- Rebuild and enhance the Economic Development Fund so that DED can leverage its resources with State of Maryland funds, including DBED, TEDCO, MEDCO, MARIBIDCO and others, to attract, retain and expand businesses in key industry sectors.
- Coordinate policies with other governmental entities to ensure a supportive environment for cluster development and small business development.
- Work with technology companies to train dislocated workers, low-income adults, older workers, disadvantaged workers, and youth.

Goal #4: Establish global linkages to facilitate business opportunities abroad, attract international investment to Montgomery County, and foster trade and joint ventures for Montgomery County businesses.

Selected Action Items

- Build strong relationships with County-based international entrepreneurs to leverage networks in their countries of origin.
- Expand the Business Innovation Network's (i.e., incubator program) portfolio of international companies.

Source: *A Vision for Economic Development in Montgomery County*; December 2008.

Chapter IV. Economic Development Fund

Montgomery County's Economic Development Fund (EDF), established in FY96, is managed by the County Government's Department of Economic Development, in conjunction with the Department of Finance. Since its establishment, the EDF has disbursed over $34 million in direct financial assistance to businesses in the County through ten EDF programs as shown below.

EDF Program	Year Established	Cumulative Assistance Provided
Current Programs		
Grant and Loan	FY96	$25.8 million
Technology Growth	FY99	$4.0 million
Small Business Revolving Loan	FY00	$2.1 million
Biotech Supplement	FY12	$500,000
Impact Assistance	FY05	$478,000
Small Business Assistance	Program will be implemented during FY14	
Inactive or Discontinued Programs		
Emergency Agricultural Assistance	FY98	$1.5 million
Demolition Loan	FY00	$100,000
Export Montgomery	FY01	$12,000
Micro-Enterprise Loan	FY08	Merged into Small Business Loan Program in FY10

This chapter provides an overview of the EDF and its programs, and is organized as follows:

- **Section A** describes eligibility and funding criteria, the review and approval process, and tracking and monitoring procedures for each EDF program, and provides information on the type and amount of EDF funding disbursed by program; and
- **Section B** summarizes the FY13 approved operating budget for the Economic Development Fund by program, including the beginning fund balance and projected year-end fund balance.

A. Economic Development Fund Programs

The Economic Development Fund (EDF) has provided financial assistance to businesses each year since its establishment in FY96. The EDF operated as a single grant and loan program until FY99, when the Executive recommended and the Council approved two additional programs to be operated within the EDF. In FY13, the EDF has five current assistance programs, one program under development (scheduled for implementation in FY14), and four programs that are no longer active.

This section provides details on each of the ten EDF programs, including program eligibility and funding criteria; review and approval processes; and post-award monitoring and reporting requirements. Additionally, the table preceding the written description for most programs summarizes the cumulative awards and assistance provided, average award amount, and range of award amounts under that program. Further summary and analysis of program award data and outcomes is available in Chapter VI.

DED provides EDF data by Report Year, which runs from the beginning of March to the end of February (to correspond with the requirement that DED submit an annual report on EDF activities to the Council in March of each year). As a result, all EDF data reported in this section is cumulative through Report Year 2012 (as of 2/29/12).

1. Grant and Loan Program

Year Established	FY96
Total Assistance Provided	$25.8 million
Total Awards Provided	161 (to 155 different companies)
Average Award Amount	$160,648
Range of Award Amounts	$3,000 to $6 million

The Grant and Loan Program is intended to encourage job growth and capital investment by providing financial assistance (referred to as "awards") to businesses that move to Montgomery County or stay in the County and expand operations. The program provides assistance in the form of a grant or a loan, and DED typically structures awards as grants that convert to loans a company must repay if specific conditions are not met.

The Grant and Loan Program accounts for approximately 75% of all the financial assistance provided from the EDF. Through FY12, the Council appropriated a total of $26.7 million for assistance through the Grant and Loan Program.[1]

Eligibility and Funding Criteria. DED uses the eligibility and funding criteria from the Executive Regulations governing the EDF to administer the Grant and Loan program. Table 3 (on the next page) lists eligibility standards as well as eleven criteria that DED may consider when determining awards. The regulations do not provide greater importance or weight to any one of the funding criteria over another, nor is there a requirement that a set number of the funding criteria must be met before making an offer of assistance.

[1] This total includes $12.1 million in supplemental appropriations to the EDF to fund specific projects that DED lists under the Grant and Loan Program.

Table 3. Eligibility and Funding Criteria for the Grant and Loan Program (COMAR 20.73.01.04)

Program Eligibility
• Any private employer (including nonprofits) which is located in the County that plans to substantially expand or retain operations in the County, or an employer that plans to locate in the County. • Special consideration may be given to high technology and manufacturing companies, businesses in urban revitalization areas, or other private employers which maximize the spin-off effects for public investment.
Funding Criteria
• Priority will be given to assistance that will materially improve the County's economy and advance the County's economic development objectives and strategies. • Highest consideration will be given to assistance that brings significant employment growth either by creating new jobs, expanding an existing operation, or by retaining jobs at an existing operation. • Priority will be given to assistance that causes significant investment by the private employer that over time will provide significant revenues to the County. • Priority will be given to private employers that are knowledge based or have high value added products in expanding markets. • In urban revitalization areas, private employers locating in areas with good public transportation or educational services will be given priority consideration. • Priority will be given to private employers that either help reverse commercial deterioration or prevent it from happening. • Special consideration will be given to private employers who are renovating existing structures that will generate directly, or through spin-offs, new revenues for the County. • Special consideration will be given to private employers where the retention or attraction of jobs would not be likely to happen without assistance from the Fund. • Special consideration will be given to private employers where the County assistance will enhance the comprehensiveness and competitiveness of the overall financial package and complement state financial incentives. • Special consideration will be given to private employers where municipal incorporated areas, when appropriate, provide financial incentives to complement the County's assistance from the Fund. • Special consideration will be given to private employers whose activities, products, research or services enhance the County's quality of life, or if appropriate, have demonstrated a record of good corporate citizenship.

Review and Approval Process. DED and Finance have developed a review and approval process (shown by the flow chart in the appendix at ©17) that consists of the following major steps once a potential grant and loan program recipient has been identified:

- **Conduct a project specific fiscal impact analysis –** County regulations require some form of fiscal benefit analysis for all potential grant and loan program awards. The regulations require an "economic benefit analysis" or "pro-forma analysis" for all potential awards over \$100K, and a "basic cost benefit analysis" for all potential awards less than \$100K.[2] DED and Finance have developed a fiscal impact model (detailed on page 25) that is used to evaluate all potential grant and loan programs awards.

[2] COMCOR 20.73.01.05(e) and 20.73.01.05(f)

- **DED analysis and initial award decision –** In addition to the fiscal impact analysis, DED reviews several other criteria, listed below, prior to making an initial (non-binding) decision on whether to offer an award. Overall, DED notes that it gives priority consideration to prospects that show the potential for significant employment growth, significant capital investment, and/or the ability to use County funds to leverage State and private sector financing programs.

    - Risk assessment: analyzes the likelihood that a company will stay in or move to the County if a financial incentive is not offered, and whether the company has valid, competing offers from other jurisdictions.
    - Technology and commercialization feasibility: reviews whether the company's product is proprietary and analyzes the market trend for that product, if applicable.
    - Financial history and projections: examines whether the business has been profitable and how the business has been funded.
    - Company background and management: reviews the key management staff of the business and their backgrounds.
    - Credit worthiness and debt repayment capacity: analyzes the credit of the business principal and if the company has the ability to service debt.
    - Strategic significance of a project: determines the extent to which a potential project meets the objectives of the EDF and DED's strategic plan.

- **Review and approval by other County departments and County Council –** If DED makes an initial determination that an award should be offered, the requirements for this step vary by award amount. Awards less than $100K must receive approval from the Department of Finance to proceed. Awards of $100K or more must receive approval from Finance, review and comment from the Office of Management and Budget, approval from the County Executive, and review by the County Council before proceeding. The changes enacted by Bill 14-12 (detailed in Chapter III) now require formal Council approval for all awards of $500K or more.

- **Development of Economic Development Fund Agreement (EDFA) –** Once an award receives all the necessary approvals, DED develops a legally-binding EDFA with the recipient that spells out the terms and conditions of the grant or loan. Each EDFA stipulates the specific performance requirements and milestones the company must meet, and contains "claw-back" provisions that require the company to return all or a portion of the award if the performance requirements or milestones are not achieved. DED uses a standard EDFA developed by the County Attorney's Office for most awards with job and/or capital investment requirements. For awards with other types of requirements, the County Attorney and DED will modify the EDFA based on the specific circumstances.

- **Disbursement of Incentive –** After the EDFA has received all necessary approvals and the company provides a copy of its executed lease for space in the County, verification of the number of employees in the County, and a registered copy of its Articles of Incorporation, the Department of Finance disburses the award.

Fiscal and Economic Impact Analysis. DED completes a "Fiscal Impact Analysis of Job Creation & Capital Investment" for every potential Grant and Loan Program award, using an internally developed analytic model.[3] The fiscal impact analysis model creates a projected net annual fiscal impact for each project by using data on the planned property investment and the planned number of jobs retained and/or created to estimate both the increase in annual county revenue (from property tax; income tax; energy & telephone tax; and other taxes, fees, and charges) and increase in annual county service costs (for County Government, MCPS, and Montgomery College services) resulting from the project.

For "attraction" projects where a company would be moving into the County, the model analyzes the additional annual costs and benefits from the proposed new investment and jobs. For "retention" projects where a company is staying in the County, the model analyzes the existing annual costs and benefits associated with the current jobs; the additional annual costs and benefits from the proposed new investment and new jobs; and the annual costs and benefits associated with a loss in jobs if the company moves to another jurisdiction.

The model uses the several key data points specific to each project as summarized below. **One significant assumption the model uses that impacts both revenue and costs projections is that 60% of newly created jobs will be filled by new County residents.** DED and Finance staff report that this assumption is based on historical data (compiled by the Montgomery County Department of Planning) showing 60% of Montgomery County workers also reside in the County.

- **Estimated primary investment in real and personal property –** The company's projected capital investment to develop, build, renovate, and/or expand a facility and the estimated value of new equipment are used to project increases in annual real and personal property tax revenue to the County. The primary investment data is provided by the company as part of its application, and the estimated revenue increases are calculated based on the current property tax rates at the project's location.

- **Number of jobs created –** The model uses the projected number of new jobs and average salary per new job to estimate the income tax revenue the County would receive.

- **Demographic and population impacts –** The model estimates the additional total population, net new households, number of schoolchildren generated, and number of college students generated from the creation of new jobs. The model then estimates both the increased tax revenue and the increased cost of county services (including costs to MCPS and Montgomery College) associated with the additional population.

- **Estimated secondary investment and jobs –** Based on the estimated increase in County residents and households, the model projects two secondary impacts: new property investment from homeownership and the number of additional (non-project-related) jobs that will be filled by other household members. The model then estimates the additional residential property tax revenue and income tax revenue that would result.

[3] DED and Finance staff report that the economic analysis template was originally developed to examine the potential net benefits to the County from businesses locating or expanding in Silver Spring as part of the redevelopment efforts in that part of the County in the 1990's.

The end product of the analysis is a dollar value that represents the estimated annual fiscal impact of the company, calculated by subtracting the estimated county service costs from the estimated revenue. For attraction projects, the final value represents the new economic impact from the company moving into Montgomery County. For retention projects, the final value represents the current economic impact plus any new impact resulting from expansion or new job creation.

For the Grant and Loan program, DED does not have a specific standard, criteria, or value that must be achieved through the fiscal impact analysis for a project to receive approval. As a general rule, DED reports that it attempts to fund projects where the cumulative fiscal impact would meet or exceed the public investment within three years. DED staff note that other factors could lead to approval even if the three year goal is not met, for example:

- Projects that have strategic importance to the County;
- Projects intended to be a catalyst for a particular industry or within a particular geographic location; or
- Projects that will target a specific sector of the workforce.

Copies of the fiscal impact analysis model are available in the appendix at ©18 for a retention project and at ©20 for an attraction project.

Tracking and Monitoring Process. After disbursement of the grant or loan award, DED staff are responsible for all award tracking and monitoring. To accomplish this, DED annually collects and reviews each recipient company's employment reports and pertinent financial documents to monitor satisfactory performance and adherence to the EDFA. Specifically:

- Tax returns, financial statements, and other relevant documentation to verify the continued residence of the company in the County and the level of capital investment made; and
- Unemployment insurance documents prepared for the State of Maryland Department of Labor, Licensing, and Regulation to verify the number of jobs retained, jobs created, and average wages per work location.

DED publishes the jobs monitoring status of each incentive recipient in the EDF Annual Report submitted to the County Council. While DED primarily relies on documentation provided by the company to verify compliance, DED staff report that, at times, they will conduct site visits, make phone calls, or monitor company websites to help verify information submitted by a company.

DED notes that the measurement period and duration of monitoring differs for each company depending on the nature of each transaction, and there may be a minimum one-year cycle after receiving an award before DED conducts any monitoring activities. Job retention requirements are typically verified prior to the disbursement of funds, while job creation requirements are monitored at the end of the performance monitoring period or on each anniversary date of the award disbursement during the three-year period.

If a company fails to meet the conditions of the award, DED will recall all or part of the grant/loan amount pursuant to the terms of EDFA. If the recipient cannot pay the entire recalled amount in one lump sum payment, then a promissory note and other legal documents will be executed and monthly or quarterly loan repayments will be arranged. DED reports that, prior to recalling an award, they frequently grant recipients additional years to achieve the original goals specified in the EDFA.

Award Summary Data. Table 4 displays the $25.8 million disbursed for the 161 Grant and Loan program awards by purpose, size of award (in $'s), industry type of the business receiving the award, and geographic location of the business within the County. The data show:

- About two-thirds of program awards were made for business retention projects compared to one-third for business attraction projects. The total funding amounts, however, were nearly equal for retention and attraction projects.
- Just over one-half (55%) of the awards were for $50K or less, although the seven total awards of $500K+ accounted for 57% of all funds disbursed under the program.
- Three industry types – Technology and IT, Biotechnology, and Business Services – account for 82% of grant and loan awards and 46% of total program funding.

Table 4. Grant and Loan Program Award Summary Data

	Awards Provided		Funding Amount	
	Number	**% of Total**	**$ Value**	**% of Total**
Purpose of Award				
Business Retention	106	66%	$12,301,000	48%
Business Attraction	55	34%	$13,499,000	52%
Size of Award				
$0 - $50,000	89	55%	$2,710,500	11%
$50,001 - $100,000	44	27%	$3,729,500	14%
$100,001 - $500,000	21	13%	$4,685,000	18%
Over $500,000	7	4%	$14,675,000	57%
Industry Type				
Technology and IT	55	34%	$4,584,000	18%
Biotechnology and Related	44	27%	$5,458,000	21%
Business Service and Related	33	20%	$1,923,000	7%
Retail and Hospitality	10	6%	$10,073,500	39%
Associations and Non-Profits	8	5%	$2,232,500	9%
Other*	7	4%	$369,000	1%
Media and Communications	4	2%	$1,160,000	4%
Location				
Silver Spring	45	28%	$3,126,500	12%
Rockville	42	26%	$3,571,500	14%
Gaithersburg	29	18%	$6,116,000	24%
Bethesda	24	15%	$3,295,000	13%
Germantown	12	7%	$3,161,000	12%
Clarksburg	3	2%	$410,000	2%
Kensington	3	2%	$65,000	<1%
N. Bethesda	2	1%	$55,000	<1%
Wheaton	1	<1%	$6,000,000	23%

*Other includes real estate, aviation, performing arts, manufacturer, and healthcare

The appendix (beginning at ©22) lists the 161 Grant and Loan Program transactions through Report Year 2012, including all available award data.

2. Technology Growth Program

Year Established	FY99
Total Assistance Provided	$3.96 million
Total Awards Provided	71
Average Award Amount	$55,858
Range of Award Amounts	$5,000 to $100,000

The Technology Growth Program (TGP) was created in FY99 to provide assistance in the form of grants, loans, or loan guarantees to early-stage high technology companies that are located in or are planning to locate in the County. The Council has appropriated a total of $900K specifically for the TGP, $450K in both FY99 and FY00. DED reports that the TGP funding was depleted by FY03, but the program continued to operate using funds from the Grant and Loan Program. DED notes that the program has not accepted new applications nor made any new awards since early FY11.[4]

Eligibility and Funding Criteria. The Executive Regulations for the Technology Growth Program define both the eligibility requirements for the program and the funding criteria used by DED.

Table 5. Funding Criteria for the Technology Growth Program (COMAR 20.73.02.04)

Program Eligibility
• A private employer that is located in the County or plans to locate in the County. • The company's principal products or services must be sufficiently innovative to provide a competitive advantage in the marketplace. • The company must be able to show strong potential for repayment on the principal and any required interest on any County loan or loan guarantee. • The company must submit a comprehensive business plan.
Funding Criteria
• Priority will be given to assistance that will materially improve the County's economy and advance the County's economic development objectives and strategies. • Priority will be given to cases where the County's assistance will function as a catalyst in private employer's subsequent capitalization. • Priority will be given to cases where the private employer's expected business will create significant employment growth by creating new jobs within 3-5 years of funding. • Priority will be given to private employers whose business involves retrofitting biotech lab spaces that will directly benefit new and/or existing biotech business. • Priority may be given to a technology business that locates in the Maryland Technology Development Center, or receives financial assistance from the Maryland Challenge Investment Program or the Maryland Equity Investment Program.

[4] Montgomery County Economic Development Fund Annual Report, March 15, 2012. Pg. 20.

Review and Approval Process. DED requires a company to submit a business plan as part of the application that includes the following information for DED staff to review:

- Characteristics and proprietary position of the product(s) or service(s);
- Present and future markets for those products or services;
- Strategies for achieving and maintaining significant market penetration;
- Financial history and projections including balance sheets, income statements, and cash flow statements;
- The background, experience and financial commitment of the company principal(s) and key management personnel;
- Statement of the amount, timing and projected use of the County's assistance and any co-venture capital; and
- Statement of the projected employment growth, or other positive economic impacts that the County's assistance will facilitate.

In addition to reviewing the materials submitted by the applicant, DED also conducts a fiscal impact analysis for each potential award using the same model as the Grant and Loan program. The fiscal impact analysis projects additional revenues to the County from investment and job creation, projects additional costs in County services based on population increases from the project, and then determines an estimated aggregate net annual impact for the project (for a more complete description of the fiscal impact analysis used for EDF projects see page 25).

For the Technology Growth Program, DED does not have a specific standard, criteria, or value that must be achieved through the fiscal impact analysis for a project to receive approval. As a general rule, DED attempts to fund projects where the cumulative net benefit would meet or exceed the public investment within 3 years. However, other factors that could lead to approval even if that standard is not met include: the project has strategic importance, the project is intended to be a catalyst for a particular industry or within a particular location, or the project will target a specific sector of the workforce.

The regulations provide that DED is responsible for determining whether to offer an award, and Finance disburses the award upon request from DED. The regulations also require the County Executive to notify the County Council at lease two days prior to making an offer of assistance from the program valued at more than $100K.[5]

Because technology projects and companies are so specialized, DED staff report that they try to co-fund projects with other organizations that have sufficient expertise to validate technologies and analyze costs and benefits specific to the type of technology.

Tracking and Monitoring. After disbursement of the Technology Growth award, DED staff are responsible for all award tracking and monitoring. A TGP recipient is required to maintain a majority of its business interests in the County for five years after it receives financial assistance from the County. Otherwise, it is required to repay the County the entire grant amount. A TGP transaction is usually structured as a conditional grant with the following conditions:

[5] COMCOR 20.73.02.05

- A grant is converted to a loan bearing the interest rate of 15% when a recipient generates agreed upon annual revenue (usually $1-3 million) or obtains agreed upon equity financing (usually $1-4 million) within five years after County's financial assistance; and
- If a business relocates a majority of its business interests after the grant is converted to a loan, it is required to immediately pay the outstanding principal balance and all accrued interest.

DED's 2010 EDF Annual Report notes that the success of the TGP "is measured within three to five years of funding. The first measure of the Program's success is the direct repayment of principal and interest from recipient companies. The second, equally important, measure of the Program's success is the primary and secondary economic benefits enjoyed by the County resulting from the successful growth and expansion of the recipient companies."[6]

Award Summary Data. Table 6 displays the $3.96 million disbursed for 71 Technology Growth Program awards through FY12 to show both the distribution of awards and funding amount by two different characteristics: size of award (in $'s) and industry type of the business receiving the award. The data show:

- The distribution of awards matched up closely with the distribution of funding, both for size of award and industry type; and
- Nearly all the awards (93%) went to Biotechnology/Life Sciences or Information Technology companies.

Table 6. Technology Growth Program Award Summary Data

	Awards Provided		Funding Amount	
	Number	% of Total	$ Value	% of Total
Size of Award				
$25,000 and under	3	4%	$55,000	1%
$25,001-$50,000	38	53%	$1,790,000	45%
$50,001-$75,000	21	30%	$1,360,000	34%
$75,001-$100,000	9	13%	$760,000	19%
Industry				
Biotechnology or Life Science	34	48%	$1,800,000	45%
Information Technology	32	45%	$1,885,000	48%
Medical Equipment	2	3%	$110,000	3%
Telecommunications	3	4%	$170,000	4%

The appendix (beginning at ©28) lists the 71 Technology Growth Program transactions though Report Year 2012, including all available award data.

[6] 2010 EDF Annual Report, pg. 22

3. Small Business Revolving Loan Program

Year Established	FY00
Total Assistance Provided	$2.1 million
Total Awards Provided	38
Average Award Amount	$55,724
Range of Award Amounts	$9,500 to $130,000

The Small Business Revolving Loan Program (SBRLP) was created in FY00 with a grant from the Maryland Industrial Land Act to target assistance for small businesses that lack access to traditional private and public funding sources. In FY08, the County created a Micro-Enterprise Loan Program as a sub-program of the SBRLP; DED subsequently merged the Micro-Enterprise program back into the SBRLP during FY10 and lists all loans given under that program as SBRLP loans.

Through FY12, the Council appropriated a total of $3.6 million for this program, including $1 million in matching grants received from the State of Maryland Economic Development Assistance Authority and Fund. The SBRLP is not governed by Executive Regulations; however, DED has published program documents that detail eligibility and review criteria.

Eligibility and Funding Criteria. The SBRLP targets Montgomery County-based small businesses with less than $5.0 million in gross revenues annually and fewer than 75 employees. Businesses must also meet one of two primary tests. Funds must be used to: 1) assist the start-up or expansion of the business; or 2) help retain and stabilize the business. Additionally, DED gives priority consideration for awards under this program to proposals where:[7]

- The assistance will materially improve the County's economy and advance the County's economic development objectives and strategies;
- The County's assistance will help the company receive capital from other sources;
- The company's business will create new jobs within three to five years of funding; or
- Bank and other private financing are not available at the time of the program application.

Review and Approval Process. DED's program documents note that SBRLP applicants are rated on the following criteria:[8]

- Financial history and projections (including credit history, balance sheets, income statements, cash flow statements, and bank statements);
- Background, experience, and financial commitment of the company principal(s) and key management personnel;
- Statement of the amount, timing, and projected use of assistance and any co-venture capital;
- Projected employment growth, and/or other positive economic impact that the County's assistance will facilitate; and
- Ability of the recipient business to generate sufficient income to service the requested loan.

[7] Department of Economic Development; *Small Business Revolving Loan Program Summary*, p. 1.
[8] http://www.montgomerycountymd.gov/content/ded/financing/small-business-revolving-loan-program.asp

DED reports that loans are typically structured with a moratorium on principal and interest payments for six months to one year, a repayment period up to five years, and an interest rate fixed at the prime rate. In all cases, a personal guarantee by the business principal(s) is required.

Tracking and Monitoring. DED requires that the borrower submit federal and state tax returns annually. If a company sells or closes its business, or relocates a majority of its business interests outside the County before a loan is completely repaid, it is required to repay the County the entire principal balance and all accrued interest.

Award Summary Data. Table 7 displays the $2.1 million disbursed for 38 Small Business Revolving Loan Program awards by size of award (in $'s), industry type of the business receiving the award, and geographic location of the business within the County.

Table 7. Small Business Revolving Loan Program Summary Data

	Awards Provided		Funding Amount	
	Number	% of Total	$ Value	% of Total
Size of Award				
$25,000 and under	6	16%	$89,500	4%
$25,001-$50,000	14	37%	$588,000	28%
$50,001-$75,000	9	24%	$585,000	28%
$75,001-$100,000	8	21%	$725,000	34%
Over $100,000	1	3%	$130,000	6%
Industry				
Information Technology	11	29%	$724,500	34%
Retail	9	24%	$458,000	22%
Restaurant	6	16%	$325,000	15%
Art or Entertainment	2	5%	$150,000	7%
Foods or Grocery Store	2	5%	$135,000	6%
Biotechnology	2	5%	$80,000	4%
Professional Service	2	5%	$30,000	1%
Personal Service	1	<3%	$65,000	3%
Technology	1	<3%	$40,000	2%
Training	1	<3%	$15,000	1%
Wholesale	1	<3%	$95,000	4%
Location				
Rockville	17	45%	$924,500	44%
Silver Spring	11	29%	$685,000	32%
Wheaton	4	11%	$195,000	9%
Gaithersburg	3	8%	$243,000	11%
Damascus	1	3%	$15,000	1%
Olney	1	3%	$15,000	1%
Takoma Park	1	3%	$40,000	2%

The appendix (at ©30) lists the 38 Small Business Revolving Loan Program transactions through Report Year 2012, including all available award data.

4. Biotechnology Tax Credit Supplement Program

Year Established	FY12
Total Assistance Provided	$500,000
Total Awards Provided	66
Average Award Amount	$7,576
Range of Award Amounts	$2,118 to $42,355

The Biotechnology Tax Credit Supplement was established by the County Council as an EDF program in March 2010 by Expedited Bill 5-10 and subsequently amended in December 2011 by Expedited Bill 34-11. The program is intended to operate in conjunction with the State of Maryland Biotechnology Tax Credit by offering a supplemental payment to investors who have received a State tax credit for their investment in a Montgomery County-based biotech company.

