

MEMORANDUM

May 2, 2022

TO: Planning, Housing, and Economic Development (PHED) Committee
FROM: Gene Smith, Legislative Analyst
SUBJECT: **FY23 Operating Budget – Economic Development Fund (EDF)**
PURPOSE: Make recommendations for Council consideration

Expected Participants:

Jake Weissmann, Assistant Chief Administrative Officers, Office of the County Executive
Judy Costello, Special Projects Manager, Office of the County Executive
Pete McGinnity, Economic Development Programs Manager, Department of Finance
Dennis Hetman, Fiscal Manager, Department of Finance

Summary of FY23 Recommended Budget – EDF

	FY22 Approved	FY23 CE Recommended	Change from FY22 Approved
Economic Development Fund	\$4,490,677	\$3,996,325	(11.0%)
Personnel Costs	\$161,959 1.00 FTEs	\$167,607 1.00 FTEs	3.5% 0.00 FTEs
Operating Costs	\$4,328,718	\$3,828,718	(11.6%)
Total Expenditures (All Funds)	\$4,490,677 1.00 FTEs	\$3,996,325 1.00 FTEs	(11.0%) 0.0%

I. Budget Overview

See the Executive’s recommendation on ©1-4. The Executive’s recommended appropriation decreases the EDF budget by \$494,352 or 11.0% based on the FY22 approved appropriation. The EDF includes funding for its subprograms and one FTE.

The EDF is a continuous, non-lapsing fund. As in previous fiscal years, the Council will approve a new appropriation for the FY23 budget and will also reappropriate any unspent funds from FY22 for use in FY23. **The average rollover amount has been about \$2.0 million to \$2.5 million most fiscal years.** It is estimated that the roll over for FY22 to FY23 will be greater than average this year, about \$3.7 million. Table 1 below details the recommended appropriation by program or agreement in FY23.

Table 1: Executive Recommended FY23 Allocation of EDF Funding

FY23 Recommended	\$3,996,325
Administrative Costs	\$167,607
Personnel	\$167,607
Operating Expenses	\$0
Executive Recommendation for EDF Sub-Programs	\$1,991,000
MOVE Program	\$750,000
Biotechnology Investor Incentive Program	\$500,000
Cybersecurity Supplement Program	\$66,000
SBIR/STTR Program	\$425,000
Small Business Assistance Program	\$0
Impact Assistance Fund	\$150,000
Microlending	\$100,000
Green Investor Incentive Program	\$0
Equity Investment Program	\$0
Small Business Revolving Loan Program	\$0
Executive Recommendation for EDFGLP	\$1,837,718
JBG Companies (U.S. HHS property in Rockville)	\$1,300,000
Federal Realty Investment Trust	\$250,000
<i>Undesignated balance</i>	<i>\$287,718</i>

II. 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 2021 (“2021 EDF Annual Report”) on ©5-34.

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

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. 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 2021 EDF Annual report, two businesses were awarded grants from the EDFGLP that were equal to or 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 2021 EDF Annual Report on ©12.

The Executive's recommended FY23 appropriation includes \$1,837,718 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 other ongoing EDF commitments on ©28.

The remaining portion of the recommended appropriation is the undesignated balance. The undesignated balance recommended for FY23 is \$287,718. Any funding that is reappropriated from FY22 that is not assigned to specific programs will increase the undesignated balance of the EDF in FY23. **The undesignated balance can be used to fund smaller projects, typically those less than \$100,000.**

Council staff recommends approval of \$2,005,325 for the EDFGLP, including undesignated balance and personnel costs.

B. 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 and 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 PHED Committee reviewed the MOVE Program on [November 8, 2021](#). Following that review, the committee requested that the Montgomery County Economic Development Corporation (MCEDC) opine on potential refinements to this program in FY23 (see ©35). MCEDC notes that current parameters of the program are appropriate (e.g., incentive per square foot, new businesses, etc.). MCEDC noted that an additional \$4 per square foot could be offered for businesses locating in Equity Emphasis Areas. Council staff notes that previous incentive bonuses for the MOVE Program offered in FY18-FY20 were not successful in altering location decisions because no business qualified for these incentive bonuses.

The Executive is recommending \$750,000 for this program in FY23.

See the MOVE Program Summary in the 2021 EDF Annual Report on ©13-14. The County disbursed \$310,496 to 11 businesses in 2021. The total number of initial jobs (i.e., those that relocated to the County) was 54, with the expectation that another 180 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 when the grant is awarded.

Finance estimates that about \$1,000,000 in appropriation for the MOVE Program will roll over from FY22 to FY23. This is roll over amount is greater than previous years for this program. As evidenced in the 2021 EDF Annual Report, utilization of the MOVE Program has decreased during the pandemic. The total funding in FY23 will be about \$1,750,000 based on the Executive's recommended FY23 appropriation.

Council staff recommends a FY23 appropriation of \$250,000 for the MOVE Program. This is a \$500,000 reduction from the Executive's recommendation but still retains \$1,250,000 for the MOVE Program in FY23 when including the FY22 roll over balance. Based on current program utilization, this funding level is sufficient for the program in FY23.

The reduced funding may be applied to other EDF subprograms, to the undesignated balance, or reduced entirely from the FY23 EDF appropriation. **Council staff recommends that the appropriation remain in the EDF, as the total appropriation for this fund has been reduced during the last several years, and it is important to maintain a consistent annual appropriation for new economic development deals.**

C. 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 FY23.

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 awards the entire \$500,000 appropriated each year. See the program metrics on ©15-16 from the 2021 EDF Annual Report. In recent years, some of this program's funding has rolled over due to timing with the release of the State report and processing of disbursements. A portion of the FY22 roll over balance is encumbered for FY22 BIIP awards that may be disbursed in FY23 but is not available for other programs.

