

MEMORANDUM

April 19, 2021

TO: Planning, Housing, and Economic Development (PHED) Committee
FROM: Gene Smith, Legislative Analyst
SUBJECT: **FY22 Operating Budget – Economic Development Fund (EDF)**
PURPOSE: Make recommendations for Council consideration

Expected Participants:

- Laurie Boyer, Office of the County Executive
- Pete McGinnity, Department of Finance
- Pofen Salem, Office of Management and Budget

Summary of FY22 Recommended Budget

Economic Development Fund	FY21 Approved	FY22 CE Recommended	Change from FY21 Approved
General Fund	\$5,159,418	\$4,490,677	(13.0%)
Personnel Costs	\$159,400 1.00 FTEs	\$161,959 1.00 FTEs	1.6% 0.00 FTEs
Operating Costs	\$5,000,018	\$4,328,718	(13.4%)
Total Expenditures (All Funds)	\$5,159,418 1.00 FTEs	\$4,490,677 1.00 FTEs	(13.0%) 0.0%

I. Racial Equity and Social Justice Considerations

The Council adopted Bill 27-19 on December 2, 2019. This bill established and required several elements, including that the Executive submit a racial equity and social justice (RESJ) impact statement for each bill and each management initiative or program that would be funded in the operating and capital budgets.

For the FY22 operating budget development process, OMB, working with the Office of RESJ, developed and dedicated a section of the program proposal form to addressing racial equity. Departments and County partners were asked the following questions:

- Does your department use quantitative and qualitative data to track program access and/or service outcomes for different population groups?
- Which community residents will potentially benefit the most from your program proposal or be burdened by your program proposal?
- How does the program promote racial equity?

The County is still in the process of training staff on applying a racial equity and social justice lens to programming and budget decisions; therefore, OMB received a variety of responses to the above questions. Council staff are documenting these responses to establish an official baseline for each department and to identify promising practices and gaps in information.

Council staff will evaluate what information departments are utilizing, or could utilize, to apply a racial equity lens to budget decisions as Council staff works to develop its Racial Equity and Social Justice Action Plan this spring. Council staff will also coordinate with OMB and the Office of RESJ to help inform a more robust analysis for FY23 and future budget cycles.

II. Budget Overview

See the Executive's recommendation on ©1-5. The Executive's recommended appropriation decreases the EDF budget by \$668,741 or 13.0% based on the FY21 approved budget. The decrease is due to elimination of one-time funding for certain agreements. The EDF also includes funding for its subprograms and one County staff.

The EDF is a continuous, non-lapsing fund. As in previous fiscal years, the Council will approve an appropriation for the FY22 budget and any unspent funds from FY21 will roll over for use in FY22. **The average rollover amount is about \$2.0 million most fiscal years.** Finance estimates a similar roll over amount from FY21 to FY22. Table 1 below details the recommended appropriation by program or agreement in FY22.

Table 1: FY22 Recommended Allocation of EDF Funding

FY22 Recommended	\$4,490,677
Administrative Costs	\$161,959
Personnel	\$161,959
Operating Expenses	\$0
Executive Recommendation for EDF Sub-Programs	\$2,362,032
MOVE Program	\$750,000
Biotechnology Investor Incentive Program	\$500,000
Cybersecurity Supplement Program	\$66,000
SBIR/STTR Program	\$425,000
Small Business Assistance Program	\$450,000
Impact Assistance Fund	\$21,032
Microlending	\$150,000
Green Investor Incentive Program	\$0
Equity Investment Program	\$0
Small Business Revolving Loan Program	\$0
Executive Recommendation for EDFGLP	\$1,966,686
JBG Companies (U.S. HHS property in Rockville)	\$1,300,000
Federal Realty Investment Trust	\$250,000
Aurinia Pharma	\$60,000
<i>Undesignated balance</i>	<i>\$356,686</i>

III. EDF Programs

The mission of the EDF is to assist private employers who are located, plan to locate, or substantially expand operations in the County. The County created the EDF in 1996 to provide deal closing funds for certain economic development opportunities in the County. Many jurisdictions offer these discretionary business incentives to fund economic development projects that might not otherwise happen. **Once incentives are provided, it is important that jurisdictions collect appropriate, high-quality data to monitor the effectiveness of its incentive programs.**¹

Finance oversees and evaluates the impact of the EDF. Section 20-76 (c) of the County Code requires that the Executive report by March 15 of each year on the use of the EDF. See the EDF Annual Report for Calendar Year 2020 (“2020 EDF Annual Report”) on ©6-28.

A. EDFGLP

The EDFGLP is the discretionary program, and historically, is the most utilized program in terms of total businesses assisted and total dollars awarded. The program’s goals are *strategic attraction and retention projects in targeted industry sections that generate significant economic development benefits to the County.*

The standard process for EDFGLP transactions includes the County making an offer, finalizing an agreement, disbursing the funds, and monitoring the performance of each business.

¹ <http://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2016/04/better-incentive-information>

This is unlike other programs in the EDF, which may involve fewer steps due to the purpose of those programs. The duration of this process varies from project to project for the EDFGLP. Below are noteworthy elements for each of these steps.

County Offer. The Executive must notify the Council when an offer exceeds \$100,000. Transactions that are less than \$100,000 are included in the EDF Annual Report.

Agreement. The County executes an agreement with each business. This agreement stipulates the milestones required, such as creation of a certain number of jobs, and includes a repayment provision if the business fails to achieve the required milestones.

Disbursement. The County provides funding, once the business undertakes the project stipulated in the agreement. Some businesses may execute an agreement but choose not to undertake the project. If the County does not disburse any funds, the business is not required to meet any of the stipulated milestones.

Monitoring. The County monitors each disbursed project based on the agreement. Per the 2020 EDF Annual report, no businesses were awarded grants from the EDFGLP that were less than \$100,000 in the last year.

Finance will monitor a project's impact until the agreement expires, typically five to ten years. See EDFGLP metrics from the 2020 EDF Annual Report on ©10-11.

The FY22 recommendation includes \$1,837,708 for the EDFGLP. **\$1,300,000 or 70.7% of this amount is reserved for an agreement with JBG Companies for the U.S. HHS project in Rockville.** Per the agreement, the County will disburse \$1,300,000 annually for 15 years; the FY18 appropriation was the first payment. See the County's ongoing commitments on ©23. Another portion of the recommended appropriation, \$310,000, is reserved for other approved agreements.

Executive staff notes that the Executive will likely submit a supplemental appropriation for the FOX agreement in FY22. By law, the Executive must submit a supplemental for any agreements valued at or greater than \$500,000. Executive staff plan to repurpose some funding with the EDF to support this supplemental appropriation, so there is no impact to the general fund in FY22. **Council staff concurs there is sufficient funding in the EDF for this purpose.**

The remaining portion of the recommended appropriation is the undesignated balance. The undesignated balance for FY22 is \$227,708. **The undesignated balance can be used to fund smaller projects, typically those less than \$100,000.**

Council staff recommends approval of \$2,128,645 for the EDFGLP, including undesignated balance and personnel costs.

A. MOVE Program

The MOVE Program is an entitlement program designed to attract new businesses to the County and reduce vacant Class A and B office space. To qualify, businesses must meet certain criteria and apply. The criteria of the program are straightforward and include items such as,

whether the business is new to the County or whether the business leased Class A or B office space for at least three years. The program offers a one-time grant that is formula-based, \$8 per square foot of the executed lease.

The Executive is recommending \$750,000 for this program in FY22, like previous years.

See the MOVE Program Summary in the 2020 EDF Annual Report on ©12-13. The County disbursed \$432,868 to 16 businesses in 2020. The total number of initial jobs (i.e., those that relocated to the County) was 58, with the expectation that another 396 jobs will be created in three years. **The MOVE Program does not require the creation of these jobs because the grant is based on the lease square footage.**

Finance estimates that about \$420,000 in appropriation for the MOVE Program will roll over from FY21 to FY22. This estimate will change if the number of eligible businesses significantly changes through the remainder of FY21. The total program budget for this program in FY22 is about \$1.2 million – more than adequate to address FY22 MOVE applications based on historical trends for this program.

Council staff recommends approval of \$750,000 for the MOVE Program.

B. Biotechnology Investor Incentive Program (BIIP)

The BIIP is an entitlement program for investors who make qualified investments in a County-based biotechnology business. The County’s program provides a cash grant to investors who receive State tax credits from the analogous State program. **This program does not directly fund biotechnology businesses in the County; rather it incentivizes private investments for those businesses.** The investors can, and do, live anywhere.

The Executive recommends a \$500,000 appropriation for the BIIP in FY22.

The County has appropriated \$500,000 per year since FY11. The amount awarded to investors is based on a formula in the County Code. Since inception, this program disburses the entire \$500,000 appropriated each year. See the program metrics on ©13-14 from the 2020 EDF Annual Report.

Council staff recommends approval of the Executive’s recommendation for the BIIP.

C. Cybersecurity Supplement Program (CSP)

The CSP is an entitlement program for County-based cybersecurity businesses. It is like the BIIP, but it provides additional grants to investors in qualified cybersecurity businesses in the County.