The Council provided initial funding of $500K in FY12 via a supplemental appropriation to the EDF, and appropriated an additional $500K for the program in the EDF's FY13 operating budget.

Eligibility and Funding Criteria. Section 20-76A of the County Code specifies the following eligibility requirements for the biotech supplement:

- The applicant has been designated as a qualified investor under state law and has received a final tax credit certificate for the Maryland biotechnology investment incentive tax credit for the preceding calendar year; and
- The tax credit received by the applicant was generated by an investment in a qualified Maryland biotechnology company, as defined in state law, that has its headquarters and base of operations in the County.

Review and Approval Process. Under the law, the County's Biotech Supplement is a direct subsidy available to all who meet the eligibility requirements, subject to the County Council's annual appropriation for the program.

Every eligible applicant receives a supplement based on the amount of the credit received by the applicant from the Maryland biotechnology investment tax credit program as well as the amount of funds appropriated to the County's Supplement program. Specifically, the amount of the Supplement cannot exceed 50 percent of the credit that the applicant received from the State or 15 percent of the total annual appropriation for the Supplement Program.[9]

If any part of the state tax credit is recaptured by the State, the Supplement recipient must repay the County the amount of the Supplement that was based on the recaptured credit within 60 days.[10]

[9] County Code §20-76A(d)
[10] County Code §20-76A(h)

According to the County Code, the Director of Finance administers the program but can arrange for the Comptroller of the Treasury to pay the Supplement on behalf of the County. The Comptroller and DED provide, upon request, the Director of Finance with a list of the preceding year's State tax credit recipients, which is used to calculate the Supplement to be paid to each qualified applicant.[11]

5. Impact Assistance Program

Year Established	FY05
Total Assistance Provided	$477,521
Total Awards Provided	27
Average Award Amount	$17,649
Range of Award Amounts	$2,800 to $124,621

The Impact Assistance Program is a non-codified program of the EDF created in FY05 via Council appropriation language. The program provides grants to businesses that are adversely affected by County-initiated development, redevelopment, or renovation projects. Through FY12, the Council appropriated $650K for the Impact Assistance Program, although the program has not received appropriations of any new dollars since FY09.

In April 2012, the County Council enacted a Small Business Assistance Program within the EDF (described on the next page) that is similar, though not identical, to the Impact Assistance Program. **As a result, DED plans to discontinue the Impact Assistance Program once the regulation to implement the new Small Business Assistance Program is adopted.**

Eligibility and Funding Criteria. In general, only businesses that are currently impacted by County projects in progress are eligible for assistance. Unlike other EDF programs whose goal is to create jobs and economic development, this program is used to compensate businesses affected by development. As a result, the program does not include priority consideration criteria.

Review and Approval Process. The principal criterion used for funding decisions is whether a business has experienced a decrease in revenues due to the County project. To receive assistance, the recipient must agree to remain in the County for a period of three years following disbursement of the funds.

If a company relocates its business outside the County, or the business closes its operation for any reason other than bankruptcy within three years of disbursement of the grant proceeds, the company is required to immediately repay the County the entire grant amount.

[11] Ibid.

Award Summary Data. Table 8 breaks down \$477K disbursed for 27 Impact Assistance Program awards through FY12 to show both the distribution of awards and funding amount by size of award (in \$'s) and geographic location of the business within the County.

Table 8. Impact Assistance Program Award Summary Data

	Awards Given		Funding Amount	
	Number	% of Total	\$ Value	% of Total
Size of Award				
\$25,000 and under	26	96%	\$351,900	74%
Over \$100,000	1	4%	\$124,621	26%
Location				
Silver Spring	13	48%	\$164,000	34%
Bethesda	4	15%	\$24,900	5%
Germantown	4	15%	\$75,000	16%
Clarksburg	4	15%	\$80,000	17%
Wheaton	1	4%	\$124,621	26%
Rockville	1	4%	\$8,000	2%

The appendix (at ©31) lists the 27 Impact Assistance Program transactions through Report Year 2012, including all available award data.

6. Small Business Assistance Program

In April 2012, the County Council enacted Bill 6-12 to establish a Small Business Assistance Program within the EDF. The purpose of the program is to assist small businesses located in an enterprise zone or urban renewal area of the County who are adversely impacted by a redevelopment project on County property or a redevelopment project financed in whole or part by the County.

In addition to the program parameters established by the bill (described below), the law requires the County Executive to adopt an executive regulation to implement the program.[12] DED published proposed Executive Regulation 24-12 in the January County Register, and is currently evaluating the public comments and feedback received.

Program Structure. Aside from being located in an enterprise zone (as designated under § 5-704 of the Maryland Code, Economic Development Article) or an urban renewal area (as defined in § 56-9f of the County Code), the law states that a small business is eligible for assistance if:[13]

- the applicant is the owner of an existing small business located near an ongoing or future redevelopment project that is planned to begin construction in less than 12 months after the application;
- the applicant's small business is currently or is likely to be adversely impacted by the redevelopment project; and
- the applicant's small business is financially healthy and likely to continue operating for the foreseeable future.

[12] County Code § 20-76B(f)
[13] County Code § 20-76B(c)

The program uses the definition of small business that was created for the Local Small Business Reserve Program for County procurements. Additionally, the law allows the DED Director to impose "reasonable" conditions on a small business, including the successful completion of approved technical assistance training, in order to receive financial assistance.[14]

DED staff anticipate that small businesses will qualify for assistance under this program based on upcoming County redevelopment projects in Takoma Park, Wheaton, and Gaithersburg.

7. Inactive or Discontinued Programs

The two EDF programs that are inactive and/or only used on an as needed basis (the Demolition Loan and Emergency Agricultural Assistance Programs) and one program that DED has discontinued (Export Montgomery Program) are described below.

- **Demolition Loan Program –** This program was established in FY00 to provide loans to private property owners in Montgomery County planning to demolish a vacant or severely underutilized commercial building located in an urban renewal area or a blighted area. The Department of Housing and Community Affairs is responsible for processing and reviewing loan applications under this program. The program received an appropriation of $100K in FY00, disbursed all the funds by March 2006, and is categorized as inactive in the most recent EDF annual report.[15]

- **Emergency Agricultural Assistance Program –** This program was established to disburse supplemental appropriations made in FY98 ($500K) and FY00 ($1 million) to assist the agricultural industry in Montgomery County due to extreme drought conditions in both years. This program is only used on an as needed basis, and is categorized as inactive.[16]

- **Export Montgomery Program –** This program was established in FY01 with the purpose of assisting Montgomery County exporters that contribute to the economic strength and stability of the local economy and to provide indirect marketing for the County. Due to lack of activities, DED discontinued the program in FY06. In total, three applications were received and approved for a total of $11,762 in assistance.[17]

[14] County Code § 20-76B(d)
[15] 2000, 2006, and 2012 Montgomery County Economic Development Fund Annual Reports
[16] 2000 and 2012 Montgomery County Economic Development Fund Annual Report
[17] 2012 Montgomery County Economic Development Fund Annual Report, pg. 18.

B. FY13 Approved Operating Budget for the EDF

Table 9 shows the Economic Development Fund's FY13 approved budget in total and broken out by program. Entering FY13, the Fund had a beginning balance of about $1.6 million, representing uncommitted or not yet disbursed dollars rolled over from the prior fiscal year (the Council must re-appropriate any beginning fund balance for each program). The balance is nearly all within the Grant and Loan and Small Business Revolving Loan programs, and can include dollars encumbered or earmarked for approved awards that are yet to be disbursed.

Budgeted revenue into the EDF for FY13 includes $5.1 million in appropriations from the General Fund and $225K from anticipated loan repayments. DED estimates approximately $6.3 million in EDF expenditures during FY13, with the majority ($5.5 million) for the Grant and Loan Program. The projected year-end balance is $437K, all within the Small Business Revolving Loan Program.

Included as part of the Grant and Loan Program expenditures is $118K in personnel costs (salary and benefits) for one DED staff member who performs the Fund's administrative functions, such as monitoring the expenditures and loan repayment, preparing the annual report, preparing transaction underwriting, and coordinating bad debt collection.

Table 9. Economic Development Fund FY13 Approved Budget by Program*

EDF FY13 Approved Budget	EDF Program				Total
	Grant and Loan	Small Business Revolving Loan	Biotech Supplement	Impact Assistance	
Beginning Balance	$892,205	$711,927	--	$22,000	$1,626,132
Revenue					
General Fund Appropriation	$4,590,020	--	$500,000	--	$5,090,020
Loan Repayment	--	$224,790	--	--	$224,790
Expenditures	$5,482,225	$500,000	$500,000	$22,000	$6,279,435
Projected Year-End Balance	$0	$436,717	$0	$0	$436,717

*DED reports that the current ERP system has total fund balance information for the entire EDF, but does not break out the balance for each program. As a result, the beginning fund balance allocated to each program is based on DED's internal tracking.

Chapter V. Economic Development Tax Credit Programs

State and County law have established four "economic development" tax credit programs that are used as incentives for qualifying businesses to locate or expand in Montgomery County. The tax credit programs are entitlement incentives, meaning a company qualifies to receive the credit as long as they meet the criteria established for the program.

Each program reduces the amount of County property tax that a qualifying business has to pay for a specified time period. As a result, the tax credits do not require an appropriation of County funds; but instead represent a reduction in potential County revenue. Due to the County's Charter Limit on annual property tax revenue increases, issuing tax credits under these programs may not necessarily reduce the total revenue that otherwise would have been collected in a given year. However, issuing the credits does impact the distribution of property tax revenue and the tax base for the following year's charter limit calculation.

Since FY99, the County has provided approximately $35 million in property tax credits under these four programs as shown below.

Tax Credit Program	Year Established	Cumulative Credits Issued
New Jobs	FY00	$6.4 million
Enhanced New Jobs	FY00	$12.9 million
Enterprise Zone	FY99	$15.5 million
Arts and Entertainment District	FY05	$25,000

This chapter provides an overview of the tax credit programs, and is organized as follows:

- **Section A** describes the New Jobs Tax Credit and the Enhanced New Jobs Tax Credit;
- **Section B** reviews the Enterprise Zone Tax Credit; and
- **Section C** describes the Arts and Entertainment District Tax Credit.

A. New Jobs Tax Credit and Enhanced New Jobs Tax Credit

This section reviews the program structure and eligibility, review and approval process, tracking and monitoring process, and summary data for the New Jobs and Enhanced New Jobs tax credits.

New Jobs Tax Credit Program Structure and Eligibility. The New Jobs Tax Credit is a six-year credit available to businesses already residing in Montgomery County or that are moving from outside of Maryland that meet the following criteria:

- Relocate into or expand by at least 5,000 square feet of newly constructed and previously unoccupied premises;
- Employ at least 25 persons in new, permanent full-time positions located in the new or expanded premises; and

- Hire the minimum 25 new positions within 24 months of taking possession of the new or expanded premises.

Businesses are ineligible for the New Jobs Credit if they move to Montgomery County from within Maryland, or if the new positions are primarily involved in retail sales. Additionally, the County Code authorizes the County Council to designate types of businesses, types of positions, or geographic areas that are ineligible for these tax credits.[1] (DED staff report that the Council has never designated businesses that are ineligible for the tax credits.)

The credit is provided as a percent of the real and personal property tax assessments on the new or expanded premises owed to Montgomery County. The credit amount begins at 52% and decreases to 26% over the six-year period, as shown in the table below. The actual value of the credit is recalculated each year based on that year's assessment and the applicable credit percent.

Table 10. New Jobs Property Tax Credit Structure

Years	Credit Percent
1 and 2	52%
3 and 4	39%
5 and 6	26%

Eligible recipients of the New Jobs Tax Credit also receive a State of Maryland tax credit for six years for one of the following State taxes: corporate or personal income tax, financial institution franchise tax, or insurance premium tax.[2]

Enhanced New Jobs Tax Credit Program Structure and Eligibility. The Enhanced New Jobs Tax Credit, which targets large expansion projects, is a 24-year credit available to businesses already residing in Montgomery County or that are moving from outside of Maryland and that meet the criteria listed in Table 11 on the next page. Maryland House Bill 592, signed into law by the Governor in April 2012, expanded the timeframe for this enhanced credit from 12 to 24 years.[3]

The Enhanced New Jobs Tax Credit is given against the increase in the business' local real and personal property tax assessment resulting from the expansion. The amount of the credit is 58.5% of the additional local tax liability for the entire 24-year period. The actual value of the credit is recalculated each year based on that year's assessment.

Eligible recipients of the Enhanced New Jobs Tax Credit also receive a State of Maryland tax credit of 31.5% for 12 years against one of the following State taxes: corporate or personal income tax, financial institution franchise tax, or insurance premium tax.[4]

[1] Montgomery County Code § 52-71(c)(4)
[2] MD Code Ann., Tax – Property § 9-230(b)(2)
[3] Department of Finance staff report that the County is currently determining whether is needs to make corresponding changes to the section of the County Code that implements the program locally.
[4] MD Code Ann., Tax – Property § 9-230(b)(2)

Table 11. Enhanced New Jobs Tax Credit Eligibility Criteria

A company engaged in one of the following qualified industries…	
1) Manufacturing or mining 2) Transportation or communications 3) Agriculture, forestry or fishing 4) Research, development or testing 5) Biotechnology 6) Computer programming, data processing, or other computer-related services 7) Central financial, real estate, or insurance services 8) The operation of central administrative offices or a company headquarters 9) A public utility 10) Warehousing 11) Business services	
That meets one of the following combinations of space, jobs, and wages criteria…	
Combination #1	• Increases its space by at least 250,000 square feet • Continues to employ at least 2,500 existing, permanent, full-time positions • Creates at least 500 new, permanent, full-time positions • Pays all existing and new permanent, full-time employees at least 150% of the federal minimum wage
Combination #2	• Increases its space by at least 250,000 square feet • Creates at least 1,250 new, permanent, full-time positions • Pays all new permanent, full-time employees at least 150% of the federal minimum wage
Combination #3	• Expends at least $150 million to increase its space by at least 700,000 square feet • Continues to employ at least 1,100 existing, permanent, full-time positions and contract positions of at least 12 months in length • Creates at least 500 new, permanent, full-time positions • Pays all existing and new permanent, full-time and contract positions at least 150% of the federal minimum wage • Provide each employee with an employer subsidized health care benefits package

Source: Montgomery County Department of Finance

Review and Approval Process. Under State Law, a business must notify the County of its intent to claim either the New Jobs Tax Credit or the Enhanced New Jobs Tax Credit in writing and prior to obtaining or expanding its premises and hiring new employees. Once the business has met the requirements for the applicable tax credit, the County must certify to the Maryland Department of Business and Economic Development that the business has qualified to receive the tax credit for the next taxable year.[5] To qualify for the Enhanced New Jobs Tax Credit, the business must meet the required space, jobs, and wage criteria within 6 years of notifying the County of its intent to claim the credit.[6] Once all criteria are met, the business' 24-year credit period begins.

[5] MD Code Ann., Tax – Property § 9-230 (b)(6)
[6] MD Code Ann., Tax – Property § 9-230 (d)(3)(i)

Tracking and Monitoring Process. Both the New Jobs and Enhanced New Jobs tax credits require that businesses maintain the job, space, and other requirements for the duration of the tax credit program and for three additional years after.

Finance staff report that the County re-certifies the tax credits each year, both for the amount of space the business is using and for the number of employees. To monitor this information, County staff utilizes lease or ownership information (submitted by the company to the County) to verify the space requirements and unemployment insurance filings (made by the company to the State Department of Labor, Licensing and Regulation) to verify employment data.

The County must file an annual report with the State Department of Assessments and Taxation, the State Department of Business and Economic Development, and the Comptroller listing the amount of each tax credit granted in a year and indicating whether a business complied with the requirements for the tax credit.[7]

Both the New Jobs and Enhanced New Jobs tax credits contain a "recapture" provision that requires a business to repay the credits if they fail to maintain the job and space requirements during the credit period and for three years after. For example, if a recipient of the Enhanced Jobs credit met all the requirements for 14 years but not in year 15, that business would have to repay the credit it took in year 12 of the program. To date, Department of Finance staff report that they have not used the recapture provision.

Tax Credit Data. Table 12 provides annual data on the number and amount of New Jobs and Enhanced New Jobs tax credits from FY00 (when the programs started) to FY12. The data show:

- Overall, the County has issued $19.3 million in New Jobs and Enhanced New Jobs tax credits since FY00.
- From FY00 to FY10, the County issued an average of $580K per year in New Jobs tax credits. No credits were issued in FY11 or FY12, as all qualifying businesses have completed their six-year eligibility.
- From FY04 to FY12, the County issued an average of $1.5 million per year in Enhanced New Jobs credits. No company qualified for the enhanced credit until FY04.

[7] MD Code Ann., Tax – Property § 9-230(m)

Table 12. New Jobs and Enhance New Jobs Tax Credits, FY00-FY12

Fiscal Year	New Jobs		Enhanced New Jobs	
	# Issued	$ Value	# Issued	$ Value
2012	0	--	1	$1,202,536
2011	0	--	2	$1,290,623
2010	3	$70,770	2	$1,104,991
2009	7	$326,025	1	$1,113,630
2008	9	$742,301	1	$1,732,223
2007	13	$828,822	1	$1,681,272
2006	13	$1,018,457	1	$1,743,535
2005	13	$1,136,172	1	$1,775,348
2004	11	$1,219,909	1	$1,246,078
2003	6	$863,011	0	--
2002	2	$109,749	0	--
2001	1	$35,220	0	--
2000	1	$30,137	0	--
Total	**76**	**$6,380,573**	**11**	**$12,890,236**

Source: Department of Finance

B. Enterprise Zone Tax Credit

The Enterprise Zone Tax Credit Program is established in State law, but administered at the local level. The program is designed to provide an incentive for businesses to locate or expand facilities in designated areas.[8]

Based on County applications, the State of Maryland has designated three Enterprise Zones for Montgomery County: Silver Spring, which expired in 2006; Wheaton, set to expire in 2013; and Long Branch/Takoma Park, set to expire in 2019. In addition, Gaithersburg requested and was approved for an Enterprise Zone designation for its historic business district (known as the Old Towne Enterprise Zone) in 2008.[9]

To qualify for the 10-year Enterprise Zone property tax credit, a business located within an established Enterprise Zone must meet minimum local standards for a "qualifying capital investment."[10] For the Wheaton and Long Branch/Takoma Park Enterprise Zones, the County has established the capital investments standards through County Regulations as follows:[11]

- The minimum qualifying capital investment is $10 dollars per square foot of building area improved and at least 20% of the total building floor area must be improved;

[8] Maryland Department of Business and Economic Development, http://www.choosemaryland.org/businessresources/Documents/Writeable%20Forms/EZQAProperty2011.pdf
[9] Maryland Department of Business and Economic Development; *Enterprise Zones Annual Status Report, Calendar Year 2010*; December 2011.
[10] MD Code Ann., Economic Development § 5-707(b)
[11] COMCOR §§ 02.64L.02.06 and 02.64L.03.06

- The qualifying investment may include off-site investments in state-of-the-art technology to meet modern standards, particularly for technology-oriented companies; and
- The qualifying investment may include off-site (such as streetscape improvements) or on-site improvements (such as new landscaping in parking lots) that implement specific objectives of the applicable sector or master plan for the location.

The City of Gaithersburg has established similar, but not identical, standards for qualifying capital investment. While the eligibility for off-site technology investments and on- and off-site improvements implementing master plan objectives are the same, the value and floor area requirements differ:[12]

- For an existing building where there is no expansion of floor area, the minimum qualifying capital investment must be at least $10 per square foot and at least 50% of the total building floor area must be improved; and
- For new construction and additions to existing structures, the minimum qualifying capital investment is $250,000.

The credit only applies against a business' real property tax assessment, and is calculated based on the increase in the assessment compared to the base year assessment (i.e., the assessment from the year prior to the qualifying job creation or capital investment activity). As detailed below, the credit starts out at 80% of the increase for the first five years and then decreases 10% annually for the next five years. The actual value of the credit is recalculated each year based on that year's assessment.

Table 13. Enterprise Zone Tax Credit Structure

Years	Credit Amount
1 - 5	80%
6	70%
7	60%
8	50%
9	40%
10	30%

Review and Approval Process. The administrator[13] for each enterprise zone is responsible for reviewing applications and determining the eligibility of business entities under the Enterprise Zone Program. The application process consists of two stages: (1) precertification and (2) certification. The precertification stage is optional, and allows businesses to determine whether a proposed capital improvement will qualify for the credit prior to making the investment. Precertification does not guarantee that the business will receive the credit.[14]

[12] City of Gaithersburg, "Olde Towne Enterprise Zone Instruction Guide," (Revised 4/2012).
[13] Designated administrators for each Enterprise Zone are: County DED Director for Wheaton, County DHCA Director for Long Branch/Takoma Park, and City of Gaithersburg for the Olde Towne/Gaithersburg.
[14] COMCOR § 02.64L.02 (4.2.5) and § 02.64L.03 (4.2.5); "Olde Towne Enterprise Zone Instruction Guide".

To receive certification, a business must demonstrate that it has made the minimum qualifying capital investment and met all state and local standards by providing information on the capital improvement, a certificate of costs, and any other information requested by the Administrator.[15]

Tracking and monitoring. There are no employment or other requirements to receive this tax credit. Once the property is certified by the Enterprise Zone Administrator and the State Department of Assessments and Taxation (SDAT), the SDAT certifies the amount of the assessment to credit, each year, for the full ten years of the credit.

Businesses receiving the tax credit are required to report the dollar value of the tax credit annually to both the Administrator and to any tenant or other third party responsible for tax payment or reimbursement within 30 days of the property tax payment.[16]

Tax Credit Data. Table 14 below shows the number of businesses that received Enterprise Zone tax credits each year since FY99 along with the value of the credits issued. Overall, the County has issued 840 tax credits under the Enterprise Zone program totaling $15.5 million. On average, businesses have qualified for a total of $1.1 million per year in Enterprise Zone tax credits over the 14-year history of the program.

Table 14. Enterprise Zone Tax Credits, FY99-FY12

Fiscal Year	# Issued	$ Value
2012	78	$1,588,492
2011	82	$1,209,611
2010	84	$2,125,235
2009	88	$1,954,347
2008	85	$2,095,063
2007	82	$1,749,710
2006	82	$1,750,938
2005	72	$1,406,975
2004	51	$532,275
2003	48	$428,204
2002	44	$354,503
2001	13	$162,747
2000	15	$95,750
1999	16	$56,560
Total	**840**	**$15,510,410**

Source: Department of Finance

[15] Ibid.; Wheaton Redevelopment Program, "Enterprise Zone Information Packet," (Revised 1/2007) and City of Gaithersburg, "Olde Towne Enterprise Zone Eligibility Application".
[16] COMCOR § 02.64L.02 (4.2.6) and § 02.64L.03 (4.2.6); City of Gaithersburg, "Olde Towne Enterprise Zone Instruction Guide," (Revised 4/2012).

C. Arts and Entertainment District Tax Credit

The goal of the Maryland Arts and Entertainment District program is "to develop, promote and support diverse artistic and cultural centers in communities throughout Maryland that preserve a sense of place, provide unique cultural experiences and spur economic revitalization and neighborhood pride."[17] The State of Maryland has designated three Arts and Entertainment Districts in Montgomery County: Bethesda (designated in 2002 and redesignated in 2012), Silver Spring (designated in 2002 and redesignated in 2012), and Wheaton (designated in 2006).[18]

This tax credit is available to a taxpayer against the County property tax imposed on a manufacturing, commercial, or industrial building that is located in an Arts and Entertainment District and that is wholly or partially renovated for use by a qualifying residing artist or an arts and entertainment enterprise. The Department of Finance is responsible for ensuring that the applicants meet the eligibility requirements.

This tax credit applies for 10 years, provided that the building continues to be used by a qualifying residing artist or an arts and entertainment enterprise. The credit only applies against a business' real property tax assessment, and is calculated based on the increase in the assessment compared to the base year assessment (i.e., the assessment from the year before the renovation is done). As detailed below, except for properties also receiving an Enterprise Zone Tax Credit, the credit starts out at 80% of the increase for the first five years and then decreases 10% annually for the next five years.

Table 15. Arts and Entertainment District Tax Credit Structure

Years	Credit Amount
1 - 5	80%
6	70%
7	60%
8	50%
9	40%
10	30%

For properties also granted an Enterprise Zone Tax Credit, the amount of the Arts and Entertainment Tax Credit is 20% added to the Enterprise Zone Credit.

Tracking and Monitoring. The only requirement for the Arts and Entertainment District Tax Credit is that the property is "capable for use" by a qualified resident artist or arts and entertainment enterprise. The certifications of the artists/arts enterprises are made by the Arts and Humanities Council in conjunction with the State Department of Assessments and Taxation (SDAT) and the Maryland Office of the Comptroller, while the certification of the real property is made by SDAT.

[17] Maryland State Arts Council and the Maryland Department of Business and Economic Development, "Arts and Entertainment Districts Guidelines" (2012), p. 5
[18] Maryland State Arts Council. "Maryland Arts and Entertainment Districts Program."

Tax Credit Data. The table below shows the number and dollar value of Arts and Entertainment District tax credits issued since the program began in FY05. On average, the County has issued $3,227 worth of arts and entertainment tax credits each year between FY05 and FY12.

Table 16. Arts and Entertainment District Tax Credits, FY05-FY12

Fiscal Year	# Issued	$ Value
2012	3	$1,600
2011	4	$3,806
2010	4	$4,428
2009	4	$4,341
2008	4	$4,185
2007	4	$3,740
2006	1	$1,767
2005	1	$1,413
Total	**25**	**$25,280**

Source: Department of Finance

Chapter VI. Economic Development Incentives: Performance and Outcome Data

As detailed in Chapter II, measuring the success of economic development programs poses many difficulties. In particular, much of the difficulty lies in determining and quantifying outcomes directly caused by an economic development program versus outcomes caused by other factors, such as general economic conditions.

Despite these inherent challenges, there remains value in collecting and reporting various types of performance and outcome data related to economic development incentive programs. While it may not be possible to discern a cause and effect relationship between providing an incentive and a particular outcome, these data do allow governments to assess performance against program and funding goals.

The Department of Economic Development (DED) annually reports on performance and funding measures for the County's incentive programs through the Economic Development Fund (EDF) Annual Report, and has also developed several performance metrics in consultation with CountyStat.