Council staff concurs with the Executive's recommendation for the BIIP.

D. Cybersecurity Supplement Program (CSP)

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

The Executive recommends \$66,000 for the CSP in FY23.

See the CSP's 2021 metrics on ©17-18. Council staff notes that the 2021 EDF Annual Report inaccurately reflects the Council's fiscal year appropriation resolutions, which state that the CSP will be funded at \$500,000 based on new and roll over appropriation. No transactions have occurred since calendar year 2018. **This program will have \$500,000 roll over from FY22.**

Council staff recommends a \$0 FY23 appropriation for this program. This program will have \$500,000 in FY23 through the FY22 roll over balance. No additional appropriation is necessary to meet the Council's historical funding of this program.

E. 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 PHED Committee reviewed this program on [July 12, 2021](#) and on [November 8, 2021](#). Based on both of those meetings, the committee requested that Executive staff and MCEDC finalize a list of recommendations for the committee's consideration. Executive staff anticipates transmitting these details for the committee's review after budget.

The Executive recommends \$425,000 for this program in FY23.

See the program's 2021 metrics on ©22. The County awarded 12 businesses between both SBIR/STTR Phase I and II in 2021, totaling \$525,000 in grants to support biotechnology businesses in the County.

Finance estimates that about \$75,000 in appropriation for the SBIR/STTR Program will roll over from FY22 to FY23. Including the Executive's recommended FY23 appropriation, the program's total funding in FY23 will be about \$500,000. Based on last year's awards, the FY23 funding level is sufficient.

Council staff concurs with the Executive's recommended appropriation for this program.

F. 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.

Under the current law, the Wheaton Redevelopment Project was the only project in the pipeline that required the County to provide financial and technical assistance to small businesses. **The funding for the SBAP for Wheaton was split between two County funding sources, one for technical assistance and one for financial assistance.** The technical assistance was funded through the Incubator NDA to support contracts with local organizations that provide technical assistance. Financial assistance for the small businesses was funded through the EDF. See a summary of the SBAP in the 2021 EDF Annual Report on ©19-20.

The Executive recommends no appropriation for the SBAP in FY23. With the conclusion of the Wheaton Redevelopment Project, no additional funding is required for this program in FY23. The SBAP is codified. It will continue in perpetuity with or without an annual appropriation.

Council staff concurs with the Executive's recommendation for the SBAP.

G. 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 \$150,000 for this program in FY23.

The current Executive-authorized impact areas are: 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 2021 EDF Annual Report for a summary of this program on ©21. The County awarded no funding for this program in 2021.

Finance estimates that about \$75,000 will roll over for the IAF from FY22 to FY23. **The program's total FY23 funding level will be \$225,000 based on the recommended appropriation in FY23.** Given that the program's qualifications are strictly defined by the Executive's authorization, it is unlikely this additional funding will be needed for the three defined areas based on recent utilization. This funding, however, is available should other the Executive designate additional area(s) to assist businesses in FY23.

Council staff concurs with the Executive's recommendation for the IAF.

H. 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 in FY18 to seed fund this program, and the County has continued support through an annual appropriation.

The Executive is recommending \$100,000 appropriation for this program in FY23.

Finance manages two contracts, one with Latino Economic Development Center (LEDC) and one with Life Asset, to implement the microloan program. Both 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 ©23. The County disbursed almost \$99,317 in 2021, all through the LEDC contract. Finance indicated that utilization is expected to remain low in FY23.

Finance estimates that about \$450,000 for the Microlending Program will roll over from FY22 to FY23. With the Executive's recommended \$100,000 appropriation, the total FY23 program funding is estimated at \$550,000.

Council staff recommends no FY23 appropriation for this program. The roll over balance of \$450,000 is much greater than was projected during the budget review for FY22 and exceeds the program's utilization during the last two years combined. No additional appropriation is needed for this program in FY23, and the Council should closely monitor the utilization of the \$450,000 in FY23.

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.

I. 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 since its inception, and subsequently, the \$500,000 was 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 ©24-25). Per the report, Bethesda Green was supposed to invest at least \$175,000 into member companies by December 31, 2021. Bethesda Green invested \$110,000 by that date. Bethesda Green requested an extension for the investment requirements until December 31, 2022, due to the pandemic, which was granted.

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.

J. 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 FY23.

K. Small Business Revolving Loan Program (SBRLP)

The SBRLP, as its name implies, provides loans to small businesses that lack access to traditional funding sources. 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 FY23.**

III. **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 Council staff's recommendations in this report. The table will be updated to reflect any recommendations made by the committee today.

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

Existing Programs	Amount
MOVE Program	\$250,000
Biotechnology Investor Incentive Program	\$500,000
SBIR/STTR Program	\$425,000
Impact Assistance Fund	\$150,000
Existing Agreements	Amount
JBG Companies (U.S. HHS property in Rockville)	\$1,300,000
Federal Realty Investment Trust	\$250,000

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 through re-appropriated funds from FY 2022 to the Cybersecurity Supplement Program for the purposes of the calculation stipulated in Section 20-76D (B) of the County Code.

