

Review of Montgomery County's Economic Development Incentive Programs

OLO Report 2013-2

**Presentation to the PHED Committee
March 11, 2013**

Incentives in Montgomery County

- **Economic Development Fund (EDF)**
- **Tax Credits**

Economic Development Fund

Total assistance provided: \$34 million

| Program | Year Established | Cumulative Assistance Provided | Total Awards Provided |
|-------------------------------|-------------------------|---------------------------------------|------------------------------|
| Grant and Loan | FY96 | \$25.8 million | 161 |
| Technology Growth | FY99 | \$3.96 million | 71 |
| Small Business Revolving Loan | FY00 | \$2.1 million | 38 |
| Biotech Supplement | FY12 | \$500,000 | 66 |
| Impact Assistance | FY05 | \$478,000 | 27 |

Tax Credit Programs

Total assistance provided: \$34.8 million

| Program | Year Established | Value of Credits Issued | Total Credits Issued |
|----------------------|-------------------------|--------------------------------|-----------------------------|
| Enterprise Zone | FY99 | \$15.5 million | 840 |
| Enhanced New Jobs | FY00 | \$12.9 million | 11 |
| New Jobs | FY00 | \$6.4 million | 76 |
| Arts & Entertainment | FY05 | \$25,000 | 25 |

Research Review: Best Practices

County's incentive programs align with best practices

- Conduct prospective cost-benefit analysis
- Develop contracts that include performance standards, mechanisms for monitoring, and “claw-back” provisions

Research Review: Measuring Impact

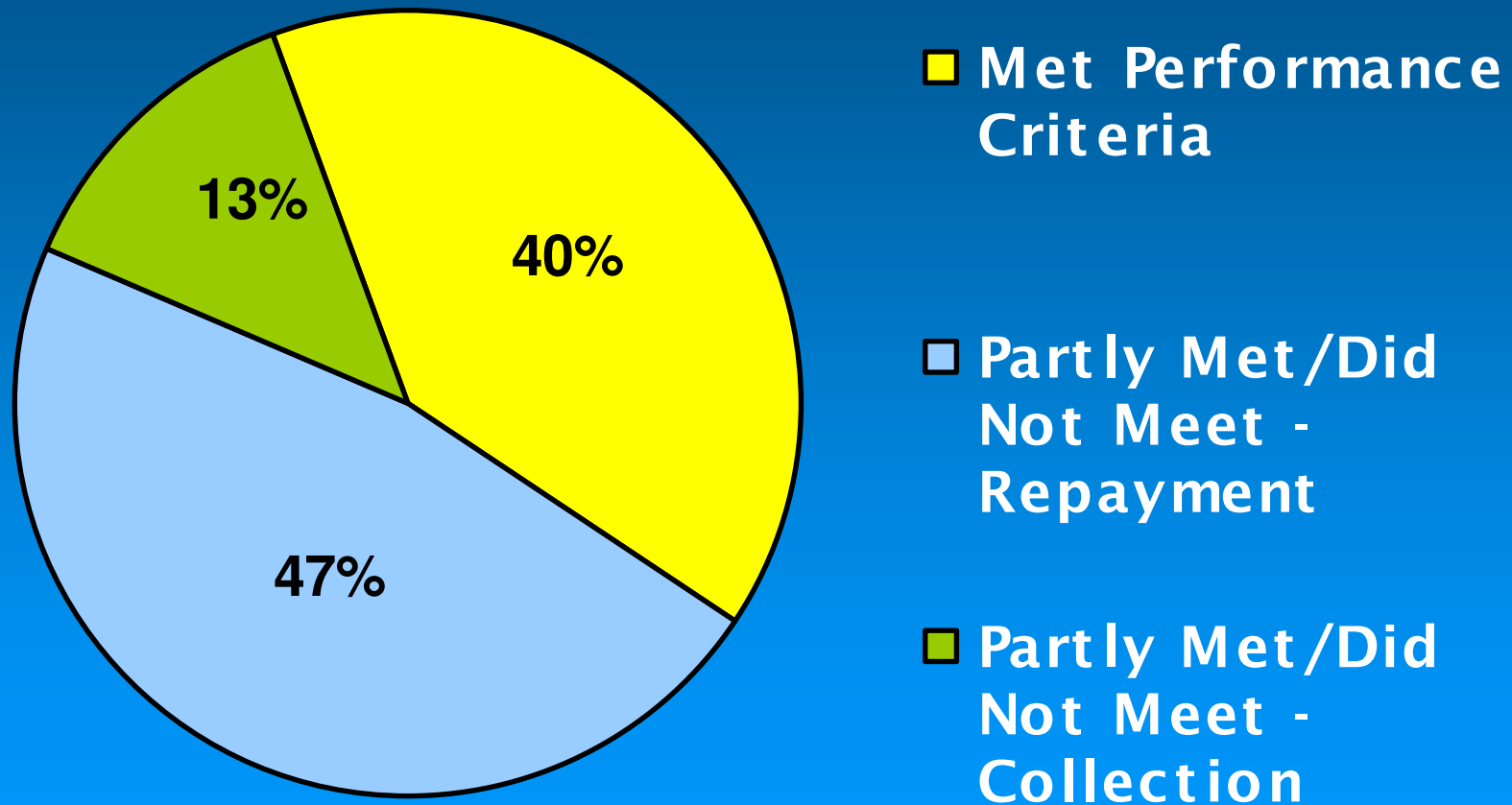
- Measuring “success” is difficult
- A particular challenge is determining “decisiveness”
 - Incentives may be more “decisive” within large metropolitan areas
- Jurisdictions tend to collect and report outcome data to measure performance