This chapter analyzes the key performance, monitoring, and outcome data reported by DED through Report Year 2012 for the three largest EDF programs. Additionally, since a fundamental purpose of providing economic development incentives is to retain businesses in or attract businesses to Montgomery County, the chapter reviews information on whether businesses that receive incentives are maintaining a presence in the County. The chapter is organized as follows:

- **Section A** reviews performance data for the County's largest incentive program, the Grant and Loan Program, including: award outcomes, jobs, private investment, economic impact, and the current status and location of award recipients; and
- **Section B** reviews performance data for two smaller EDF incentive programs, the Technology Growth Program and Small Business Revolving Loan Program, including award outcomes as well as the current status and location of award recipients.

A. Grant and Loan Program Performance and Outcome Data

From 1996 through 2012, the Grant and Loan program has disbursed 161 awards totaling $25.8 million to 155 different companies. The Grant and Loan program is the oldest and largest (in terms of number of awards and dollars awarded) of the County's incentive programs, and the bulk of DED's monitoring and data collection effort is associated with these awards.

This section presents data on the outcome of completed Grant and Loan Program awards, compares projected and actual job retention and creation data, reviews program data on planned private capital investment and projected annual fiscal impact to the County, and details how many past award recipients remain in business within Montgomery County.

1. Award Outcomes

As noted in Chapter IV, each Grant and Loan program award recipient must comply with certain performance criteria for a set period of time as detailed in a signed Economic Development Fund Agreement (EDFA). While the terms of the EDFA differ for each award, all require that the company remain in Montgomery County for a set period of years and most require that the recipient retain and/or create a specific number of jobs during that same period. Additionally, most awards require that the recipient repay all or part of the award if certain performance criteria are not successfully achieved (referred to as a "claw-back" provision).

Table 17 below shows the outcomes for the 161 Grant and Loan awards disbursed since FY96, based on the annual award monitoring data and status of each award (i.e., whether or not the company has satisfied the terms of the EDFA) reported by DED. Overall, 143 award recipients have completed the monitoring period while 18 are still within the monitoring period. Of the completed awards:

- 40% of award recipients, accounting for $8.1 million in program funding, successfully met all performance criteria.
- 47% of award recipients, accounting for $6.0 million in program funding, were unable to meet all performance requirements and repaid all or a portion of the award under the EDFA's claw-back provision.
- 13% of award recipients, accounting for $2.8 million in program funding, were unable to meet all performance requirements and have not made the required repayment. DED has sent these cases to the County Attorney's Office for collection.

Table 17. Grant and Loan Program Award Outcomes (as of December 2012)

Award Outcome Category	Number of Awards (% of Total)	Funding Amount (% of Total)
Completed Awards		
Met Performance Criteria: successfully met or exceeded all performance criteria in the EDFA. DED considers these awards satisfied.	57 (40%)	$8.1 million (48%)
Partially Met/Did Not Meet – Made Repayment: did not meet all performance criteria, repaid all or a portion of award as required by EDFA. DED considers these awards satisfied.	67 (47%)	$6.0 million (36%)
Partially Met/Did Not Meet – Collection: did not meet all performance criteria or in bankruptcy, has not made repayment required by EDFA. DED has sent these cases for collection.	19 (13%)	$2.8 million (16%)
All Completed	**143 (100%)**	**$16.9 million (100%)**
Active Awards		
Under Monitoring: these awards are still within their performance monitoring period.	18	$8.9 million

Source: DED and OLO

Each Grant and Loan Program award can vary by several factors, including whether it is intended to attract a company to Montgomery County or retain an existing company, the amount of money awarded, and the industry type of the business receiving the award. OLO analyzed the outcomes of the 143 completed awards by these different award features as shown in Table 18. Of note:

- Companies receiving an award as a "Business Retention" incentive were 10% more likely (43% to 33%) to successfully meet all performance criteria than companies receiving an award as a "Business Attraction" incentive.
- 52% of award recipients receiving over $100K met all performance criteria, compared to 43% when the award was between $50-100K, and 35% when the award was less than $50K.
- Among the industry types targeted in the County's strategic plan, 40% of both Biotechnology and Business Services award recipients met all performance criteria compared to 29% of Technology and IT award recipients. For all other industry types, 62% of awards recipients met performance criteria.

Table 18. Grant and Loan Awards – Summary Characteristics and Outcomes (as of December 2012)

Award Features	Completed Awards	Met Performance Criteria	Partly Met/Did Not Meet:	
			Made Repayment	Collection
Purpose of Award				
Business Retention	95	43%	47%	9%
Business Attraction	48	33%	46%	21%
Size of Award				
$0 - $50,000	82	35%	48%	17%
$50,001 - $100,000	40	43%	50%	8%
Over $100,000	21	52%	38%	10%
Industry Type				
Technology and IT	52	29%	52%	19%
Biotechnology and Related	35	40%	43%	17%
Business Service and Related	30	40%	53%	7%
All Other	26	62%	35%	4%

Source: DED and OLO

2. Jobs Retained and Created

Of the 161 Grant and Loan program awards, 148 (or 92%) include specific job retention or creation requirements as part of the EDFA. Data on compliance with job requirements are tracked and reported annually by DED during the monitoring period, allowing for a comparison of the projected jobs versus the actual results.

The EDFA for each award defines the number of existing jobs a company is required to retain and/or the number of new jobs a company is required to create in the County. However, monitoring data provided by DED does not differentiate between jobs retained and jobs created. As a result, all jobs data in this section is a combination of existing jobs retained and new jobs created.

Projected versus Actual Jobs. Table 19 compares the projected and actual total number of jobs retained/created for the 148 Grant and Loan awards that include job requirements, sorted by award outcome. **The data show that companies that have completed the monitoring period retained or created a total of 23,246 jobs in Montgomery County by the final year of monitoring, or 87% of the projected total.** However, the data show variation among outcome categories:

- The 45 award recipients that successfully met all performance criteria exceeded job requirements (achieving 128% of the required total) and the 16,170 jobs associated with these companies account for nearly 70% of the 23,246 actual jobs retained/created.
- Award recipients that partially met or did not meet performance criteria provided considerably fewer jobs than required. In particular, the 67 award recipients that did not meet all performance criteria but made the required repayment retained or created 54% of the 12,345 required jobs.

Table 19. Cumulative Jobs Performance Data for Grant and Loan Program Awards (as of December 2012)

Award Recipients with Jobs Requirements that…	Projected Jobs	Actual Jobs*	Actual as % of Projected
Met Performance Criteria (n=45)	12,605	16,170	**128%**
Partially Met/Did Not Meet: Made Repayment (n=67)	12,345	6,634	**54%**
Partially Met/Did Not Meet: Collection (n=19)	1,825	442	**24%**
Subtotal	**26,775**	**23,246**	**87%**
Under Monitoring (n=17)	2,307	TBD	TBD

*Based on last year of monitoring.
Source: DED and OLO

Jobs by Industry Type. Table 20 compares the projected and actual jobs data within the various industry types for the award recipients that have completed monitoring. The data show:

- The Technology and IT sector had the most jobs actually retained/created by award recipients (7,309), although the total represented 70% of the required jobs.
- Award recipients cumulatively exceeded job requirements in the Biotechnology and Related (101%), Retail and Hospitality (103%), and Media and Communication (143%) sectors.

Table 20. Grant and Loan Program Job Performance Data by Industry (Completed Awards that Included Job Requirements)

Industry Type	Number of Awards	Projected Jobs	Actual Jobs*	Actual as % of Projected
Technology and IT	47	10,396	7,309	70%
Biotechnology and Related	34	4,398	4,422	101%
Business Services and Related	29	5,021	4,072	81%
Retail and Hospitality	8	4,797	4,958	103%
Association and Non-Profits	6	273	185	68%
Media and Communications	2	1,174	1,677	143%
Other	5	716	623	87%

*Based on last year of monitoring.
Source: DED

3. Projected Fiscal Impact

DED conducts a formal fiscal impact analysis for every potential Grant and Loan Program award, resulting in a projected net annual fiscal impact to the County (estimated revenue increases minus estimated increases in County service costs) for each potential award. A complete description of the fiscal impact process and model is contained in Chapter IV.

Projected fiscal impact data is a "pre-award" measure, meaning it represents the estimated impact to the County at the time of award approval. While DED tracks some of the data components that are used as variables in the model (e.g., jobs created or retained) during the monitoring process, the estimated fiscal impact is not revised or recalculated for completed awards based on the actual data. As a result, OLO is unable to assess the extent to which award recipients meet projections.

Table 21 shows the total projected fiscal impact and average fiscal impact per dollar of program funding for all 161 Grant and Loan Program awards through 2012. Additionally, the table shows the projected fiscal impact data by award outcome category. In sum:

- The $25.8 million in total approved Grant and Loan program awards was projected to create a net positive fiscal impact of approximately $38 million each year, or an average of $1.48 per year for every dollar in one-time program funding disbursed.
- The 57 award recipients that successfully met all performance criteria were projected to create $13.4 million in annual economic benefits, returning an average of $1.66 in annual benefit per dollar of one-time program funding.
- Almost $19 million of the annual projected fiscal impact was associated with the 86 awards that partially met or did not meet the performance criteria. It is likely that these awards did not create the entire fiscal impact that was projected when the award was disbursed.

Table 21. Projected Fiscal Impact Associated with Grant and Loan Program Awards

Grant and Loan Program Awards	Awards	Total Program Funding	Projected Annual Fiscal Impact	
			Total	Avg. per $1 of Funding
Met Performance Criteria	57	$8.1 million	$13.4 million	**$1.66**
Partially Met/Did Not Meet: Made Repayment	67	$6.0 million	$15.6 million	**$2.60**
Partially Met/Did Not Meet: Collection	19	$2.8 million	$3.1 million	**$1.13**
Under Monitoring	18	$8.9 million	$5.8 million	**$0.65**
Total	**161**	**$25.8 million**	**$38.0 million**	**$1.48**

Data Source: DED and OLO

4. Private Capital Investment

DED reports data on the planned private capital investment "leveraged" by each Grant and Loan program award as a way to measure the overall economic value of the financial assistance provided. This data is a "pre-award" measure, meaning it represents the planned private investment at the time of award approval. While DED may track private investment for some awards as part of the monitoring process, there is currently no formal reporting mechanism that shows how much of the planned private investment actually occurred. As a result, OLO is unable to assess the extent to which award recipients are meet projections.

Table 22 shows the total planned private investment data and average planned investment per dollar of program funding for all 161 Grant and Loan Program awards through 2012. Additionally, the table shows the planned investment data by award outcome category. In sum:

- The $25.8 million in total approved Grant and Loan Program funding was intended to facilitate an additional $1.24 billion of private capital investment in the County, or on average $48 in private investment for every $1 in program funding disbursed.
- The 57 awards that successfully met all performance criteria were associated with $575 million in planned private investment. These successful projects had the highest planned investment ratio of $71 in private investment for every $1 in program funding disbursed.

- $379 million of the planned private investment was associated with the 86 awards that partially met or did not meet the performance criteria. It is likely that actual private capital investment for those projects did not occur to the full extent planned.

Table 22. Planned Private Capital Investment Associated with Grant and Loan Program Awards

Grant and Loan Program Awards	Awards	Total Program Funding	Planned Private Investment	
			Total	Avg. per $1 of Funding
Met Performance Criteria	57	$8.1 million	$575 million	**$71**
Partially Met/Did Not Meet: Made Repayment	67	$6.0 million	$354 million	**$59**
Partially Met/Did Not Meet: Collection	19	$2.8 million	$25 million	**$9**
Under Monitoring	18	$8.9 million	$285 million	**$32**
Total	**161**	**$25.8 million**	**$1.24 billion**	**$48**

Source: DED and OLO

In addition to the planned private capital investment, DED's 2012 EDF Annual Report notes that County's Grant and Loan program funding also helped leverage a total of $50.7 million in State of Maryland grants, loans, and/or guarantees.

5. Long-Term Retention in Montgomery County

To assess whether companies that receive incentive awards are staying in Montgomery County, OLO used the Maryland State Department of Assessment and Taxation's business entity filings database,[1] supplemented by internet research and information from DED staff, to determine whether or not a business is still in existence and located in the County. This section presents the results of that research for 154 unique businesses that have received Grant and Loan Program awards since FY96.[2]

This review classifies award recipients as "Still Located in Montgomery County" if the company or successor (if it was bought by or merged with another company) remains a legal business entity in the State of Maryland and remains located (in whole or in part) in the County. Award recipients that no longer remain a legal entity in Maryland[3] or that moved entirely outside the County are classified as "No Longer in Montgomery County/Out of Business".

There are multiple factors that influence the long-term success and location of a business, so the fact that a company has moved or gone out of business does not mean it was unsuccessful in creating economic benefits or in meeting performance targets while in the County. Additionally, some incentive awards assist companies to construct or expand facilities that will remain in the County for other users even if the original company leaves. At the same time, incentive recipients that remain in the County are more likely to provide a longer lasting economic impact.

[1] http://sdatcert3.resiusa.org/ucc-charter/CharterSearch_f.aspx
[2] While the Grant and Loan program has disbursed 161 total awards, six businesses received two different awards and OLO was unable to determine the current location and status for one recipient.
[3] Those listed as "Forfeited" or "Dissolved" by the State's database.

Exhibit 1 shows the proportion of Grant and Loan Program award recipients, and the proportion of program funding provided to those recipients, that are still located in Montgomery County compared to those that are not. Table 23 follows with data on whether a company remains located in the County based on when the award was disbursed. The data show:

- 68% of the unique Grant and Loan program award recipients are located in Montgomery County, while 32% have moved out of the County or gone out of business.
- 79% of Grant and Loan program funding went to companies that remain in Montgomery County, compared to 21% to recipients that have moved or gone out of business.
- 60% of companies that received a Grant and Loan program awards 10 or more years ago remain in Montgomery County compared to nearly 90% for companies that have received an award within the past 10 years.

Exhibit 1. Grant and Loan Program Unique Award Recipients and Presence in Montgomery County (as of December 2012)

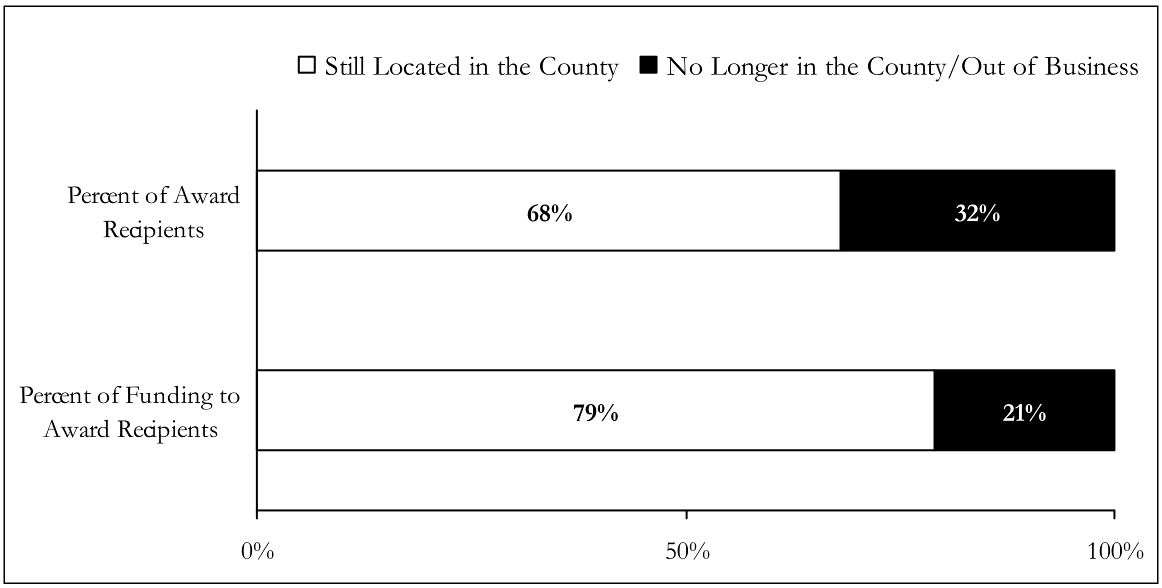


Table 23. Location of Grant and Loan Award Recipients by Year of Award (as of December 2012)

Length of Time Since Award was Disbursed	Total Recipients	Number of Award Recipients		% of Award Recipients Still in the County
		Still Located in Mont. County	No Longer in Mont. County	
10 or more years	112	67	45	**60%**
5 to 9 years	24	21	3	**88%**
> 5 years	18	16	2	**89%**
Total	**154**	**104**	**50**	**68%**

Sources: Maryland Department of Assessment and Taxation and DED

Table 24 further examines the location data by showing the number and percent of unique Grant and Loan award recipients still in the County versus no longer in the County/out of business based on award outcome, purpose and size of award, and industry type.

Table 24. Location of Grant and Loan Award Recipients by Award Outcome and Other Characteristics (as of December 2012)

Award Factors	Number of Award Recipients		% of Award Recipients Still in the County
	Still Located in Mont. County	No Longer in Mont. County	
Award Outcome			
Met Performance Criteria	42	12	**78%**
Partly/Did Not Meet: Repayment	44	21	**68%**
Partly/Did Not Meet: Collection	2	16	**11%**
Under Monitoring	16	1	**94%**
Purpose of Award			
Business Retention	69	30	**70%**
Business Attraction	35	20	**64%**
Size of Award			
$0 - $50,000	51	35	**59%**
$50,001 - $100,000	31	10	**76%**
$100,001 - $500,000	17	3	**85%**
Over $500,000	5	2*	**71%**
Industry Type			
Technology and IT	32	20	**62%**
Biotechnology and Related	29	13	**69%**
Business Service and Related	20	11	**65%**
Retail and Hospitality	8	2	**80%**
Associations and Non-Profits	6	2	**75%**
Media and Communications	4	0	**100%**
Other	5	2	**71%**

*DED staff report that while these two award recipients are no longer in business, these awards helped either construct a new building or purchase an existing building. Both of those facilities are now owned and in use by different companies.
Sources: DED, Maryland Department of Assessment and Taxation, and OLO

B. Other Incentive Program Performance Data

This section reviews performance data for two smaller EDF incentive programs, the Technology Growth Program and Small Business Revolving Loan Program, including award outcome data as well as the current status and location of award recipients.

1. Technology Growth Program

As described in Chapter IV, the Technology Growth Program was created to provide financial assistance to early-stage high technology companies. The awards are typically structured as grants that convert to loans once the company generates specified annual revenue or obtains specified equity financing within five years of the County's assistance. However, DED forgives the repayment requirement for companies that dissolve or are unable to meet the revenue or financing goals during the grant period (DED staff report that the intent of the program was not to penalize companies that are unsuccessful despite their best efforts).

DED's 2010 EDF Annual Report notes that the two primary measures of success for the program are: 1) the direct repayment of principal and interest from recipient companies; and 2) the primary and secondary benefits enjoyed by the County resulting from the successful growth and expansion of the recipient companies.[4]

Award Outcomes. Table 25 shows the status or outcome for the 71 Technology Growth Program awards, which assess performance against DED's measure of direct repayment from recipient companies. For the 48 awards that have completed monitoring, that data show:

- 29% of award recipients, representing $885K of program funding, achieved the program's goal by meeting the revenue or financing targets within five years of assistance and successfully repaying the award.
- 56% of award recipients, representing $1.5 million of program funding, had their grant forgiven by DED after they were unable to meet the revenue or financing targets or the company dissolved during the term of the award.

Table 25. Technology Growth Program Award Outcomes (as of December 2012)

Award Outcome Category	Number of Awards (% of Total)	Funding Amount (% of Total)
Completed Awards		
Grant Repaid: met annual revenue or equity financing targets and successfully repaid award, satisfying all DED requirements.	14 (29%)	$885,000 (31%)
Grant Forgiven: unable to meet the annual revenue or equity financing goals, or folded during the grant period. DED forgave repayment.	27 (56%)	$1,510,000 (53%)
Moved/Acquired: did not maintain a majority of business interests in the County for five years and either repaid the grant or the grant has been recalled for repayment.	4 (8%)	$230,000 (8%)
Collection: company was either acquired or dissolved and unable to make required repayment, award has been sent to collection.	3 (6%)	$240,000 (8%)
All Completed	**48 (100%)**	**$2,865,000 (100%)**
Active Awards		
Under Monitoring/Repayment: still within the five year monitoring period or has successfully met revenue/financing targets but still within the repayment process.	23	$1,100,000

Source: DED and OLO

[4] 2010 EDF Annual Report, pg. 22

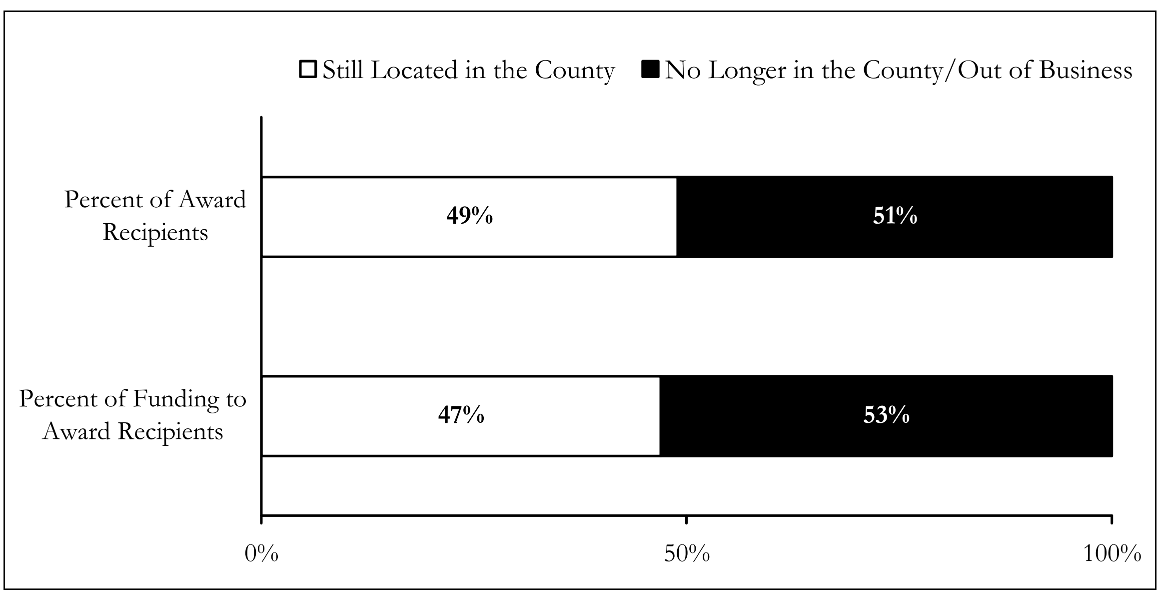
Long-Term Retention in Montgomery County. To assess whether companies that receive incentive awards are staying in Montgomery County, OLO used the Maryland State Department of Assessment and Taxation's business entity filings database[5], supplemented by internet research and information from DED staff, to determine whether or not a business is still in existence and located in the County. This section presents the results of that research for 71 unique businesses that received Technology Growth Program awards between FY99 and FY11.

This review classifies award recipients as "Still Located in Montgomery County" if the company or successor (if it was bought by or merged with another company) remains a legal business entity in the State of Maryland and remains located (in whole or in part) in the County. Award recipients that no longer remain a legal entity in Maryland[6] or that moved entirely outside the County are classified as "No Longer in Montgomery County/Out of Business."

Exhibit 2 shows the proportion of Technology Growth award recipients, and the proportion of program funding provided to those recipients, that are still located in Montgomery County compared to those that are not. Table 26 follows with data on the proportion of award recipients still in the County based on size of award and industry type. The data show:

- 49% of the Technology Growth program award recipients remain located in Montgomery County, while 51% have moved out of the County or gone out of business.
- 47% of total Technology Growth program funding went to the recipients still located in the County, compared to 53% to recipients that have moved or gone out of business.
- 68% of award recipients in the Biotechnology or Life Sciences industry sector remain located in the County, compared to 35% of Information Technology companies.

Exhibit 2. Technology Growth Program Award Recipients and Presence in Montgomery County (as of December 2012)



[5] http://sdatcert3.resiusa.org/ucc-charter/CharterSearch_f.aspx
[6] Those listed as "Forfeited" or "Dissolved" by the State's database.

Table 26. Location of Technology Growth Program Awards Recipients by Award Factors

Award Factors	Number of Award Recipients		% of Award Recipients Still in the County
	Still Located in Mont. County	No Longer in Mont. County	
Award Outcome			
Grant Repaid	8	6	**57%**
Grant Forgiven	11	16	**41%**
Moved/Acquired and Collection	0	7	**0%**
Under Monitoring	16	7	**70%**
Size of Award			
$25,000 and under	3	0	**100%**
$25,001-$50,000	18	20	**47%**
$50,001-$75,000	11	10	**52%**
$75,001-$100,000	3	6	**33%**
Industry Type			
Biotechnology or Life Science	22	12	**68%**
Information Technology	11	21	**35%**
All Other	2	3	**40%**

Sources: DED, Maryland Department of Assessment and Taxation, and OLO

2. Small Business Revolving Loan Program

As described in Chapter IV, the Small Business Revolving Loan Program (SBRLP) was created in FY00 to assist small businesses that lack access to traditional private and public funding sources. The SBRLP targets Montgomery County-based small businesses with less than $5.0 million in gross revenues annually and fewer than 75 employees. Table 27 lists the outcome for the 38 SBLRP loans,[7] sorted by completed loans and active loans.

Table 27. Small Business Revolving Loan Program Outcomes (as of December 2012)

Loan Outcome Category	Number of Awards (% of Total)	Funding Amount (% of Total)
Completed Loans		
Paid Off	8 (38%)	$560,000 (44%)
Past Due/Bankruptcy	8 (38%)	$420,000 (33%)
Written Off	5 (24%)	$288,000 (23%)
All Completed	**21 (100%)**	**$1,268,000 (100%)**
Active Loans		
Current	17	$804,500

Source: DED

[7] Includes all awards that were given out under the Micro-Enterprise Loan subprogram from FY08-FY10.