This packet contains:

	<u>Circle #</u>
Executive recommended FY23 budget	1
2021 EDF Annual Report	5
MCEDC memorandum, re: MOVE Program adjustments	35



Economic Development Fund

RECOMMENDED FY23 BUDGET

\$3,996,325

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 FY23 Operating Budget for the Economic Development Fund is \$3,996,325, a decrease of \$494,352 or 11.01 percent from the FY22 Approved Budget of \$4,490,677. Personnel Costs comprise 4.19 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 95.81 percent of the FY23 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**

PROGRAM CONTACTS

Contact Jedediah Millard of the Department of Finance at 240.777.8855 or Felicia Hyatt of the Office of Management and Budget at 240.777.2763 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, Biotechnology Credit Supplement, MOVE Program, Small Business Assistance Program, CyberSecurity Credit Supplement, 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 to enhance financial incentives being offered. 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. Investors in Montgomery County-based biotechnology companies that are certified to receive biotechnology tax credits under the State program are eligible for a supplemental monetary match 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 provides a one-time grant for the initial lease of up to 20,000 square feet of class A and B vacant office space. The program is limited to businesses that are new to the County, including craft breweries, cideries, wineries, and distilleries.
- 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 to receive technical and financial assistance under this program.
- The CyberSecurity Supplement Program awards a monetary supplemental match to qualified investors in Montgomery County-based cybersecurity companies 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 a federal agency and that conducts 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 FY21	Budget FY22	Estimate FY22	Recommended FY23	%Chg Bud/Rec
ECONOMIC DEVELOPMENT FUND					
EXPENDITURES					
Salaries and Wages	110,252	128,546	131,779	132,915	3.4 %
Employee Benefits	30,519	33,413	33,131	34,692	3.8 %
Economic Development Fund Personnel Costs	140,771	161,959	164,910	167,607	3.5 %
Operating Expenses	3,435,809	4,328,718	4,574,624	3,828,718	-11.6 %
Economic Development Fund Expenditures	3,576,580	4,490,677	4,739,534	3,996,325	-11.0 %
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	38,508	55,000	55,000	55,000	—
Loan Payments	578,068	375,000	131,320	375,000	—
Economic Development Fund Revenues	616,576	430,000	186,320	430,000	—

FY23 RECOMMENDED CHANGES

	Expenditures	FTEs
ECONOMIC DEVELOPMENT FUND		
FY22 ORIGINAL APPROPRIATION	4,490,677	1.00
<u>Changes (with service impacts)</u>		
Reduce: Microloan Program [Economic Development Fund]	(50,000)	0.00
Reduce: Small Business Assistance Program: Grant Finalized in FY22 [Economic Development Fund]	(450,000)	0.00
<u>Other Adjustments (with no service impacts)</u>		
Increase Cost: Annualization of FY22 Personnel Costs	2,685	0.00
Increase Cost: Annualization of FY22 Compensation Increases	2,161	0.00
Increase Cost: FY23 Compensation Adjustment	802	0.00
FY23 RECOMMENDED	3,996,325	1.00

FUNDING PARAMETER ITEMS

CE RECOMMENDED (\$000S)

Title	FY23	FY24	FY25	FY26	FY27	FY28
ECONOMIC DEVELOPMENT FUND						
EXPENDITURES						
FY23 Recommended	3,996	3,996	3,996	3,996	3,996	3,996

FUNDING PARAMETER ITEMS

CE RECOMMENDED (\$000S)

Title	FY23	FY24	FY25	FY26	FY27	FY28
No inflation or compensation change is included in outyear projections.						
Labor Contracts	0	5	5	5	5	5
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						
Subtotal Expenditures	3,996	4,001	4,001	4,001	4,001	4,001




OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

MEMORANDUM

March 21, 2022

TO: Gabe Albornoz, President
Montgomery County Council

FROM: Marc Elrich, County Executive 

SUBJECT: 2021 Annual Report – Economic Development Fund

Enclosed, for your review, is the Annual Report on the status and use of the Economic Development Fund (“EDF”) for calendar year 2021. The legislation creating the Fund requires that an annual report be submitted every year.

The EDF, through its array of programs, continues to play a vital role in the County’s business attraction and retention efforts. In 2021, two new EDF conditional grant projects were awarded, facilitating the attraction of 325 jobs, private capital investment of over \$120 million and the continued growth of the biotechnology sector in the County. Twelve MOVE grants were awarded to new companies in the County, representing over 38,000 square feet of leased office space, and the Small Business Assistance Program provided over \$523,000 in assistance to small businesses in Wheaton affected by the Wheaton Redevelopment Project.

The attached annual report provides details on the status of all eight active programs under the EDF. Summary and performance data are dependent on each program’s purpose and is collected either through performance documents required by the County’s agreements or supplemented through other sources. The report contains separate sections for each program administered under the Fund, consolidating program activity and performance data.

Please direct any questions about the report to Peter McGinnity, Manager, Economic Development Programs in the Department of Finance at peter.mcginny@montgomerycountymd.gov.

**Montgomery County
Economic Development Fund
Annual Report**

For Calendar Year 2021



**Prepared by
Department of Finance**

March 2022

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, 2021 through December 31, 2021. 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 2021 and the first 6 months of Fiscal 2022. 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 approved or funded since last year's report are detailed in the appendices.

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

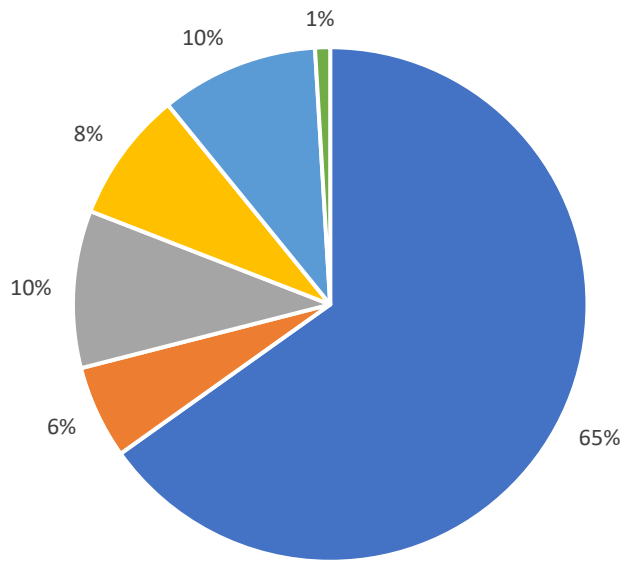
Economic Development Fund Assistance Since Inception

