

## MEMORANDUM

March 5, 2025

TO: Economic Development (ECON) Committee

FROM: Bilal Ali, Legislative Analyst

SUBJECT: Economic Development Fund – Fiscal Year 2025 Update

PURPOSE: Receive briefing on work and progress to-date in FY25

**Those expected for this discussion:**

Ken Hartman-Espada, Asst. Chief Administrative Officer, Office of the County Executive (CEX)  
Judy Costello, Special Projects Manager, CEX  
Gene Smith, Manager, Montgomery County Business Center  
Dennis Hetman, Fiscal Manager, Department of Finance  
Nadia Khan, Fiscal and Policy Analyst, Department of Finance  
Dereese Bikila, Program Manager, Montgomery County Business Center  
Julie Knight, Fiscal and Policy Analyst, Office of Management and Budget (OMB)

### Overview of FY25 Budget Follow-Up Briefings

This briefing is part of a series of Economic Development Committee (ECON) worksessions on progress departments and agencies under the committee’s jurisdiction have made over the past fiscal year. These briefings will allow the committee to review progress on budget decisions made for the current fiscal year, discuss substantive topics related to the department’s subject matter or operations, and gather information ahead of the FY26 budget.

### Background on the Economic Development Fund

The Economic Development Fund (EDF) assists 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. The

Department of 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<sup>1</sup>.

There are seven active programs in the EDF:

1. Economic Development Fund Grant & Loan Program (EDFGLP)
2. Make Office Vacancy Extinct Program (MOVE)
3. Biotechnology Investor Incentive Program
4. Cybersecurity Investment Incentive Tax Credit
5. Small Business Innovation Research Matching Grant Program (SBIR/STTR)
6. Microlending
7. Purple Line/Small Business Impact Grants

In addition, the Council-approved JOBS Initiative is administered through the EDF.

## Review of FY25 Budget Decisions

The Council-approved FY25 budget of \$4.2 million for the EDF is summarized in Table 1. Notably, the JOBS Initiative, which is administered through the EDF, was a \$20,000,000 supplemental appropriation to the FY24 budget using one-time funding from Undesignated General Reserves. As a result, the FY25 operating budget resolution appropriates \$4,169,168 that must be allocated as shown in Table 1.

*Table 1: FY25 Approved Budget - Economic Development Fund*

| <b>FY25 Approved Budget</b>              | <b>Amount</b>      |
|--|--------------------|
| <b>Economic Development Fund</b>         | <b>\$4,169,168</b> |
| Grant and Loan Program (a)               | \$1,844,168        |
| MOVE                                     | \$750,000          |
| Biotechnology Investor Incentive Program | \$125,000          |
| SBIR/STTR Program                        | \$200,000          |
| Microlending                             | \$150,000          |
| Purple Line/Small Business Impact Grants | \$900,000          |
| Cybersecurity Investment Tax Credit      | \$0                |
| Undesignated Balance                     | \$200,000          |

*(a) The Operating Budget Resolution does not allocate a specific amount to the Grant and Loan program. The amount reflects the difference between the total allocation of \$4.2 million and the amounts allocated to the other program, including the undesignated balance.*

## Review of Performance During FY25

To date, \$2.88 million of EDF funds have been disbursed. As shown in Table 2, the largest disbursements were made under the EDFGLP, MOVE, and the Purple Line/Small Business

<sup>1</sup> [The EDF Annual Report for Calendar Year 2023](#)

Impact Grants. There are an additional \$845,516 encumbered (but not disbursed) funds for the MOVE program, and \$286,400 encumbered for the Purple Line/Small Business Impact Grants<sup>2</sup>. These funds must be disbursed. There are also \$358,248 worth of eligible applications for MOVE funding, but those have not been encumbered due to a lack of sufficient funds.

Including disbursed and encumbered awards, the leftover FY25 appropriation to the EDF would be \$160,450 (3.8%). Including pending but unapproved awards, the EDF would technically have a negative balance of \$197,798, but it is not possible to spend above the appropriated amount. The EDF does have a rollover balance. **Staff from the Department of Finance can provide an explanation to the committee of the rollover policy and fund balance for FY25.**