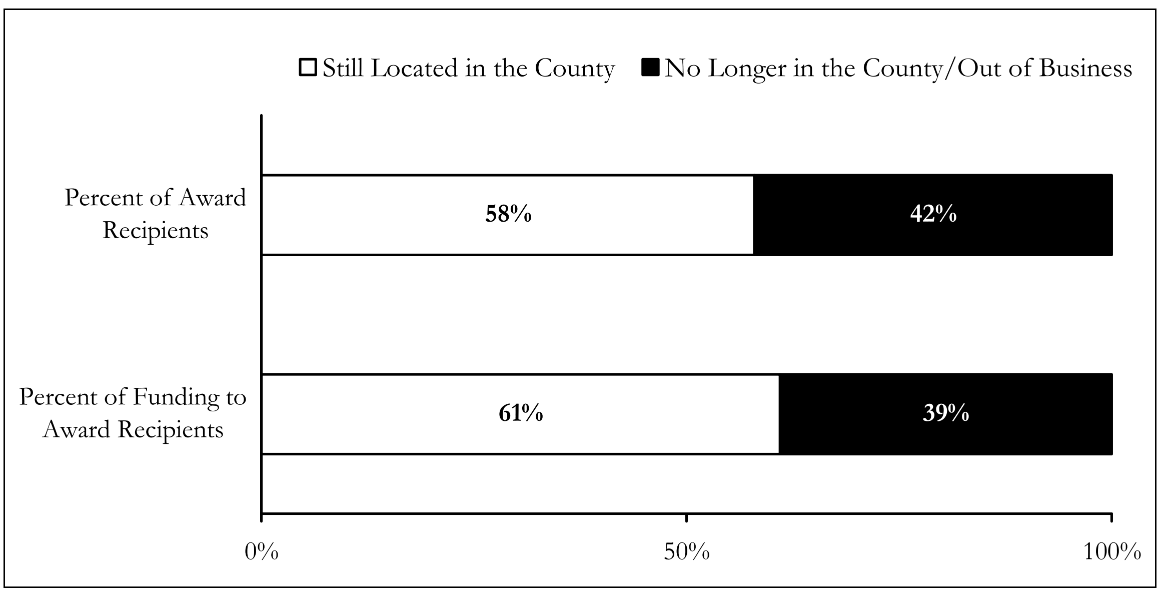
Long-Term Retention in Montgomery County. To assess whether companies that receive incentive awards are staying in Montgomery County, OLO used the Maryland State Department of Assessment and Taxation's business entity filings database[8], supplemented by internet research and information from DED staff, to determine whether or not a business is still in existence and located in the County. This section presents the results of that research for the 38 businesses that received Small Business Revolving Loan Program awards since FY00.

This review classifies award recipients as "Still Located in Montgomery County" if the company or successor (if it was bought by or merged with another company) remains a legal business entity in the State of Maryland and remains located (in whole or in part) in the County. Award recipients that no longer remain a legal entity in Maryland[9] or that moved entirely outside the County are classified as "No Longer in Montgomery County/Out of Business".

Exhibit 3 shows the proportion of SBRLP loan recipients, and the proportion of program funding provided to those recipients, that are still located in Montgomery County compared to those that are not. The data show:

- 58% of the SBRLP award recipients remain located in Montgomery County, while 42% have moved or gone out of business.
- 61% of total SBRLP funding went to the recipients still located in the County, compared to 39% to recipients that have moved or gone out of business.

Exhibit 3. Small Business Revolving Loan Program Award Recipients and Presence in Montgomery County (as of December 2012)



Sources: DED and Maryland Department of Assessment and Taxation

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[8] http://sdatcert3.resiusa.org/ucc-charter/CharterSearch_f.aspx

[9] Those listed as "Forfeited" or "Dissolved" by the State's database.

Chapter VII. Findings

This chapter presents the Office of Legislative Oversight's (OLO) findings, organized into the following sections:

- Economic Development Incentives in Montgomery County
- Financial and Summary Data on Montgomery County's Incentive Programs
- Research Literature on Performance Outcomes
- Performance Results for Montgomery County's Incentives

ECONOMIC DEVELOPMENT INCENTIVES IN MONTGOMERY COUNTY

Finding #1. Local governments provide over $80 billion per year in economic development incentives to businesses.[1] Montgomery County provides incentives via an Economic Development Fund and tax credits, and the County's incentive programs fall within the framework of an economic development strategic plan.

Governments provide incentives for two central reasons: "The first is that incentives will lead to business investment and thus new jobs, producing an increase in the local demand for goods and services, giving rise to further rounds of economic growth. The second justification is that economic growth increases public revenues, thus allowing for improved public services or a decline in tax rates."[2] The type and structure of an economic development incentive can vary, and four key parameters of incentive programs are listed below:

- Incentives can take the form of financial or non-financial assistance;
- Incentives can be structured as entitlement or discretionary programs;
- Incentives can provide "up-front" or "back-loaded" assistance; and
- Incentives can be available throughout a jurisdiction, or can be targeted to selected geographic areas or location types.

Economic Development Fund (EDF). The EDF is established in the County Code to "aid the economic development of the County by assisting private employers who are located or plan to locate or substantially expand operations in the County." The EDF is a discretionary program administered by the Department of Economic Development (DED), and can provide both financial and non-financial assistance to businesses throughout the County. The EDF has provided assistance to businesses each year since FY96. In FY13, DED operates five EDF assistance programs.

Tax Credits. The County has four "economic development" tax credit programs, administered by the Department of Finance, that are used as incentives for qualifying businesses to locate or expand in Montgomery County: New Jobs Tax Credit; Enhanced New Jobs Tax Credit; Enterprise Zone Tax Credit; and Arts and Entertainment District Tax Credit. State enabling legislation accompanied by County action (either in the form of a law, Council resolution, or application to the State) implements each tax credit. The tax credit programs are entitlement incentives, meaning a company qualifies for the credit as long as they meet the criteria established for the program.

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[1] Louise Story, "As Companies Seek Tax Deals, Governments Pay High Price," *New York Times*, Dec. 3, 2012.
[2] Alan Peters and Peter Fisher, "The Failures of Economic Development Incentives," *Journal of the American Planning Association* (Winter 2004), p. 28.

Strategic Plan. The County Government's current Economic Development Strategic Plan (adopted in 2008) has multiple goals and/or action items with relevance to economic development incentive programs. In particular, the strategic plan indicates that incentives should be used to retain existing businesses and attract new businesses, and should focus on key industries such as bio-pharma, communications, green technology, professional services, and government contacting. In September 2012, the Council passed changes to the EDF law and the strategic planning process. The changes require the County Executive to propose (on or before July 2015) and update every four years thereafter an economic development strategic plan for the County, subject to Council approval.

Finding #2. Montgomery County's economic development incentive programs, to a large extent, align with the best practices identified in the research literature for structuring and administering incentive programs.

The research literature recommends five primary "best practices" that local jurisdictions should follow to maximize the potential effectiveness of incentive programs. Each is listed below, along with a brief description of Montgomery County's practices within that area.

- **Align incentive use with a clearly articulated economic development strategy that defines specific goals and objectives.**

As noted in Finding #1, DED's current strategic plan includes several action items relevant to economic development incentives. DED staff report that it administers incentive programs and makes award decisions in alignment with those strategic goals. Additionally, the alignment between the County's economic development strategy and specific goals and objectives will be strengthened based on the 2012 amendments to the EDF law. The law requires that the success or progress of the strategic plan must be measurable and that financial assistance provided from the EDF must be consistent with the economic development strategic plan.

- **Conduct prospective cost-benefit analyses and consider the potential decisiveness of the incentive when selecting recipients.**

The County Government conducts a multi-year cost-benefit analysis on most potential EDF program incentive awards as part of the standard review process, resulting in the projected net annual fiscal impact of each award. The fiscal impact analysis model estimates both the increase in annual county revenue (from property tax; income tax; and other taxes, fees, and charges) and increase in annual county service costs (for County Government, MCPS, and Montgomery College services) resulting from the project. (A complete description of the model is available in Chapter IV). DED staff also examines the potential decisiveness of an incentive as part of the review process once a potential award recipient has been identified.

- **Align incentive design with business needs (e.g., up-front vs. back-loaded assistance, financial vs. non-financial assistance) to help ensure that incentive programs influence business decisions as intended.**

The County's EDF law specifies that assistance provided to private employers can take multiple forms, including: loans or grants; transfers of real or personal property; provision of services by a County agency; or plans, studies, or other technical assistance. While most of the incentives provided by County Government are up-front grants or loans, DED also provides different forms or structures of assistance specific to individual companies. For example, the County has issued several awards that are structured in stages where the company initially receives a portion of the award and must meet certain performance targets before receiving the remaining portion(s).

- **Include clear performance standards, mechanisms for monitoring performance, and penalties for breach of contract in all agreements with incentive recipients.**

Once an award receives all the necessary approvals, DED develops a legally-binding Economic Development Fund Agreement (EDFA) with the recipient that spells out the terms and conditions of the grant or loan. Each EDFA stipulates the specific performance requirements and milestones the company must meet, and contains "claw-back" provisions that require the company to return all or a portion of the award if the performance requirements or milestones are not achieved. DED uses a standard EDFA developed by the County Attorney's Office for most awards with job and/or capital investment requirements. For awards with other types of requirements, the County Attorney and DED will modify the EDFA based on the specific circumstances. Additionally, DED routinely enforces the "claw-back" provision when award recipients do not meet all requirements.

- **Evaluate incentive programs regularly, although consider limiting outcome evaluations to the most expensive programs since evaluations can be difficult and resource intensive.**

DED annually reports on performance and funding measure's for the County's incentive programs through the Economic Development Fund Annual Report, and has also developed several performance metrics in consultation with CountyStat. The County Government has not, however, conducted a formal evaluation of incentive programs.

FINANCIAL AND SUMMARY DATA ON MONTGOMERY COUNTY'S INCENTIVES

Finding #3. The Economic Development Fund has provided over $34 million in direct financial assistance to companies in Montgomery County through 2012. Most assistance (~75%) is provided through a Grant and Loan program.

The table below summarizes the cumulative EDF award data for the five current programs. Each program has specific eligibility and funding criteria (either established in the authorizing law/regulation or developed by DED), a standardized review and approval process, and post-award monitoring and tracking. A detailed description of each program is included in Chapter IV.

Award Data for EDF Programs

EDF Program	Year Established	Cumulative Assistance Provided	Total Awards Provided	Average Award Amount	Range of Award Amounts
Grant and Loan	FY96	$25.8 million	161	$160,648	$3,000 to $6 million
Technology Growth	FY99	$3.96 million	71	$55,858	$5,000 to $100,000
Small Business Revolving Loan*	FY00	$2.1 million	38	$55,724	$9,500 to $130,0000
Biotech Supplement	FY12	$500,000	66	$7,576	$2,118 to $42,355
Impact Assistance**	FY05	$478,000	27	$17,649	$2,800 to $124,621

*Includes all data for the Micro-Enterprise Loan program, which was established in FY08 and merged into the Small Business Revolving Loan program in FY10.
**The Small Business Assistance Program, enacted by the Council in 2012, will be implemented in FY14 and will take the place of the Impact Assistance program.

Finding #4. Data on the Grant and Loan program show that most awards are provided for business retention purposes and are targeted to companies in the industry types identified by the County's strategic plan.

The table below shows how the $25.8 million disbursed for 161 Grant and Loan program awards through FY12 has been distributed based on the purpose of award, size of award, and industry type of the business receiving the award. The data show:

- About two-thirds of program awards were made for business retention projects compared to one-third for business attraction projects. The total funding amounts, however, were nearly equal for retention and attraction projects.
- Just over one-half (55%) of the awards were for $50K or less, although the seven total awards of $500K+ accounted for 57% of all funds disbursed under the program.
- Three industry types – Technology/IT, Biotechnology, and Business Services – account for 82% of grant and loan awards and 46% of total program funding.

Grant and Loan Program Award Summary Data

	Awards Provided		Funding Amount	
	Number	% of Total	$ Value	% of Total
Purpose of Award				
Business Retention	106	66%	$12,301,000	48%
Business Attraction	55	34%	$13,499,000	52%
Size of Award				
$0 - $50,000	89	55%	$2,710,500	11%
$50,001 - $100,000	44	27%	$3,729,500	14%
$100,001 - $500,000	21	13%	$4,685,000	18%
Over $500,000	7	4%	$14,675,000	57%
Industry Type				
Technology and IT	55	34%	$4,584,000	18%
Biotechnology and Related	44	27%	$5,458,000	21%
Business Service and Related	33	20%	$1,923,000	7%
Retail and Hospitality	10	6%	$10,073,500	39%
Associations and Non-Profits	8	5%	$2,232,500	9%
Other*	7	4%	$369,000	1%
Media and Communications	4	2%	$1,160,000	4%

*Other includes real estate, aviation, food, performing arts, manufacturer, and healthcare

Finding #5. Montgomery County has provided $34.8 million to businesses in economic development incentive property tax credits through FY12.

By offering these tax credits, the County foregoes the collection of some property tax revenue that otherwise would have gone to the General Fund. The table shows the number and value of tax credits issued under each program between FY99 and FY12.

Tax Credit Summary Data

Tax Credit Program	Year Established	Tax Credits Issued	
		Number	Value
Enterprise Zone	FY99	840	$15.5 million
Enhanced New Jobs	FY00	11	$12.9 million
New Jobs	FY00	76	$6.4 million
Arts and Entertainment District	FY05	25	$25,000

On average, the annual "cost" to the County for each tax credit has been:

- $1.1 million per year in Enterprise Zone tax credits from FY99 to FY12;
- $1.5 million per year in Enhanced New Jobs tax credits from FY04 to FY12;

- $580,000 per year in New Jobs Tax credits from FY00 to FY10 (no businesses were eligible for the credits in FY11 or FY12); and
- $3,200 per year in Arts and Entertainment District tax credits from FY05 to FY12.

The Department of Finance annually reviews and certifies that each recipient company remains compliant with the terms and requirements of the credit, and the annual report on the Economic Development Fund contains data on the total tax expenditures associated with each of these credits. However, Finance does not compile or report any performance or outcome data associated with the tax credit programs.

RESEARCH LITERATURE ON PERFORMANCE OUTCOMES

Finding #6. The research literature indicates that measuring the "success" of economic development programs is difficult, and empirical studies do not provide a definitive answer on whether or not incentives create desired economic growth.

Much of the difficulty lies in determining and quantifying the change directly *caused by* an economic development program. For example, when a researcher develops an evaluation plan for a program designed to increase jobs and grow the tax base, it is analytically challenging to design a study that can distinguish between change caused by the economic development program itself versus change caused by external factors, such as business cycles, natural firm growth and development, or program participant selection bias.[3]

Alan Peters and Peter Fisher conducted a "metareview" in 2004 of studies that analyze the impact of economic development incentives on economic growth, and conclude that: "on this most basic question of all – whether incentives induce significant new investment or jobs – we simply do not know the answer…In fact, there are very good reasons – theoretical, empirical, and practical – to believe that economic development incentives have little or no impact on firm location and investment decisions."[4]

A 2012 Virginia Joint Legislative Audit and Review Committee (JLARC) report acknowledges the lack of clarity within the broad research on incentive programs, but concludes that the potential for success makes incentive programs worthwhile even if that success cannot be measured:

> Although it is not clear to what extent incentive grants sway the location and expansion decision of businesses in Virginia, their use can benefit the State and its economy….Because it is not possible to precisely distinguish in which cases a grant is truly necessary for a project to locate in Virginia, grants may have to be awarded to many businesses in order to attract the few that would not locate in the State without an incentive grant. While this approach may be costly and inefficient, it recognizes the reality of economic development nationally, whereby states are compelled to compete against each other for businesses that can provide needed employment and other economic benefits.[5]

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[3] Timothy Bartik and Richard Bingham, *Can Economic Development Programs be Evaluated?,* (Working Paper 95-29, Kalamazoo, MI: W. E. Upjohn Institute for Employment Research 1995).
[4] Op. cit., Peters and Fisher (2004), p. 32.
[5] Virginia Joint Legislative Audit and Review Commission (2012), *Review of State Economic Development Incentive Grants*, p. 31.

Finding #7. A particular challenge in measuring incentive programs is determining "decisiveness." Relevant to Montgomery County, some researchers suggest that local incentive programs within large metropolitan areas may be more "decisive."

The "decisiveness" of incentives refers to the degree to which an incentive actually plays a role in a business's decision-making process. The research indicates that businesses consider a number of factors when deciding whether to locate or expand in a community, and an evaluation can overstate the benefits if it assumes that the incentive program was a decisive factor for *all* businesses that received incentives and located, expanded, or remained in the community.[6]

Two recent studies produced for the Virginia legislature estimate that incentives play a decisive role in a business's site selection decision approximately 10-13% of the time.[7] Additionally, businesses often portray an incentive as decisive in their final decision, even if it is not, to maximize their negotiating leverage and get the best deal possible from the state or local government.[8]

The geography of an incentive program, however, appears to play a role in increasing the relative decisiveness of an incentive. Experts suggest that incentives in local jurisdictions within large metropolitan areas may have a larger effect than statewide incentives. This is because jurisdictions in a metropolitan area are similar to one another with respect to many of the characteristics that impact location decisions, such as labor force and access to suppliers and consumers.[9] Thus, a local incentive program may be able to draw businesses from neighboring jurisdictions.

Finding #8. Since incentive programs are difficult to definitively link to economic growth, many jurisdictions assess the impact of incentive programs by measuring and reporting various program outcome data.

OLO sought out examples of how other state and local jurisdictions measure and report on the performance of incentive programs. Overall:

- The most typical performance data reported for incentive programs were job creation, investment, and cost data.
- In order to measure program performance against a target, some jurisdictions compare actual jobs and investment data with projections made when the incentives were provided.
- Types of incentive performance data that were not consistently reported include: average salaries of jobs created or retained; whether past incentive recipients are still in the jurisdiction; and whether the incentive was an attraction or retention project.
- Some incentive programs estimate the net benefit of each award using cost benefit analysis both prior to the award and during or after the award period.

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[6] Timothy J. Bartik, "Solving the Problems of Economic Development Incentives," in *Reining In the Competition for Capital*, edited by Ann Markusen (Kalamzoo, MI: W. E. Upjohn Institute for Employment Research 2007), p. 107
[7] Op. cit. Virginia Joint Legislative Audit and Review Commission (2012), pg. 28; Virginia Senate Finance Committee, *Economic Development Incentives*, November 2010, p. 14.
[8] Ann Markusen and Katherine Nesse, "Institutional and Political Determinants of Incentive Competition," in Reining In the Competition for Capital, op. cit. (2007) p. 22; and Kenneth Thomas, "The Sources and Processes of Tax and Subsidy Competition," ," in Reining In the Competition for Capital, op. cit. (2007), p. 46
[9] Op. cit. Bartik (2007), p. 107.

PERFORMANCE RESULTS FOR MONTGOMERY COUNTY'S INCENTIVES

Finding #9. Overall, 40% of the Grant and Loan Program award recipients that have completed monitoring successfully met all performance criteria. Recipients that did not meet all performance criteria were subject to "claw-back" provisions and required to repay some or all of the award.

Consistent with the research literature, data on Montgomery County's incentive awards do not allow a definitive assessment that the incentive "worked" or "did not work" to create economic growth. As a result, DED collects and reports data on various performance outcome measures.

Each Grant and Loan program award recipient must comply with certain performance criteria for a set period of time as detailed in a signed Economic Development Fund Agreement (EDFA). The table below shows OLO's performance outcome analysis for the 143 Grant and Loan awards that have completed monitoring, based on DED's annual tracking data and status of each award (i.e., whether or not the company has satisfied the terms of the EDFA).

Grant and Loan Program Outcomes for Completed Awards (as of December 2012)

Award Outcome Category	Number of Awards (% of Total)	Funding Amount (% of Total)
Met Performance Criteria: successfully met or exceeded all performance criteria in the EDFA. DED considers these awards satisfied.	57 (40%)	$8.1 million (48%)
Partially Met/Did Not Meet – Made Repayment: did not meet all performance criteria, repaid all or a portion of award as required by EDFA. DED considers these awards satisfied.	67 (47%)	$6.0 million (36%)
Partially Met/Did Not Meet – Collection: did not meet all performance criteria or in bankruptcy, has not made repayment required by EDFA. DED has sent these cases for collection.	19 (13%)	$2.8 million (16%)
Total	**143 (100%)**	**$16.9 million (100%)**

Source: DED and OLO

A further analysis of outcomes by award purpose, size, and industry type showed:

- Companies receiving a "retention" incentive were 10% more likely (43% to 33%) to successfully meet all performance criteria than companies receiving an "attraction" incentive.
- Among key industry types targeted in the County's strategic plan, 40% of Biotechnology and 40% of Business Services companies met all performance criteria compared to 29% of Technology/IT companies.

Finding #10. Grant and Loan Program award recipients that have completed monitoring retained or created 23,246 jobs in Montgomery County, or 87% of the required total. However, the total is driven by the subset of companies that successfully met performance requirements.

Nearly all Grant and Loan program awards include specific job retention or creation requirements. DED tracks and reports annually on compliance with jobs requirements, allowing for a comparison of the projected jobs "pre-award" versus the actual results "post-award." DED's performance reporting for each award combines the data on jobs retained and jobs created.

Data on projected versus actual job performance sorted by award outcome, detailed in the table below, show that the award recipients that successfully met all performance criteria actually exceeded job requirements and thus "drove" the cumulative jobs total. Put another way, 34% of the award recipients combined to account for 70% of the actual jobs retained or created.

Cumulative Jobs Performance Data for Grant and Loan Program Awards (as of December 2012)

Award Recipients with Jobs Requirements that…	Projected Jobs	Actual Jobs*	Actual as % of Projected
Met Performance Criteria (n=45)	12,605	16,170	**128%**
Partially Met/Did Not Meet: Made Repayment (n=67)	12,345	6,634	**54%**
Partially Met/Did Not Meet: Collection (n=19)	1,825	442	**24%**
Total (completed awards only)	**26,775**	**23,246**	**87%**

*Based on last year of monitoring.
Source: DED and OLO

OLO also analyzed projected versus actual jobs data by industry type and found that, among the business types targeted by the County's strategic plan:

- Biotechnology companies achieved 101% of required jobs;
- Business Services companies achieved 81% of required jobs; and
- Technology/IT companies achieved 70% of required jobs.

Finding #11. DED has approved incentive awards projected to provide a large "return on investment" to the County: $1.24 billion in private investment and $38 million in annual net economic benefit. However, award outcome data indicate many award recipients may not achieve the presumed level of investment or impact.

Planned private investment and projected annual fiscal impact are "pre-award" measures, meaning those data represent estimates at the time of award approval. While DED tracks some data related to these measures during the monitoring process, neither measure is revised or recalculated for completed awards based on the actual data. As a result, OLO is unable to assess the extent to which award recipients are meeting these projections.

The table below shows both the planned private investment and the projected annual fiscal impact for Grant and Loan Program awards by award outcome. The data show:

- Awards that successfully met all performance criteria account for $575 million (56%) of the planned private investment and $13.4 million (35%) of the projected annual fiscal impact. These awards are the most likely to have achieved that projected impact, and in some cases may have surpassed the projected impact given that this subset of recipients exceeded jobs requirements as detailed in Finding #10.

- Awards that did not meet all performance criteria account for $379 million (37%) of the planned private investment and $18.7 million (49%) of the projected annual fiscal impact. It is likely that these awards did not achieve the planned level of private investment and/or economic impact.

Planned Private Capital Investment and Projected Fiscal Impact for Grant and Loan Program Awards by Outcome

Grant and Loan Program Awards	Awards	Program Funding	Planned Private Investment	Projected Annual Fiscal Impact
Met Performance Criteria	57	$8.1 million	$575 million	$13.4 million
Partially Met/Did Not Meet: Made Repayment	67	$6.0 million	$354 million	$15.6 million
Partially Met/Did Not Meet: Collection	19	$2.8 million	$25 million	$3.1 million
Under Monitoring	18	$8.9 million	$285 million	$5.8 million
Total	**161**	**$25.8 million**	**$1.24 billion**	**$38.0 million**

Source: DED and OLO

Finding #12. An analysis of long-term retention data on incentive award recipients indicates that the proportion of EDF incentive recipients still in business and located in Montgomery County varies by program, ranging from 68% to 49%.

To assess whether companies that receive incentive awards are staying in Montgomery County, OLO used the Maryland State Department of Assessment and Taxation's business entity filings database,[10] supplemented by internet research and information from DED staff, to determine whether or not a business is still in existence and located in the County.

This review classifies award recipients as "Still Located in Montgomery County" if the company or successor (if it was bought by or merged with another company) remains a legal business entity in the State of Maryland and remains located (in whole or in part) in the County. Award recipients that no longer remain a legal entity in Maryland[11] or that moved entirely outside the County are classified as "No Longer in Montgomery County/Out of Business". OLO's review shows:

- 68% of the 154 unique Grant and Loan program award recipients remain located in Montgomery County, while 32% have moved out of the County or gone out of business.
- 49% of the 71 Technology Growth program award recipients remain located in Montgomery County, while 51% have moved out of the County or gone out of business.
- 58% of the 38 Small Business Revolving Loan award recipients remain located in Montgomery County, while 42% have moved out of the County or gone out of business.

For Grant and Loan award recipients, that data also show that 60% of companies that received a Grant and Loan program award 10 or more years ago remain in Montgomery County compared to nearly 90% for companies that received an award within the past 10 years.

There are multiple factors that influence the long-term success and location of a business, so the fact that a company has moved or gone out of business does not mean it was unsuccessful in creating economic benefits or in meeting performance targets while in the County. Additionally, some incentive awards assist companies to construct or expand facilities that will remain in the County for other users even if the original company leaves. At the same time, incentive recipients that remain in the County are more likely to provide a longer lasting economic impact.

[10] http://sdatcert3.resiusa.org/ucc-charter/CharterSearch_f.aspx
[11] Those listed as "Forfeited" or "Dissolved" by the State's database.

Chapter VIII. Recommendations

For Montgomery County's economic development incentive programs, the Department of Economic Development has shown a commitment to performance monitoring and data collection. Additionally, the County's "pre-award" measures indicate the financial incentives being provided to companies are projected to provide a positive economic "return" to the County.