Active Programs	Authorization	Year Established	Assistance provided- CY2021	Cumulative Assistance Provided
Economic Development Fund Grant and Loan Program (EDFGLP)	Montgomery County Code, Secs 20-73 to 20-75.	FY 1996	\$3,450,000	\$57,110,150
Biotechnology Investor Incentive Supplement Program (BIIS)	Montgomery County Code, Sec. 20-76A	FY 2012	\$435,926	\$3,860,295
Small Business Assistance Program (SBAP)	Montgomery County Code, Secs 20-76B.	FY 2013	\$523,709	\$1,902,596
Make Office Vacancy Extinct Program (MOVE) ¹	County Council Resolution 18-432	FY 2014	\$310,496	\$4,310,144
Cybersecurity Investor Incentive Supplement Program (CIIS)	Montgomery County Code, Secs 20-76D	FY 2014	\$0	\$193,395
Impact Assistance Fund (IAF) ²	County Council Resolution 18-959	FY 2017	\$0	\$421,032
Microloan Fund (Microloan)	Montgomery County Code, Sec. 15A-5 (d)	FY 2018	\$50,000	\$550,000
SBIR/STTR Matching Grant Program (SBIR/STTR)	Montgomery County Code, Sec. 20-76E	FY 2019	\$525,000	\$1,675,000

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.

2021 Economic Development Fund Expenditures
\$5,295,131³



- EDF Grant & Loan - \$3,450,000
- Small Business Assistance - \$523,709
- SBIR/STTR - 525,000
- MOVE - \$310,496
- Biotech Supplement - 435.926
- Microlending - \$50,000

3

Highlights for 2021

Economic Development Grant & Loan Program - The program continued to support biotechnology growth, a key strategic economic sector in the County. Calendar Year 2021 (CY21) saw approval of a \$100,000 conditional grant to TCR² Therapeutics, Inc. and a \$50,000 conditional grant to Inotiv, Inc. Both companies will establish new biomanufacturing operations in the County, with combined capital investment of more than \$120 million and the creation of 235 new full time jobs.

SBIR/STTR Local Matching Grant Program – County Council passed legislation amending the program and expanding its capabilities. As initially established, this program provided matching grants to Small Business Innovation Research (SBIR) or Small Business Technology Transfer (STTR) grants only from the National Institutes of Health. Bill 37-19, enacted in March 2021 expanded the County’s program, allowing for SBIR/STTR grants issued by any Federal Agency to be considered for the program, provided the research conducted is for medicine, biotechnology, or life sciences.

³ There were no expenditures for the Cybersecurity Supplement or Impact Assistance Program in Calendar Year 2021.

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 Projects⁴	FY2016	FY2017	FY 2018⁵	CY2018⁵	CY2019	CY2020	CY2021	Total
Projects awarded	2	8	1	6	4	4	2	35
Amount awarded	\$180,000	\$4,250,000	\$250,000	\$1,850,000	\$5,165,000	\$1,925,000	\$150,000	\$13,770,000
Projects with State participation	2	7	N/A	6	3	4	2	24
State leverage per County dollar	\$ 1.73	\$ 1.93	N/A	\$2.18	\$2.83	\$4.27	2.83	\$2.63
Jobs retained	45	1,805	N/A	1,185	504	560	312	4,411
Jobs attracted or created	188	1,530	N/A	706	297	1,586	369	4,676
Private capital investment (millions)	\$ 12.4	\$ 220.1	N/A	\$173.4	\$144.0	\$170.0	\$256.3	\$976.2
Award dollars per total jobs	\$ 773	\$1,274	N/A	\$978	\$6,448	\$897	\$667	\$1,840
Funded Projects	FY2016	FY2017	FY2018	CY2018	CY2019	CY2020	CY2021	Total
Number of projects	5	7	2	8	6	6	5	39
Amount funded	\$730,000	\$1,201,691	\$1,550,000	\$2,431,568	\$1,839,256	\$4,665,000	\$3,450,000	\$12,792,515
Total jobs at funding	195	803	N/A	1,504	1,211	1,663	369	5,745
Average salary at funding	\$92,260	\$75,567	N/A	\$112,198	\$100,535	\$111,069	\$117,645	\$101,546

⁴ 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.

⁵ 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. This 12-month cycle spans portions of two different calendar years. In the table above, Column FY18 represents six months, from July to December 2017. The remaining 6 months of FY18 are included in the CY18 column which reflects the full 12 months of CY18.

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 (2011 - 2021)

Outcome	Number of Cases	Funded Amount	Recalled Amount⁶	Repaid Amount⁷	Contracted Jobs	Final Jobs⁸	Award Dollars per Final Job
Closed Cases							
Met contracted milestones ⁹	8	\$7,945,000	-	-	1,194	1,212	\$3,255
Partially met contracted milestones, made repayment	14	\$2,867,681	\$1,680,631	\$1,410,400	2,160	2,281	\$1,257
Did not meet contracted milestones, made repayment	1	\$ 30,000	\$30,000	\$30,000	23	0	N/A
Total Satisfied Cases	23	\$10,842,681	\$1,710,631	\$1,440,400	3,377	3,493	\$1,959**
Did not meet contracted milestones, no repayment	8	\$1,878,288	\$1,365,000	-	382	52	N/A
Active Cases ¹⁰							
Monitoring	36	\$14,826,150	-	-	7,814	7,097	\$2,089
Total All Cases	67	\$27,547,119	\$3,075,631	\$1,440,400	11,573	10,642	\$2,213¹¹

⁶ Only includes those EDFA projects for which the County issued a formal recall notice to the business.

