

Resolution No.: 15-1628  
 Introduced: August 1, 2006  
 Adopted: October 3, 2006

COUNTY COUNCIL  
 FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

SUBJECT: Supplemental Appropriation #3-S07-CMCG-3 to the FY07 Capital Budget and Amendment to the FY07-12 Capital Improvements Program  
 Montgomery County Government  
 Department of Economic Development  
 Germantown Business Incubator (No. 780701), \$3,000,000

Background

- Section 307 of the Montgomery County Charter provides that any supplemental appropriation shall be recommended by the County Executive who shall specify the source of funds to finance it. The Council shall hold a public hearing on each proposed supplemental appropriation after at least one week's notice. A supplemental appropriation that would comply with, avail the County of, or put into effect a grant or a Federal, State or County law or regulation, or one that is approved after January 1 of any fiscal year, requires an affirmative vote of five Councilmembers. A supplemental appropriation for any other purpose that is approved before January 1 of any fiscal year requires an affirmative vote of six Councilmembers. The Council may, in a single action, approve more than one supplemental appropriation. The Executive may disapprove or reduce a supplemental appropriation, and the Council may reapprove the appropriation, as if it were an item in the annual budget.
- Section 302 of the Montgomery County Charter provides that the Council may amend an approved capital improvements program at any time by an affirmative vote of no fewer than six members of the Council.
- The County Executive recommends the following capital project appropriation increases:

<u>Project Name</u>	<u>Project Number</u>	<u>Cost Element</u>	<u>Amount</u>	<u>Source of Funds</u>
Germantown Business Incubator	780701	PDS	\$120,000	
		Construction	\$1,950,000	
		Other	<u>\$730,000</u>	
<b>TOTAL</b>			<b>\$2,800,000</b>	State Aid & Current Revenue

- The increase is necessary because of the narrow window of time to consummate the lease transaction for the project that will support a significant economic development initiative as well as the higher education needs of the County. In addition, the project has leveraged significant non-County funding.

- a. In 2002, the Department of Economic Development investigated the feasibility of extending the success of the Shady Grove Life Sciences Center to other locations in Montgomery County. Studies revealed that a location near the Germantown campus of Montgomery College would be ideal for a technology office park and an incubator site. The County worked with the College to identify land to develop a new County incubator near the park that would provide a unique setting for emerging businesses to utilize the College's resources.
  - b. A recently vacated commercial building located at 20271 Goldenrod Lane presents an opportunity for the County and College to accelerate project implementation through the acquisition of an existing building and begin work in the current fiscal year to prepare the space for incubator tenants and students.
  - c. The building contains sufficient space to resolve both the County's incubator space need and the College's need for new classroom and office space at its growing Germantown campus. Discussions with the College have resulted in a conceptual plan to share the 67,000 square foot building at 20271 Goldenrod Lane by renovating half as the County's incubator and half as offices and classrooms for the College.
5. The County Executive recommends an amendment to the FY07-12 Capital Improvements Program and a supplemental appropriation to the FY07 Capital Budget in the amount of \$2,800,000 for the Germantown Business Incubator (No. 780701), and specifies that the source of funds will be Current Revenue - General and State Aid.
  6. Notice of public hearing was given and a public hearing was held.
  7. On October 3, 2006, the Council agreed to add \$200,000 to build a clean room facility.

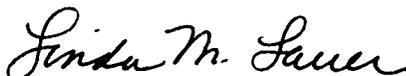
Action

The County Council for Montgomery County, Maryland, approves the following action:

The FY07-12 Capital Improvements Program of the Montgomery County Government is amended as reflected on the attached project description form and a supplemental appropriation is approved as follows:

<u>Project Name</u>	<u>Project Number</u>	<u>Cost Element</u>	<u>Amount</u>	<u>Source of Funds</u>
Germantown Business Incubator	780701	PDS	\$120,000	
		Construction	\$2,150,000	
		Other	\$730,000	
<b>TOTAL</b>			<b>\$3,000,000</b>	\$1.4m State Aid & \$1.6m Current Revenue

This is a correct copy of Council action.