At the same time, OLO's review illustrates opportunities to build upon the current performance monitoring and measurement efforts associated with incentive awards – in particular through enhancing "post-award" data collection and reporting to better assess actual impacts.

OLO has three recommendations for Council action, detailed below, intended to provide both the Council and the Executive Branch with the most complete picture possible when reviewing incentive programs from a programmatic, strategic, and funding perspective.

Recommendation #1: Request that the County Executive enhance the data collection and reporting procedures for economic development incentives by expanding pre-award and post-award measurement of performance indicators.

The County Government should expand current data collection and/or reporting associated with three key performance outcome measures – private capital investment, the estimated net fiscal impact of awards, and jobs created and retained – as detailed below:

- **Collect and report data on the actual private investment made by award recipients at the completion of the monitoring period for comparison with what was projected.**

Many incentive awards include a specific amount of private investment a recipient company must make as a condition of the award, and DED annually reports on both cumulative and individual planned private investment amounts as an outcome measure. However, DED does not provide a follow-up "post-award" measure that shows how much of the planned investment actually occurs.

Since OLO found that not all award recipients successfully meet performance criteria, it is likely that at least a portion of the planned private investment does not occur. Collecting and reporting this data for each project will allow for a more accurate assessment of how well public incentives are working to leverage important private investment in the County.

- **Revise the estimated fiscal impact for each project at the completion of the monitoring period for comparison with what was projected.**

Similar to planned private investment, DED annually reports on the cumulative and individual projected fiscal impact for each award. The model uses several assumptions in calculating the projected impact, including the amount of private investment, the number of jobs retained, the number of new jobs created, the average wages paid for each job, and the number of new County residents created.

Revising the estimate at the completion of an award recipient's monitoring period will provide a more accurate assessment of the annual economic impact by using the actual data points on jobs, investment, wages, and residents instead of what was projected when the award was approved.

Additionally, taking this step and comparing the pre-award and post-award projected fiscal impact will allow DED and Finance to test (and revise if necessary) some of the assumptions that are built into the model (for example, that 60% of newly created jobs will be filled by new County residents) and potentially enhance the accuracy of pre-award estimates.

- **Differentiate between jobs retained and jobs created within the data reporting process for program awards.**

DED collects and reports "pre-award" and "post-award" jobs data, allowing for a comparison of projected versus actual data. However, DED combines job retention and job creation data for reporting on individual awards. These data should be separated out for reporting to allow for discrete performance assessment going forward for existing jobs retained and new jobs created; specifically since job retention and job creation have different implications for the net economic impact of any particular project.

Recommendation #2: Request the County Executive track and annually report on the long-term outcomes of businesses that have received incentives (i.e., whether they remain located in Montgomery County or have moved or gone out of business).

For this report, OLO conducted an initial review of long-term retention data and found that the proportion of EDF incentive recipients remaining in the County varied by program. Regularly tracking and reporting data on whether or not businesses that receive incentive awards are staying in Montgomery County will help the Council and the Executive Branch assess the success of these programs over the long-term. These data collection efforts should also track, where possible, the time lag between when program monitoring ends and a company leaves or goes out of business.

Recommendation #3: As part of the economic development strategic planning process, the Council should discuss with the Executive Branch performance targets or guidelines for actual versus projected jobs, investment, fiscal impact, and long-term retention results.

There are multiple variables that impact the dynamics of business growth and development within a region. As such, it is not unexpected that some incentive recipients will not meet some or all performance criteria – whether that is jobs, level of investment made, or remaining in the County. However, the Council would benefit from being able to review the actual performance data within a set of guidelines or standards for each measure that indicate whether or not the incentives are meeting strategic goals. Example of performance guidelines could include:

- The proportion of businesses expected to remain in Montgomery County five, ten, and fifteen years after receiving an incentive award;
- A desired percent of incentive recipients that successfully meet all performance criteria, both cumulatively and for each industry type (or other award factor); and/or
- A target ratio for actual jobs created and/or fiscal impact achieved versus what was projected.

Chapter IX. Agency Comments

The Office of Legislative Oversight circulated a final draft of this report to the Chief Administrative Officer for Montgomery County. OLO appreciates the time taken by agency representatives to review the draft report and provide comments. OLO's final report incorporates technical corrections provided by agency staff.

The written comments received from the Chief Administrative Officer are attached in their entirety, beginning on the following page.

OFFICES OF THE COUNTY EXECUTIVE

Isiah Leggett
County Executive

Timothy L. Firestine
Chief Administrative Officer

February 20, 2013

TO: Chris Cihlar, Director
Office of Legislative Oversight

FROM: Timothy L. Firestine
Chief Administrative Officer

Subject: Draft OLO Report 2013-02, County's Economic Development Incentive Programs

This memorandum is to provide the Executive Branch's comments on the above referenced report. I want to thank the Office of Legislative Oversight (OLO) for its comprehensive and objective review of the County's economic development incentive programs, which are administered by the Department of Economic Development (DED) and the Department of Finance (Finance), and recognize the thorough and collaborative work done by OLO staff members Craig Howard and Natalia Carrizosa.

DED and Finance staff worked closely with OLO to ensure the accuracy of this report. We concur with OLO's findings and recommendations and offer the following comments.

Recommendation 1: Request that the County Executive enhance the data collection and reporting procedures for economic development incentives by expanding pre-award and post-award measurement of performance indicators.

- **Collect and report data on the actual private investment made by award recipients at the completion of the monitoring period for comparison with what was projected.**
- **Revise the estimated fiscal impact for each project at the completion of the monitoring period for comparison with what was projected.**
- **Differentiate between jobs retained and jobs created within the data reporting process for program awards.**

I concur with the recommendation. With the enactment of Bill 14-12, on December 20, 2012, both DED and Finance turned their attention to expanding the pre-and post-award data collection and are currently fine-tuning their work programs to achieve this goal.

Recommendation 2: Request the County Executive to track and annually report on the long-term outcomes of businesses that have received incentives (i.e., whether they remain located in Montgomery County, have moved, or have gone out of business).

I concur with the recommendation. Our economic development grants and loans are offered with the requirement that each business remain in the County for a certain number of years (this period usually coincides with commercially reasonable lease terms) after the grant/loan is received. Although we size and structure the incentives with the intent to keep the company in the County for the specified length of time, we agree that there is value to tracking longer-term outcomes to the extent possible.

Recommendation 3: As part of the economic development strategic planning process, the Council should discuss with the Executive Branch performance targets or guidelines for actual versus projected jobs, investment, fiscal impact, and long-term retention results.

I concur with the recommendation. We look forward to participating in the recommended discussion. As OLO acknowledged in its report, the County's economic development incentive programs, to a large extent, align with best practices for structuring and administering incentive programs. We look forward to discussing performance targets or guidelines that can best guide the County's strategic use of local incentives in the future. The Greater Washington area is saturated with affluent and competitive jurisdictions that are similar to one another with respect to many of the characteristics that businesses favor. In this environment, strategic local incentives will continue to play an important role in many business decisions. It is appropriate to include a discussion of performance targets and guidelines in the strategic planning process.

TLF:pb

cc: Joseph Beach, Director, Department of Finance
Kathleen Boucher, Assistant Chief Administrative Officer
Jennifer Hughes, Director, Office of Management and Budget
Steve Silverman, Director, Department of Economic Development

Appendix

Office of Legislative Oversight Report 2013-2
Review of Montgomery County's Economic Development Incentive Programs

A Vision For Economic Development in Montgomery County

Isiah Leggett
County Executive

Timothy Firestine
Chief Administrative Officer

Steven A. Silverman
Director, DED

Prepared by the
Montgomery County
Department of Economic Development

December, 2008

I. Montgomery County's Economic Development Vision

County Executive Leggett's economic development vision for Montgomery County is a ***globally competitive and highly diversified knowledge-based economy*** that provides for the retention and growth of existing companies, stimulates new job creation and enhances entrepreneurial opportunities.

Montgomery County's large global corporations and existing small businesses form the solid economic base that provides our residents with an ongoing high quality of life. Our high quality of life, in turn, helps retain, attract and create businesses of all sizes in all sectors.

In order to strengthen our leadership position in the world economy, we must adapt to continually changing regional, national and global economic conditions, especially during the current national downturn. As the County's existing sectors mature and new technology sectors such as clean energy/green technology emerge, new business opportunities will evolve. Where the goal once was innovative research or the development of emerging technologies, the focus should now broaden to the commercialization and deployment of new products, processes and technologies.

As the County's existing sectors mature and new technology sectors—such as clean energy/green technology—emerge, new business opportunities will evolve.

This vision will be implemented within the parameters of a complex regional, national and global framework.

As with large corporations, Montgomery County's small businesses can no longer look solely within the boundaries of our jurisdiction to grow, but must consider their position in the region and the world. Montgomery County Government's role is to create an enabling business environment and to provide the tools with which our companies — from all sectors and sizes — can succeed in today's marketplace.

II. The County's Economic Development Mission

Working with its many public and private partners, ***the Department of Economic Development (DED) will retain, attract and create businesses*** that support a broad array of employment opportunities; strategically grow its knowledge-based economy and key industry clusters; and expand the County's tax base.

The County will undertake marketing, business development, technical assistance, skilled work force development, advocacy, outreach, partnering, capital projects, and financing activities in support of this mission.

III. Economic Development Goals

The following broad economic development goals form the framework for the County's Economic Development Strategy:

Goal One:

Retain and grow existing businesses, strategically attract new ones, and enhance entrepreneurial opportunities; work to ensure that all business sectors benefit from the knowledge-based economy

Goal Two:

Adapt to a more competitive business climate by creating an environment where knowledge-based industries and small businesses thrive

Goal Three:

Foster creative and strong partnerships with academia, the federal research community, the private sector and various levels of government to pursue innovative projects, policies and best practices that support business growth and expansion

Goal Four:

Establish global linkages to facilitate business opportunities abroad, attract international investment to Montgomery County, and foster trade and joint ventures for Montgomery County businesses

Goal One: Retain and grow existing businesses, strategically attract new ones, and enhance entrepreneurial opportunities; work to ensure that all business sectors benefit from the knowledge-based economy

Retention of existing businesses, especially during trying economic times and heightened competition from other jurisdictions, will be the top priority for DED. In an economy with constant technological advances and changing market conditions, businesses must have an environment that allows them to take full advantage of new opportunities. The County must work to create a more positive business climate.

Alongside retention, business attraction will remain a high priority.

Alongside retention, business attraction will remain a high priority. Selected clusters in which the County has a comparative advantage, including life sciences, communications, professional services and government contracting will continue to be a focus. However, strategic opportunities in other sectors such as clean energy and green technology, which contribute to a high quality of life will also be part of the County's economic development strategy.

Action Items for Goal One

Business Retention and Attraction

- Execute an aggressive business visitation program for major accounts and companies that have high-wage jobs in the target market segments
- Implement a short-term retention strategy, including an economic stimulus package for local businesses, to help them through the current economic downturn
- Re-establish an Economic Advisory Council to provide ongoing guidance to the County and DED on economic development matters
- Proactively recognize the accomplishments of existing businesses
- Organize networking seminars and roundtables with targeted groups of County businesses
- Facilitate communication and interaction between Montgomery County companies in order to promote partnerships, tech transfer and increased local to local business or commerce
- Facilitate federal contracting forums, in partnership with County chambers of commerce and other business organizations
- Create more opportunities for Montgomery County based firms to compete for County contracts, and develop procurement strategies with other governmental agencies and large private sector firms
- Develop and implement a mass marketing strategy targeted to resident businesses, including broadcast e-mails, newsletters, business communiqués and article placements, an improved web site, videos, advertising campaign, and increased participation in events of local business organizations
- Create a "Life Sciences Team" and an "Advanced Technology Team" (including green technology) within DED for more targeted marketing and business development
- Aggressively recruit firms in targeted industry sectors, especially bio-pharma, aerospace, communications, advanced technology applications, green technology, professional services and government contracting
- Grow non-tech clusters including financial services, non-tech health services, professional services, and high-end hospitality products and services
- Ensure that agricultural businesses can benefit from existing and emerging technologies

- Create a one-stop small business center (and online portal) in DED to help new entrepreneurs as well as existing businesses

Marketing

- Create a communications and external relations team, and staff it with business development specialists in tech transfer, business communications and marketing
- Proactively promote the County as the 'Smart' location for business in targeted industry publications, selected media, and in selected markets in North America, Europe, Asia, the Middle East and South America
- Upgrade and enhance the DED web site and collateral materials to improve marketing and recruitment efforts
- Double the number of participants in the Mentorship Program

Finance

- Increase the base of financial incentives for existing businesses, such as the Technology Growth Fund, Small Business Revolving Loan Fund and the Impact Assistance Fund, and seek new incentives for bio-pharma, nanotechnology, green technology and other targeted industries
- Retool loan and grant fund evaluation criteria to prioritize financial support for emerging technology companies, in particular green technology businesses
- Increase the number of micro-loans issued

Workforce Services

- Pursue workforce initiatives that benefit workers in targeted industry clusters as well as workers in non-tech service sectors:
  - » Advocate for greater funding for Maryland Business Works
  - » Open a specialized one-stop career center focused on life sciences and technology careers
  - » Offer entrepreneurial training through MontgomeryWorks
  - » Organize networks and job clubs for specialized industries in community locations (e.g., libraries)

Smart Growth and Sustainable Design

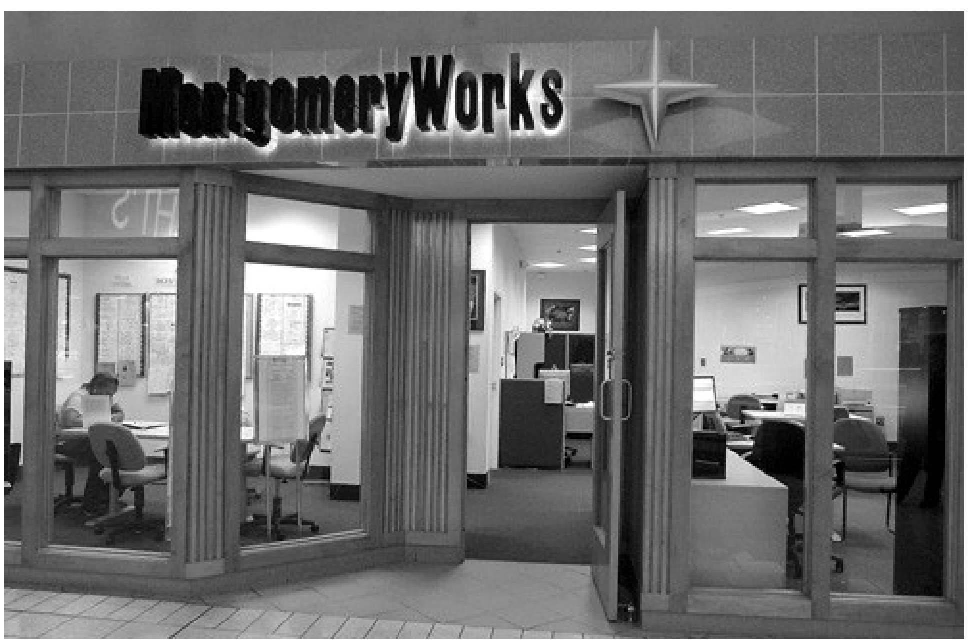
- Advance the economic development opportunities created by County's green building laws and recently enacted climate change legislation
- Emphasize smart-growth and sustainable design principles to enhance economic vitality and improve the local quality of life through higher density and mixed-use projects
- Support the County's Smart Growth Initiative, with a focus on dense transit-oriented development; affordable, workforce and market-rate housing; high-wage jobs in biosciences and technology; and new higher education opportunities
- Promote the County's agricultural land preservation efforts through the newly enacted Building Lot Termination program (BLT). Under the program, private developers can buy BLTs in the County's Agricultural Reserve in exchange for greater density in Transit Mixed-Use zones

Central Business District Revitalization

- *Wheaton*: The County is working collaboratively to foster the redevelopment and revitalization of Wheaton's central business district. A market study will be help assess Wheaton's competitive advantages, and provide recommendations for attracting companies and jobs to the CBD

To date, the County has:

- Created a new Division of Business Empowerment in the Department of Economic Development
- Established, in partnership with the Office of Procurement, the successful Local Small Business Reserve Program, through which eligible County-based small businesses can bid exclusively on selected County contracts
- Created a new Micro-enterprise Loan Program, which to date has funded three loans totaling $45,000
- Closed on seven business assistance projects during the first months of FY09. DED staff is actively working with an additional 152 prospects on retention, attraction or expansion efforts
- Closed on 38 Economic Development Fund grant and loan transactions totaling $1,954,621 in FY08 and during the first months of FY09. These County funds have in turn leveraged an estimated $25,239,500 in external investments
- Re-established *"Business Appreciation Week"* to help understand the current challenges facing businesses and their plans for the future. In April 2008, County staff and partners visited over 400 companies to recognize their achievements, learn about their current challenges and opportunities and provide information on County resources
- Organized quarterly forums with "C- level" business leaders and the County Executive
- Hosted six forums with the County Executive and small and minority businesses
- Sponsored a small business conference in the spring of 2008 attended by over 300 entrepreneurs



Goal Two: Adapt to a more competitive business climate by creating an environment where knowledge-based clusters thrive

Clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers and associated institutions in a particular industry. Montgomery County's established clusters include: biosciences, information technology/advanced technology, electronics, aerospace, satellite and communications, hospitality, and government contracting. The County's emerging clusters include: green/clean technology, nanotechnology, financial services and bio-pharma.

An important component of cluster development is a ready supply of knowledge-workers. Montgomery County's workforce development efforts must adjust to meet its 21st century demands. This includes working regionally with our academic and business partners to identify and develop the talent needed for knowledge-based industries.

Action Items for Goal Two

Industry Clusters

- Enhance economic development incentive programs, and better align attraction and retention efforts with incentives, tax policies and regulations that benefit the growth and development of clusters
- Cultivate existing and emerging industry clusters by forming taskforces that will include business, academia, and federal, state and regional government entities. Each taskforce will identify ways the County can grow and strengthen the cluster
- Assign a highly-qualified business development specialist to the County's biosciences cluster, to provide greater support and resources to this critical industry sector
- Develop programs to provide technical and financial assistance to support spin-off technologies from existing clusters
- Foster the growth of the County's emerging nanotechnology cluster by facilitating links between industry, research, investor and regulatory communities
- Develop a green economy strategy and nurture a green/clean technology cluster

Capital Projects and Infrastructure

Montgomery County's workforce development efforts must meet 21st century demands.

- Working with partners in the private sector and government, develop capital projects that will enhance our quality of life, have positive spill-over effects and are responsive to the needs of key industry clusters. Strategic initiatives currently being pursued include:
  - » The expansion of the Shady Grove Life Sciences Center
  - » The development, in partnership with the Johns Hopkins University, the University System of Maryland and others, of a global science center in the Gaithersburg West planning area where research can be translated into marketable products and processes within the context of a vibrant live/work community
  - » The redevelopment of the 115-acre Site II property, which neighbors the consolidated FDA campus and the proposed Adventist Hospital in East County, as a mixed use science and technology-focused development and international center for the discovery and manufacture of new drugs and vaccines
  - » A science and technology park at the Germantown campus of Montgomery College that will harness the synergies of academia, government, health care and business

» A multi-use arena and a live music/entertainment venue

- Work with other key County agencies (M-NCPPC, Department of Permitting Services, Department of General Services) to fast track strategic County economic development projects

Workforce Development

- Enhance the development and availability of knowledge workers through specialized efforts to recruit workers with the skills needed for targeted industries and provide tailored training
- Work with the academic and business community to align workforce services with targeted industry clusters, and actively seek industry input in the development of training curricula and course offerings
- Work with private sector partners to provide "teacher employment" at technology and biosciences companies
- Increase mentoring of young people and provide opportunities for job shadowing and internships in technology and biosciences companies
- Create opportunities for professionals from County technology, biosciences, and other companies to give presentations in County schools and to participate in career fairs
- Create a 'reverse science fair', in which Montgomery County tech and biosciences companies develop experiments/displays about their work, and visiting middle school and high school students become the judges

Business Innovation Network

- Continue to expand the County's successful incubator network and provide seed funding to incubator companies through DED's financial grant and loan programs
- Engage in preliminary planning for the County's sixth incubator, a proposed LEED-Gold facility in the new Site II development in East County

Tech Transfer and Commercialization

- Support the commercialization of new technology and high-profile pilot programs for the deployment of existing technologies that have multiple industry applications
- Showcase local technology in pilot projects and adopt technology which improves the local government's efficiency, finances or quality of life

Marketing

- Adequately fund County marketing campaigns, and align DED advertising programs with the new knowledge-economy strategies
- Expand DED's successful *"I Am Montgomery"* marketing campaign, which showcases existing businesses and the reasons they chose to locate in Montgomery County
- Aggressively market the County regionally, nationally and globally in selected media
- Selectively participate in regional, national and global biotech, IT/AT, aerospace and other trade shows
- Enhance the marketing features of DED's web site

Accomplishments to date:

- The new *Biosciences Task Force* has been formed, and work is under way. Over the coming year the Task Force will assist the County in the development of a Biosciences Strategy, which will articulate a vision and recommended actions to help Montgomery County maintain and expand its position as a world leader in life sciences, clinical and translational research and product delivery
- The County has begun work to develop a long-term strategy to harness emerging opportunities in green technology. The County is forming a green/clean technology taskforce, and is working with a public-private coalition to offer resources to foster the development of the new Maryland Clean Energy Center. A consulting team will work with the task force to assess the County's "status" in the green technology industry, identify competitive forces, and recommend a "10-point plan" for the successful growth of green industries in Montgomery County
- Expanded the County's nationally renowned Business Innovation Network. The County's newest bioscience/technology incubator opened in October, 2008 on the Germantown campus of Montgomery College. The Network's five facilities comprise 147,000 square feet of office, lab and meeting space, including 35 wet labs. These facilities currently house 125 tenants, providing 400 jobs with an average annual salary of $75,000
- The Network has graduated 88 companies, 71 of which are still operating. Graduate companies have created 1,600 jobs and occupy over 400,000 square feet of commercial space in the County
- MontgomeryWorks Business Services team has visited over 500 businesses, posted over 2,000 jobs listings, conducted nearly 200 individual employer recruiting events, over 20 multiple employer "forums" and six multiple employer job fairs

Goal Three: Foster creative and strong partnerships with academia, federal researchers, the private sector, non-profits and various levels of government to pursue innovative projects, policies and best practices and support business growth and expansion

One of Montgomery County's key competitive advantages is the presence of high quality academic and federal institutions in the region that train and attract top researchers and professionals. The transfer of the rich reservoir of research and intellectual property (IP) that comes out of these institutions to the private sector is key to the County's economic success. The County must facilitate the transfer of this knowledge and IP and bring these diverse groups together. In addition, the County needs to focus special attention on its workforce, which requires a broad range of skills to meet the needs of local businesses.

The County will facilitate the transfer and translation of knowledge and IP.

Action Items for Goal Three

Policy Framework

- Coordinate policies with other governmental entities to ensure a supportive environment for cluster development and small business development
- Work with M-NCPPC to ensure that transit-oriented development occurs around our Metro stations, and that businesses have input in the County's plans for growth
- Advance the presence of higher education and ancillary research facilities at the Universities at Shady Grove, Johns Hopkins University, the University System of Maryland and Montgomery College

Partnerships/Networks

- Engage in public-private projects to revitalize the County's town centers and provide for strategic redevelopment opportunities
- Strengthen the Federal Technology Network, and partner with the Federal Laboratory Consortium for Technology Transfer to help move technologies and research into the marketplace
- Strengthen the County's partnerships with business organizations and chambers of commerce

BRAC

- Work with the County Executive's office to ensure that BRAC consolidations in Bethesda and other parts of the County create opportunities for County-based firms and create the necessary infrastructure to support that growth

Workforce Development

- Continue to organize and sponsor events/conferences that help retain post-doctoral level scientists in the County
- Work with technology companies to train dislocated workers, low-income adults, older workers, disadvantaged workers and youth
- Work with businesses and educational institutions, especially Montgomery College, the Universities at Shady Grove and Johns Hopkins University, to ensure that skills needed by emerging industries are identified and become a part of educational offerings

Finance

- Rebuild and enhance the Economic Development Fund so that DED can leverage its resources with State of Maryland funds, including DBED, TEDCO, MEDCO, MARBIDCO and others, to attract, retain and expand businesses in key industry clusters

- Share information about entrepreneurs with prospective venture capitalists and angel investors, and facilitate new companies' access to financial resources

Accomplishments to date:

- The County sponsored the NIST/UMBI October 2008 Conference: "Accelerating Innovation in 21st Century Bioscience," in which over 400 scientists from around the globe participated
- The FedTechNet, established with the assistance of the Federal Laboratory Consortium (FLC), is a County supported network that will assist County based federal labs establish new direct links with local businesses interested in technology transfer and commercialization opportunities
- DED is actively participating in the FLC's Washington Area Working Group, as well as the FLC Mid-Atlantic Region Working Group. DED will host FLC's bioinformatics conference in January, 2009. This effort will focus on the lab opportunities at NIH and NIST
- The Montgomery County Innovation Institute is a new pilot program that will match federal labs with private sector interests. It will align the FedTechNet with Montgomery County businesses, including the Business Innovation Network and small, minority and women-owned firms

Goal Four: Establish global linkages to facilitate business opportunities abroad and to attract international investment in Montgomery County

Globalization has increased the pressure on regions throughout the world, pushing them to increase their competitiveness. A cluster's ability to develop a dynamic international network is important to its competitiveness. Companies that have cultivated strong networks internationally can tap into them for business intelligence and marketplace trends. Research shows that high tech companies are leveraging international markets earlier in their development than in previous years.

Business development missions will target selected U.S. and strategic international markets.

Business development missions should target selected U.S. states as well as international markets such as Canada, Europe, Israel, selected Asian nations (including Japan, China, India, Korea and Taiwan) and South America (Brazil). These missions should be driven by data intelligence, partnerships and business potential.