⁷ Includes principal and interest.

⁸ Final Jobs reflects the number of jobs at the time the EDFA was satisfied or recalled.

⁹ Award dollars per job for companies that met contracted milestones is based upon a funded amount of \$3,945,000 as a \$4,000,000 grant to Wheaton Regional Shopping Center, LLP had no job requirements.

¹⁰ For Active Cases, job count reflects the most recent performance reports submitted to date.

¹¹ Award dollars per job for Total Satisfied Cases and Total All Cases are based upon a funded amounts of \$6,842,681 and \$23,547,119 respectively as a \$4,000,000 grant to Wheaton Regional Shopping Center, LLP had no job requirements.

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 2021 the Move Program supported 11 companies that leased a total of 38,813 square feet of space. Of that total, 13,061 square feet (34%) was leased to Biotechnology/Life Science companies. The remaining 25,800 square feet supported by the program was leased to companies across a variety of industry sectors: engineering, real estate, healthcare, education, and professional services. Based upon location, MOVE grants were awarded to businesses leasing space in Rockville (36%, 4 awards), Gaithersburg (36%, 4 awards), and Silver Spring (4%, 2 awards). (See Appendix C for details.)

Six-Year MOVE Program Summary

	FY2016	FY2017	FY2018 ¹²	Calendar Year 2018 ¹²	Calendar Year 2019	Calendar Year 2020	Calendar Year 2021	Total
Number of awards	12	16	26	22	27	16	11	130
Amount awarded	\$308,944	\$428,706	\$381,200	\$664,416	\$718,838	\$432,868	\$310,496	\$3,325,468
Square footage leased	39,450	53,592	45,874	96,024	102,014	64,299	38,813	440,066
Average lease term (months)	69	87	80	72	62	58	66	71
Initial jobs ¹³	53	72	36	84	176	58	54	533
Award dollars per initial jobs	\$5,829	\$5,954	\$10,589	\$7,910	\$4,084	\$7463	\$5,750	\$6,797
Projected three-year job total ¹	213	225	211	323	618	396	180	2,391
Award dollars per total jobs	\$1,450	\$1905	\$1,807	\$2,057	\$1,163	\$1,093	\$1,327	\$1,387

¹² 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 which includes the 12 months of calendar year 2018.

¹³ Job totals are reported by applicant on their application.

Biotechnology Investor Incentive Program (BIIP)

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 investor supplements are contingent upon the issuance of Maryland Biotechnology Investment Tax Credits which, as of the 2021 Maryland Legislative Session has been extended to June 30, 2028.

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.)

Six-Year Biotechnology Investor Incentive 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	5	52
Number of investments eligible for Supplement ¹⁴	95	81	60	39	27	37	339
Total private investment dollars	\$13,579,920	\$11,984,484	\$10,656,092	\$8,970,535	\$8,515,000	\$7,427,667	\$61,133,698
County supplement percent ROI ¹⁵	3.8%	4.2%	4.7%	5.6%	5.8%	6.7%	5.13%
Total ROI, including MD tax credit ¹⁶	53.8%	54.2%	54.4%	55.6%	55.7 %	54.0%	54.6%

¹⁴ Does not represent total number of investors in the companies reported, only those eligible to receive Biotechnology Tax Credits.

¹⁵ Percentages in Total Column represents the 6-year average ROI.

¹⁶ 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.

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. In the 2021 Maryland Legislative Session the Cybersecurity Tax Credit Program was expanded to include other technology companies in addition to cybersecurity, as determined by the Maryland Department of Commerce. In enacting the amendment, the program expiration date was extended to January 1, 2025.

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.

Six-Year Cybersecurity Investor Incentive Program Summary

	CY 2015	CY 2016	CY 2017	CY 2018 ¹⁷	CY19 ¹⁸	CY2020 ¹⁷	Total
County Appropriation	\$500,000	\$500,000	\$500,000	\$127,395	\$66,000	\$66,000	\$1,759,395
Number of businesses	1	2	3	0	0	0	6
Number of investments	1	5	7	0	0	0	13
Total private investment dollars	\$100,000	\$1,233,000	\$1,405,000	\$0	0	\$0	\$2,738,000

¹⁷ For calendar years 2018 and 2020 the State reported no Cybersecurity Investment Tax Credits for Montgomery County Cybersecurity Companies.

¹⁸ In CY19 the State certified Cybersecurity Investor Tax Credits for 4 investments in Security Corporation. Following certification, but prior to disbursement of the County supplement, it was determined the company had been acquired by Denver, Colorado-based Swimlane. Sec.20-76A(2) of the Montgomery County code requires that companies be headquartered in the county. Consequently, the supplements to these 4 investments were not disbursed.

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, the Montgomery County Office of the Maryland-National Capital Park & Planning Commission have been eligible for assistance under the SBAP. The project, located at 2425 Reedie Drive in Wheaton, was completed in Summer 2021. In addition to the Montgomery County Office of Planning, the project includes the offices of several County departments, street-level retail space, and an outdoor plaza.

Small businesses demonstrating that they were financially healthy prior to the commencement of the County-related redevelopment project but adversely impacted by the project were awarded up to a maximum of \$125,000 in financial assistance. Through calendar year 2021 the SBAP, has made 78 disbursements to a total of 31 companies since inception of the program, totaling \$1,903,442. Disbursements are provided on a quarterly basis, subject to financial information demonstrating adverse impact related to construction. Under the SBAP, participation in technical assistance is required prior to receiving financial assistance. (See Appendix F for information.)