The Executive recommends \$66,000 in for the CSP FY22.

See the CSP's 2020 metrics on ©15. The County provided a supplement to four investors through this program in 2020.

Finance estimates that about \$434,000 in appropriation for the CSP will roll over from FY21 to FY22. With the Executive's recommended FY22 appropriation, the total FY22 CSP appropriation will equal \$500,000.

Council staff recommends approval of the Executive's recommendation for the CSP.

D. Small Business Research Matching Grant Program (SBIR/STTR Program)

The SBIR/STTR Program provides matching grants to businesses that receive SBIR/STTR grants related to medicine, biotechnology, and life sciences. Through the adoption of Bill 37-19, the Council expanded the types of businesses eligible for this program. The County grant is formulaic and is based on the type of SBIR award (i.e., Phase I or II) and the amount of the SBIR award.

The Executive recommends \$425,000 for this program in FY22.

See the program's 2020 metrics on ©17. Three businesses received a County grant for a Phase I SBIR award, and four businesses received a County grant for a Phase II SBIR award in 2020.

Finance estimates that about \$325,000 in appropriation for the SBIR/STTR Program will roll over from FY21 to FY22. This estimate will change if the number of eligible businesses significantly changes through the remainder of FY21. The total program budget for this program in FY22 is about \$750,000. With the expansion of this program's eligibility requirements, the total program funding in FY22 will support a few additional eligible businesses.

Council staff recommends approval of the Executive's recommendation for the SBIR Program in FY20.

E. Small Business Assistance Program (SBAP)

This program provides financial and technical assistance to small businesses adversely impacted by redevelopment projects that are either funded by the County or are located on County-owned land and in an Urban Renewal Area or an Enterprise Zone, as required by §20-76B of the County Code.

The Executive recommends a \$450,000 appropriation for the SBAP in FY22.

Under the current law, the Wheaton Redevelopment Project is the only project in the pipeline that requires the County to provide financial and technical assistance to small businesses. **The funding for the SBAP for Wheaton is split between two accounts, one for technical assistance and one for financial assistance.** The technical assistance is funded through the Incubator NDA to support contracts with local organizations that provide technical assistance. The

FY20 recommended appropriation for these services is \$208,000. Financial assistance for the small businesses will be funded through the EDF.

See a summary of the SBAP in the 2020 EDF Annual Report on ©16. Finance staff noted that the last period of eligibility for the SBAP was the third quarter of 2020, since the Wheaton Redevelopment Project was completed. **Several businesses have applied and are eligible for funding, with some eligible businesses applying for adverse impact for the entire period of construction** (e.g., this is the first time applying). The result is that the County will continue to provide financial disbursements during FY22 as Finance staff review the applications.

Finance estimates that no funding will roll over from FY21 to FY22 for this program. Finance will monitor the actual disbursements in FY22 for the remainder of eligible businesses in this program. If the County requires more than the \$450,000 appropriated for this purpose in FY22, there remains some unused appropriation in the Small Business Revolving Loan Program.

Council staff recommends approval of the Executive’s recommendation for the SBAP.

F. Impact Assistance Fund (IAF).

The IAF is not authorized by the County Code. The IAF was created in FY05 by the Council to provide grants to businesses that are adversely affected by County-initiated development, redevelopment, or renovation projects. The Executive must designate a boundary for businesses to apply to the program, and the maximum award available is \$25,000 per business.

The Executive recommends \$21,032 for this program in FY22.

The Executive has authorized payments for businesses impacted in three areas of the County: 1) near the Silver Spring Studio Plaza development in Silver Spring; 2) near the Bethesda Metro project in Bethesda; and 3) near the Clarksburg Square Road Extension project in Clarksburg. See the 2020 EDF Annual Report for a summary of this program on ©17. In 2020, two businesses were approved for grants through this program.

Finance estimates that about \$130,000 will roll over for the IAF from FY21 to FY22. The Executive’s recommendation is to restore the FY22 funding to \$150,000; therefore, the recommended appropriation for FY22 is \$21,032.

Council staff recommends approval of the Executive’s recommendation for the IAF.

G. Microlending

Bill 49-16 created the microlending program. The Executive is implementing this program through the EDF.² Finance utilized \$300,000 from the SBRLP to seed fund this program, and the

² The Bill stipulated that the Montgomery County Economic Development Corporation would implement this program. It was decided during the FY18 Operating Budget that Finance would implement the program through the EDF.

County has continued support through an annual appropriation. **The Executive is recommending another \$150,000 appropriation for this program in FY22.**

Finance executed two contracts, one with Latino Economic Development Center and one with Life Asset, to implement the microloan program. Both will receive funding in increments of \$50,000 and provide the funding to small businesses based on each organization's respective programs. See Finance's report about the program on ©18-19. The County disbursed almost \$335,000 in 2020, and the two providers executed 87 microloans with small businesses in the County.

Finance estimates that about \$181,000 for the Microlending Program will roll over from FY21 to FY22. With the Executive's recommended \$150,000 appropriation, this program will have sufficient funding to address all potential applications in FY22 based on the program's historical trends.

Council staff recommends approval of the Executive's recommendation for the microlending program in FY20.

H. Green Investor Incentive Program (GIIP)

The GIIP provides grants to qualified investors for investments in County-based green technology businesses. This program was designed based on the BIIP, but there is no analogous State tax credit program. The County initially appropriated \$500,000 for this program in FY14. **No investors took advantage of the program during the four years since its inception, and subsequently, the \$500,000 has been repurposed for other uses in the EDF.**

The EDF Annual Report notes that the GIIP is now called the Be Green Hub Incubator Program (see ©19-20). Per the report, Bethesda Green is supposed to invest at least \$175,000 into member companies by December 31, 2021. Bethesda Green has invested \$85,000 through 2020 (see ©20).

The GIIP is established in the County Code §20-76C, and the Council may appropriate funds for it apart from this new initiative at any time.

I. Equity Investment Program (EIP)

The EIP was created by law in 2014. Since its inception the program has funded investments in three businesses, totaling \$250,000. One business filed for bankruptcy and the County lost most of the \$50,000 investment. One business was acquired by a Virginia firm; the County business closed, its staff relocated to Virginia, and the County lost all its \$100,000 investment. The final business remains in operation in the County. The Executive did not recommend any appropriation for this program in FY22.

J. Small Business Revolving Loan Program (SBRLP)

The SBRLP, as its name implies, provides loans to small businesses that lack access to traditional funding sources. See the SBRLP section of the EDF Annual Report on ©X. Since the program’s inception, it awarded approximately \$2.5 million in loans to 45 businesses. The County collected approximately \$1.6 million in principal and interest and wrote off about \$0.9 million due to businesses unable to repay the loan. Most of the written off amount was from restaurants. As of 2020, all outstanding loans have been repaid or written off. **The Executive did not recommend any appropriation for this program in FY22.**

IV. Recommended Budget Resolution Language

The Council includes budget provisions related to the EDF to clearly indicate the appropriations for each subprogram. Below is the draft resolution language based on the Executive’s recommended budget. Should the committee adjust any of these amounts during today’s worksession, Council staff will make the corresponding change.

- This resolution appropriates \$4,490,677 to the Economic Development Fund that must be allocated as follows:

Existing Programs	Amount
MOVE Program	\$750,000
Biotechnology Investor Incentive Program	\$500,000
Small Business Assistance Program	\$450,000
SBIR/STTR Program	\$425,000
Cybersecurity Supplement Program	\$66,000
Impact Assistance Fund	\$21,032
Microlending	\$150,000
Existing Agreements	Amount
JBG Companies (U.S. HHS property in Rockville)	\$1,300,000
Federal Realty Investment Trust	\$250,000
Aurinia Pharma	\$60,000

The remaining appropriation may be allocated to personnel costs or other economic development projects identified by the Executive that does not exceed the threshold established in Section 20-75 (c) of the County Code.

- This resolution appropriates \$500,000 to the Biotechnology Investor Incentive Program for the purposes of the calculation stipulated in Section 20-76A (B) of the County Code.
- This resolution appropriates \$500,000, including re-appropriated funds from FY 2021, to the Cybersecurity Supplement Program for the purposes of the calculation stipulated in Section 20-76D (B) of the County Code.

This packet contains:

Executive FY22 recommendation
2020 EDF Annual Report

Circle #

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6



Economic Development Fund

RECOMMENDED FY22 BUDGET

\$4,490,677

FULL TIME EQUIVALENTS

1.00

MICHAEL COVEYOU, 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 recommended FY22 Operating Budget for the Economic Development Fund is \$4,490,677, a decrease of \$668,741 or 12.96 percent from the FY21 Approved Budget of \$5,159,418. Personnel Costs comprise 3.61 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 96.39 percent of the FY22 budget.

COUNTY PRIORITY OUTCOMES

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

A Growing Economy

INITIATIVES

Continue funding support to all economic development programs provided through the Economic Development Fund for financial and/or technical assistance to eligible businesses.