Action Items for Goal Four

Partnerships/Networks

- Facilitate international networks for County-based businesses so that they can benefit from emerging market trends, business intelligence and global opportunities
- Continue to be an active member of the World Trade Center Institute, the Tech Council of Maryland and other global organizations that organize regional and international networking events. Amongst other events, DED will continue to sponsor the annual Embassy Day in Montgomery County
- Strengthen relations with international organizations that have business ties to Europe, Asia and Latin America (such as the KOTRA, FICCI, CII, CBA, GAIBP, etc.)
- Build strong relationships with County-based international entrepreneurs to leverage networks in their countries of origin

Marketing and International Outreach

- Leverage County companies' international connections, and undertake selective marketing campaigns in those markets
- Capitalize on the County's unique demographic profile, which provides local and international companies with employees well-versed in multiple cultures and languages
- Focus marketing and promotional activities in selected media and in selected markets—globally and locally
- Expand the Business Innovation Network's portfolio of international companies

Accomplishment to date

- Strategic international business missions: In 2007, the County sent business delegations to Europe, Israel and India. In 2008, business missions went to Korea and China to strengthen business relationships, assist County firms in expanding business opportunities and market the County as a *Smart Location* for international firms and investments
  - » As a direct result of these business missions, the County welcomed over a dozen international companies from India, the U.K., the Netherlands, Korea and China in 2007 and 2008. DED has been invited to speak at IndiaSoft 2009, the largest IT/AT conference of India. Chungbuk Province (Korea) has pledged $2 million in investment support for the incubator facility to be built as part of the County's development of Site II. In addition, the County identified at least 20 Korean prospects and over 12 Chinese prospects that are expected to establish a U.S. presence within the next five years

V. Performance Measures/ Outcomes

The County will use quantifiable measures to assess the overall strength of its economic development strategy, as well as outcomes.

Headline Measure on: DED's Business Attraction, Retention & Expansion Efforts

Outcomes of Business Attraction, Retention & Expansion Efforts will be measured by:

1) Jobs created:
    1. By existing business expansion
    2. By new business attraction
2) Total new capital investment:
    1. By businesses currently located in the County
    2. By newly attracted companies and business start-ups
3) Office space occupied:
    1. By existing business expansion
    2. By new business attraction
4) Survey results from the businesses that have participated in County-sponsored technical assistance programs
5) Number of prospects in DED's 'active' pipeline that are successfully closed

Headline Measures on: Business Innovation Network

Outcomes of the Business Innovation Network will be measured by:

1) Number of new jobs created by incubator tenant companies and graduates
2) Number of jobs created by companies participating in the Network per County dollar invested
3) Number of companies graduating from the Network that occupy commercial space in Montgomery County

Sub-Measures

A) *Financing Programs (Economic Development Fund)*

Outcomes of Financing Programs will be measured by:

1) Number of EDF transactions completed
2) Number and value of Micro-loans awarded
3) Number and value of Small Business loans awarded
4) Number and value of Impact Assistance grants provided
5) Ratio and dollar value of all external funds leveraged per County dollar invested
6) Number of jobs created or retained through these programs

B) *Capital Project investments*

Outcomes of Capital Projects investments will be measured by:

1) Ratio of private sector and non-County investment to County funds invested
2) Jobs created through DED led development projects

C) *Marketing Programs*

Outcomes of Marketing Programs will be measured by:

1) Number of companies participating in "I Am Montgomery"
2) Number of new contacts (prospects) developed
3) Number of Web site hits

D) *Global Linkages*

Outcomes of Global Linkages will be measured by:

1) Amount of new foreign investments in County per County dollar invested
2) Number of jobs created by international companies that DED assisted

E) *Workforce Services*

Outcomes of Workforce Services will be measured by:

1) Number of job-seeking customers in the Intensive Service Program that are placed in jobs
2) Number of employers assisted with training and recruitment

F) *Agricultural Services*

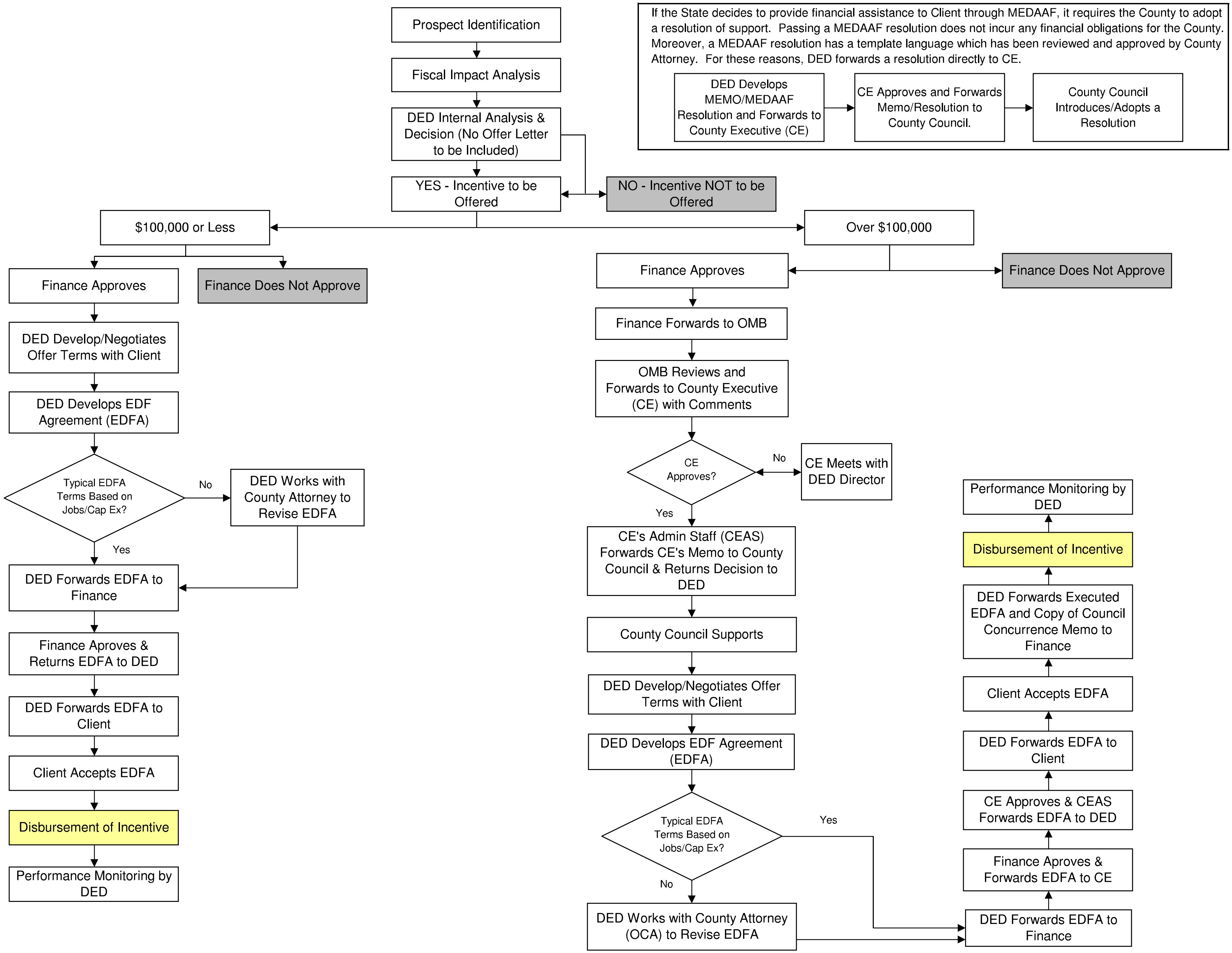
Outcomes of Agricultural Services will be measured by:

1) Cumulative and current year acres of farmland protected
2) Number of Farmers' Markets in operation
3) Number of farms or farm businesses assisted

Acknowledgements

The department is deeply grateful for the contributions to this report by the following individuals: Pat Arnold, Sol Graham, Jennifer Hughes, Sheila Khatri, Les Levine and William G. "Bill" Robertson, as well as the members of the County Council's Planning, Housing and Economic Development Committee. The following DED staff members also contributed: Tina Benjamin, Sarah Miller, James Moody and Corinne Rothblum.

EDF Process Flow Chart



FISCAL IMPACT ANALYSIS OF JOB CREATION & CAPITAL INVESTMENT (Business Retention Award)
FOR
COMPANY: XXXX

ECONOMIC BENEFIT SUMMARY

1. Attract $XXXX in private capital investment to the County.
2. Retain over xxx jobs in the County and create over xxx new jobs within the next xx years.
3. The company currently yields XXXX annually in County revenue.
4. By supporting the company's expansion, an additional $xxxxx/year will be generated in County revenue.
   Thus the Net Annual Impact of retaining the company is the sum of the potential revenue loss and the additional revenue from the expansion.

INVESTMENT	TOTAL IMPACT	CURRENT year end 2012	IF COMPANY MOVES TO Other Jurisdiction	STAY & EXPAND by year 2015
Effects of Primary Investment:				
Estimated investment in Real Property	0	$0	$0	$0
Estimated Value in Personal Property	0	$0	$0	$0
Real Property Tax rate at location	$1.048	$1.048	$1.048	$1.048
Personal Property Tax rate at location	$2.612	$2.612	$2.612	$2.612
Number of Jobs Retained/Created	0	0	0	0
Average Salary per Job Created	#DIV/0!	$0	$0	$0
Income Tax per primary job	#DIV/0!	$0	$0	$0
Secondary Investment and Jobs:				
FCV Investment from homeownership	$0	$0	$0	$0
Weighted Average Real Property Tax Rate	$1.013	$1.013	$1.013	$1.013
Secondary Jobs Created (Spouses)	0	0.0	0.0	0.0
DEMOGRAPHICS				
Net new households created	0	0.0	0.0	0.0
Population created	0	0	0	0
Schoolchildren generated	0	0.0	0.0	0.0
College students generated	0	0.00	0.00	0.00
Number of new jobs generated	0	0.0	0.0	0.0
% of Jobs County Residents	60%	60%	60%	60%
Net new jobs are County residents	0	0.0	0.0	0.0
REVENUES				
Property Tax Revenues				
From Primary Investment	$0	$0	$0	$0
From Secondary Investment	$0	$0	$0	$0
Income Tax Revenues				
From Primary Income	$0	$0	$0	$0
From Secondary Income	$0	$0	$0	$0
Energy & Telephone Taxes	$0	$0	$0	$0
Other Job Related Revenues	$0	$0	$0	$0
Other Population Related Revenues	$0	$0	$0	$0
Total County Revenue Benefit	$0	$0	$0	$0
COSTS OF COUNTY SERVICE		Based on Operating Budget Expenditures including Debt Service		
Population related costs	$0	$0	$0	$0
Job related costs	$0	$0	$0	$0
Schoolchildren costs	$0	$0	$0	$0
College student costs	$0	$0	$0	$0
Total County Service Costs	$0	**$0**	**$0**	**$0**
TOTAL FISCAL IMPACT of the COMPANY (Revenues Less Costs)	$0	**$0**	**$0**	**$0**

TOTAL NEW NET ANNUAL IMPACT	**$0**
TOTAL NET ANNUAL IMPACT	**$0**

* Assumes that if company relocates, 30% of the County resident employees will relocate.

FISCAL IMPACT ANALYSIS OF JOB CREATION & CAPITAL INVESTMENT (Business Retention Award)

COSTS AND REVENUES
retention

COSTS

	Tax Supported FY13 Approved budget	At Place Employ. and Population	Per Capita Cost Factor		
General Government	$135,009,300	998,540	$135.21		Schedule B-3, page 4-35 volume 1
HHS	$0	998,540	$0.00		Schedule B-3, page 4-35 volume 1
Public Libraries	$31,362,801	998,540	$31.41		Schedule B-3, page 4-35 volume 1
Recreation (net of revenues)	$14,372,726	998,540	$14.39		Schedule B-3, page.4-36 volume 1 AND Schedule C-3, page 5-46
Corrections	$0	998,540	$0.00		Schedule B-3, page 4-35 volume 1
Sheriff	$20,972,895	998,540	$21.00		Schedule B-3, page 4-35 volume 1
Comm Devel & Housing	$13,666,200	998,540	$13.69		Schedule B-3, page 4-36 volume 1
Comm Devel Hsng (DED)	$9,197,930	998,540	$9.21		Schedule B-3, page 4-36 volume 1
Environmental Protect	$1,510,980	998,540	$1.51		Schedule B-3, page 4-36 volume 1
Non-Departmental	$238,975,664	998,540	$239.33		Schedule B-3, page 4-36 volume 1
Utilities	$26,109,860	998,540	$26.15		Schedule B-3, page 4-36 volume 1
TOTAL POP DRIVEN	$491,178,356		**$491.90**		
Police	$250,350,840	1,495,990	$167.35		Schedule B-3, page 4-35 volume 1
DPWT (n/Transit)	$0	1,495,990	$0.00		
Fire/Rescue (net of revenues)	$203,640,888	1,495,990	$136.12		Schedule B-3, page 4-36 volume 1 AND Schedule C-3, page 4-46
Park & Planning	$123,973,585	1,495,990	$82.87		Schedule B-3, page 5-38 volume 1
Debt Service	$298,792,040	1,495,990	$199.73		Schedule B-3, page 5-37 volume 1
Transit (DOT) - net of revenue	$34,585,230	1,495,990	$23.12		Schedule B-3, page 4-36 volume 1 AND Schedule C-3, pages 4-45
					.
TOTAL POP & EMPL	$911,342,583		**$609.19**		
MCPS STUDENT COST	$2,028,871,935	148,958	**$13,620.43**		Schedule B-3, page 4-37 volume 1
per pupil cost (net of current fund revenues)					
MC STUDENT COST	$218,036,599	27,348	**$7,972.67**		Schedule B-3, page 4-38 volume 1
per MC student cost (net of current fund revenues)					

REVENUES

POPULATION AND EMPLOYMENT DRIVEN REVENUES					
Energy and Telephone Tax	$282,539,000	1,495,990	$188.86		Schedule C-3, page 4-43 volume 1
Hotel/Motel Tax	$19,051,600	497,450	$38.30		Schedule C-3, page 4-43 volume 1
Investment Income	$252,250	1,495,990	$0.17		Schedule C-3, page 4-44 volume 1
		TOTAL PER CAPITA	**$227.33**		
POPULATION DRIVEN REVENUES					
Licenses and Permits	$10,270,645	998,540	$10.29		Schedule C-3, page 4-43 volume 1
Charges for Services	$9,004,196	998,540	$9.02		Schedule C-3, page 4-45 volume 1
Fines and Forfeitures	$20,461,110	998,540	$20.49		Schedule C-3, page 4-45 volume 1
Admissions Tax	$2,501,000	998,540	$2.50		Schedule C-3, page 4-43 volume 1
Certain Intergovernmental	$7,852,788	998,540	$7.86	revenues a	Schedule C-3, page 4-46 volume 1 (F*FFP, ffp public health, MA LTC waiver
Miscellaneous	$8,218,410	998,540	$8.23		Schedule C-3, page 4-47 volume 1
Gasoline and Motor Vehicle	$3,347,550	998,540	$3.35	highway us	Schedule C-3, page 4-45 volume 1
Transfer and Recordation	$136,147,220	998,540	$136.35		Schedule C-3, page 4-44 volume 1
Tobacco	$0	998,540	$0.00		Only FY2002
		TOTAL PER CAPITA	**$198.09**		

DEMOGRAPHIC DATA

Population	998,540	page 4-8, CE recommended FY13 (Trends & Projections)
Employment	497,450	page 4-8, CE recommended FY13 (Trends & Projections)
Combined	1,495,990	
Households	368,840	page 4-8, CE recommended FY13 (Trends & Projections)
Persons / Household	2.71	
MCPS Enrollment	148,958	page 4-8, CE recommended FY13 (Trends & Projections)
Montgomery College Enrollment	27,348	page 4-8, CE recommended FY13 (Trends & Projections)

FISCAL IMPACT ANALYSIS OF JOB CREATION & CAPITAL INVESTMENT (Business Attraction Award)
FOR
COMPANY: XXXXX

ECONOMIC BENEFIT SUMMARY

1. Attract $XXXX in private capital investment to the County.
2. Attract and create approximately xxxxx jobs within the next 3 years.
3. By attracting the company, $xxxxxxx/year will be generated in net new County revenue at the end of company's expansion.

INVESTMENT	TOTAL IMPACT	2013	2014	2015
Effects of Primary Investment:				
Estimated investment in Real Property	$0	$0	$0	$0
Estimated Value of Personal Property	$0	$0	$0	$0
Real Property Tax rate at location	$1.048	$1.048	$1.048	$1.048
Personal Property Tax rate at location	$2.612	$2.612	$2.612	$2.612
Number of Jobs Retained/Created	-	0	0	0
Average Salary per Job Created	$0	$0	$0	$0
Income Tax per primary job	$0	$0	$0	$0
Secondary Investment and Jobs:				
FCV Investment from homeownership	$0	$0	$0	$0
Weighted Average Real Property Tax Rate		$1.013	$1.013	$1.013
Secondary Jobs Created (Spouses)	-	0.0	0.0	0.0
DEMOGRAPHICS				
Net new households created	-	0.0	0.0	0.0
Population created	-	0	0	0
Schoolchildren generated	-	0.0	0.0	0.0
College students generated	-	0.00	0.00	0.00
Number of new jobs generated	-	0.0	0.0	0.0
% of Jobs County Residents	60%	60%	60%	60%
Net new jobs are County residents	-	0.0	0.0	0.0
REVENUES				
Property Tax Revenues				
From Primary Investment	$0	$0	$0	$0
From Secondary Investment	$0	$0	$0	$0
Income Tax Revenues				
From Primary Income	$0	$0	$0	$0
From Secondary Income	$0	$0	$0	$0
Energy & Telephone Taxes	$0	$0	$0	$0
Other Job Related Revenues	$0	$0	$0	$0
Other Population Related Revenues	$0	$0	$0	$0
Total County Revenue Benefit	$0	$0	$0	$0
COSTS OF COUNTY SERVICE		Based on Operating Budget Expenditures including Debt Service		
Population related costs	$0	$0	$0	$0
Job related costs	$0	$0	$0	$0
Schoolchildren costs	$0	$0	$0	$0
College student costs	$0	$0	$0	$0
Total County Service Costs	$0	**$0**	**$0**	**$0**
TOTAL FISCAL IMPACT of the COMPANY (Revenues Less Costs)	$0	**$0**	**$0**	**$0**

TOTAL NEW NET ANNUAL IMPACT	**$0**

* Assumes that if company relocates, 30% of the County resident employees will relocate.

FISCAL IMPACT ANALYSIS OF JOB CREATION & CAPITAL INVESTMENT (Business Attraction Award)

COSTS AND REVENUES
attraction

COSTS

	Tax Supported FY13 Approved budget	At Place Employ. and Population	Per Capita Cost Factor		
General Government	$135,009,300	998,540	$135.21		Schedule B-3, page 4-35 volume 1
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Montgomery College Enrollment	27,348	page 4-8, CE recommended FY13 (Trends & Projections)

OLO Report 2013-2
Appendix: EDF Grant and Loan Program Award Data

In its Economic Development Fund Annual Report, the Department of Economic Development provides data on each award granted through the Grant and Loan Program. These data include the name, industry and location of the recipient, the amount, type and status of the award, the amount of planned private investment, and the numbers of jobs projected to be created and jobs monitored in each year of the monitoring period. DED also provided OLO with data on the purpose of each award (attraction or retention) and the annual projected fiscal impact of each award.

OLO's analysis of award characteristics, performance and outcomes is based on this data, provided at the end of this appendix, with two additions, described below.

Industry categories. OLO combined certain industry categories provided by DED for analytical purposes. The larger categories used by OLO (in bold) along with the categories that OLO grouped together under these are as follows:

- **Technology and IT:** Green Tech, Info-tech, IT, Technology
- **Biotechnology and Related:** Bio, Bioinformatics, Bio-Medical, Bio-Med, Bio-Tech
- **Business Service and Related:** Contractor, Business Service, Financial Service, Professional Service
- **Retail and Hospitality:** Food, Hospitality, Retail, Retail HQ
- **Associations and Non-Profits:** Association, Education, Non-Profit, Performing Arts[1]
- **Media and Communications:** Broadcasting, Communication, Media
- **Other:** Aviation, Healthcare, Manufacturer, Performing Arts[1], Real Estate

Award outcome. The EDF annual report provides the "Status" of each completed Grant and Loan Program award, which can be "Satisfied," "Paid Off", "Collection," "Bankruptcy," "Forgiven," or "Settled." An award is considered "Satisfied" if the recipient either met the performance criteria established in the EDFA or did not meet these criteria, but made full or partial repayment as required by DED. Since the status categories show whether or not a recipient has met its obligations to the County, but not necessarily whether it met performance outcomes, OLO developed the following four categories for award outcomes:

- **Met Performance Criteria:** These awards fully met the performance criteria established in the EDFA.
- **Partially Met/Did Not Meet – Made Repayment:** Recipients did not meet all performance criteria, but they repaid all or a portion of award as required by EDFA.
- **Partially Met/Did Not Meet – Collection:** Recipients did not meet all performance criteria or are in bankruptcy, and have not made repayment required by EDFA. DED has sent these cases to the County Attorney's Office for collection.
- **Under Monitoring:** These awards have not yet completed their monitoring periods.

[1] OLO grouped the Performing Arts industry award that went to the Bethesda Cultural Alliance (a non-profit group) under "Associations and Non-Profits" and the Performing Arts industry award that was for the Fillmore (run by a for-profit entity) under "Other".

Appendix: EDF Grant and Loan Program Award Data

No.	Company	Award amount	Purpose	Industry	Location	Projected jobs total	Actual jobs in last year of monitoring	Planned private investment	Annual projected fiscal impact	Status	Award outcome	Company still located in County
1	American Osteopathic Healthcare Ass.	$20,000	Attraction	Associations and Non-Profits	Bethesda	19	8	$330,000	$13,204	Satisfied	Partially Met/Did Not Meet - Made Repayment	No
2	Fresh Fields/Whole Foods	$75,000	Retention	Retail and Hospitality	Rockville	75	75	$450,000	$70,263	Satisfied	Met Performance Criteria (No Jobs Requirement)	No
3	Information Systems & Services	$5,000	Retention	Technology and IT	Silver Spring	73	84	$450,000	$26,652	Satisfied	Met Performance Criteria (No Jobs Requirement)	Yes
4	Medtap, International	$40,000	Attraction	Biotechnology and Related	Bethesda	40	43	$625,000	$34,639	Satisfied	Met Performance Criteria	Yes
5	MicroDynamics/DocuCorp	$30,000	Retention	Technology and IT	Silver Spring	30	N/A	$300,000	$19,906	Satisfied	Met Performance Criteria (No Jobs Requirement)	No
6	National Council of Senior Citizens	$50,000	Attraction	Associations and Non-Profits	Silver Spring	120	115	$900,000	$25,584	Satisfied	Met Performance Criteria	Yes
7	NEXGEN	$15,000	Attraction	Technology and IT	Silver Spring	33	3	$230,000	$20,747	Collection	Partially Met/Did Not Meet - Collection	No
8	Palmer Brothers Painting	$30,000	Retention	Business Service and Related	Silver Spring	70	N/A	$350,000	$10,147	Satisfied	Met Performance Criteria (No Jobs Requirement)	Yes
9	Preferred Pediatrics (Children's Hospital)	$20,000	Attraction	Business Service and Related	Silver Spring	81	79	$142,000	$35,043	Satisfied	Partially Met/Did Not Meet - Made Repayment	No
10	Technology Service Corporation	$100,000	Retention	Technology and IT	Silver Spring	60	N/A	$-	$23,275	Satisfied	Met Performance Criteria (No Jobs Requirement)	Yes
11	Washington Consulting Group	$25,000	Attraction	Technology and IT	Bethesda	60	N/A	$500,000	$35,129	Satisfied	Met Performance Criteria (No Jobs Requirement)	Yes
12	First Federal Corporation	$150,000	Attraction	Technology and IT	Gaithersburg	50	33	$4,500,000	$63,777	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
13	JZA	$20,000	Attraction	Business Service and Related	Bethesda	24	27	$232,000	$12,983	Satisfied	Met Performance Criteria	No
14	Information Systems & Solutions, Intl'l	$50,000	Attraction	Business Service and Related	Silver Spring	80	166	$1,050,000	$58,339	Collection	Partially Met/Did Not Meet - Collection	No
15	BGS&G Companies	$20,000	Attraction	Business Service and Related	Silver Spring	24	18	$320,000	$12,983	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
16	Forte Software	$15,000	Attraction	Technology and IT	Rockville	8	18	$300,000	$12,222	Paid off	Partially Met/Did Not Meet - Made Repayment	No
17	National Micrographics	$5,000	Retention	Technology and IT	Silver Spring	60	34	$-	$4,011	Collection	Partially Met/Did Not Meet - Collection	Yes
18	Decision Systems Technologies	$75,000	Attraction	Technology and IT	Rockville	115	123	$1,215,000	$63,289	Satisfied	Met Performance Criteria	No
19	Aspen Systems Corporation Phase I	$100,000	Retention	Technology and IT	Rockville	850	877	$4,700,000	$415,245	Satisfied	Met Performance Criteria	Yes
20	Electronic Data Systems, Inc.	$25,000	Retention	Technology and IT	N. Bethesda	250	662	$1,250,000	$30,078	Satisfied	Met Performance Criteria	No
21	Foster (amended)	$30,000	Attraction	Business Service and Related	N. Bethesda	35	28	$800,000	$21,607	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
22	McKesson Bioservices	$75,000	Retention	Biotechnology and Related	Gaithersburg	150	312	$5,000,000	$134,164	Satisfied	Met Performance Criteria	Yes
23	Infopro, Inc.	$25,000	Retention	Business Service and Related	Silver Spring	185	55	$330,000	$47,580	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
24	Johnson, Basin, & Shaw	$10,000	Retention	Business Service and Related	Silver Spring	120	220	$200,000	$33,315	Satisfied	Met Performance Criteria	Yes
25	Takoma Park Silver Spring Food Co-op	$15,000	Retention	Retail and Hospitality	Silver Spring	20	74	$340,000	$4,369	Satisfied	Met Performance Criteria	Yes
26	Cellmark Diagnostics, Inc.	$45,000	Retention	Biotechnology and Related	Germantown	57	50	$1,000,000	$23,048	Satisfied	Partially Met/Did Not Meet - Made Repayment	No
27	Thomson Technology Services Group	$80,000	Retention	Technology and IT	Rockville	450	550	$5,000,000	$313,394	Satisfied	Met Performance Criteria	No
28	KRA, Inc.	$25,000	Retention	Technology and IT	Silver Spring	248	176	$360,000	$44,996	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
29	Hekimian	$35,000	Retention	Biotechnology and Related	Rockville	290	568	$13,200,000	$65,116	Satisfied	Met Performance Criteria	Yes
30	Ferris, Baker, Watts, Inc.	$15,000	Attraction	Business Service and Related	Silver Spring	55	75	$600,000	$13,913	Satisfied	Met Performance Criteria	No
31	CenterForce Technology	$20,000	Retention	Technology and IT	Bethesda	58	26	$230,000	$35,122	Paid off	Partially Met/Did Not Meet - Made Repayment	No
32	Gemelli	$3,000	Retention	Other	Silver Spring	4	N/A	$20,000	$1,839	Satisfied	Met Performance Criteria (No Jobs Requirement)	No
33	Acacia	$200,000	Attraction	Business Service and Related	Bethesda	265	93	$1,500,000	$182,947	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
34	Ernst & Young, LLP	$75,000	Attraction	Business Service and Related	Bethesda	100	17	$1,500,000	$76,512	Paid off	Partially Met/Did Not Meet - Made Repayment	No
35	Oleen Healthcare Information Mgmt.	$30,000	Retention	Business Service and Related	Silver Spring	169	53	$505,000	$72,786	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes

Appendix: EDF Grant and Loan Program Award Data, cont.

