



Economic Development Fund

APPROVED FY19 BUDGET

\$4,541,779

FULL TIME EQUIVALENTS

1.00

 ALEXANDRE A. ESPINOSA, DIRECTOR

MISSION STATEMENT



The mission of the Economic Development Fund (EDF) is to assist private employers who are located, plan to locate, or substantially expand operations in the County. Each program under the EDF is administered by the Department of Finance and the prospective applicants are identified by the Montgomery County Economic Development Corporation (MCEDC), a nonprofit economic development organization created by the County in 2015.

BUDGET OVERVIEW




The total approved FY19 Operating Budget for the Economic Development Fund is \$4,541,779, an increase of \$431,041 or 10.49 percent from the FY18 Approved Budget of \$4,110,738. Personnel Costs comprise 3.36 percent of the budget for no full-time position(s) and no part-time position(s), and a total of 1.00 FTEs. Total FTEs may include seasonal or temporary positions and may also reflect workforce charged to or from other departments or funds. Operating Expenses account for the remaining 96.64 percent of the FY19 budget.

LINKAGE TO COUNTY RESULT AREAS

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

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

INITIATIVES

-  Enhance the Microlending Program by adding funds to provide County entrepreneurs with access to critical financing for their business expansion and growth.
-  Continue funding support for the MOVE Program to reduce commercial office vacancy and attract new businesses and new jobs by assisting businesses, including craft breweries, cideries, wineries, and distillers, in leasing office space to support their growth.
-  Add funds to the Small Business Assistance Program (SBAP) to assist eligible small businesses adversely impacted by the County's Wheaton Redevelopment project.

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- ★ Add funds to provide matching grants for biotech companies in Montgomery County that receive Federal Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) grants to support growth of the County's biotech industry.
 - ★ Created the Impact Assistance Fund (IAF) to provide financial and/or technical assistance to eligible small businesses in designated areas of the County adversely impacted by a County-initiated redevelopment project.

ACCOMPLISHMENTS

- ✓ Invested a \$22 million conditional grant to facilitate the relocation of Marriott International, Inc. headquarters to downtown Bethesda that will induce \$600 million in private investment and retain 3,500 jobs.
- ✓ Provided \$300,000 from the County in conjunction with \$600,000 from the State to retain and assist relocation of Host Hotels & Resorts, Inc. headquarters to downtown Bethesda -- a \$30 million project retaining 189 jobs.
- ✓ Provided New Jobs Tax Credit Incentive to establish JBG Smith Properties headquarters in downtown Bethesda -- creating 190 new jobs.
- ✓ Provided \$100,000 conditional grant to retain and expand Sanaria, Inc., a developer of anti-malarial vaccines, with additional 47 new jobs.
- ✓ Facilitated the retention and expansion of InfoZen, a provider of mission critical information technology services and solutions for the Federal government, to create 215 new jobs.
- ✓ Provided more than \$466,000 in Biotechnology Investment Incentive Tax Credit supplement grants in 2017 to 70 investors that support investment in 13 County-based early stage biotech companies to grow the biotechnology industry in the County.
- ✓ Provided \$110,895 in Cybersecurity Investment Incentive Tax Credit supplement grants in FY17 to two qualified cybersecurity companies for locating its headquarters and base operations in the County.
- ✓ Provided approximately \$790,900 in MOVE grants in FY18 to attract 20 companies occupying over 105,000 square feet of Class A and B office space and bringing 420 jobs to the County.
- ✓ In FY18, the County has offered \$2.8 million in incentives to 10 companies to facilitate \$153.9 million in capital investment, retain 1,392 jobs, and bring 635 new jobs as of May 30, 2018.

PROGRAM CONTACTS

Contact Jedediah Millard of the Department of Finance at 240.777.8855 or Pofen Salem of the Office of Management and Budget at 240.777.2773 for more information regarding this fund.

PROGRAM DESCRIPTIONS

★ Economic Development Grant and Loan Program

The Economic Development Grant and Loan Program was established in FY96 to assist private employers who will either retain jobs already in the County or create additional jobs in the County through the expansion of current operations or relocation of new operations in the County. This program is administered by the Department of Finance through its Fiscal Management Division. MCEDC identifies and develops prospects that meet the criteria for a grant or loan from the Economic Development

Fund (EDF) and works with Finance to develop an assistance package. Frequently, MCEDC and Finance work in close cooperation and coordination with the State of Maryland. The County Executive submits an annual report by March 15 on the status and use of the EDF as required by Chapter 20-76 (b) of the Montgomery County Code.

FY19 Approved Changes	Expenditures	FTEs
FY18 Approved	2,860,738	1.00
Add: SBIR/STTR Matching Grant	425,000	0.00
Enhance: Microlending Program	150,000	0.00
Decrease Cost: Undesignated Budget	(32,300)	0.00
Decrease Cost: Funding for ByteGrid to Reflect Available Appropriations	(120,238)	0.00
Decrease Cost: One-Time Incentive for Abt Associates, Inc.	(250,000)	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	8,579	0.00
FY19 Approved	3,041,779	1.00

MOVE Program

The MOVE Program, part of the Economic Development Fund, is designed to accelerate business attraction, thereby reducing vacant office spaces in the County. It also provides an additional benefit for leasing vacant office space and renovation of aging commercial buildings in targeted areas of the County. The program is limited to new businesses, including craft breweries, cideries, wineries, and distillers that occupy class A and B office space.