Linda M. Lauer, Clerk of the Council

**Germantown Business Incubator -- No. 780701**

Category **General Government**  
 Agency **Economic Development**  
 Planning Area **Germantown**  
 Relocation Impact **None.**

Date Last Modified  
 Required Adequate Public Facility

October 4, 2006  
 NO

**EXPENDITURE SCHEDULE (\$000)**

Cost Element	Total	Thru FY05	Est. FY06	Total 6 Years	FY07	FY08	FY09	FY10	FY11	FY12	Beyond 6 Years
Planning, Design and Supervision	120	0	0	120	120	0	0	0	0	0	0
Land											
Site Improvements and Utilities											
Construction	2,150	0	0	2,150	2,150	0	0	0	0	0	0
Other	730	0	0	730	730	0	0	0	0	0	0
<b>Total</b>	<b>3,000</b>	<b>0</b>	<b>0</b>	<b>3,000</b>	<b>3,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**FUNDING SCHEDULE (\$000)**

Current Revenue:											
General	1,600	0	0	1,600	1,600	0	0	0	0	0	0
State Aid	1,400	0	0	1,400	1,400	0	0	0	0	0	0

**ANNUAL OPERATING BUDGET IMPACT (\$000)****DESCRIPTION**

This project is to lease and renovate a 67,000 square foot building at 20271 Goldenrod Lane, Germantown and convert 33,500 square feet into a high-tech incubator featuring approximately 10,500 square feet of laboratory space and 23,000 square feet of office and common space for a mixed use high-tech business incubator in the Germantown area. The remaining 33,500 square feet of the building will be used by Montgomery College for office and classroom space. The building will be master leased either by Montgomery College or the College Foundation, and the incubator space will be sub-leased to the County. In 2002, the Department of Economic Development (DED) investigated the feasibility of extending the success of the Shady Grove Life Sciences Center to other locations in Montgomery County. Studies revealed that a location near the Germantown campus of Montgomery College would be ideal for an incubator site. The recently vacated commercial building located at 20271 Goldenrod Lane presents an opportunity for the County and College to accelerate project implementation through the acquisition of an existing building, and prepare the space for incubator tenants and students. The building has sufficient space to resolve both the County's incubator space needs and the College's need for new classroom and office space at its growing Germantown campus. As of 2005, the Germantown Campus had a demonstrated space deficit of approximately 100,000 square feet. This fall, temporary office trailers will be used to address a small amount of this space deficit. Discussions with the College have resulted in a conceptual plan to share the 67,000 square foot building by renovating half as the County's incubator and half as offices and classrooms for the College.

**Service Area**

Germantown, Damascus, and Clarksburg

**Capacity**

The incubator facility would house 25-30 start-up/early stage bio and information technology firms, initially creating between 75-150 high technology jobs.

**JUSTIFICATION**

In 2005, DED consulted the Sage Group, an economic consulting firm, to assess the essential business elements needed to develop Montgomery County's technology business community. The Sage Group forecasts that the County will need 40,000 square feet of incubator space to capture just 5% of the estimated 400 plus spin-off technology start-up companies entering the market each year from the 19 Federal Research and Development labs in the County. The Germantown incubator adjacent to Montgomery College and the soon-to-be-completed Germantown Life Sciences Park (GLSP) will, in addition to supplying the County with needed incubator space, also serve as a catalyst for the development of high technology in Germantown, Damascus, and Clarksburg. This market is currently underserved by technology development, with very few biotechnology facilities beyond the Germantown exit along the I-270 corridor. The Germantown incubator facility will also stimulate the expeditious development of the rest of the GLSP, as it will produce a number of graduating companies that will seek expansion space in proximity of the incubator within the next 2-3 years.

**Plans and Studies**

A market study has been completed, and the incubator pro forma has been developed.

**FISCAL NOTE**

Planning and design funds are also drawn from the Life Sciences and Technology Centers CIP No. 789057. Eventually, the facility could create an estimated 480 high paying jobs in Montgomery County every three year cycle throughout the life of the facility. The estimated net revenue contribution to the County resulting from the incubator's operation for the first 18 years exceeds \$27 million in 2006 dollars. The construction and related development costs of the incubator, including clean room facilities, are estimated at \$3 million (the full cost is projected at \$3.45 million with the property owner contributing \$450,000 towards the tenant improvements). The rent collected from the incubator tenants will pay for most of the incubator space lease, and the required annual operating costs to provide incubator programming including the incubator staff are estimated at \$350,000.

**APPROPRIATION AND EXPENDITURE DATA**

Date First Appropriation	FY07	(\$000)
Initial Cost Estimate		2,800
First Cost Estimate		
Current Scope	FY07	3,000
Last FY's Cost Estimate		0
Present Cost Estimate		3,000
Appropriation Request	FY07	
Appropriation Request Est.	FY08	0
Supplemental		
Appropriation Request	FY07	3,000
Transfer		0
Cumulative Appropriation		0
Expenditures/		
Encumbrances		0
Unencumbered Balance		0
Partial Closeout Thru	FY04	0
New Partial Closeout	FY05	0
Total Partial Closeout		0

**COORDINATION**

Montgomery College  
 Maryland Department of Business and Economic  
 Development (DBED)  
 Maryland Technology Development Corporation  
 (TEDCO)  
 Maryland Economic Development Corporation  
 (MEDCO)

**MAP**

See Map on Next Page