No.	Company	Award amount	Purpose	Industry	Location	Projected jobs total	Actual jobs in last year of monitoring	Planned private investment	Annual projected fiscal impact	Status	Award outcome	Company still located in County
36	Caelum Research Corporation	$125,000	Retention	Technology and IT	Rockville	155	119	$1,056,000	$42,002	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
37	Gene Logic, Inc.	$98,000	Attraction	Biotechnology and Related	Gaithersburg	140	250	$9,600,000	$124,393	Satisfied	Met Performance Criteria	Yes
38	ADP Benefit Services	$15,000	Retention	Business Service and Related	Silver Spring	185	N/A	$700,000	$20,134	Satisfied	Partially Met/Did Not Meet - Made Repayment	Not sure
39	Counter Technologies, Inc.	$40,000	Retention	Technology and IT	Bethesda	131	37	$400,000	$52,356	Collection	Partially Met/Did Not Meet - Made Repayment	Yes
40	Cary Medical, Inc.	$30,000	Attraction	Biotechnology and Related	Bethesda	12	4	$10,000	$8,862	--	Partially Met/Did Not Meet - Made Repayment	No
41	Analytical Services, Inc.	$35,000	Retention	Business Service and Related	Silver Spring	92	279	$700,000	$46,564	Satisfied	Met Performance Criteria	No
42	ISSI (Convista Incorporated)	$10,000	Attraction	Business Service and Related	Silver Spring	40	32	$370,000	$22,022	Collection	Partially Met/Did Not Meet - Collection	No
43	Torti Gallas and Partners, Inc.	$40,000	Retention	Business Service and Related	Silver Spring	84	143	$100,000	$16,925	Satisfied	Met Performance Criteria	Yes
44	Prolist, Inc.	$40,000	Retention	Business Service and Related	Gaithersburg	96	79	$3,100,000	$35,000	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
45	Aspen Systems Corporation Phase II	$100,000	Retention	Technology and IT	Rockville	150	N/A	(see Phase I)	$0	Paid off	Met Performance Criteria (No Jobs Requirement)	Yes, 2nd award
46	Origene Technologies, Inc.	$50,000	Retention	Biotechnology and Related	Rockville	81	N/A	$300,000	$12,762	Paid off	Partially Met/Did Not Meet - Made Repayment	Yes
47	Neurotrophic Research Corporation	$35,000	Retention	Biotechnology and Related	Bethesda	17	N/A	$130,000	$15,712	Collection	Partially Met/Did Not Meet - Collection	No
48	Optelecom, Inc.	$60,000	Retention	Other	Gaithersburg	112	55	$130,000	$16,559	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
49	EntreMed, Inc.	$75,000	Retention	Biotechnology and Related	Rockville	100	102	$8,000,000	$152,722	Satisfied	Met Performance Criteria	Yes
50	NextLinx Corporation / ExpoSoft	$45,000	Retention	Technology and IT	Silver Spring	185	100	$160,000	$150,659	Satisfied	Partially Met/Did Not Meet - Made Repayment	No
51	Café Monet, LLC	$15,000	Retention	Retail and Hospitality	Kensington	17	NA	$220,000	-$3,341	Paid off	Partially Met/Did Not Meet - Made Repayment	No
52	Digicon Corporation	$60,000	Retention	Technology and IT	Rockville	283	106	$1,238,000	$178,409	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
53	Prospects Associates	$50,000	Retention	Business Service and Related	Silver Spring	202	N/A	$880,000	$49,437	Satisfied	Partially Met/Did Not Meet - Made Repayment	No
54	The Institute for Genomic Research	$50,000	Retention	Biotechnology and Related	Gaithersburg	256	342	$10,000,000	$278,897	Satisfied	Met Performance Criteria	Yes
55	Sytel, Inc.	$95,000	Retention	Technology and IT	Bethesda	302	140	$540,000	$141,479	Forgiven	Partially Met/Did Not Meet - Made Repayment	No
56	BioReliance Corporation	$200,000	Retention	Biotechnology and Related	Gaithersburg	457	535	$30,000,000	$750,513	Satisfied	Met Performance Criteria	Yes
57	Softmed Systems, Inc.	$90,000	Retention	Technology and IT	Bethesda	363	257	$1,451,000	$485,642	Paid off	Partially Met/Did Not Meet - Made Repayment	Yes
58	Maryland Association for Non-profit	$20,000	Attraction	Associations and Non-Profits	Silver Spring	11	11	$158,500	$7,441	Satisfied	Met Performance Criteria	Yes
59	Earle Palmer Brown	$25,000	Retention	Business Service and Related	Bethesda	67	45	$1,900,000	$128,110	Collection/ Closed	Partially Met/Did Not Meet - Made Repayment	No
60	GTM Architects, Inc.	$25,000	Retention	Business Service and Related	Kensington	30	39	$300,000	$20,469	Paid off	Partially Met/Did Not Meet - Made Repayment	Yes
61	Doxsys, Inc.	$25,000	Retention	Technology and IT	Kensington	65	130	$300,000	$105,267	Satisfied	Met Performance Criteria	No
62	Palladian Partner, Inc.	$22,000	Retention	Technology and IT	Gaithersburg	53	49	$71,700	$14,046	Satisfied	Partially Met/Did Not Meet - Made Repayment	No
63	Sodexco Marriot	$250,000	Retention	Retail and Hospitality	Rockville	350	398	$4,900,000	$151,069	Satisfied	Met Performance Criteria	Yes
64	BAE Systems North America, Inc.	$150,000	Attraction	Technology and IT	Rockville	959	964	$5,000,000	$442,284	Satisfied	Met Performance Criteria	Yes
65	ParaGea Communications, Inc.	$25,000	Retention	Biotechnology and Related	Gaithersburg	105	N/A	$514,000	$117,630	Collection	Partially Met/Did Not Meet - Collection	No
66	International Genetics Associates, Inc.	$50,000	Retention	Biotechnology and Related	Rockville	21	N/A	$380,000	$43,160	Collection	Partially Met/Did Not Meet - Collection	No
67	Immersion Medical / HT Medical Systems	$35,000	Retention	Biotechnology and Related	Gaithersburg	100	N/A	$1,160,000	$143,374	Paid off	Partially Met/Did Not Meet - Made Repayment	No
68	Panacea Pharmaceutical	$50,000	Retention	Technology and IT	Rockville	32	N/A	$75,000	$49,163	Paid off	Partially Met/Did Not Meet - Made Repayment	Yes
69	DC Information Systems, Inc.	$50,000	Retention	Technology and IT	Silver Spring	157	43	$35,000	$60,002	Collection	Partially Met/Did Not Meet - Collection	Yes
70	BIOMAT Sciences	$40,000	Attraction	Biotechnology and Related	Rockville	21	N/A	$50,000	$9,306	Collection	Partially Met/Did Not Meet - Collection	No
71	Gen Vec	$125,000	Retention	Biotechnology and Related	Gaithersburg	109	121	$15,500,000	$338,094	Paid off	Met Performance Criteria	Yes

Appendix: EDF Grant and Loan Program Award Data, cont.

No.	Company	Award amount	Purpose	Industry	Location	Projected jobs total	Actual jobs in last year of monitoring	Planned private investment	Annual projected fiscal impact	Status	Award outcome	Company still located in County
72	Collective Communication Corporation	$60,000	Attraction	Technology and IT	Silver Spring	75	N/A	$490,000	$124,002	Bankruptcy	Partially Met/Did Not Meet - Collection	No
73	Medispec, Ltd.	$25,000	Retention	Technology and IT	Gaithersburg	41	21	$400,000	$7,019	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
74	View Point Communication	$7,000	Retention	Technology and IT	Silver Spring	6	8	$463,000	$10,590	Collection	Partially Met/Did Not Meet - Made Repayment	Yes
75	NASD	$200,000	Attraction	Business Service and Related	Rockville	1430	1286	$69,600,000	$4,516,495	Satisfied	Partially Met/Did Not Meet - Made Repayment	No
76	Choice Hotels International, Inc.	$500,000	Retention	Retail and Hospitality	Silver Spring	325	410	$11,270,811	$1,005,638	Paid off	Met Performance Criteria	Yes
77	Digene	$90,000	Attraction	Biotechnology and Related	Gaithersburg	266	207	$18,000,000	$265,526	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
78	The ARC of the United States	$40,000	Attraction	Associations and Non-Profits	Silver Spring	40	15	$620,000	$39,669	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
79	Wolpoff and Abramson	$90,000	Retention	Business Service and Related	Rockville	815	462	$15,300,000	$110,928	Satisfied	Partially Met/Did Not Meet - Made Repayment	No
80	ISSI Consulting Group, Inc, - Phase II	$25,000	Retention	Technology and IT	Silver Spring	198	N/A	$855,000	$60,259	Collection	Partially Met/Did Not Meet - Collection	No, 2nd award
81	High Tech Council of Maryland / MEDCO	$71,500	Retention	Associations and Non-Profits	Rockville	0	N/A	$71,500	$0	Satisfied	Met Performance Criteria (No Jobs Requirement)	Yes
82	Multispectral Solutions, Inc.	$50,000	Retention	Technology and IT	Germantown	30	N/A	$100,000	$46,663	Satisfied	Partially Met/Did Not Meet - Made Repayment	No
83	Viaken Systems, Inc.	$50,000	Retention	Biotechnology and Related	Gaithersburg	229	N/A	$150,000	$248,989	Collection	Partially Met/Did Not Meet - Collection	No
84	Recovery Point Systems, Inc.	$15,000	Retention	Technology and IT	Germantown	45	41	$8,225,000	$151,295	--	Partially Met/Did Not Meet - Made Repayment	Yes
85	Telperion Networks, Inc.	$35,000	Attraction	Technology and IT	Gaithersburg	38	9	$1,000,000	$75,715	Collection	Partially Met/Did Not Meet - Collection	No
86	Discovery Communications-Caldor Site Project	$170,000	Retention	Media and Communications	Silver Spring	240	N/A	$35,000,000	$871,415	--	Met Performance Criteria (No Jobs Requirement)	Yes
87	Information Resources Associates, Inc.	$30,000	Retention	Technology and IT	Silver Spring	76	36	$84,700	$11,945	Collection	Partially Met/Did Not Meet - Collection	No
88	Bid4asset.com, Inc.	$75,000	Retention	Technology and IT	Silver Spring	286	27	$400,000	$189,629	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
89	Qiagen Sciences, Inc.	$1,100,000	Attraction	Biotechnology and Related	Germantown	300	177	$42,000,000	$537,629	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
90	Amarex, LLC	$70,000	Retention	Biotechnology and Related	Rockville	53	36	$130,000	$40,110	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
91	Origene, Inc.	$85,000	Retention	Biotechnology and Related	Rockville	100	23	$3,080,000	$240,968	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
92	Covance Health	$100,000	Attraction	Business Service and Related	Gaithersburg	240	245	$6,300,000	$219,163	Satisfied	Met Performance Criteria	Yes
93	Intervise Consultants, Inc.	$100,000	Retention	Technology and IT	Rockville	135	125	$10,150,000	$247,418	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
94	Marriot International, Inc.	$3,000,000	Retention	Retail and Hospitality	Gaithersburg	3500	3597	$99,000,000	$1,898,113	Satisfied	Met Performance Criteria	Yes
95	Arbros Communications, Inc.	$100,000	Attraction	Technology and IT	Silver Spring	484	N/A	$4,000,000	$691,786	Collection	Partially Met/Did Not Meet - Collection	No
96	Discovery Communications, Inc.	$600,000	Retention	Media and Communications	Silver Spring	1104	1606	$150,000,000	$1,723,473	Satisfied	Met Performance Criteria	Yes
97	Gene Logic, Inc. (Phase II)	$100,000	Retention	Biotechnology and Related	Gaithersburg	424	224	$34,700,000	$743,901	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes, 2nd award
98	Manugistics	$90,000	Retention	Technology and IT	Germantown	955	475	$9,200,000	$749,911	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
99	Social & Scientific Systems	$100,000	Retention	Business Service and Related	Silver Spring	328	405	$18,000,000	$261,748	Satisfied	Met Performance Criteria	Yes
100	Quanta Bioscience, Inc.	$80,000	Retention	Biotechnology and Related	Rockville	1	11	$100,000	$28,049	Paid off	Met Performance Criteria	Yes
101	Social & Scientific Systems, Inc.	$18,000	Retention	Business Service and Related	Silver Spring	N/A	N/A	$18,000,000	$0	Satisfied	Met Performance Criteria	Yes, 2nd award
102	Thales Communications, Inc.	$35,000	Retention	Technology and IT	Clarksburg	247	486	$5,000,000	$183,752	Satisfied	Met Performance Criteria	Yes
103	Online Technologies Group, Inc.	$120,000	Retention	Technology and IT	Rockville	395	N/A	$22,000,000	$836,683	Satisfied	Partially Met/Did Not Meet - Made Repayment	No
104	OPNET Technologies, Inc.	$150,000	Attraction	Technology and IT	Bethesda	347	254	$15,600,000	$837,589	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
105	NeuralStem, Inc.	$40,000	Attraction	Biotechnology and Related	Gaithersburg	141	10	$6,000,000	$126,540	Paid off	Partially Met/Did Not Meet - Made Repayment	Yes
106	Acterna LLC	$1,100,000	Retention	Technology and IT	Germantown	1147	450	$49,200,000	$2,231,974	Settled	Partially Met/Did Not Meet - Made Repayment	No
107	SAS Inc.	$75,000	Retention	Technology and IT	Rockville	193	103	$2,625,000	$182,126	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes

Appendix: EDF Grant and Loan Program Award Data, cont.

No.	Company	Award amount	Purpose	Industry	Location	Projected jobs total	Actual jobs in last year of monitoring	Planned private investment	Annual projected fiscal impact	Status	Award outcome	Company still located in County
108	Panacos Pharmaceuticals, Inc.	$30,000	Retention	Biotechnology and Related	Gaithersburg	23	19	$150,000	$43,683	Satisfied	Partially Met/Did Not Meet - Made Repayment	No
109	Primary Care Coalition of Montgomery	$6,000	Retention	Associations and Non-Profits	Gaithersburg	38	36	$140,000	$1,410	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
110	MaxCyte	$80,000	Retention	Biotechnology and Related	Rockville	46	19	$1,550,000	$41,083	--	Partially Met/Did Not Meet - Made Repayment	Yes
111	Imatek	$16,000	Attraction	Other	Germantown	20	35	$1,395,000	$32,280	Satisfied	Met Performance Criteria	No
112	MedImmune, Inc.	$500,000	Retention	Biotechnology and Related	Gaithersburg	438	929	$71,250,000	$2,258,118	Satisfied	Met Performance Criteria	Yes
113	Middlebrook Pharmaceuticals (Advancis)	$75,000	Retention	Biotechnology and Related	Germantown	84	76	$12,000,000	$270,592	Satisfied	Met Performance Criteria	No
114	Intradigm Corp	$30,000	Retention	Biotechnology and Related	Rockville	37	11	$500,000	$28,808	Paid off	Partially Met/Did Not Meet - Made Repayment	No
115	Cubanos Restaurant	$18,500	Retention	Retail and Hospitality	Silver Spring	19	26	$60,000	$6,539	Satisfied	Met Performance Criteria	Yes
116	Aspen Group, Inc.	$10,000	Retention	Business Service and Related	Silver Spring	42	59	$548,000	$18,946	Satisfied	Met Performance Criteria	Yes
117	American Youth Hostels, Inc.	$10,000	Attraction	Business Service and Related	Silver Spring	33	20	$36,800	$20,223	Paid off	Partially Met/Did Not Meet - Made Repayment	Yes
118	United Healthcare Services	$30,000	Retention	Other	Rockville	431	441	$1,154,000	$227,794	Satisfied	Met Performance Criteria	Yes
119	About Web	$40,000	Attraction	Technology and IT	Rockville	30	41	$145,000	$27,337	Satisfied	Met Performance Criteria	Yes
120	Center for Behavioral Health	$100,000	Retention	Business Service and Related	Rockville	41	99	$1,300,000	$36,409	Satisfied	Met Performance Criteria	Yes
121	TV One	$100,000	Attraction	Media and Communications	Silver Spring	70	71	$250,000	$93,437	Satisfied	Met Performance Criteria	Yes
122	Kirkegaard & Perry Laboratories, Inc.	$25,000	Retention	Biotechnology and Related	Gaithersburg	63	42	$1,650,000	$111,967	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
123	BSI Proteomics, Inc. / Biospace Internat'l Corp.	$50,000	Retention	Biotechnology and Related	Gaithersburg	41	N/A	$80,000	$69,607	Collection	Partially Met/Did Not Meet - Collection	No
124	Encore Management Corp.	$100,000	Retention	Business Service and Related	Silver Spring	149	39	$1,100,000	$114,961	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
125	MacroGenics, Inc.	$50,000	Retention	Biotechnology and Related	Rockville	81	147	$1,900,000	$103,071	Satisfied	Met Performance Criteria	Yes
126	Eakin/Youngentob Associates, Inc.	$60,000	Attraction	Other	Bethesda	108	64	$500,000	$87,059	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
127	Proxy Aviation, Inc.	$50,000	Attraction	Other	Rockville	45	28	$1,900,000	$130,074	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
128	Kirkegaard & Perry Laboratories, Inc.	$75,000	Retention	Biotechnology and Related	Gaithersburg	N/A	N/A	$3,100,000	$95,000	Satisfied	Met Performance Criteria (No Jobs Requirement)	Yes, 2nd award
129	Wheaton Plaza Regional Shopping Center	$6,000,000	Attraction	Retail and Hospitality	Wheaton	500	N/A	$150,000,000	$1,872,412	--	Still Under Monitoring	Yes
130	World Space, Inc.	$200,000	Attraction	Technology and IT	Silver Spring	95	119	$10,250,000	$1,121,229	Bankruptcy	Partially Met/Did Not Meet - Collection	No
131	8606 Colesville Road, LLC T/A Ray's Classic	$100,000	Attraction	Retail and Hospitality	Silver Spring	32	16	$625,000	$0	--	Partially Met/Did Not Meet - Made Repayment	Yes
132	Health Through Friendship	$15,000	Retention	Technology and IT	Rockville	15	5	$125,000	$21,813	--	Met Performance Criteria	Yes
133	Bethesda Cultural Alliance, Inc.	$1,875,000	Attraction	Associations and Non-Profits	Bethesda	45	N/A	$5,000,000	$315,207	Collection	Partially Met/Did Not Meet - Collection	No
134	International Municipal Lawyers Assc.	$10,000	Attraction	Business Service and Related	Bethesda	9	9	$7,800,000	$20,337	Satisfied	Met Performance Criteria	Yes
135	The Fillmore (Birchmere) Project	$150,000	Attraction	Other	Silver Spring	N/A	N/A	$2,000,000	$0	Satisfied	Met Performance Criteria (No Jobs Requirement)	Yes
136	Host International	$100,000	Retention	Retail and Hospitality	Bethesda	534	437	$7,800,000	$161,000	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
137	Xceleron	$100,000	Attraction	Biotechnology and Related	Germantown	100	6	$3,489,000	$272,189	--	Still Under Monitoring	Yes
138	Sigma-Tau Pharmaceuticals, Inc.	$60,000	Retention	Biotechnology and Related	Gaithersburg	62	49	$2,000,000	$199,219	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
139	Novavax	$200,000	Attraction	Biotechnology and Related	Rockville	53	115	$6,900,000	$106,255	--	Met Performance Criteria	Yes
140	WeddingWire, Inc.	$25,000	Retention	Technology and IT	Bethesda	18	27	$100,000	$25,577	--	Still Under Monitoring	Yes
141	TIG Global	$50,000	Attraction	Technology and IT	Bethesda	182	122	$1,800,000	$93,000	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes
142	Innovative Biosensors, Inc.	$50,000	Attraction	Technology and IT	Rockville	34	16	$370,000	$112,775	--	Partially Met/Did Not Meet - Made Repayment	Yes
143	EKA Systems	$50,000	Retention	Technology and IT	Germantown	80	61	$300,000	$142,205	Satisfied	Partially Met/Did Not Meet - Made Repayment	Yes

Appendix: EDF Grant and Loan Program Award Data, cont.

No.	Company	Award amount	Purpose	Industry	Location	Projected jobs total	Actual jobs in last year of monitoring	Planned private investment	Annual projected fiscal impact	Status	Award outcome	Company still located in County
144	Info Sphenix	$50,000	Attraction	Technology and IT	Clarksburg	25	27	$300,000	$64,138	--	Partially Met/Did Not Meet - Made Repayment	Yes
145	ClassifEye, Inc.	$75,000	Attraction	Technology and IT	Rockville	10	N/A	$750,000	$80,124	Collection	Partially Met/Did Not Meet - Collection	No
146	OpGen, Inc.	$10,000	Attraction	Biotechnology and Related	Gaithersburg	100	42	$500,000	$122,645	--	Still Under Monitoring	Yes
147	Lockheed Martin Corporation	$40,000	Retention	Technology and IT	Bethesda	420	436	$3,000,000	$123,396	--	Met Performance Criteria	Yes
148	RNL Biostar	$230,000	Retention	Biotechnology and Related	Germantown	54	2	$6,000,000	$219,989	--	Still Under Monitoring	Yes
149	Zyngenia	$1,000,000	Attraction	Biotechnology and Related	Gaithersburg	2	31	$50,000,000	$0	--	Still Under Monitoring	Yes
150	International Baccalaureate	$150,000	Attraction	Associations and Non-Profits	Bethesda	20	107	$1,250,000	$154,000	--	Still Under Monitoring	Yes
151	UnionBridge Management, LLC	$50,000	Retention	Biotechnology and Related	Rockville	26	N/A	$300,000	$96,100	--	Still Under Monitoring	No
152	Noble Life Sciences, Inc.	$50,000	Retention	Biotechnology and Related	Rockville	250	N/A	$492,000	$289,724	--	Still Under Monitoring	Yes
153	Advanced Bioscience Laboratories, Inc.	$80,000	Retention	Biotechnology and Related	Rockville	128	113	$13,000,000	$424,682	--	Still Under Monitoring	Yes
154	Beech Street Capital	$80,000	Attraction	Business Service and Related	Bethesda	112	32	$450,000	$113,000	--	Still Under Monitoring	Yes
155	Government Sales Specialists, LLC	$40,000	Attraction	Business Service and Related	Bethesda	25	N/A	$177,000	$45,262	--	Still Under Monitoring	Yes
156	Neogenix Oncology, Inc.	$100,000	Retention	Biotechnology and Related	Rockville	30	N/A	$100,000	$85,833	--	Still Under Monitoring	Yes
157	Clean Currents, Inc.	$50,000	Retention	Technology and IT	Rockville	29	N/A	$-	$68,000	--	Still Under Monitoring	Yes
158	Yisheng US BioPharma, Inc.	$40,000	Retention	Biotechnology and Related	Gaithersburg	21	10	$1,500,000	$95,000	--	Still Under Monitoring	Yes
159	ICF Consulting Group, Inc.	$300,000	Retention	Business Service and Related	Rockville	367	321	$9,000,000	$343,285	--	Still Under Monitoring	Yes
160	Thales Communications, Inc.	$325,000	Retention	Technology and IT	Clarksburg	435	446	$4,600,000	$712,000	--	Still Under Monitoring	Yes, 2nd award
161	Digital Receiver Technologies, Inc.	$290,000	Retention	Media and Communications	Germantown	588	N/A	$44,000,000	$838,000	--	Still Under Monitoring	Yes

Notes:

- If N/A is listed for "Actual Jobs in Last Year of Monitoring," then there was either no jobs requirement in the EDFA or no jobs were reporting in the monitoring period
- If the "Status" column is blank the award is still under monitoring

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Appendix: Technology Growth Program Award Data

In the Economic Development Fund Annual Report, the Department of Economic Development provides data on the name and industry of each Technology Growth award recipient and on the amount and status of each award, provided below. To reflect the performance outcomes for the Technology Growth awards, OLO also developed the following five categories for award outcomes: "Grant Repaid," "Grant Forgiven, "Moved/Acquired," "Collection" and "Still Under Monitoring." Finally, OLO collected data on whether each recipient is currently located in the County.