INNOVATIONS AND PRODUCTIVITY IMPROVEMENTS

Through the Economic Development Grant & Loan (EDGL) Program, the Economic Development Fund continues to provide support for biotechnology growth, a key strategic economic sector in the County. In FY20, a \$350,000 conditional grant was approved to facilitate establishment of the U.S. Headquarters of Aurinia Pharma and to attract over 200 new jobs to

the County. In FY21, the County will provide a \$1 million conditional grant to Novavax, Inc. to support \$80 million in capital investment and create 400 new jobs for COVID-19 vaccine development.

✦ In FY20, the Public Health Emergency Grant (PHEG) Program was created to provide assistance to small businesses and nonprofits showing a revenue loss due to the COVID-19 pandemic. In total, 2,344 grant recipients received \$20.9 million, with an average grant award of \$8,923 per business.

✦ In FY21, the Reopen Montgomery Grant Program was established to reimburse businesses for expenses incurred to comply with COVID-19-related health & safety requirements for reopening their businesses. A total of 2,491 businesses were awarded \$7.94 million, with an average grant award of \$3,187 per business.

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 Fund

The Economic Development Fund consolidates all economic development programs into one program providing effective management and support. The consolidated programs are: Economic Development Grant and Loan Program, Biotech Credit Supplement, MOVE Program, Small Business Assistance Program, CyberSecurity Credit Supplemental Grant, Microloan Program, the Small Business Innovation Research and Small Business Technology Transfer Matching Grant Program, and the Impact Assistance Fund.

- 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. Montgomery County Economic Development Corporation (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.
- The Biotech Credit Supplement 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.
- The MOVE Program 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.

- 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.
- The CyberSecurity Supplement awards local supplemental grants to qualified investors who receive a final tax credit certificate from the State of Maryland's CyberSecurity Investment Incentive Tax Credit Program.
- The Microloan Program provides loans ranging from \$500 to \$15,000 for County residents needing additional help to start and grow small businesses.
- The Small Business Innovation Research and Small Business Technology Transfer (SBIR/STTR) Matching Grant Program allows Montgomery County companies that have been awarded a SBIR or STTR Phase I or Phase II grant from the National Institutes of Health (NIH) and that conduct at least 51 percent of their research & development operations in Montgomery County to apply for a local Montgomery County match.
- The Impact Assistance Fund (IAF) is a program that provides financial assistance and/or technical assistance to financially healthy small businesses in designated areas of the County that are adversely impacted by a redevelopment project initiated by the County, on County-owned property, or of a County facility. Currently, there are designated geographic areas in Silver Spring, Bethesda, and Clarksburg.

BUDGET SUMMARY

	Actual FY20	Budget FY21	Estimate FY21	Recommended FY22	%Chg Bud/Rec
ECONOMIC DEVELOPMENT FUND					
EXPENDITURES					
Salaries and Wages	147,672	124,937	115,614	128,546	2.9 %
Employee Benefits	34,309	34,463	32,504	33,413	-3.1 %
Economic Development Fund Personnel Costs	181,981	159,400	148,118	161,959	1.6 %
Operating Expenses	7,951,981	5,000,018	4,872,278	4,328,718	-13.4 %
Economic Development Fund Expenditures	8,133,962	5,159,418	5,020,396	4,490,677	-13.0 %
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	73,737	96,300	55,000	55,000	-42.9 %
Loan Payments	235,428	134,438	375,000	375,000	178.9 %
Economic Development Fund Revenues	309,165	230,738	430,000	430,000	86.4 %
GRANT FUND - MCG					
EXPENDITURES					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—

BUDGET SUMMARY

	Actual FY20	Budget FY21	Estimate FY21	Recommended FY22	%Chg Bud/Rec
Grant Fund - MCG Personnel Costs	0	0	0	0	—
Operating Expenses	18,484,035	0	0	0	—
Grant Fund - MCG Expenditures	18,484,035	0	0	0	—
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	0.00	0.00	0.00	0.00	—
REVENUES					
Federal Grants	27,685,227	0	0	0	—
Grant Fund - MCG Revenues	27,685,227	0	0	0	—
DEPARTMENT TOTALS					
Total Expenditures	26,617,997	5,159,418	5,020,396	4,490,677	-13.0 %
Total Full-Time Positions	0	0	0	0	—
Total Part-Time Positions	0	0	0	0	—
Total FTEs	1.00	1.00	1.00	1.00	—
Total Revenues	27,994,392	230,738	430,000	430,000	86.4 %

FY22 RECOMMENDED CHANGES

	Expenditures	FTEs
ECONOMIC DEVELOPMENT FUND		
	FY21 ORIGINAL APPROPRIATION	5,159,418 1.00
<u>Other Adjustments (with no service impacts)</u>		
Increase Cost: FY21 Compensation Adjustment	2,197	0.00
Increase Cost: FY22 Compensation Adjustment	362	0.00
Decrease Cost: Operating Expenses to Reflect Adjusted Investment Income [Economic Development Fund]	(41,300)	0.00
Decrease Cost: Incremental Cost Adjustment for Aurinia Pharma [Economic Development Fund]	(80,000)	0.00
Decrease Cost: One-time Cost for REGENXBIO, Inc [Economic Development Fund]	(100,000)	0.00
Decrease Cost: One-time Cost for Autolus Limited [Economic Development Fund]	(200,000)	0.00
Decrease Cost: One-time Cost for ViaSat Project [Economic Development Fund]	(250,000)	0.00
	FY22 RECOMMENDED	4,490,677 1.00

FUNDING PARAMETER ITEMS

CE RECOMMENDED (\$000S)

Title	FY22	FY23	FY24	FY25	FY26	FY27
ECONOMIC DEVELOPMENT FUND						

FUNDING PARAMETER ITEMS

CE RECOMMENDED (\$000S)

Title	FY22	FY23	FY24	FY25	FY26	FY27
EXPENDITURES						
FY22 Recommended	4,491	4,491	4,491	4,491	4,491	4,491
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	4,491	4,493	4,493	4,493	4,493	4,493

**Montgomery County
Economic Development Fund
Annual Report**

For Calendar Year 2020



**Prepared by
Department of Finance**

March 2021

Introduction

Created in October 1995, the Economic Development Fund (EDF) is a suite of programs that provide financial assistance to businesses located in or relocating to Montgomery County (the County). The purpose of the EDF is to generate economic development activity that would not have occurred without assistance from the public sector. Most of the assistance provided is in the form of conditional grants and loans supporting projects that will generate economic benefit to the County through job creation and substantial capital investment in real or personal property. However, the EDF is flexible, and houses programs that incentivize economic growth in other sectors that may lay the foundation for future job growth and economic activity. For example, there are programs that incentivize investment in early-stage biotechnology or cybersecurity companies or assist businesses experiencing revenue loss during construction of a County project.

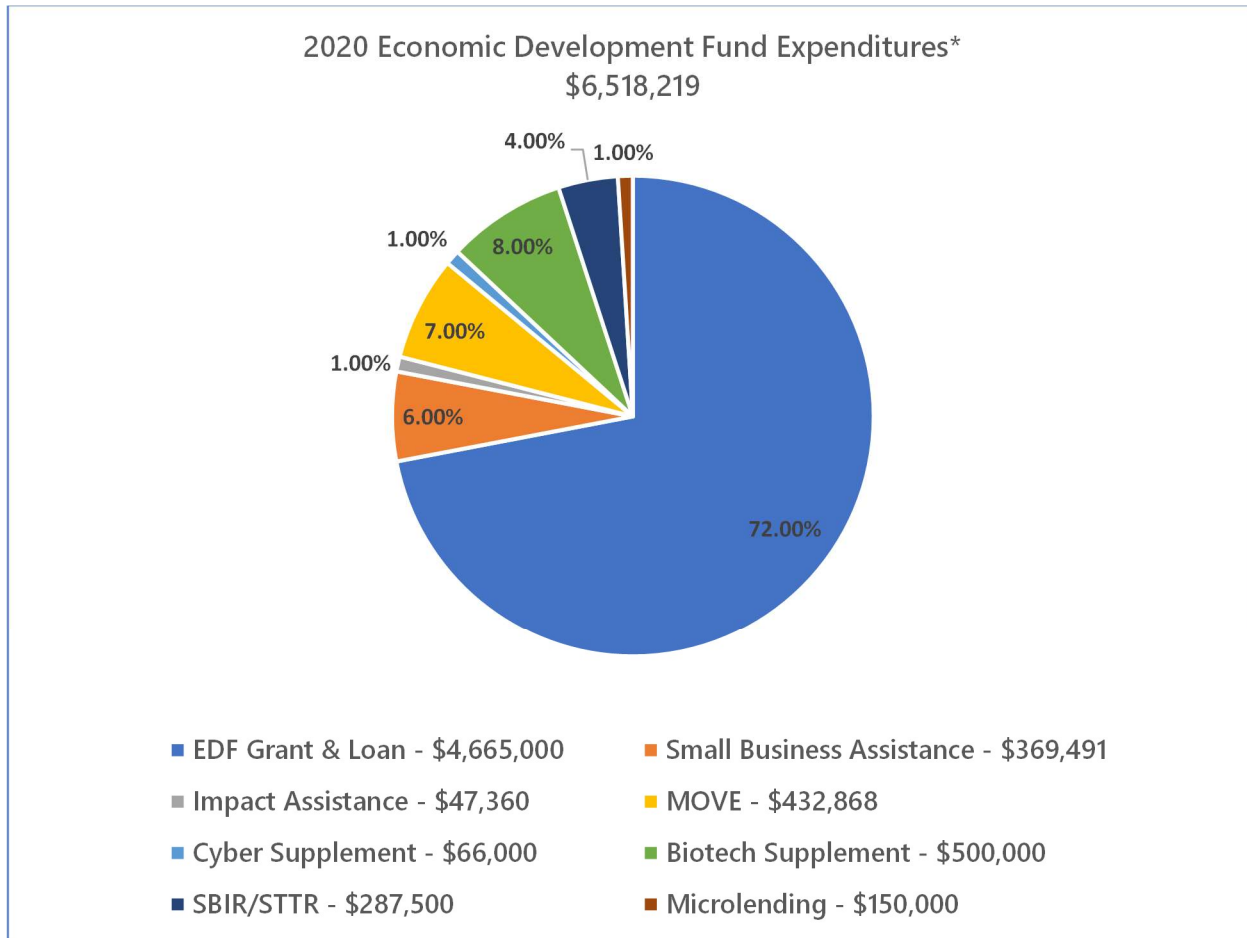
This report is provided annually as required by Section 20-76 (c) of the Montgomery County Code. The report summarizes the activity and performance of each EDF program, from January 1, 2020 through December 31, 2020. As Montgomery County's fiscal year commences on July 1 and ends on June 30, this report includes activity and performance for the last 6 months of Fiscal Year 2020 and the first 6 months of Fiscal 2021. Summary and performance data are subject to each program's purpose and collected through documentation required under the County's agreements and may be supplemented through other sources. Each program's activity and performance data are presented in separate sections to provide information to readers in an easily accessible format. Any transactions funded since last year's report are detailed in the appendices.