Small Business Assistance Program Summary Since Inception

	CY 2017	CY 2018	CY 2019	CY2020	CY2021	Totals
Amount disbursed:	\$0	\$514,958	\$496,075	\$368,700	\$523,709	\$1,903,442
Disbursements:	None	32	25	12	9	78
New applications approved:	3	14	6	4	4	31
Businesses receiving Technical Assistance ¹⁹ :	58	57	51	37	28	231

¹⁹ 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, and in 2010, after funds were depleted, the program became dormant. In 2017, the program was revived 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 County-related redevelopment projects. 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 based upon the difference between a small business' financial health prior to the construction project and the demonstrated amount of adverse impact attributable to the redevelopment project. The maximum amount of assistance a business can receive under the IAF 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, are eligible under the program. Technical assistance is not a requirement for financial assistance under the IAF. In Calendar Year 2021 no businesses applied for or received assistance under the Impact Assistance Program. (See Appendix G for information.)

Program Summary

	CY2018	CY2019	CY2020	CY2021	Total
Amount disbursed:	\$175,000	\$198,672	\$47,360	\$0	\$421,032
Disbursements:	7	8	2	0	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 from the National Institutes of Health. In June 2021, Bill 37-19 amended the program to allow for consideration of SBIR and STTR grants from all federal agencies, provided the purpose of the grant is to conduct research in medicine, biotechnology, or life sciences. The Bill also eliminated the programs original sunset date of July 1, 2025. 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.

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 a federal department or agency. 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.)

SBIR/STTR Program Summary since Inception

	CY2018	CY2019	CY2020	CY2021	Totals
Phase I Grant Recipients	9	4	3	7	23
Phase I Grant Awards amount	\$225,000	\$100,000	\$75,000	\$175,000	\$575,000
Phase I Federal Grant Dollars Leveraged	\$2,361,064	\$1,142,510	\$1,036,941	\$3,413,560	\$7,954,075
Phase II Grant Recipients	4	4	4	5	17
Phase II Grant Awards amount	\$300,000	\$237,500	\$237,500	\$350,000	\$1,125,000
Phase II Federal Grant Dollars Leveraged	\$6,031,385	\$6,451,214	\$5,837,722	\$10,905,236	\$29,225,227
Total Local Matching Grant Awards		40			\$1,700,000

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 - Latino Economic Development Corporation (LEDC) and Life Asset - 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 through 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 \$400,000 from the program. In total, for Calendar Years 2018 through 2021, 227 Montgomery County small businesses have received loans totaling \$818,624*, for an overall average loan amount of \$3,606.

Program Summary

	CY 2018	CY 2019	CY2020	CY2021	Totals:
Life Asset:					
Total Microloans Provided	50	51	84	0	185
Total Dollar Amount Awarded ²⁰	\$103,798	\$102,200	\$295,850	\$0	\$501,848
					Average loan: \$2,713
LEDC:					
Total Microloans Provided	11	13	3	15	42
Total Dollar Amount Awarded	\$89,287	\$89,030	\$39,142	\$99,317	\$316,776
					Average loan: \$7,542

²⁰ Life Asset leveraged the funding 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 in 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.

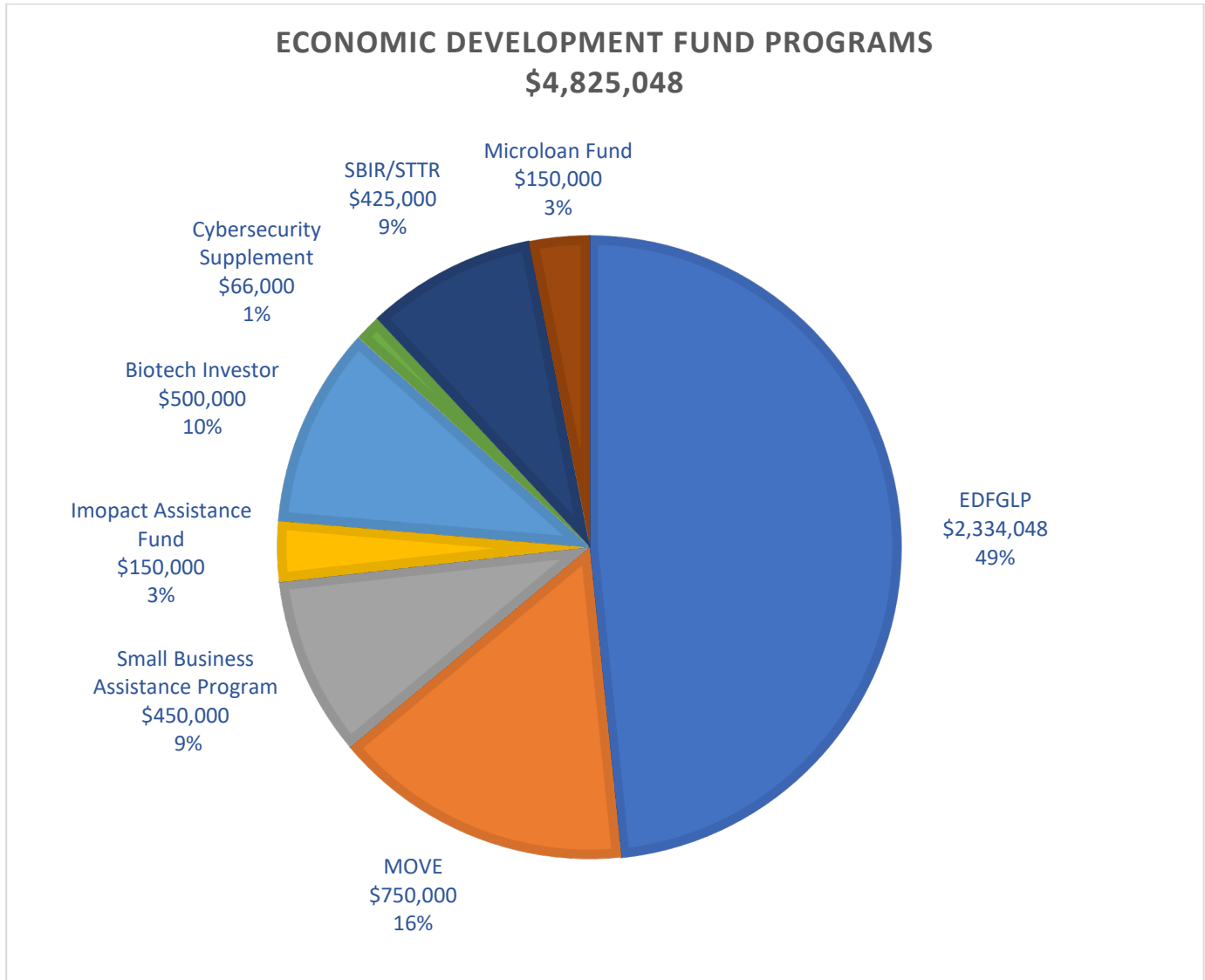
The Green Investor Incentive Program did not generate the interest that was anticipated, and in 2017 the County Council consented to a request by the County Executive to reallocate the program's initial \$250,000 appropriation for an Economic Development Fund conditional grant to the Bethesda Green Incubator. 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 EDFA, 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. Due to the Covid -19 pandemic Bethesda Green requested that the target date for direct investments be extended to December 31, 2022. Through calendar year 2021, Bethesda Green has invested a total of \$110,000 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
Living Canopies	\$15,000	Developing consumer products to grow above-ground vegetation utilizing rainwater capture.
Paradigm One	\$10,000	Subscription-based provider of reusable food containers to the food service industry.
	\$110,000	Total Investment Through 2021