Table 2: Use of EDF Programs in FY25 to-date

| <b>EDF Approved FY25 Budget</b>       |                  | <b>\$4,169,168</b>   |
|---------------------------------------|------------------|----------------------|
|                                       | <b>Number</b>    | <b>\$ Awarded in</b> |
| <b>Disbursed Awards</b>               | <b>of Awards</b> | <b>FY25, to-date</b> |
| EDFGLP                                | 3                | \$1,620,000          |
| MOVE                                  | 27               | \$652,002            |
| SBIR Match (a)                        | 7                | \$140,000            |
| Small Business Impact/Purple Line (b) | 40               | \$464,800            |
| <b>Subtotal</b>                       | <b>77</b>        | <b>\$2,876,802</b>   |
|                                       | <b>Number</b>    | <b>\$ Awarded in</b> |
| <b>Encumbered and Pending</b>         | <b>of Awards</b> | <b>FY25, to-date</b> |
| MOVE                                  |                  |                      |
| Encumbered                            | 17               | \$845,516            |
| Pending                               | 12               | \$358,248            |
| Small Business Impact/Purple Line     |                  |                      |
| Encumbered                            | 40               | \$286,400            |
| <b>Subtotal</b>                       | <b>69</b>        | <b>\$1,490,164</b>   |
| <b>Total Disbursed and Encumbered</b> | <b>146</b>       | <b>\$4,008,718</b>   |
| Disbursed                             | 77               | \$2,876,802          |
| Encumbered                            | 57               | \$1,131,916          |
| <b>FY25 Appropriation Remaining</b>   |                  | <b>\$160,450</b>     |
| Pending                               | 52               | \$358,248            |

Notes:

- (a) One company received two Phase 0 awards, so the total number of awards is seven. However, the number of recipients is six.
- (b) Forty businesses receive monthly payments of \$1,800 for FY25.

<sup>2</sup> According to Business Center Staff, the monthly outgoing payment for the Purple Line/Small Business Impact Grants is \$71,600, which would result in an encumbered amount of \$286,400 by the end of the fiscal year (\$71,600 x 4 months).

## Making Office Vacancies Exist (MOVE) Performance During FY25

As shown in Table 3, over \$1.5 million in funds have been disbursed or encumbered for the MOVE program, supporting 43 businesses. Including 12 pending awards, the total that could be spent in FY25 for the MOVE program is nearly \$1.9 million if there are sufficient funds within the EDF.

*Table 3: Summary of MOVE Awards in FY25 to-date*

| <b>MOVE Awards, FY25 to-date</b> | <b>Number</b> | <b>Total Amount</b> |
|----------------------------------|---------------|---------------------|
| Disbursed                        | 26            | \$652,002           |
| Encumbered but None Disbursed    | 16            | \$792,182           |
| Disbursed with Encumbrance       | 1             | \$80,000            |
| Disbursed                        |               | \$26,666            |
| Encumbered                       |               | \$53,334            |
| <b>Total</b>                     | <b>43</b>     | <b>\$1,524,184</b>  |
| Pending Awards                   | 12            | \$358,248           |
| <b>Total (with Pending)</b>      | <b>55</b>     | <b>\$1,882,432</b>  |

Based on the 27 businesses for whom approved funds have been disbursed, the average award was \$26,124 for an average leased space of 3,625 square feet. This reflects several large awards at the maximum award amount of \$80,000. The median award was \$19,026.

Just three awards have been disbursed for expanding businesses, which the Council made allowable for funding by approving legislation in July 2024. The executive regulations for the updated MOVE program were approved in October 2024, which increased the maximum allowable subsidy per square foot to \$15, with a maximum allowable award of \$150,000. Two of the 16 awards encumbered (but not disbursed) after the approval of the executive regulations will receive the maximum \$150,000<sup>3</sup>.

<sup>3</sup> The executive regulations raised the award per square foot and maximum award amount for businesses in strategic industries or businesses leasing more than 10,000 square feet. One business receiving the maximum award is leasing over 15,000 square feet while the other and is receiving a total award of just under \$150,000 (\$146,235) but is in a strategic industry.

Table 4: FY25 Disbursed MOVE Award Summary

| <b>Disbursed Awards -<br/>MOVE Program</b> | <b>FY25<br/>To-Date</b> |
|--|-------------------------|
| <b>Average</b>                             |                         |
| Award Amount                               | \$26,124                |
| Square Feet                                | 3,625                   |
| <b>Median</b>                              |                         |
| Award Amount                               | \$19,096                |
| Square Feet                                | 2,387                   |
| <b>Number of Awards</b>                    |                         |
| Start-Up                                   | 14                      |
| Relocation                                 | 10                      |
| Expansion within MoCo                      | 3                       |

Council staff also analyzed the location and industry of businesses with awards disbursed. Given the small sample size, it is difficult to draw conclusions from the data. However, of the 27 disbursed awards, eight had a Rockville address, six had a Silver Spring address, and four each had either a Bethesda or Gaithersburg address. Other parts of the County only had one award each. The distribution of disbursed awards by industry did not reveal patterns either, with at least 18 different industries identified for each of 27 businesses. Industries include healthcare, education, and real estate.