There are eight active programs currently administered through the EDF. The table below summarizes the total assistance each program has provided since its inception.

Active Programs	Authorization	Year Established	Assistance provided- CY2020	Cumulative Assistance Provided
Economic Development Fund Grant and Loan Program	Montgomery County Code, Sec. 20-73 to Sec. 20-75	FY 1996	\$4,665,000	\$53,660,150
Biotechnology Investment Incentive Tax Credit Supplement	Montgomery County Code, Sec. 20-76A	FY 2012	\$500,000	\$3,424,369
Small Business Assistance Program	Montgomery County Code, Sec. 20-76B	FY 2013	\$369,491	\$1,378,887
MOVE Program ¹	County Council Resolution 18-432	FY 2014	\$432,868	\$3,999,648
Cybersecurity Investment Incentive Tax Credit Supplement	Montgomery County Code, Sec. 20-76D	FY 2014	\$66,000	\$193,395
Impact Assistance Fund ²	County Council Resolution 18-959	FY 2017	\$47,360	\$421,032

Microloan Fund	Montgomery County Code, Sec. 15A-5 (d)	FY 2018	\$150,000	\$500,000
SBIR/STTR Matching Grant Program	Montgomery County Code, Sec. 20-76E	FY 2019	\$287,500	\$1,150,000

- ¹ The MOVE Program was initially established as a pilot program by the County Executive in March 2014. It is not codified. Initially funded through existing EDF funds for that fiscal year, the Council appropriated specific funding in FY16 through Resolution 18-432 and has appropriated funds every fiscal year since.
- ² The Impact Assistance Fund is not established as a formal program in County Code. It was initially established by the former Montgomery County Department of Economic Development in 2005 and operated until 2010 when annual appropriations ended and remained dormant until 2016, when Resolution 18-432 provided specific funding to the program. Since then, funds for this program have been appropriated annually.



* In 2018 the basis for reporting changed from fiscal year to calendar year. The County’s fiscal year commences on July1 and ends on June 30, spanning portions of two different calendar years. In the table above Calendar year 2020 expenditures are comprised of the last 6 months of FY20 (July to December) and the first 6 months of FY21.

Highlights for 2020

Economic Development Grant & Loan Program - The program continued to support biotechnology growth, a key strategic economic sector in the County. CY20 saw approval of a \$350,000 conditional grant to Aurinia Pharma to establish a U.S. Headquarters with over 200 new jobs, and a \$1 million conditional grant to Novavax, Inc. was approved to support \$80 million in capital investment and 400 new jobs over 5 years for COVID-19 and additional vaccine development.

COVID-19-Related Small Business Assistance - In April 2020 the County Council enacted Bill 16-20 which established the Public Health Emergency Grant Program (PHEG), appropriating \$25,000,000 to assist small businesses adversely impacted by the COVID-19 pandemic. PHEG provided grants of up to \$10,000 to eligible small business demonstrating adverse impact from COVID-19 and grants of \$2,500 for eligible IT expenditures to facilitate telework environments. Over \$21,000,000 was disbursed to more than 2,300 Montgomery County small businesses through the PHEG program.

In July 2020 the Council enacted Resolution 19-523 which established the Reopen Montgomery Program and appropriated \$14,000,000 for additional pandemic-related small business assistance. Reopen Montgomery reimbursed Montgomery County small businesses for eligible expenditures incurred in order to comply with Maryland and Montgomery County COVID-19 health regulations. In calendar year 2020 more than \$5,300,000 was disbursed to more than 2,400 businesses through the Reopen Montgomery Program.

Economic Development Fund Programs

Economic Development Fund Grant and Loan Program (EDFGLP)

The EDFGLP is established under Chapter 20, Article XIII, Sec. 20-73 through Sec 20-75 of the Montgomery County Code. The purpose of the program is 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 most common forms of assistance are loans or grants of public funds. Frequently, this assistance is leveraged with additional incentives offered by the Maryland Department of Commerce. Other permitted forms of assistance are: transfers of real or personal property as otherwise authorized by law; the provision of services, when otherwise authorized, by a County agency; plans, studies, or other technical assistance; or an equity investment as authorized by Section 20-75A of the Montgomery County Code. There is no Sunset Date for the EDFGLP.

Program Goal: Strategic attraction and retention projects in targeted industry sectors that generate significant economic development benefits in the County.

Program Mechanics: Incentives are awarded after a business executes an Economic Development Fund Agreement (EDFA) which stipulates the requirements for grant disbursement and performance. All EDFAs contain clawback provisions to recapture grant or loan funds if a business fails to achieve the expected economic output. The program typically uses capital expenditures and job retention or creation - or both - as milestones but has flexibility to accommodate projects that generate other types of significant economic development activities. (See Appendices A & B for details.)

EDFGLP Six-Year Program Summary

Approved Projects *	FY2015	FY2016	FY 2017	FY18**	CY2018	CY2019	CY2020	Total
Projects awarded	10	2	8	1	6	4	4	35
Amount awarded	\$13,005,000 ¹	\$180,000	\$4,250,000	\$250,000	\$1,850,000	\$5,165,000	\$1,925,000	\$26,625,000
Projects State partnered with County	3	2	7	N/A	6	3	4	25
State leverage per County dollar	\$1.83	\$ 1.73	\$ 1.93	N/A	\$2.18	\$ 2.83	\$4.27	\$ 2.60
Jobs retained	332	45	1,805	N/A	1,185	504	560	4,426
Jobs attracted or created	342	188	1,530	N/A	706	297	1,586	4,154
Private capital investment (millions)	\$10.0	\$ 12.4	\$ 220.1	N/A	\$173.4	\$144.0	\$170.0	\$729.9
Award dollars per total jobs	\$1,491	\$ 773	\$ 1,274	N/A	\$ 978	\$ 6,448	\$897	\$ 3,103
Funded Projects	FY2015	FY2016	FY2017	FY2018	CY2018	CY2019	CY2020	Total
Number of projects	5	5	7	2	8	6	6	39
Amount funded	\$375,000	\$730,000	\$1,201,691	\$1,550,000	\$2,431,568	\$1,839,256	\$4,665,000	\$12,792,515
Total jobs at funding	198	195	803	N/A	1,504	1,211	1,663	5,574
Average salary at funding	\$87,200	\$92,260	\$ 75,567	N/A	\$112,198	\$100,535	\$111,069	\$102,465

* Approved Projects are projects, with offers made and accepted, but funds have not yet been disbursed. The logistics and scope of attraction or expansion projects often result in time lapses between award approval and funds disbursement. Projects approved for funding in one year may actually be funded at a future date when conditions for disbursement have been met.

** In 2018 the basis for reporting changed from fiscal year to calendar year. The County's fiscal year commences on July 1 and ends on June 30, spanning portions of two different calendar years. In the table above, FY18 represents six months, from July to December 2017. The remaining 6 months of FY18 are included in the CY18 column.

¹ For FY15, \$12,000,000 of the total EDFs awarded had no job creation requirement. In FY18 the singular project awarded had no job requirements. These amounts have been excluded from the "Award dollars per total job" calculation.

