



Economic Development Fund

APPROVED FY20 BUDGET

\$5,439,361

FULL TIME EQUIVALENTS

1.00

 MICHAEL COVEYOU, ACTING 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. EDF staff work in conjunction with the Montgomery County Economic Development Corporation (MCEDC), a nonprofit economic development organization created by the County in 2015, to identify prospects for many of these programs.

BUDGET OVERVIEW




The total approved FY20 Operating Budget for the Economic Development Fund is \$5,439,361, an increase of \$897,582 or 19.76 percent from the FY19 Approved Budget of \$4,541,779. Personnel Costs comprise 2.89 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 97.11 percent of the FY20 budget.

COUNTY PRIORITY OUTCOMES

While this program area supports all seven of the County Executive's Priority Outcomes, the following are emphasized:

-  **A Greener County**
-  **A Growing Economy**

INITIATIVES

-  Provide needed funds to the Small Business Assistance Program to continue assisting eligible businesses adversely impacted by the County's Wheaton Redevelopment project.
-  Add funds to the Impact Assistance Fund to support eligible businesses impacted by a redevelopment project in certain designated County areas.
-  Add funds to implement economic development grant agreements for retention and expansion of jobs and business activities that will support economic growth in Montgomery County.

ACCOMPLISHMENTS

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- ✓ A new local Small Business Innovation Research and Small Business Technology Transfer (SBIR/STTR) Matching Grant Fund program was established in FY19 to support Montgomery County companies who were awarded a Federal SBIR or STTR Phase I or Phase II grant from the National Institutes of Health (NIH) and conduct at least 51 percent of its research and development operations in the County. This program made awards to 13 qualified companies through the end of 2018, including nine Phase I awards and four Phase II awards.
 - ✓ In FY18, a microlending program was created to provide loans ranging from \$500 to \$15,000 for County residents needing additional help to start or grow a small business. From December 2017 through July 2018, 28 microloans were made for a total of \$100,400 to local small businesses in a variety of industries, including: food services, tax preparation services, painting/construction, and photography.
 - ✓ Beginning in FY18, the County established a Small Business Assistance Program to provide financial and technical assistance for small businesses in downtown Wheaton adversely impact by the Wheaton Redevelopment project. Through the end of 2018, more than \$537,000 in financial assistance was provided to 17 impacted businesses.
 - ✓ The Impact Assistance Fund provides financial assistance and/or technical assistance to certain financially healthy small businesses in designated areas of the County that are adversely impacted by a redevelopment project initiated by the County, a redevelopment project located on County-owned property, or a redevelopment project constructed by a private entity for use in whole or in part by the County as a public facility. Currently, assistance is available for businesses in Silver Spring that are impacted by the Studio Plaza redevelopment project and in Bethesda for businesses that are impacted by the Bethesda Metro Station redevelopment project. Through February 2019, nine companies have received disbursements for a total of \$225,000 in financial assistance.
 - ✓ EDF staff worked with MCEDC and the State of Maryland to offer an EDF grant of \$200,000 to attract Autolus Therapeutics, an European biopharmaceutical cell therapy company working on cancer treatments. The company will build an 85,000 square foot office, lab, and manufacturing facility in Rockville, bringing 200 jobs to the County.
 - ✓ The first microbrewery MOVE (Make Office Vacancies Extinct) grant was awarded to True Respite Brewing Company, LLC to help with its upfront production costs. The company leases over 9,550 square feet of Class B office space in Rockville, and approximately 75 percent of the space is dedicated for production facility.
 - ✓ The first small business revolving loan (\$75,000 loan in 2015) provided to a microbrewery, Denizen's Brewing Company, was repaid in full in 2018. The loan helped the company create 32 jobs in the Montgomery County.

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.

| FY20 Approved Changes | Expenditures | FTEs |
|---|------------------|-------------|
| FY19 Approved | 3,041,779 | 1.00 |
| Increase Cost: Funding Disbursement Based on Prior Host Hotels & Resorts Agreement | 300,000 | 0.00 |
| Increase Cost: Funding Disbursement Based on Prior Booz Allen Hamilton Agreement | 250,000 | 0.00 |
| Enhance: Impact Assistance Fund | 150,000 | 0.00 |
| Increase Cost: Restore One-time Undesignated Funding Used for the Design of Facade Improvements in the Glenmont Commercial Area | 32,300 | 0.00 |
| Decrease Cost: Adjust Funding for ByteGrid Agreement | (39,258) | 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. | 4,540 | 0.00 |
| FY20 Approved | 3,739,361 | 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 renovating aging commercial buildings in targeted areas of the County. The program is limited to businesses that are new to the County, including craft breweries, cideries, wineries, and distillers that occupy class A and B office space.

| FY20 Approved Changes | Expenditures | FTEs |
|-----------------------|----------------|-------------|
| FY19 Approved | 750,000 | 0.00 |
| FY20 Approved | 750,000 | 0.00 |

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.