In terms of building class, 17 of the 27 awards were in Class B building, eight in Class A buildings, and just one in a Class C building. The average size of leased space in Class A and Class B buildings was similar, at between 3,500 and 4,000 square feet.

#### Economic Development Fund Grant & Loan Program (EDFGLP)

The EDFGLP is a discretionary program offering financial awards to private employers that retain jobs or stimulate new job creation in Montgomery County. The program prioritizes technology companies, manufacturing companies, businesses in urban revitalization areas, and other private employers that provide the greatest public return on these investments.

The standard process for EDFGLP transactions typically includes MCEDC working with a company to develop a request for assistance from the County. If the County determines that the fiscal impact of the requested project is positive for the County, the County makes an offer, finalizes an agreement, disburses the funds, and monitors the performance of each awardee. The duration of this process varies from project to project for the EDFGLP.

Some noteworthy steps in the process are as follows:

- The Executive must notify the Council if an offer exceeds \$100,000.
- Transactions that are less than \$100,000 are included in the EDF Annual Report, but do not require prior Council notification.

- The County executes an agreement with each business. This agreement includes milestones that must be met, including any jobs or capital investment requirements, as well as a timeline for disbursement. The agreement also includes a repayment provision if the business fails to achieve the required milestones.
- 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.
- Finance will monitor a project's impact until the agreement expires, typically five to ten years.

In FY25, three EDFGLP awards have been disbursed, totaling \$1.62 million and accounting for 2,420 jobs. The largest award totaled \$1.3 million for 5600 Fishers Lane, supporting the retention of a GSA lease and associated with 2,000 jobs. Sodexo Operations received \$70,000 associated with 270 jobs, and \$250,000 for Federal Realty Investment Trust, associated with 150 jobs.

Many EDFGLP agreements can take time to develop. **The Committee may wish to ask Finance or Executive staff whether there are 'pending' agreements and whether there are sufficient funds within the EDFGLP to support those agreements in FY25.**

#### SBIR/STTR Local Matching Grant Program

Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs are highly competitive federal grant programs that encourage domestic small businesses to engage in federal research or research and development (R&D) having the potential for commercialization. Montgomery County's program focuses on businesses conducting research in medicine, biotechnology, or life sciences.

In FY23 and FY24, \$175,000 and \$100,000 in funds were disbursed, respectively. To date in FY25, \$140,000 has been disbursed of the \$200,000 allocated to the program. Data provided to Council staff does not show any encumbered funds for this program, but **the Committee may wish to understand whether there are any pending awards.**

Furthermore, **the Committee may wish to understand whether there are any factors that help explain trends in demand** for this program.

#### Microloan Program

The Microloan program, established in 2017, provides loans ranging from \$500 to \$15,000 for Montgomery County residents who need financial assistance to start small businesses. The Department of Finance contracts with two experienced microloan providers (Latino Economic Development Corporation (LEDC) and Life Asset) to underwrite and manage the loans.

These contracted providers are required to respectively develop and administer a culturally proficient microlending program utilizing materials in multiple languages that reflect the County's diverse 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 regarding loan recipients, the purpose of the loan, and the names of the businesses receiving the loan.

Notably, of the \$150,000 allocated to the Microloan Program, data provided to Council staff does not show any disbursements. **The Committee may want to follow-up on the timeline of disbursing these awards to the two respective contractors.**

### Evaluating the Microloan Program

The Office of Legislative Oversight (OLO) published [a report in November 2024](#) examining the geographic distribution of County programs, including the EDFGLP, MOVE, and Microloans. According to OLO:

“The locations of residents receiving microloans generally form a band extending from Silver Spring through Wheaton, Aspen Hill, Gaithersburg, and Germantown with another ribbon in the Route 29 corridor. Of note, these locations branch out beyond major commercial centers into more residential areas of the County. A comparison to the location of microloan recipients with the location of neighborhoods that are disproportionately disadvantaged reveals that residents of disproportionately disadvantaged areas are well represented in the geographic distribution of microloans.”