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

Ten-year Summary of Outcomes (2010 - 2020)

Outcome	Number of Cases	Funded Amount	Recalled Amount¹	Repaid Amount²	Contracted Jobs	Final Jobs³	Award Dollars per Final Job
Closed Cases							
Met contracted milestones	5	\$680,000	-	-	1,093	1,656	\$644
Partially met contracted milestones, made repayment	10	\$2,465,000	\$1,360,389	\$1,360,389	2,011	1,222	\$2,017
Did not meet contracted milestones, made repayment	1	\$ 30,000	\$30,000	\$30,000	23	0	N/A
Total Satisfied Cases	16	\$3,175,000	\$1,390,389	\$1,390,389	3,127	2,878	\$1,103
Did not meet contracted milestones, no repayment	8	\$1,878,288	\$1,365,000	-	382	52	N/A
Active Cases ⁴							
Monitoring	46	\$37,916,300	-	-	11,514	11,117	\$3,411
Total All Cases	70	\$42,969,588	\$2,755,389	\$1,390,389	15,023	14,047	\$3,166

¹ Only includes those EDFA projects for which the County issued a formal recall notice to the business.

² Includes principal and interest.

³ Final Jobs reflects the number of jobs at the time the EDFA was satisfied or recalled.

⁴ For Active Cases, job count reflects the most recent performance reports submitted to date.

Make Office Vacancies Extinct (MOVE) Program

The MOVE program was initially established by the County Executive in March 2014 as a pilot program in an effort to reduce the level of commercial vacancy in Class A or B office space. Positive response from the business community resulted in the program's ongoing operation. While not established in law, the program has received annual appropriations since 2015 and has been modified since its inception expanding eligible types of space and their use.

Program Goals: Attract new businesses to the County and reduce vacant Class A and B office space, vacant Flex Space with lab uses, and vacant production space leased by craft alcohol production companies.

Program Mechanics: New businesses to the County can apply to the program after signing a direct lease in commercial space with a minimum term of at least a three-years, up to a maximum of 20,000 square feet. Upon verification of an executed lease and occupancy, businesses receive a one-time grant of \$8.00 per square foot leased, up to a maximum grant amount of \$80,000.

For Calendar Year 2020 the Move Program supported 16 companies that leased a total of 64,399 square feet of space. Of that total, 50,137 square feet (78%) was leased to Biotechnology/Life Science companies. The remaining 14,262 square feet supported by the program was leased to companies across a variety of industry sectors: real estate, construction, communications, healthcare, and gerontology. Based upon location, most MOVE grants were awarded to businesses leasing space in Rockville (71%, 9 awards), followed by Gaithersburg (20%, 4 awards), Bethesda (6%, 1 award), Damascus (2%, 1 award) and Silver Spring (1%, 1 award). (See Appendix C for details.)

Program Summary

	FY2015	FY2016	FY2017	FY2018*	Calendar Year 2018	Calendar Year 2019	Calendar Year 2020	Total
Number of awards	18	12	16	26	22	27	16	137
Amount awarded	\$499,972	\$308,944	\$428,706	\$381,200	\$664,416	\$718,838	\$432,868	\$3,434,944
Square footage leased	77,265	39,450	53,592	45,874	96,024	102,014	64,399	478,618
Average lease term (months)	64	69	87	80	72	62	58	70
Initial jobs ¹	162	53	72	36	84	176	58	641
Award dollars per initial jobs	\$3,086	\$5,829	\$5,954	\$10,589	\$7,910	\$4,084	\$7,463	\$5,359
Projected three-year job total ¹	405	213	225	211	323	618	396	2,391

Award dollars per total jobs	\$1,234	\$1,450	\$1,905	\$1,807	\$2,057	\$1,163	\$1,093	\$1,437
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¹ Job totals are reported by applicant on their application.

* In 2018 the basis for reporting changed from fiscal year to calendar year. The County’s fiscal year commences on July1 and ends on June 30, spanning portions of two different calendar years. In the table above, FY18 represents six months - from July to December 2017. The remaining 6 months of FY18 are included in the CY18 column.

Biotechnology Investor Incentive Tax Credit Supplement (BIIS)

Section 20-76A of the Montgomery County Code requires the Director of Finance to pay, subject to appropriation, a Biotechnology Investment Incentive Tax Credit Supplement to investors that were certified by the State to receive Maryland Biotechnology Tax Credits for investments in biotechnology companies principally located in Montgomery County. The supplements are based upon Maryland Biotechnology Tax Credits that have been certified for the prior calendar year. The Supplement paid to any recipient must not exceed:

- (A) 50% of the State tax credit that the recipient receives from the Maryland Biotechnology Investment Tax Credit Program in the preceding calendar year; or
- (B) 15% of the total annual appropriation for the County’s supplement program.

No Sunset Date has been established for this program, however investment supplements are contingent upon the issuance of Maryland Biotechnology Investment Tax Credits which, as of the date of this report, is scheduled to expire on December 31, 2023.

Program Goals: Attract additional investment in early-stage biotechnology companies in the County to enhance their prospects for longevity and success.

Program Mechanics: The State notifies the County as to which biotechnology companies have received investments and identifies the respective investors that have been certified as eligible to receive Maryland Biotechnology Tax Credits for those investments. The County’s supplement is a monetary payment rather than a tax credit. The supplement amount payable to each eligible investor is calculated by:

1. Determining what each individual certified Biotechnology Tax Credit represents as a percentage of the total amount of Biotechnology Tax Credits received for Montgomery County biotechnology companies.
2. Using that percentage to calculate what amount of the County’s annual appropriation for this program that percentage represents. (See Appendix D for information.)

As of the date of this publication, we are still awaiting State data indicating eligible Maryland Biotechnology Tax Credit recipients for Calendar Year 2020.

Program Summary

	CY 2015	CY 2016	CY 2017	CY2018	CY 2019	CY2020*	Total
County Appropriation	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$3,000,000

Number of Companies	12	15	8	7	5	Not available*	47
Number of investments eligible for Supplement ¹	95	81	60	39	27	Not available*	302
Total private investment dollars	\$13,579,920	\$11,984,484	\$10,656,092	\$8,970,535	\$8,515,000	Not available*	\$53,706,031
County supplement percent ROI†	3.8%	4.2%	4.7%	5.6%	5.8%	Not available*	4.82%
Total ROI, including MD tax credit ² †	53.8%	54.2%	54.4%	55.6%	55.7%	Not available*	54.7%

¹ Does not represent total number of investors in the companies reported, only those eligible to receive Biotechnology Tax Credits.

² Total ROI = Total approved MD Tax Credits for Montgomery County Companies + Total County supplements awarded ÷ Total private investment dollars made by investors certified to receive the tax credit. Information on the total amount of credits statewide was unavailable at the time of this report.

* State data on qualifying biotech investments in Montgomery County for 2020 has not yet been received as of the date of this report.

† Percentages in Total Column represents the 5-year average ROI.

Montgomery County Cybersecurity Investment Incentive Tax Credit Supplement Program (CIIS)

As required by Sec. 20-76D of the Montgomery County Code, the Director of Finance must pay, subject to appropriation, a Cybersecurity Investment Incentive Tax Credit Supplement to investors who were certified by the State to receive Maryland Cybersecurity Tax Credits for investments in cybersecurity companies principally located in Montgomery County. The supplements are based upon Maryland Cybersecurity Tax Credits certified for the prior calendar year. The Supplement paid to any recipient must not exceed:

- (A) 50% of the State tax credit that the recipient receives from the Maryland Cybersecurity Investment Tax Credit Program in the preceding calendar year; or
- (B) 15% of the total annual appropriation for the County's supplement program.

(See Appendix E for information)

No Sunset Date has been established for this program since enacted. However, investment supplements are contingent upon the issuance of Maryland Cybersecurity Investment Tax Credits which, as of the date of this report, will expire on December 31, 2023.

Program Goals: Attract additional investment in early-stage cybersecurity companies in the County to enhance their prospects for longevity and success.

Program Mechanics: The supplements are awarded to individuals or companies that invest in cybersecurity companies principally located in Montgomery County and have been certified to receive a cybersecurity tax credit from the State of Maryland's Cybersecurity Investor Incentive Tax Credit Program. The State notifies the County as to which cybersecurity companies have received investments

and identifies the respective investors that have been certified as eligible to receive Maryland Cybersecurity Tax Credits for those investments. The County’s supplement is a monetary payment rather than a tax credit. The supplement amount payable to each eligible investor is calculated by:

1. Determining what each individual certified Cybersecurity Tax Credit represents as a percentage of the total amount of Cybersecurity Tax Credits received for Montgomery County cybersecurity companies.
2. Using that percentage to calculate what amount of the County’s annual appropriation for this program that percentage represents.

The supplements are awarded to qualified businesses which receive a final tax credit certificate from the State of Maryland’s Cybersecurity Investment Incentive Tax Credit Program.

Program Summary

	CY 2015	CY 2016	CY 2017	CY 2018 ¹	CY19	CY2020	Total
County Appropriation	\$500,000	\$500,000	\$500,000	\$127,395	\$66,000	Not available*	\$1,693,395
Number of businesses	1	2	3	\$0	1	Not available*	7
Number of investments	1	5	7	\$0	4	Not available*	17
Total private investment dollars	\$100,000	\$1,233,000	\$1,405,000	\$0	\$400,000	Not available*	\$3,138,000

¹ For 2018, the state reported no Cybersecurity Investment Tax Credits for Montgomery County Cybersecurity Companies.