Performance Results for Montgomery County's Incentives

- **Award Outcomes**
- **Jobs Retained/Created**
- **Planned Private Investment**
- **Projected Fiscal Impact**
- **Long-Term Retention**

Grant and Loan Award Outcomes

(for incentive recipients that have completed monitoring)



As of December 2012, N=143

Jobs Retained/Created Data

(Grant and Loan Program)

| Award Recipients with Jobs Requirements that... | Projected Jobs | Actual Jobs | Actual as a % of Projected |
|---|----------------|---------------|----------------------------|
| Met Performance Criteria (n=45) | 12,605 | 16,170 | 128% |
| Did Not Meet: Repayment (n=67) | 12,345 | 6,634 | 54% |
| Did Not Meet: Collection (n=19) | 1,825 | 442 | 24% |
| Total | 26,775 | 23,246 | 87% |

Investment/Fiscal Impact Outcomes

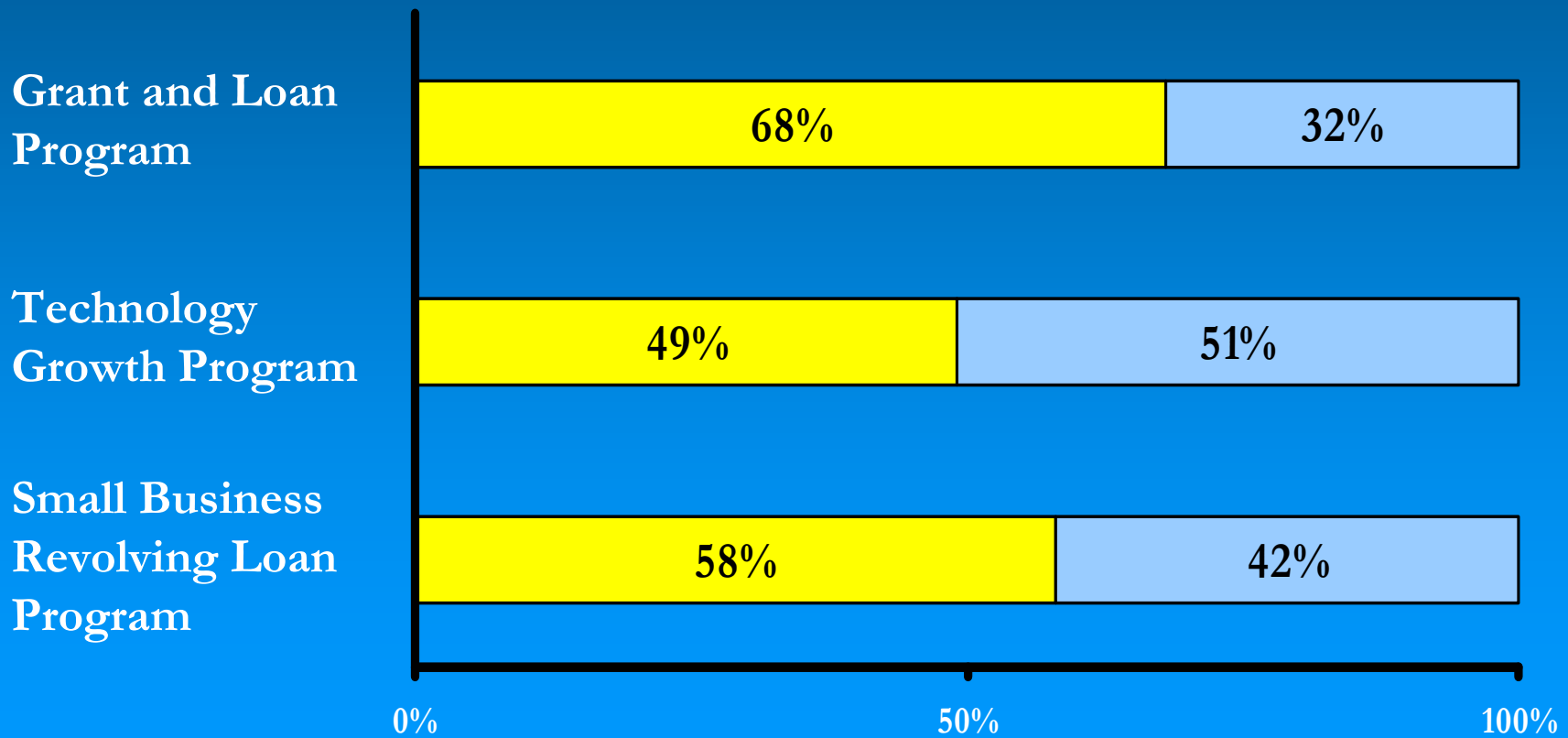
(Grant and Loan Program)

| Award Outcome | Planned Private Investment | Projected Annual Fiscal Impact |
|---------------------------------------|----------------------------|--------------------------------|
| Met Performance Criteria | \$575 million | \$13.4 million |
| Did Not Meet: Repayment or Collection | \$379 million | \$18.7 million |
| Under Monitoring | \$285 million | \$5.8 million |
| Total | \$1.24 billion | \$37.9 million |

Long-Term Retention in MoCo

(as of December 2012)

■ Still Located in the County ■ No Longer in the County/Out of Business



OLO Recommendations

Recommendation #1: Enhance data collection and reporting on incentives by expanding pre-award and post-award measurement of performance indicators.

- Collect and report data on actual private investment made
- Revise the estimated fiscal impact for each project at the completion of the monitoring period
- Differentiate between jobs retained and jobs created within the data reporting

OLO Recommendations

Recommendation #2: Track and annually report on the long-term outcomes of businesses that have received incentives (i.e., whether or not they remain located in Montgomery County).

- Build on the data “baseline” from this report and analyze retention trends over time
- Help the Council and Executive Branch assess the success of these programs over the long-term

OLO Recommendations

Recommendation #3: Discuss targets or guidelines for the specific incentive performance measures as part of the economic development strategic planning process.

- Measuring “success” is difficult for incentive programs
- Council would benefit from reviewing data within a framework that indicates whether incentives are meeting strategic goals