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 2021²¹



²¹ The Budget for Calendar Year 2021 that is represented above is derived from last 6 months of the approved FY21 Economic Development Fund budget (January - June 2021) and the first 6 months of the approved FY22 Economic Development Fund budget (July - December 2021). In both years, the appropriated amounts for each of the programs presented above remained at the same levels in FY21 and FY22, with the exception of the Economic Development Grant and Loan Program (EDFGLP). The EDFGLP amount presented above is equivalent to adding one half of the FY21 EDFGLP appropriation of \$2,668,418 and one half of the FY22 EDFGLP appropriation of \$1,999,677.

APPENDICES

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

Recipient	Maximum Funding Amount	Annual Funding Amount	FYs of Funding	Remaining Commitment	Notes
5600 Fishers Lane, LLC	\$19,500,000	Up to \$1,300,000 for 15 years	FY18 - 32	\$13,000,000	Annual amount is based on real property value at Project Site.
Meso Scale Diagnostics ²²	\$1,670,000	Up to \$167,000 for 10 years	FY14 - 17	Property valuation does not support additional funding after 3 rd year of grant term.	First three years, \$167,000, with remaining incentive to be based on increase in real property values at Project Site.
Marriott International, Inc.	\$22,000,000	\$5,500,000 annually for 4 years	FY19 - 22	\$0	Fourth and final annual disbursement of \$5,000,000 was made in August 2021
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).
Federal Realty Investment Trust ²³	\$1,500,000	\$250,000 annually for 6 years	FY21 - 26	\$1,000,000	Second Phase of \$5,000,000 EDF conditional grant, subject to final capital expenditure in FY23.
Totals	\$43,670,000	\$ 6,967,500		\$13,200,000	

²² Maximum funding amount for this incentive was limited to the initial 3 years of the grant, as the remainder of disbursements were contingent upon achieving anticipated increases in assessed valuation of real property and the resulting property taxes levied.

²³ Total conditional grant of \$5 million with initial \$3.5 million disbursement secured by assignment of WSSC System Development Charge credits.

**Appendix B: Economic Development Fund Grant & Loan Program (EDFGLP)
Awards for Calendar Year 2021**

Recipient	Award	Status	Purpose	Industry	Location
TCR ² Therapeutics, Inc	\$100,000	Pending	Attraction	Biomanufacturing	Rockville
Inotiv, Inc.	\$50,000	Pending	Attraction	Biotechnology	Rockville
Totals	\$150,000				

Appendix C: MOVE Grants Awarded in Calendar Year 2021

Recipient	Award Value	Square Feet	Industry	Location	Initial Jobs	Projected Jobs (3 Yrs.)
Autosled	\$29,952	3,744	Automotive Logistics	Rockville	5	20
Core Strategy Partners, Inc.	\$3,472	434	Consulting	Silver Spring	1	3
Sculptd, LLC	\$5,520	691	Personal Services	Silver Spring	1	5
Subsurface & Tunnel Engineering, LLC	\$20,112	2,514	Civil Engineering	Gaithersburg	1	6
SmarTest Labs, LLC	\$13,432	1,679	Medical Services	Gaithersburg	2	4
Real Connect, LLC	\$18,888	2,361	Real Estate	Gaithersburg	4	15
Silvec Biologics, Inc.	\$48,000	6,000	Agricultural Biotechnology	Gaithersburg	6	20
International Cultural Bridge Group	\$9,144	1,143	Education	Rockville	2	6
Orchid Bioadvisory, LLC	\$56,488	7,061	Biotechnology	Rockville	14	50
Mission Autism Clinics	\$72,512	9,064	Behavioral Healthcare	Silver Spring	0	35
Kim Engineering, Inc.	\$32,976	4,122	Engineering	Rockville	19	15
Totals	\$310,496	38,813			54	180

**Appendix D: Montgomery County Companies with Investors Receiving 2020²⁴
Biotech Investor Incentive Supplements**

Company	No. of Investors	Investment Received	County Support to Investors
American Gene Technologies, Inc.	6	\$3,000,000	\$213,442
Cellphire, Inc.	1	\$40,000	\$2,846
miRecule, Inc.	4	\$1,372,000	\$97,614
DxNow, Inc.	16	\$1,600,667	\$106,769
Hermetics Biotechnologies, Inc.	10	\$1,415,000	\$79,329
Totals	37	\$7,427,667	\$500,000

**Appendix E: Montgomery County Companies with Investors Receiving 2020²⁵
Cybersecurity Investor Incentive Supplements**

Company	No. of Investors	Investment Received	County Support to Investors
None*	0	\$0	\$0
Totals	4	\$0	\$66,000

²⁴ Supplements paid in Calendar Year 2021 are attributable to Biotechnology Investment Tax Credits for 2020.