* The State has not yet provided information on any Cybersecurity Tax Credits awarded to Montgomery County-based cybersecurity companies for 2020.

Small Business Assistance Program (SBAP)

Bill 6-12 Economic Development - Small Business Assistance was enacted on April 17, 2012 and formalized in Section 20-76B of the County Code to:

- (1) establish a program to assist certain small businesses located in the County who are adversely impacted by a County redevelopment project or a redevelopment project located on County property;
- (2) provide technical assistance and training to a small business who receives financial assistance from the Economic Development Fund;
- (3) authorize financial assistance to certain small businesses from the Economic Development Fund.

Program Goals: Improve the prospects for small business sustainability by providing technical and financial assistance to small businesses that may be adversely impacted due to their proximity to a redevelopment project that is funded by the County or situated on County-owned land. Additionally, the project must be in a designated Urban Renewal Area or an Enterprise Zone for SBAP assistance to be applicable.

Program Mechanics: The County, through contracted non-profit organizations¹, provides technical assistance to small businesses that may be adversely impacted by a qualified redevelopment project prior to and during project construction. Presently, only businesses proximate to one project are eligible for assistance under the SBAP. That project is the Montgomery County Office of the Maryland-National Capital Park & Planning Commission, which is in the final stages of completion on County Parking Lot #13 in Wheaton. In addition to the Montgomery County Office of Planning, the project includes office space for several County departments, street-level retail space, and an outdoor plaza.

Small businesses that can demonstrate that they were financially healthy prior to the commencement of the County-related redevelopment project and were adversely impacted by the project can be awarded up to a maximum of \$125,000 in financial assistance. Under the SBAP, the County has made 69 disbursements to a total of 27 companies since the inception of the program. Disbursements may occur on a quarterly basis, subject to financial information that demonstrates adverse impact related to construction. Under the SBAP, participation in technical assistance is required prior to receiving financial assistance. (See Appendix F for information.)

Program Summary

	CY 2017	CY 2018	CY 2019	CY2020	Totals
Amount disbursed:	\$0	\$514,958	\$496,075	\$368,700	\$1,379,733
Disbursements:	None	32	25	12	69
New applications approved:	3	14	6	4	27
Businesses receiving Technical Assistance:	58	57	51	37	203

¹ For this program, the County utilizes the services of the Latino Economic Development Corporation (LEDC) to provide one-to-one business counseling and seminars (e.g. QuickBooks, Marketing through Social Media, CVRS, etc.). Additional organizations, such as the Maryland Small Business Development Center (SBDC), the Greater Washington Hispanic Chamber of Commerce, and the Hispanic Chamber of Commerce of Montgomery County, have also been utilized in prior years for specific tasks.

Impact Assistance Fund (IAF)

The Impact Assistance Fund was initially established by the Montgomery County Department of Economic Development in 2005 and operated until 2010. It is not codified in County law. Originally established to assist small businesses that were being adversely impacted by the redevelopment of Downtown Silver Spring, the IAF provided conditional grants up to a maximum of \$20,000. Eventually, the program was expanded to include County projects in other locations. Funds were appropriated annually from 2005 through 2009, after which funds were depleted and in 2010 the program became dormant. The program was revived in 2017 with minor modifications: the maximum conditional grant was increased to \$25,000 and eligibility for the program included geographic boundaries established by the County Executive.

Program Goals: Improve the prospects for small business sustainability by providing financial assistance to small businesses adversely impacted by redevelopment projects that are either funded by the County or are located on County-owned land in a geographic area designated by the County Executive.

Program Mechanics: Financial assistance may be provided to businesses which meet certain eligibility criteria, including being located within a geographic area designated by the County Executive as impacted by a County-related redevelopment project. Currently, there are three designated areas: (1) in Silver Spring in the immediate proximity to the Studio Plaza redevelopment project, (2) on Elm Street in Bethesda in proximity to the Bethesda Metro redevelopment project, and (3) in the area immediately adjacent to the Clarksburg Square Road Extension Project in Clarksburg. Financial assistance is in the form of a conditional grant and is determined based on the degree of adverse impact resulting from the redevelopment project and the financial health of the business prior to construction. The maximum amount of assistance a business can receive under the program is \$25,000 and only one disbursement is allowed. Only businesses that are experiencing adverse impact to current operations due to redevelopment projects, currently in progress, will be eligible under the program. Technical assistance is not a requirement for financial assistance under the IAF. (See Appendix G for information.)

Program Summary

	CY2018	CY2019	CY2020	Total
Amount disbursed:	\$175,000	\$198,672	\$47,360	\$421,032
Disbursements:	7	8	2	17

SBIR/STTR Local Matching Grant Program

Bill 41-17, Economic Development Fund - Small Business Innovation Research and Small Business Technology Transfer Matching Grant Program was enacted on March 20, 2018 and formalized in Section 20-76E of the Montgomery Code. The program provides matching funds for businesses that receive federal Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) grants. SBIR and STTR are highly competitive programs that encourage domestic small businesses to engage in Federal Research or Research and Development (R&D) with the potential for commercialization. The SBIR/STTR Local Matching Grant Program has a sunset date of July 1, 2025.

Program Goal: The program supports the growth of early stage life science companies in Montgomery County.

Program Mechanics: The County’s SBIR/STTR Matching Grant Program allows Montgomery County companies that have at least 51% of their research & development operations in Montgomery County to apply for a County match to a Phase I or Phase II SBIR or STTR grant from the National Institutes of Health (NIH). Companies that received a Phase I SBIR or STTR grant may receive a County match of 25% of the grant amount, up to a maximum of \$25,000. Companies that received a Phase II SBIR or STTR grant may receive match of 25% of the grant, up to a maximum of \$75,000. Companies are eligible to receive a local match once per calendar year, up to a total of five grant awards. (See Appendix H for information.)

Program Summary

	CY2018	CY2019	CY2020	Totals
Phase I Grant Recipients	9	4	3	16
Phase I Grant Awards amount	\$225,000	\$100,000	\$75,000	\$400,000
Phase I Federal Grant Dollars Leveraged	\$2,361,064	\$1,142,510	\$1,036,941	\$4,540,515
Phase II Grant Recipients	4	4	4	12
Phase II Grant Awards amount	\$300,000	\$237,500	\$237,500	\$775,000
Phase II Federal Grant Dollars Leveraged	\$6,031,385	\$6,451,214	\$5,837,722	\$18,320,321
	Total Local Grant Awards (Both Phases)	28		\$1,175,000

Microloan Program

Bill 49-16 was enacted on April 18, 2017 and established in Section 15 A-5(d) of the Montgomery County Code, creating a microloan program that would provide loans ranging from \$500 to \$15,000 for Montgomery County residents needing additional help to start small businesses.

Program Goals: The program seeks to provide financial assistance to start-up businesses that lack access to traditional means of capital financing.

Program Mechanics: The Department of Finance was charged with administering the program through the Economic Development Fund. The Department has contracted with two experienced microloan providers - Life Asset and Latino Economic Development Corporation (LEDC) - to underwrite and monitor a portfolio of microloans generated through the Microloan Program.

These contracted providers are required to respectively develop and administer a culturally proficient microlending program that uses materials in multiple languages that are reflective of the County's population. Businesses receiving microloans under the program must be located in the County and must participate in educational and technical assistance offered by the program providers.

Funds appropriated for the Microloan Program are disbursed to the contracted providers in \$50,000 increments on a first come, first serve basis. The providers are required to provide reports on a quarterly basis as to loan recipients, the purpose of the loan, and the names of the businesses receiving the loan. To date, the microloan providers have received \$350,000 from the program. In total, for Calendar Years 2018 through 2020, 212 Montgomery County small businesses have received loans totaling \$719,307*, for an overall average loan size of \$3,393.

Program Summary

	CY 2018	CY 2019	CY2020	Totals:
Life Asset:				
Total Microloans Provided	50	51	84	185
Total Dollar Amount Awarded*	\$103,798	\$102,200	\$295,850	\$501,848
				Average loan: \$2,713
LEDC:				
Total Microloans Provided	11	13	3	27
Total Dollar Amount Awarded	\$89,287	\$89,030	\$39,142	\$217,459
				Average loan: \$8,054

* Life Asset leveraged the funding it received from Montgomery County and borrowed \$333,333 in 2019 and \$180,600 in 2020 from the U.S. Small Business Administration (SBA) in order to support more small businesses in the County. Those numbers are reflected in these totals.

Bethesda Green Be Green Hub Incubator Program (Formerly the Green Investor Incentive Program - GIIP)

Bill 40-12 Economic Development - Green Investor Incentive Program was enacted on April 16, 2013 and established in Section 20-76C of the Montgomery County Code. The legislation established a program to incentivize investment in Montgomery County-based companies that create Green products or provide Green services. The legislation defines a Green product or service as one that measures, prevents, limits, minimizes, or corrects environmental damage to water, air, or soil, as well as problems related to waste, ecosystems, biodiversity, habitat, or natural resource depletion. All claims related to environmental attributes, as applicable, for a product or service, must conform to guidelines published by the Federal Trade Commission or other appropriate entity designated by the Director of Environmental Protection.