FY19 Approved Changes	Expenditures	FTEs
FY18 Approved	750,000	0.00
FY19 Approved	750,000	0.00

Note(s): In FY19, \$250,000 is allocated to provide the Incentive Area Lease Bonus for new businesses relocated to targeted County areas.

Biotech Credit Supplement

The Biotech Credit Supplement Program authorizes the County to provide a local supplement to the State of Maryland's Biotechnology Investment Tax Credit Program. Applicants that have received final tax credits under the State program and have invested in a company that has located its headquarters and base operations in Montgomery County are eligible for a 'piggyback' grant payment from the County of up to 50 percent of the State tax credit, with the final amount dependent and subject to the annual appropriations by the County Council.

FY19 Approved Changes	Expenditures	FTEs
FY18 Approved	500,000	0.00
FY19 Approved	500,000	0.00

Small Business Assistance Program

The Small Business Assistance Program (SBAP) assists certain small businesses located in the County who are adversely impacted by a County-funded redevelopment project or a redevelopment project located on County-owned property, as required by Bill 6-12 adopted by the Montgomery County Council in 2012. Currently, only the small businesses located near Parking Lot

13 in Wheaton are eligible under this program.

FY19 Approved Changes	Expenditures	FTEs
FY18 Approved	0	0.00
Enhance: Small Business Assistance Program	250,000	0.00
FY19 Approved	250,000	0.00

Note(s): In FY18, \$200,000 was allocated from the Economic Development Grant and Loan Program as the seed funding for the Small Business Assistance Program to provide financial assistance for eligible businesses adversely impacted by the Wheaton Redevelopment project.

BUDGET SUMMARY

	Actual FY17	Budget FY18	Estimate FY18	Approved FY19	%Chg Bud/App
ECONOMIC DEVELOPMENT FUND					
EXPENDITURES					
Salaries and Wages	73,354	120,184	116,155	121,752	1.3 %
Employee Benefits	18,527	23,649	28,759	30,660	29.7 %
Economic Development Fund Personnel Costs	91,881	143,833	144,914	152,412	6.0 %
Operating Expenses	2,391,544	3,966,905	7,153,834	4,389,367	10.7 %
Economic Development Fund Expenditures	2,483,425	4,110,738	7,298,748	4,541,779	10.5 %
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	1.00	1.00	1.00	1.00	—
REVENUES					
Investment Income	26,353	38,917	43,260	61,290	57.5 %
Loan Payments	168,306	134,438	134,438	134,438	—
Miscellaneous Revenues	26,000	0	0	0	—
Economic Development Fund Revenues	220,659	173,355	177,698	195,728	12.9 %

FY19 APPROVED CHANGES

	Expenditures	FTEs
ECONOMIC DEVELOPMENT FUND		
FY18 ORIGINAL APPROPRIATION	4,110,738	1.00
<u>Changes (with service impacts)</u>		
Add: SBIR/STTR Matching Grant [Economic Development Grant and Loan Program]	425,000	0.00
Enhance: Small Business Assistance Program [Small Business Assistance Program]	250,000	0.00
Enhance: Microlending Program [Economic Development Grant and Loan Program]	150,000	0.00
<u>Other Adjustments (with no service impacts)</u>		
Increase Cost: Annualization of FY18 Personnel Costs	6,347	0.00
Increase Cost: FY19 Compensation Adjustment	2,232	0.00

FY19 APPROVED CHANGES

	Expenditures	FTEs
Decrease Cost: Undesignated Budget [Economic Development Grant and Loan Program]	(32,300)	0.00
Decrease Cost: Funding for ByteGrid to Reflect Available Appropriations [Economic Development Grant and Loan Program]	(120,238)	0.00
Decrease Cost: One-Time Incentive for Abt Associates, Inc. [Economic Development Grant and Loan Program]	(250,000)	0.00
FY19 APPROVED	4,541,779	1.00

PROGRAM SUMMARY

Program Name	FY18 APPR Expenditures	FY18 APPR FTEs	FY19 APPR Expenditures	FY19 APPR FTEs
Economic Development Grant and Loan Program	2,860,738	1.00	3,041,779	1.00
MOVE Program	750,000	0.00	750,000	0.00
Biotech Credit Supplement	500,000	0.00	500,000	0.00
Small Business Assistance Program	0	0.00	250,000	0.00
Total	4,110,738	1.00	4,541,779	1.00

CHARGES TO OTHER DEPARTMENTS

Charged Department	Charged Fund	FY18 Total\$	FY18 FTES	FY19 Total\$	FY19 FTES
ECONOMIC DEVELOPMENT FUND					
CIP	Capital Fund	120,000	1.00	120,000	1.00

FUTURE FISCAL IMPACTS

CC APPROVED (\$000S)

Title	FY19	FY20	FY21	FY22	FY23	FY24
ECONOMIC DEVELOPMENT FUND						
EXPENDITURES						
FY19 Approved	4,542	4,542	4,542	4,542	4,542	4,542
No inflation or compensation change is included in outyear projections.						
Labor Contracts	0	1	1	1	1	1
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						
Subtotal Expenditures	4,542	4,543	4,543	4,543	4,543	4,543

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