²⁵ There were no Cybersecurity Investor Incentive Supplements paid in Calendar Year 2020 as the State of Maryland did not certify any Montgomery County company as eligible to receive Cybersecurity Investor Incentive Tax Credits.

**Appendix F: Montgomery County Small Business Assistance Program (SBAP)
Grant Recipients For CY2021**

	Business	SBAP Funds Received in CY 2021
1.	Chang & Mi, Inc. d/b/a Moby Dick Seafood	\$9,327
2.	Hannon, Inc. d/b/a Little Bitts Shoppe	\$125,000
3.	Kantutas Restaurant	\$31,132
4.	Stratus International, LLC T/A Super Chicken	\$125,000
5.	Graciano & Associates, LLC	\$50,263
6.	Netview Communication, LLC	\$125,000
7.	Thor Enterprises, Inc.	\$4,703
8.	Caliente Restaurant and Bar Corp.	\$35,531
10.	Samser Travel	\$17,753
	TOTAL:	\$523,709

Appendix G: Impact Assistance Fund (IAF) Grant Recipients For CY 21²⁶

	Company	Project Location	IAF Funds Received in CY2020
	None	N/A	\$0
	TOTAL:		\$0

²⁶ For Calendar Year 2021, no applications were received, or grants disbursed from the Impact Assistance Fund.

Appendix H: SBIR/STTR Matching Grant Recipients For CY2021

Recipient Name	Phase I or II	County Award Amount	Location	Federal Grant Award
Quality Biological, Inc.	I	\$25,000	Gaithersburg	\$169,893
Cogtheria, LLC	I	\$25,000	Bethesda	\$164,183
Cascade Therapeutics, Inc	I	\$25,000	Potomac	\$256,500
Sanaria, Inc.	II	\$75,000	Rockville	\$2,928,925
Weinberg Medical Physics, Inc.	II	\$75,000	North Bethesda	\$1,459,744
Trophogen, Inc.	II	\$75,000	Rockville	\$1,460,767
Creative BioPeptides, Inc.	I	\$25,000	Potomac	\$499,860
Rise Therapeutics, Inc.	I	\$25,000	Rockville	\$1,843,134
Prime Time Life Sciences, Inc.	II	\$75,000	Germantown	\$2,583,087
MS Technologies Corporation	II	\$50,000	Rockville	\$2,472,713
MedApptic, LLC	I	\$25,000	Germantown	\$225,000
Silvec Biologics	I	\$25,000	Gaithersburg	\$255,990
Subtotal Phase I	7	\$175,000		\$3,413,560
Subtotal Phase II	5	\$350,000		\$10,905,236
Total	12	\$525,000		\$14,318,796

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. CytImmune 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 2012 - 2021)

Outcome	Number of Cases	Loaned Amount	Outstanding Balance	Repaid Amount ²⁷	Written-off Amount	Current Jobs ²⁸
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 ²⁹	\$980,714	-	-	\$980,714	6
Total All Cases	37	\$1,844,008	-	\$788,090	\$1,264,624	166

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 ³⁰)	FY 2013	\$0

²⁷ Includes interest and loan fees.

²⁸ Data was collected from Maryland Quarterly Census of Employment and Wages reports, when available.

²⁹ Nine loans have been inactive for over one year and will be reviewed with OCA for further action to resolve delinquencies.

³⁰ 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.



TO: Gene Smith
FROM: Brad Stewart and Bill Tompkins
DATE: January 28, 2022
RE: MCEDC Recommendations for Montgomery County’s MOVE Program

The Montgomery County Council’s Planning, Housing, and Economic Development (PHED) Committee has directed the Montgomery County Economic Development Corporation (MCEDC), to “draft recommendations regarding the MOVE program.” This memo presents the recommendations of MCEDC.

Montgomery County’s MOVE program provides an effective economic development tool to encourage businesses to establish initial office space in the County. Whether from an external jurisdiction, or as an initial office for a business currently within the County.

From MCEDC’s experience, we believe the current program parameters are appropriate. With \$8 per square foot leased up to a maximum of \$80,000 in grant funding.

Additionally, the County Executive’s team has been a productive partner in implementing the MOVE Program and has worked closely with MCEDC regarding opportunities to refine the program’s implementation.

MCEDC was asked about possible refinements to the MOVE program to encourage growth in certain parts of the County.

To accomplish this, an enhanced incentive of an additional \$4 per square foot (\$12 per square foot total) up to a maximum of \$120,000 could be offered to lease space in Equity Emphasis Areas (EEAs). The Metropolitan Washington Council of Governments (MWCOC) provides a map of their EEAs on their website, along with the ability to input an address to see if it falls within one of their EEAs: <https://www.mwcog.org/maps/map-listing/equity-emphasis-areas-eeas/>. The availability of this tool would greatly help businesses understand which physical addresses would qualify for this increased incentive and provide them with financial incentive to locate in these EEAs.

Alternatively, the County could designate specific zip codes for this enhanced incentive.