Program Goals: The initial goal of the program was to provide a cash supplement to investors for their investment in Montgomery County-based companies as a means of attracting additional investment. However, no investors expressed interest in the program, and its initial appropriation was repurposed, with County Council approval, as an Economic Development Fund conditional grant to the Bethesda Green Incubator for the purpose of providing seed investments to qualified tenants of the Bethesda Green Incubator.

Program Mechanics: Initially established in 2013 as the Be Green Investor Incentive Program, investors in Montgomery County-based Green companies could receive a cash supplement for their investment, up to a maximum amount of \$50,000. The program required Green companies to be designated as a sustainable operation through third-party validation by one of the following entities: the Green Business Certification Program, as certified by the Department of Environmental Protection; B Corp Certification from B Lab; Green America Gold Certification; Green Seal Certification; International Organization for Standardization ISO 14001 Certification; or any other third party validation approved by the Department of Environmental Protection. Companies receiving the investment had to be in operation for less than 10 years and have less than 50 employees. Investors had to invest a minimum of at least \$25,000, and that

investment could not represent an ownership interest in the company of 25% or greater. The supplement received by the investor could not exceed the lesser of:

- (1) 50% of the investment made by the qualified investor in that fiscal year;
- (2) 15% of the total annual and supplement appropriation for the green investor incentive program in that fiscal year; or
- (3) \$50,000.

The Green Investor Incentive Program did not generate the interest that was anticipated, and in 2017 the County Council consented to a request by the County Executive to reallocate the program’s initial \$250,000 appropriation for an Economic Development Fund conditional grant to the Bethesda Green Incubator. The Incubator is focused on green business development to ensure compatibility between economic development and environmental protection. Bethesda Green proposed the establishment of a Be Green Investor Program, which would provide seed funding for Incubator tenants that meet eligibility requirements for investment. The County’s conditional grant would partially fund the Be Green Investor Program. As a condition of the County’s \$250,000 conditional grant, additional funding from an alternative source was required, with a minimum contribution of \$100,000. In 2018, Bethesda Green obtained \$150,000 from the Diana Davis Foundation and County funds were disbursed.

Under the terms of the EDFFA, Bethesda Green is required to make at least \$175,000 of direct investments into member companies at the Incubator (now called the Innovation Lab) by December 31, 2021. Through calendar year 2020, Bethesda Green has invested a total of \$85,000 into the following companies:

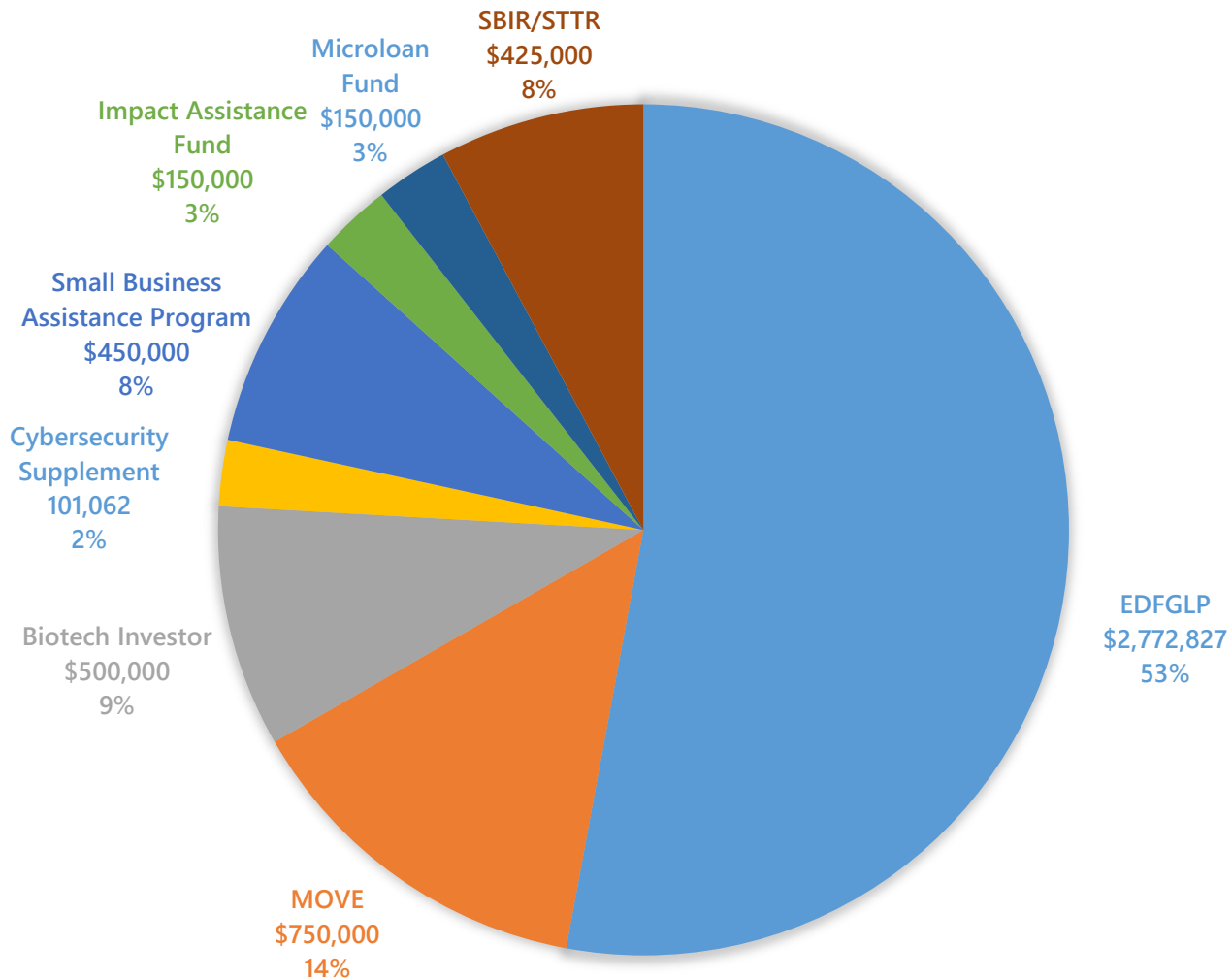
Company Name	Investment to Date	Product/Service Developed
DGrid Energy	\$20,000	Developing solar-powered cold chain solutions to manage the temperature of perishable products in order to maintain quality and safety, from the point of origin to the final consumer
GOEFER	\$25,000	Developing solutions to reduce energy waste from equipment using common 120 volt electrical plugs
Elysian Holdings	\$15,000	Developing compostable packaging produced from industrial hemp
Living Canopies	\$15,000	Developing solar-powered irrigation systems to support a plant-based alternative to plastic patio umbrellas
Grateful Gardeners	\$10,000	Conducting research on the viability of blooming plants in an aquaponic environment
\$85,000		Total Investment Through 2020

Bethesda Green reported that despite investment from the Innovation Lab GOEFER was unable to sustain its operations during the COVID-19 pandemic and has closed.

Budgeted Funds by EDF Program for Calendar Year 2020

ECONOMIC DEVELOPMENT FUND PROGRAMS

\$5,298,889*



* The Budget for Calendar Year 2020 that is represented above is derived from last 6 months of the approved FY20 Economic Development Fund budget (January - June) and the first 6 months of the approved FY21 Economic Development Fund budget (July - December 2020). In both years, the appropriated amounts for each of the programs presented above remained at the same levels in FY20 and FY21, with the exception of two programs - the Cybersecurity Investor Incentive Supplement Program (CIIS) and the Economic Development Grant and Loan Program (EDFGLP). In FY21 the CIIS was reduced from \$136,125 to \$66,000. The CIIS amount shown in the chart represents above one half (6 months) of each fiscal year added together. The EDFGLP is represented in the same manner, adding one half of the FY20 EDFGLP appropriation of \$2,878,236 and one half of the FY21 EDFGLP appropriation of \$2,667,418.

APPENDICES

Appendix A: Economic Development Fund Grant & Loan Program (EDFGLP) Ongoing and Committed Transactions

Recipient	Maximum Funding Amount	Annual Funding Amount	Fiscal Years of Funding	Remaining Commitment	Notes
5600 Fishers Lane, LLC	\$19,500,000	Up to \$1,300,000 for 15 years	FY18 - 32	\$ 15,600,000	Annual amount is based on real property value at Project Site.
Meso Scale Diagnostics*	\$1,670,000	Up to \$167,000 for 10 years	FY14 - 23	Remaining commitment is subject to property valuation which is being disputed by the grant recipient	First three years, \$167,000, with remaining incentive to be based on increase in real property values at Project Site, which has yet to be determined.
Marriott International, Inc.	\$22,000,000	\$5,500,000 annually for 4 years	FY19 - 22	\$ 5,500,000	Source of funding For FY19 & FY20 is CIP Funding. Source of funding for FY21 & FY22 will be EDF fund.
HMS Host, Inc.	\$500,000	\$100,000 annually for 3 years and final payment of \$200,000 in year 10	FY19 - 28	\$ 200,000	Final payment is not due until 10 th year of agreement (2028).
Totals	\$43,670,000	\$ 6,967,500		\$ 21,300,000	

* Maximum funding amount for this incentive after the initial 3 years of the grant term is to be based upon anticipated increases in assessed valuation of real property and property taxes levied.