| FY20 Approved Changes | Expenditures | FTEs |
|-----------------------|----------------|-------------|
| FY19 Approved | 500,000 | 0.00 |
| FY20 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, affected small businesses located near Parking Lot 13 in Wheaton are eligible under this program.

| FY20 Approved Changes | Expenditures | FTEs |
|--|----------------|-------------|
| FY19 Approved | 250,000 | 0.00 |
| Enhance: Small Business Assistance Program | 200,000 | 0.00 |
| FY20 Approved | 450,000 | 0.00 |

BUDGET SUMMARY

| | Actual FY18 | Budget FY19 | Estimate FY19 | Approved FY20 | %Chg Bud/App |
|--|------------------|------------------|------------------|------------------|-----------------|
| ECONOMIC DEVELOPMENT FUND | | | | | |
| EXPENDITURES | | | | | |
| Salaries and Wages | 117,151 | 121,752 | 122,019 | 124,300 | 2.1 % |
| Employee Benefits | 28,746 | 30,660 | 30,279 | 32,746 | 6.8 % |
| Economic Development Fund Personnel Costs | 145,897 | 152,412 | 152,298 | 157,046 | 3.0 % |
| Operating Expenses | 3,617,835 | 4,389,367 | 8,553,051 | 5,282,315 | 20.3 % |
| Economic Development Fund Expenditures | 3,763,732 | 4,541,779 | 8,705,349 | 5,439,361 | 19.8 % |
| 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 | 75,712 | 61,290 | 149,270 | 159,010 | 159.4 % |
| Loan Payments | 616,560 | 134,438 | 134,438 | 134,438 | — |
| Miscellaneous Revenues | 26,000 | 0 | 0 | 0 | — |
| Economic Development Fund Revenues | 718,272 | 195,728 | 283,708 | 293,448 | 49.9 % |

FY20 APPROVED CHANGES

| | Expenditures | FTEs |
|---|------------------------------------|-----------------------|
| ECONOMIC DEVELOPMENT FUND | | |
| | FY19 ORIGINAL APPROPRIATION | 4,541,779 1.00 |
| <u>Changes (with service impacts)</u> | | |
| Enhance: Small Business Assistance Program [Small Business Assistance Program] | 200,000 | 0.00 |
| Enhance: Impact Assistance Fund [Economic Development Grant and Loan Program] | 150,000 | 0.00 |
| <u>Other Adjustments (with no service impacts)</u> | | |
| Increase Cost: Funding Disbursement Based on Prior Host Hotels & Resorts Agreement [Economic Development Grant and Loan Program] | 300,000 | 0.00 |
| Increase Cost: Funding Disbursement Based on Prior Booz Allen Hamilton Agreement [Economic Development Grant and Loan Program] | 250,000 | 0.00 |
| Increase Cost: Restore One-time Undesignated Funding Used for the Design of Facade Improvements in the Glenmont Commercial Area [Economic Development Grant and Loan Program] | 32,300 | 0.00 |
| Increase Cost: FY20 Compensation Adjustment | 4,540 | 0.00 |
| Decrease Cost: Adjust Funding for ByteGrid Agreement [Economic Development Grant and Loan Program] | (39,258) | 0.00 |

FY20 APPROVED CHANGES

| | | | Expenditures | FTEs |
|----------------------|--|--|------------------|-------------|
| FY20 APPROVED | | | 5,439,361 | 1.00 |

PROGRAM SUMMARY

| Program Name | FY19 APPR Expenditures | FY19 APPR FTEs | FY20 APPR Expenditures | FY20 APPR FTEs |
|---|---------------------------|-------------------|---------------------------|-------------------|
| Economic Development Grant and Loan Program | 3,041,779 | 1.00 | 3,739,361 | 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 | 250,000 | 0.00 | 450,000 | 0.00 |
| Total | 4,541,779 | 1.00 | 5,439,361 | 1.00 |

CHARGES TO OTHER DEPARTMENTS

| Charged Department | Charged Fund | FY19 Total\$ | FY19 FTES | FY20 Total\$ | FY20 FTES |
|----------------------------------|--------------|-----------------|--------------|-----------------|--------------|
| ECONOMIC DEVELOPMENT FUND | | | | | |
| CIP | Capital Fund | 120,000 | 1.00 | 120,000 | 1.00 |

FUTURE FISCAL IMPACTS

CC APPROVED (\$000S)

| Title | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| ECONOMIC DEVELOPMENT FUND | | | | | | |
| EXPENDITURES | | | | | | |
| FY20 Approved | 5,439 | 5,439 | 5,439 | 5,439 | 5,439 | 5,439 |
| No inflation or compensation change is included in outyear projections. | | | | | | |
| Labor Contracts | 0 | 2 | 2 | 2 | 2 | 2 |
| These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items. | | | | | | |
| Subtotal Expenditures | 5,439 | 5,441 | 5,441 | 5,441 | 5,441 | 5,441 |

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