Council staff requested information regarding how County Executive Staff evaluate the success of the microloan program. The question and their response are provided below:

**How does the County evaluate the success of the Microloan program, as well as the two organizations that contract with the County to administer the program?**

**County Executive Staff:** We believe that the Microloan program is achieving the program’s objective of providing financial and technical assistance to the County’s entrepreneurs. The program enables the two organizations administering the Microloan program to focus on the County’s small businesses that lack access to traditional means of capital financing. Additionally, the organizations provide continuous technical assistance before, during, and after the loan is disbursed to qualifying small businesses in the County; this support allows the businesses to more fully leverage the loans and grow.

**What data do these organizations submit to the County, and what notable information or trends have been observed?**

**County Executive Staff:** The two organizations share data, including the full addresses of the borrowers, demographic data of the borrowers, loan amount, interest rate, sources of the loan/funds, business type/industry, and loan date, among others. In terms of trends observed, the number of applications and small

start-up businesses taking advantage of the program, as well as the loan amounts they provide, have been increasing year over year.

### 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 in those businesses. The investors can, and do, live anywhere.

For FY25, the Council allocated \$125,000 for the BIIP. However, according to data from County Executive staff, there have been no disbursements or encumbrances for this program to date. **The Committee may wish to understand whether there are any pending awards.**

### Purple Line/Small Business Impact Grants

All \$900,000 of the funding allocated to Purple Line/Small Business Impact Grants has been either disbursed or encumbered. In total, 40 businesses each receive a grant of \$1,800 on a monthly basis during FY25. This program was discussed in detail during a T&E-ECON Worksession on February 10<sup>th</sup>, 2025. The staff report for the worksession is available [here](#).

### JOBS Initiative

The JOBS Initiative, which is administered through the EDF, was a \$20,000,000 supplemental appropriation to the FY24 budget using one-time funding from Undesignated General Reserves. It created three distinct funds<sup>4</sup>: 1) The Job Creation Fund, 2) the Technology and Innovation Fund, and 3) the Founder's Fund.

The Job Creation Fund is a by-right program whereby eligible companies creating at least five (5) new full-time, permanent jobs with a base annual salary of \$100,000 (excluding benefits) can receive up to \$10,000 per new job created. For businesses located in Community Equity Index disadvantaged areas, this award increases to \$12,000 per job. The program has received seven applications to-date. No disbursements have been made as the program is designed to provide the award after individuals are hired and hold their employment for a minimum period, as per program requirements. **The Committee may wish to better understand the pace at which Executive Staff believe this fund can be expended.**

The Technology and Innovation Fund and Founder's Fund are discretionary funds that provide funding for commercialization and product development projects at early-stage high-tech companies and small businesses located in the County. Maximum awards are \$200,000 and \$100,000 for the two funds, respectively. MCEDC, County Executive, and Finance Staff collaborated to help launch the applications for the funds. More details regarding the process and

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<sup>4</sup> The Council-approved resolution recommended \$10 million for the Job Creation Fund, \$7 million for the Technology and Innovation Fund, and \$3 million for the Founder's Fund.



decision-making behind setting up the applications and requirements are provided on pages 11 and 12 of this staff report.

MCEDC also contracted for consulting services with [FedTech](#), a venture studio and accelerator that specializes in transforming lab-created research and development (R&D) into market-ready solutions. FedTech utilized their expertise to assist with reviewing applications, including analyzing documents and business plans for growth potential and risk. FedTech scored applicants to both funds and is actively working with a committee of representatives from MCEDC, CEX, and Council to review their recommendations and make final decisions for funding. This review is ongoing.

Table 5 shows the number of eligible and ineligible applications associated with the Technology and Innovation Fund and Founder’s Fund. The total funding to be disbursed is unclear as the amount of funding to provide eligible applicants is under ongoing review. The Committee may wish to understand why the rate of eligible applications differs between the two funds. The Committee may also consider requesting a briefing on application reviews once the process is complete to understand the decision-making as well as lessons learned.

*Table 5: Technology and Innovation Fund and Founder’s Fund Applications*

| <b>Applications</b> | <b>Technology and Innovation Fund</b> | <b>Founder's Fund</b> |
|---------------------|---------------------------------------|-----------------------|
| Eligible            | 68                                    | 7                     |
| Ineligible          | 36                                    | 37                    |
| <b>Total</b>        | <b>104</b>                            | <b>44</b>             |

## Summary of Potential Discussion Items for the Committee’s Consideration

- Review of Performance During FY25
  - Receive explanation to the committee of the rollover policy and fund balance for FY25
  - MOVE Program
    - Discuss estimates of MOVE budget needs in FY26 and beyond
  - Economic Development Fund Grant & Loan Program (EDFGLP)
    - Discuss whether there are ‘pending’ agreements and whether there are sufficient funds within the EDFGLP to support those agreements in FY25.
  - SBIR/STTR Local Matching Grant Program
    - Discuss whether there are any pending awards.
    - Discuss whether there are any factors that help explain trends in demand for this program.
  - Microloan Program
    - Follow-up on the timeline of disbursing these awards to the two respective contractors.