Appendix B: Economic Development Fund Grant & Loan Program (EDFGLP) Awards since 2019 EDF Annual Report

Recipient	Award	Status	Purpose	Industry	Location
Federal realty Investment Trust	\$5,000,000	Funded*	Retention	Real Estate	Bethesda
Aurinia Pharma U.S. Inc.	\$350,000	Pending	Attraction	Biotechnology	Rockville
Novavax, Inc.	\$1,000,000	Pending	Expansion	Biotechnology	Gaithersburg
Qiagen, Inc.	\$100,000	Pending	Expansion	Biotechnology	Germantown

Viela Bio, Inc.	\$750,000	Pending	Attraction	Biotechnology	Gaithersburg
Vigene Biosciences, Inc.	\$125,000	Pending	Expansion	Biotechnology	Rockville
Totals	\$7,325,000				

* \$3,750,000 disbursed to date. Remaining \$1,250,000 will be disbursed in annual disbursements of \$250,000.

Appendix C: MOVE Grants Awarded in Calendar Year 2020

Recipient	Award Value	Square Feet	Industry	Location	Initial Jobs
Rise Therapeutics	\$39,080	4,885	Biotechnology	Rockville	3
Terra Site Constructors	\$10,912	1,364	Construction	Rockville	8
Janus Sciences, LLC	\$22,096	2,762	Life Science	Gaithersburg	4
Dollface Beauty, Inc.	\$4,240	530	Health/Aesthetics	Silver Spring	2
Immunocore, LLC	\$38,816	4,852	Biotechnology	Rockville	10
Impasta, LLC	\$11,992	1,499	Food Production	Damascus	2
Terraimune, LLC	\$26,080	3,260	Biotechnology	Gaithersburg	9
Feldman Ruel Property Advisors, LLC	\$31,864	3,983	Real Estate	Bethesda	7
Neomics Pharmaceuticals, LLC	\$16,156	2,019	Biotechnology	Rockville	3
Stacato, LLC	\$22,000	2,750	Communications	Rockville	3
Icon Dermatology & Aesthetics	\$20,488	2,561	Healthcare	Rockville	0
Genetron Health, Inc.	\$46,848	5,856	Life Science	Gaithersburg	1
All About You Primary Care	\$7,752	968	Healthcare	Gaithersburg	1
Integrated Pharma Services	\$49,688	8,803	Biotechnology	Rockville	2
Autonomous Therapeutics, Inc.	\$80,000	17,700	Biotechnology	Rockville	0
Association of Jewish Aging Services	\$4,856	607	Gerontology	Rockville	3
Totals	\$432,868	64,399			58

Appendix D: Montgomery County Companies with Investors Receiving 2019* Biotech Investor Incentive Supplements

Company	No. of Investors	Investment Received	County Support to Investors
American Gene Technologies, Inc.	8	\$3,600,000	\$ 212,264
Cellphire, Inc.	5	\$785,000	\$44,222
miRecule, Inc.	3	\$1,500,000	\$88,443
DxNow, Inc.	9	\$1,630,000	\$96,109
Surgisense Corporation	2	\$1,000,000	\$58,962
Totals	27	\$8,515,000	\$500,000

* Supplements paid in Calendar Year 2020 are attributable to Biotechnology Investment Tax Credits for 2019

Appendix E: Montgomery County Companies with Investors Receiving 2019* Cybersecurity Investor Incentive Supplements

Company	No. of Investors	Investment Received	County Support to Investors
Syncurity Corporation	4	\$400,000	\$ 66,000
Totals	4	\$400,000	\$66,000

* Supplements paid in Calendar Year 2020 are attributable to Cybersecurity Investment Tax Credits for 2019

Appendix F: List of SBAP Grant Recipients for CY2020

Company	SBAP Funds Received in CY 2020
1. Chang & Mi, Inc. d/b/a Moby Dick Seafood	\$21,361
2. Metro Travel, LLC	\$ 1,199
3. Estela Rodriguez / JJ Tag & Title, LLP	\$14,377
4. Taxline & Services, Inc.	\$31,125
5. Zodiac Wireless Express, Inc.	\$31,679
6. Asesoria Americana & Taxline Services, Inc.	\$12,931
7. Thor Enterprises, Inc.	\$16,832
8. Intipueno LLC	\$120,800
9. Caliente Restaurant and Bar Corp.	\$41,796
10. Rush Corporation	\$34,013
11. Samser Travel	\$42,587
TOTAL:	\$368,700

Appendix G: List of IAF Grant Recipients Through CY 20

	Company	Project Location	IAF Funds Received in CY2020
1.	Van My Huynh	Silver Spring	\$22,360
2.	Kefar Café	Silver Spring	\$25,000
TOTAL:			\$47,360

Appendix H: List of CY 2020 SBIR/STTR Matching Grant Recipients

Recipient Name	Phase I or II	County Award Amount	Location	Federal Grant Award
Codex Biosolutions, Inc.	I	\$25,000	Rockville	\$599,424
SeeTru Technology, LLC	I	\$25,000	Rockville	\$148,517
Fina Biosolutions, LLC	I	\$25,000	Rockville	\$289,000
Sanaria, Inc.	II	\$75,000	Rockville	\$2,928,925
Codex Biosolutions, Inc.	II	\$75,000	Rockville	\$998,800
Trophogen, Inc.	II	\$62,500	Rockville	\$1,460,767
Creative BioPeptides, Inc.	I	\$25,000	Potomac	\$449,230
TOTAL:		\$312,500		\$6,874,663

Appendix I: Summary Description of Inactive EDF Programs

Equity Investment Program

Program Goals: Provided equity investments to select businesses. This program was used in lieu of a traditional EDFGLP agreement when projects could not yield traditional performance milestones.

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

Program Summary: The County invested in three businesses in FY 2014 for a total of \$255,000. ReelGenie, LLC received an investment of \$55K. The company was liquidated in December 2014. The County received \$3,525.27 on its investment. MobileSystems LLC received an investment of \$100K. The County did not continue to invest in follow-on funding and thus remained in a junior position to other investors. In April 2016 the assets of the company were sold. The County received \$0 on its investment. CyImmune received an investment of \$100K. The company currently remains in operation in Montgomery County.

Technology Growth Program (TGP)

Program Goals: Provided grants to early stage technology businesses.

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

The TGP is inactive and no longer funding companies; the final year for awards was FY 2012. All open TGP cases were closed in 2016, so the data provided below is a summary for the program.

Program Summary (FY 2001 - 2016)

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

Small Business Revolving Loan Program (SBRLP)

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

Program Mechanics: Each business was required to execute a loan agreement that detailed the term and repayment conditions of the loan. In addition, recipients had to execute a personal guarantee in the event of default.

The SBRLP is inactive and no longer funding companies. The Microloan Program was established in 2017 to provide an alternative small business financing option. The final year for awards was FY 2015. The data provided below is a summary for the program.

Ten-year Summary of Outcomes (Report Years 2011 - 2020)

Outcome	Number of Cases	Loaned Amount	Outstanding Balance	Repaid Amount ¹	Written-off Amount	Current Jobs ²
Closed Cases						
Fully paid-off	14	\$724,000	-	\$724,000	-	136
Partial Repayment – Written off	8	\$348,000	-	\$64,090	\$283,910	24
Full write-off	15 ³	\$980,714	-	-	\$980,714	6
Total All Cases	37	\$1,844,008	-	\$788,090	\$1,264,624	166

¹ Includes interest and loan fees

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

³ Nine loans have been inactive for over one year and will be reviewed with OCA for further action to resolve delinquencies.

Inactive/Discontinued Programs

The table below identifies previous programs that had been supported through the Economic Development Fund but have become either Inactive or Discontinued.

Inactive or Discontinued Programs	Year Established	Cumulative Assistance Provided
Emergency Agricultural	FY 1998	\$1,500,000
Technology Growth Program	FY 1999	\$4,055,000
Small Business Revolving Loan Program (SBRLP)	FY 2000	\$2,535,959
Demolition Loan Program	FY 2000	\$100,000
Export Montgomery	FY 2001	\$12,000
Micro-Enterprise	FY 2008	Merged into SBRLP
Equity Investment Program	FY 2013	\$255,000
Green Investor Incentive Program (replaced by Bethesda Green's - Be Green Incubator Hub*)	FY 2013	\$0

* In 2017 the initial \$250,000 in funding for the Green Investor Incentive program was reallocated to the Economic Development Fund Grant & Loan Program for a conditional grant to the Bethesda Green Incubator to establish its Be Green Investor Fund.