Technology Growth Program Award Data

No	Company	Award amount	Industry	Status	Award outcome	Company still located in County
1	eStoreGroup, Inc.	$ 70,000	Info-Tech	Fully Satisfied, Grant Forgiven	Grant Forgiven	No
2	iroute, Inc.	$ 50,000	Info-Tech	Fully Satisfied, Grant Forgiven	Grant Forgiven	No
3	20/20 Gene Systems	$ 50,000	Bio Tech	Fully Satisfied, Grant Forgiven	Grant Forgiven	Yes
4	OrthoSpot.com	$ 80,000	Info-Tech	Fully Satisfied, Grant Forgiven	Grant Forgiven	No
5	XFI, Inc.	$ 80,000	Info-Tech	Fully Satisfied, Grant Forgiven	Grant Forgiven	Yes
6	BioMat Sciences, Inc.	$ 60,000	Bio Tech	Fully Satisfied, Grant Forgiven	Grant Forgiven	No
7	MarketPlace TV	$ 50,000	Info-Tech	Fully Satisfied, Grant Forgiven	Grant Forgiven	No
8	KnowledgeMax, Inc.	$ 70,000	Info-Tech	Fully Satisfied, Grant Forgiven	Grant Forgiven	No
9	Corvedia	$ 60,000	Info-Tech	Fully Satisfied, Grant Forgiven	Grant Forgiven	Yes
10	Deus Technologies	$ 80,000	Info-Tech	Fully Satisfied, Grant Repaid	Grant Repaid	No
11	Eka Systems	$ 80,000	Info-Tech	Fully Satisfied, Grant Repaid	Grant Repaid	No
12	Infinity Pharmaceuticals	$ 70,000	Bio Tech	Fully Satisfied, Grant Forgiven	Grant Forgiven	No
13	Ipsil	$ 80,000	Bio Tech	Acquired. Collection	Collection	No
14	DVIP Multimedia	$ 60,000	Info-Tech	Dissolved. Sent to Collection	Collection	No
15	Expression Pathology	$ 50,000	Bio Tech	Fully Satisfied, Grant Repaid	Grant Repaid	Yes
16	Aptus Pharamceutical	$ 80,000	Bio Tech	Acquired. Grant Repaid	Moved/Acquired	No
17	Data Quality Solutions	$ 50,000	Info-Tech	Fully Satisfied, Grant Forgiven	Grant Forgiven	No
18	BioSciCon	$ 25,000	Bio Tech	Fully Satisfied, Loan Repaid	Grant Repaid	Yes
19	Advanced Vision Therapy	$ 70,000	Bio Tech	Fully Satisfied, Grant Forgiven	Grant Forgiven	Yes
20	TeleContinuity	$ 60,000	Telecom	Fully Satisfied, Grant Repaid	Grant Repaid	No
21	Rexahn	$ 100,000	Bio Tech	Fully Satisfied, Grant Repaid	Grant Repaid	Yes
22	Procell Corporation	$ 50,000	Bio Tech	Fully Satisfied, Grant Forgiven	Grant Forgiven	No
23	Comware, Inc.	$ 50,000	Telecom	Fully Satisfied, Grant Forgiven	Grant Forgiven	Yes
24	KoolSpan, Inc.	$ 60,000	Telecom	Fully Satisfied, Grant Repaid	Grant Repaid	Yes
25	Mobitrum, Inc.	$ 75,000	Info-Tech	Fully Satisfied, Grant Forgiven	Grant Forgiven	Yes
26	Cranium Software	$ 30,000	Info-Tech	Fully Satisfied, Grant Forgiven	Grant Forgiven	Yes
27	Apogee Ventures, Inc.	$ 50,000	Medical Eq.	Fully Satisfied, Grant Forgiven	Grant Forgiven	No
28	Setecs, Inc.	$ 50,000	Info-Tech	Currently Under Monitoring	Still Under Monitoring	No
29	Mobilap, Inc.	$ 30,000	Info-Tech	Currently Under Monitoring	Still Under Monitoring	Yes
30	VorCat, Inc.	$ 50,000	Info-Tech	Fully Satisfied, Grant Forgiven	Grant Forgiven	Yes
31	BioFactura, Inc.	$ 50,000	Bio Tech	Converted to Loan	Still Under Monitoring	Yes
32	New Hope Pharmaceuticals	$ 50,000	Life Science	Fully Satisfied, Grant Forgiven	Grant Forgiven	No
33	NetImmune, Inc.	$ 60,000	Info-Tech	Fully Satisfied, Grant Repaid	Grant Repaid	No
34	NeoDiagnostix, Inc.	$ 75,000	Life Science	Fully Satisfied, Grant Repaid	Grant Repaid	Yes

Appendix: Technology Growth Program Award Data, cont.

No	Company	Award amount	Industry	Status	Award outcome	Company still located in County
35	WebSolve, Inc.	$ 100,000	Info-Tech	Dissolved. Sent to Collection	Collection	No
36	AlphaGenics, Inc.	$ 50,000	Life Science	Fully Satisfied, Grant Forgiven	Grant Forgiven	No
37	SMBLive, Inc.	$ 50,000	Info-Tech	Fully Satisfied, Grant Repaid	Grant Repaid	No
38	Owen Software, Inc.	$ 75,000	Info-Tech	Converted to Loan	Still Under Monitoring	Yes
39	Aberro, Inc.	$ 50,000	Info-Tech	Fully Satisfied, Grant Forgiven	Grant Forgiven	No
40	Anthrotronix, Inc.	$ 50,000	Info-Tech	Fully Satisfied, Grant Repaid	Grant Repaid	Yes
41	Adriane Genomics, Inc.	$ 80,000	Bio Tech	Fully Satisfied, Grant Repaid	Grant Repaid	Yes
42	Amulet Pharmaceuticals, Inc	$ 25,000	Bio Tech	Fully Satisfied, Grant Forgiven	Grant Forgiven	Yes
43	SaleStrong, Inc.	$ 50,000	Bio Tech	Fully Satisfied, Grant Forgiven	Grant Forgiven	Yes
44	Envisioner Medical Tech	$ 60,000	Medical Eq.	Moved. Grant recalled.	Moved/Acquired	No
45	Neuronascent, Inc.	$ 50,000	Info-Tech	Fully Satisfied, Grant Forgiven	Grant Forgiven	No
46	RemeGenix, Inc.	$ 50,000	Bio Tech	Fully Satisfied, Grant Forgiven	Grant Forgiven	No
47	RockSoft d/b/a Cilutions	$ 60,000	Info-Tech	Fully Satisfied, Grant Forgiven	Grant Forgiven	Yes
48	3C Logic, Inc.	$ 50,000	Info-Tech	Grant Recalled	Still Under Monitoring	Yes
49	Immunomic Therapeutics	$ 40,000	Bio Tech	Fully Satisfied, Grant Repaid	Grant Repaid	Yes
50	ZaraCom Technologies, Inc.	$ 60,000	Info-Tech	Fully Satisfied, Grant Forgiven	Grant Forgiven	No
51	BroadbandMD, Inc.	$ 50,000	Info-Tech	Currently Under Monitoring	Still Under Monitoring	No
52	CertusNet, Inc	$ 75,000	Info-Tech	Fully Satisfied, Grant Repaid	Grant Repaid	No
53	Sirnaomics, Inc.	$ 50,000	Bio Tech	Currently Under Monitoring	Still Under Monitoring	Yes
54	Synaptic Science LLC	$ 40,000	Bio Tech	Acquired. Grant Repaid	Moved/Acquired	No
55	Cellex, Inc.	$ 60,000	Bio Tech	Currently Under Monitoring	Still Under Monitoring	Yes
56	Global Stem, Inc.	$ 50,000	Bio Tech	Acquired. Grant Repaid	Moved/Acquired	No
57	AID Networks LLC	$ 50,000	Info-Tech	Currently Under Monitoring	Still Under Monitoring	No
58	Alper Biotech LLC	$ 50,000	Bio Tech	Currently Under Monitoring	Still Under Monitoring	Yes
59	netXccel, Inc.	$ 30,000	Info-Tech	Currently Under Monitoring	Still Under Monitoring	No
60	GenArraytion, Inc.	$ 50,000	Bio Tech	Currently Under Monitoring	Still Under Monitoring	Yes
61	Last Stop Auction, Inc.	$ 60,000	Info-Tech	Currently Under Monitoring	Still Under Monitoring	Yes
62	eClinForce, Inc.	$ 5,000	Bio Tech	Currently Under Monitoring	Still Under Monitoring	Yes
63	Foligo Therapeutics, Inc.	$ 50,000	Bio Tech	Currently Under Monitoring	Still Under Monitoring	No
64	Technology Digest, Inc.	$ 50,000	Info-Tech	Currently Under Monitoring	Still Under Monitoring	No
65	Clarassance, Inc.	$ 60,000	Bio Tech	Currently Under Monitoring	Still Under Monitoring	Yes
66	Rafagen, Inc.	$ 60,000	Bio Tech	Currently Under Monitoring	Still Under Monitoring	Yes
67	Aparna BioSciences Corp.	$ 50,000	Bio Tech	Currently Under Monitoring	Still Under Monitoring	Yes
68	Creatv MicroTech, Inc.	$ 50,000	Bio Tech	Currently Under Monitoring	Still Under Monitoring	Yes
69	Celek Pharmaceuticals, LLC	$ 40,000	Bio Tech	Currently Under Monitoring	Still Under Monitoring	Yes
70	Adv. Biomimetic Sensors, Inc.	$ 40,000	Bio Tech	Currently Under Monitoring	Still Under Monitoring	Yes
71	Prolias, LLC	$ 40,000	Bio Tech	Currently Under Monitoring	Still Under Monitoring	No

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Appendix: Small Business Revolving Loan Program Award Data

In the Economic Development Fund Annual Report, the Department of Economic Development provides data on the name, industry and location of each recipient and on the amount and status of each Small Business Revolving Loan Program award, provided below. OLO also collected data on whether each recipient is currently located in the County.

Small Business Revolving Loan Program Award Data

No	Company	Award amount	Industry	Location	Status	Company still located in County
1	Takoma Park Silver Spring Food Coop.	$ 40,000	Grocery Store	Takoma Park	Paid off	Yes
2	Marimelj Entertainment Group, Inc.	$ 50,000	Entertainment	Silver Spring	Written off	No
3	BioMat Sciences, Inc.	$ 40,000	Technology	Rockville	Written off	No
4	bConvergent, Inc.	$ 80,000	Info-Tech	Rockville	Written off	No
5	Mayorga Coffee Roaster	$ 80,000	Retail	Silver Spring	Written off	Yes
6	Pyramid Atlantic	$ 100,000	Art	Silver Spring	Paid off	Yes
7	20/20 GeneSystems, Inc.	$ 50,000	Bio Tech	Rockville	Paid off	Yes
8	Spatial Integrated Systems	$ 45,000	Info-Tech	Rockville	Paid off	Yes
9	First Federal	$ 130,000	Info-Tech	Gaithersburg	Paid off	Yes
10	Global Translation	$ 70,000	Info-Tech	Silver Spring	Paid off	No
11	Kirkegaard & Perry Laboratories, Inc.	$ 75,000	Info-Tech	Gaithersburg	Paid off	Yes
12	Hollywood East	$ 55,000	Restaurant	Wheaton	Past due	No
13	Dollar Direct, Inc.	$ 95,000	Wholesale	Rockville	Bankruptcy	No
14	The Breeze Caribbean Restaurant	$ 50,000	Restaurant	Rockville	Paid off	No
15	March Uniform, Inc.	$ 35,000	Retail	Rockville	Current	Yes
16	Sacred Mountain	$ 95,000	Foods	Silver Spring	Current	Yes
17	Cranium Software, Inc.	$ 30,000	Info-Tech	Silver Spring	Current	Yes
18	Sashelvis Hair Salon, Inc.	$ 65,000	Personal Serv	Silver Spring	Past Due	No
19	Health Through Friendship	$ 85,000	Info-Tech	Rockville	Current	Yes
20	Jupiter and J	$ 38,000	Retail	Gaithersburg	Written off	No
21	Bobby's Crabcakes, LLC	$ 60,000	Restaurant	Rockville	Bankruptcy	No
22	Panas, LLC	$ 40,000	Retail	Rockville	Current	Yes
23	Wise Comprehensive Solutions, LLC	$ 60,000	Info-Tech	Wheaton	Current	Yes
24	Fireworks Art Café, LLC	$ 15,000	Retail	Damascus	Current	No
25	Mendoza & Associates, Inc.	$ 15,000	Professional Serv	Wheaton	Past Due	Yes
26	Shawn D Bartley and Associates, LLC	$ 15,000	Professional Serv	Silver Spring	Current	Yes
27	Applied Wireless LAN, Inc.	$ 50,000	Info-Tech	Rockville	Current	Yes
28	ITTECOM, Inc.	$ 90,000	Info-Tech	Rockville	Current	No
29	Interior Accents, Etc., Inc.	$ 40,000	Retail	Rockville	Bankruptcy	No
30	My Kitchen	$ 50,000	Retail	Rockville	Bankruptcy	No
31	VAS Concepts, LLC	$ 9,500	Info-Tech	Rockville	Current	No
32	Addis Ababa Restaurant	$ 20,000	Restaurant	Silver Spring	Current	Yes
33	Four Kings Restaurant, Inc. dba Hollywood East Café	$ 65,000	Restaurant	Wheaton	Past Due	Yes
34	AWGSE dba Twinbrook Getty	$ 60,000	Retail	Silver Spring	Current	Yes
35	Donald Johnson DBA Techknowledgy	$ 15,000	Training	Olney	Current	No
36	Panas, Inc	$ 75,000	Restaurant	Rockville	Current	Yes
37	Rosta	$ 100,000	Retail	Silver Spring	Current	Yes
38	HeMimics Biotechnologies, Inc.	$ 30,000	Bio Tech	Rockville	Current	Yes

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Appendix: Impact Assistance Award Data

In the Economic Development Fund Annual Report, the Department of Economic Development provides data on the name and location of each Impact Assistance award recipient and on the amount of each award, provided below.

Impact Assistance Award Data

No	Company	IA Funding	Location
1	ITB Eight, LLC D/B/A Black's Bar and Kitchen	$ 8,400	Bethesda
2	Moren Inc.	$ 20,000	Silver Spring
3	Vicky Snead T/A Eurokids Fashion	$ 8,000	Silver Spring
4	Olympic Carpet & Rug, Inc. (Carpet Bazaar)	$ 15,000	Silver Spring
5	Interior Accents, Inc.	$ 4,000	Silver Spring
6	Bach Hue Nguyen T/A Bethesda Nail Spa by On	$ 3,700	Bethesda
7	BH&R Associates (Quarry House Tavern)	$ 4,000	Silver Spring
8	Kefa Café	$ 10,000	Silver Spring
9	ITB Eight	$ 2,800	Bethesda
10	Universal Artificial Limb Co.	$ 3,000	Silver Spring
11	K.O. Inc. T/A Presence	$ 10,000	Bethesda
12	Italia Gourmet	$ 15,000	Silver Spring
13	Mayorga Coffee	$ 20,000	Silver Spring
14	The Finkhauser Group, Inc. T/A the French Quarter Café	$ 20,000	Germantown
15	KCD Nguyen, LLC T/A Passion Nail Spa	$ 15,000	Germantown
16	Yamo, LLC	$ 20,000	Germantown
17	Grand Crew Enterprises	$ 20,000	Germantown
18	Barry's Magic Shop	$ 124,621	Wheaton
19	Sacred Mountain LLC T/A Moorenko's Ice Cream Café	$ 20,000	Silver Spring
20	Dale Music Company, Inc.	$ 20,000	Silver Spring
21	BDMS	$ 20,000	Clarksburg
22	Apollo	$ 20,000	Clarksburg
23	Green Earth Goods	$ 20,000	Clarksburg
24	Mayorga Coffee	$ 20,000	Clarksburg
25	Roadhouse Oldies	$ 5,000	Silver Spring
26	CCLW, D/B/A Executive Shell	$ 8,000	Rockville
27	Metamophosis Enterprises	$ 20,000	Silver Spring

Review of Montgomery County's Economic Development Incentive Programs

OLO Report 2013-2

Presentation to the PHED Committee
March 11, 2013

Incentives in Montgomery County

- Economic Development Fund (EDF)
- Tax Credits

Economic Development Fund

Total assistance provided: $34 million

Program	Year Established	Cumulative Assistance Provided	Total Awards Provided
Grant and Loan	FY96	$25.8 million	161
Technology Growth	FY99	$3.96 million	71
Small Business Revolving Loan	FY00	$2.1 million	38
Biotech Supplement	FY12	$500,000	66
Impact Assistance	FY05	$478,000	27

Tax Credit Programs

Total assistance provided: $34.8 million

Program	Year Established	Value of Credits Issued	Total Credits Issued
Enterprise Zone	FY99	$15.5 million	840
Enhanced New Jobs	FY00	$12.9 million	11
New Jobs	FY00	$6.4 million	76
Arts & Entertainment	FY05	$25,000	25

Research Review: Best Practices

County's incentive programs align with best practices

- Conduct prospective cost-benefit analysis
- Develop contracts that include performance standards, mechanisms for monitoring, and "claw-back" provisions

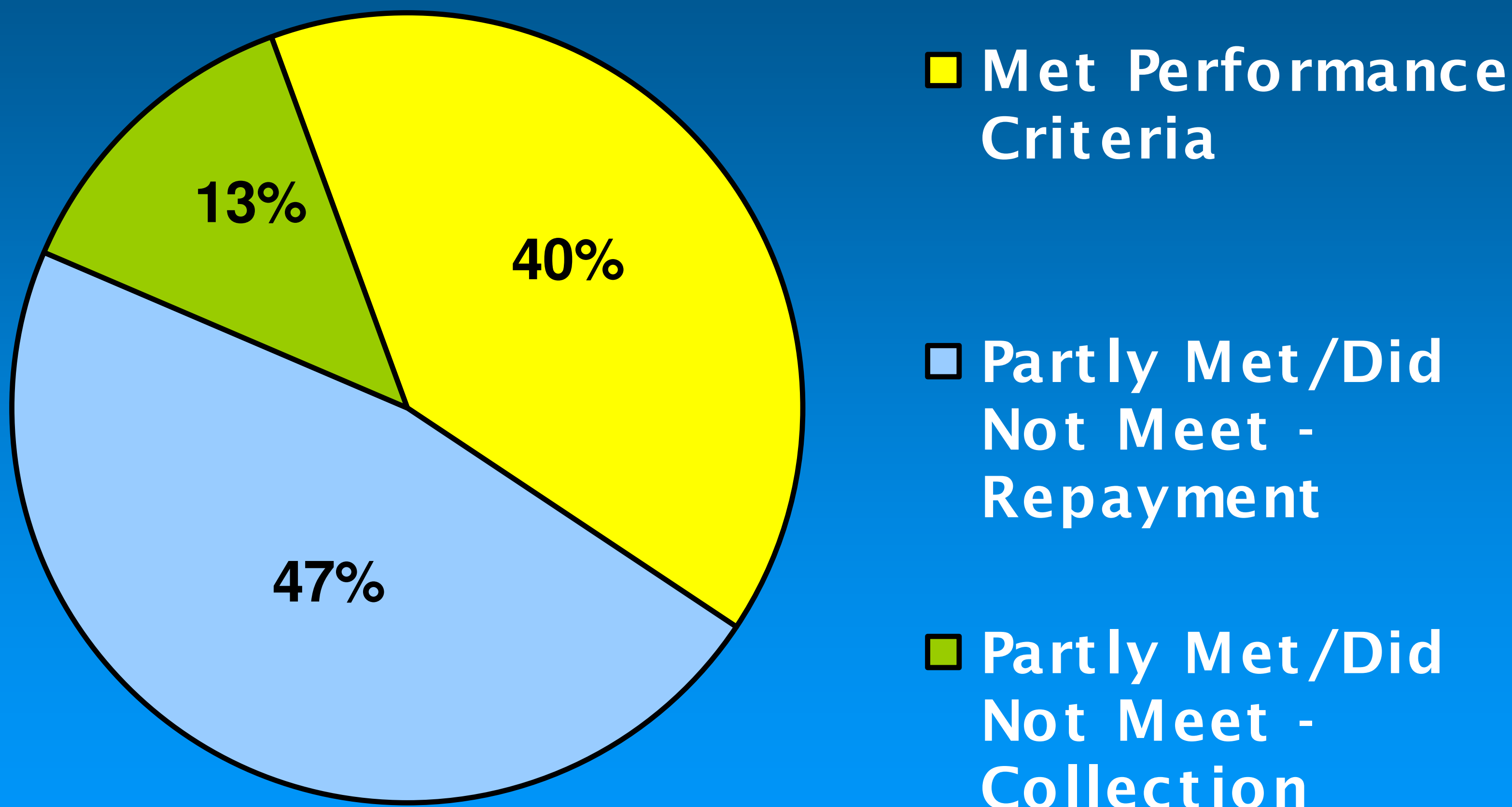
Research Review: Measuring Impact

- Measuring “success” is difficult
- A particular challenge is determining “decisiveness”
  - Incentives may be more “decisive” within large metropolitan areas
- Jurisdictions tend to collect and report outcome data to measure performance

Performance Results for Montgomery County's Incentives

- Award Outcomes
- Jobs Retained/Created
- Planned Private Investment
- Projected Fiscal Impact
- Long-Term Retention

Grant and Loan Award Outcomes
(for incentive recipients that have completed monitoring)



As of December 2012, N=143

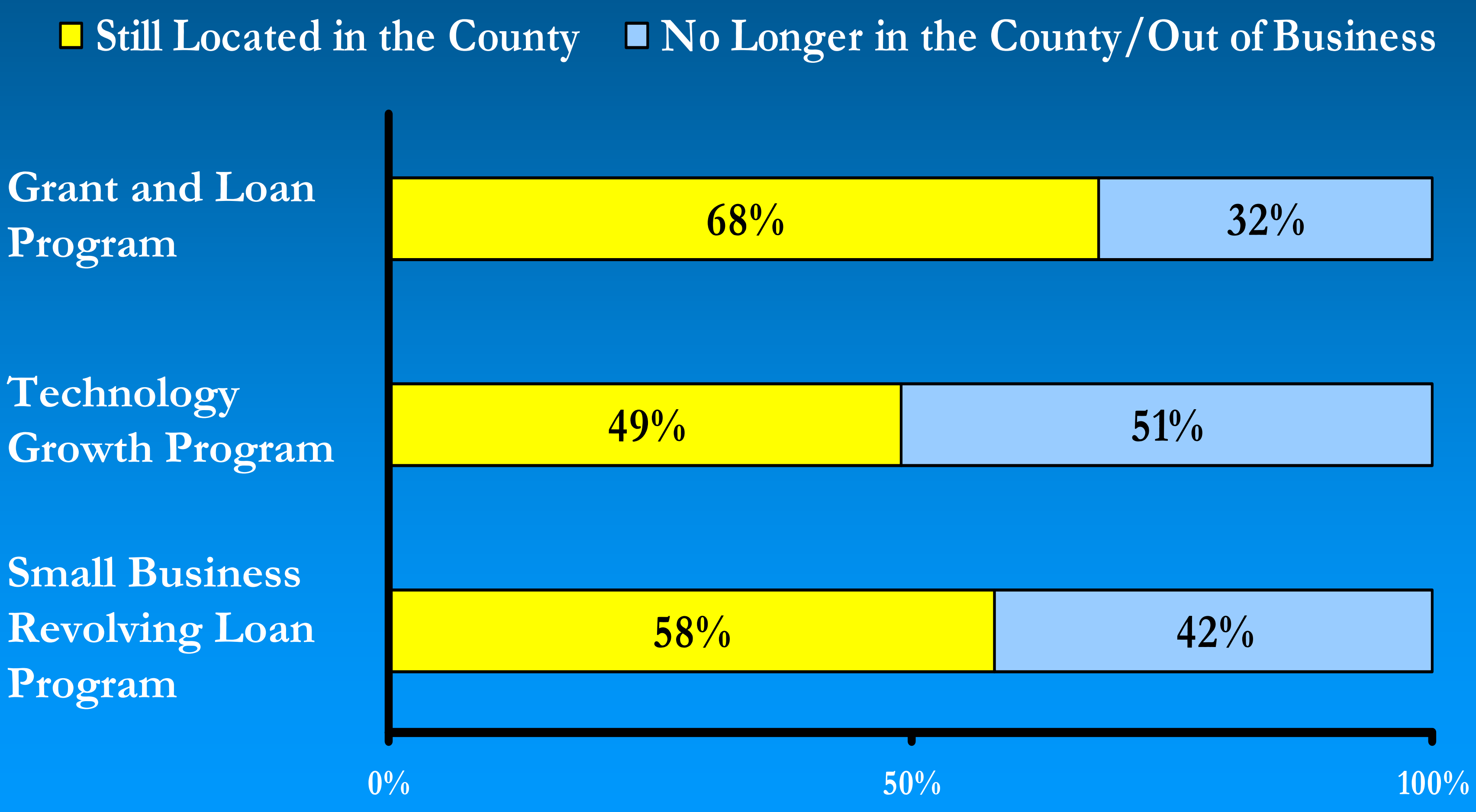
Jobs Retained/Created Data
(Grant and Loan Program)

Award Recipients with Jobs Requirements that…	Projected Jobs	Actual Jobs	Actual as a % of Projected
Met Performance Criteria (n=45)	12,605	16,170	128%
Did Not Meet: Repayment (n=67)	12,345	6,634	54%
Did Not Meet: Collection (n=19)	1,825	442	24%
Total	26,775	23,246	87%

Investment/Fiscal Impact Outcomes
(Grant and Loan Program)

Award Outcome	Planned Private Investment	Projected Annual Fiscal Impact
Met Performance Criteria	$575 million	$13.4 million
Did Not Meet: Repayment or Collection	$379 million	$18.7 million
Under Monitoring	$285 million	$5.8 million
Total	$1.24 billion	$37.9 million

Long-Term Retention in MoCo
(as of December 2012)



OLO Recommendations

Recommendation #1: Enhance data collection and reporting on incentives by expanding pre-award and post-award measurement of performance indicators.

- Collect and report data on actual private investment made
- Revise the estimated fiscal impact for each project at the completion of the monitoring period
- Differentiate between jobs retained and jobs created within the data reporting

OLO Recommendations

Recommendation #2: Track and annually report on the long-term outcomes of businesses that have received incentives (i.e., whether or not they remain located in Montgomery County).

- Build on the data "baseline" from this report and analyze retention trends over time
- Help the Council and Executive Branch assess the success of these programs over the long-term

OLO Recommendations

Recommendation #3: Discuss targets or guidelines for the specific incentive performance measures as part of the economic development strategic planning process.

- Measuring "success" is difficult for incentive programs
- Council would benefit from reviewing data within a framework that indicates whether incentives are meeting strategic goals