- Biotechnology Investor Incentive Program (BIIP)
  - Discuss whether there are any pending awards.
  - Discuss whether there are any factors that help explain trends in demand for this program.
- JOBS Initiative
  - Gain understanding of the pace at which Executive Staff believe the Job Creation Fund can be expended
  - Hear lessons learned from evaluation of applications for Technology and Innovation and Founder's Funds.

### **Attachments**

Discussion of Considerations for Developing JOBS Initiative Procedures

Pages 11-12

## Discussion of Considerations for Developing JOBS Initiative Procedures

**Council Staff:** Please explain the process and decision-making behind setting up the Job Creation Fund portal? What key considerations did you make that the ECON Committee should understand?

**County Executive Staff:** Finance reviewed Resolution 20-491, as well as the legislative history of the resolution, and then developed program requirements that best enacted the language of the resolution. Special consideration was given to balance efficiency, ease of application, and the County's ability to fully review in a timely systematic manner.

One aspect that is important for the Committee to understand is that it will take 6 - 18 months after the submission of an application for a company to have fully performed its requirements under the program. This is because companies are required to hold each newly created job for a minimum of six months, and additionally, the company has up to one year from the date of application to complete its eligible hiring. Finance requires verification that the jobs were held for the required period through the submission of company payroll reports and state unemployment insurance reports which are produced on a quarterly basis. For these reasons, the disbursement process will take time and vary by company.

In order to better support the companies, Finance will allow disbursements to be requested in two stages for companies hiring more than 5 eligible jobs; an initial disbursement can be requested after the company has held the first five jobs for six months, and then a second disbursement can occur after the remaining jobs have been held for six months. This system allows a company to collect a partial award as it partially performs, and not wait until the end of the full grant period to collect a disbursement.

Finance is currently formulating a comprehensive progress report including milestones, program updates, and statistics for January applications, jobs, and disbursements likely to be distributed the first week of February.

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**Council Staff:** Please explain the process and decision-making behind setting up the Founder's and Technology Innovation Funds portal? What key considerations did you make that the ECON Committee should understand?

**County Executive Staff:** A working group at MCEDC was established in May 2024 to begin the design and launch of the Technology Innovation and Founders Funds and Job Creation funds. Because the Job Creation Funds are 'by-right' and therefore a

simpler authorization process, this fund was prioritized. As the working team evolved, a key consideration centered around resource support for the Technology Innovation and Founders Fund application and evaluation process, including, where to locate the portal (Montgomery County website, MCEDC website, or a third-party provider). After much review, a joint decision was made between Montgomery County and MCEDC to contract with FEDTECH, a company which specializes in supporting commercialization of early-stage technology funds and evaluating them for various awards.

FEDTECH's expertise includes not only evaluation and coaching but also developing a secure portal for the acceptance of company information and the ability to consolidate the information for objective scoring and evaluation and to provide efficient sharing of information as necessary for the Dept of Finance to do its due diligence, for decisions to be made efficiently for the disbursement of funds, and for ongoing reporting. The contract with FEDTECH also provides two hours of coaching per award winner with the hope that this will help the early-stage entrepreneurs to maximize their chances of success.

Links to the NOFO are attached. These represent a substantial amount of work to design a new program which would achieve the stated goals of the program while protecting the financial investments in these businesses by the county.

Technology Innovation Fund:

[www.fedtech.io/accelerators.mcg](http://www.fedtech.io/accelerators.mcg)

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**Council Staff:** What is the anticipated rate of approving and disbursing awards for each of the three funds? By which fiscal year do you anticipate spending the full \$20 million appropriation?

**County Executive Staff:** Given that the program has recently launched, we have likely not had enough time to be able to assess or predict future volume. We can say with certainty that the full \$10 million appropriation for JOBS will not be spent in FY25, and most likely, will not be spent fully in FY26 due to the nature of the performance requirements.

We expect the TI and Founders Fund allocation to be spent by FY26