


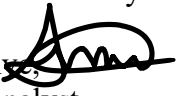


April 4, 2024

MEMORANDUM

TO: Thomas E. Dernoga, Chair
Planning, Housing, and Economic Development (PHED) Committee

THRU: Josh Hamlin 
Director of Budget and Policy Analysis

FROM: Shalene Miller-Whiteside 
Budget & Policy Analyst

RE: Economic Development Corporation
Fiscal Year 2025 Budget Review (Non-Departmental Grants & Transfer Payments)

Budget Overview

- The FY 2025 Proposed Budget for the Economic Development Corporation (EDC) is \$5,408,700, a decrease of \$488,100 or -8.3%, under the FY 2024 Approved Budget.
- The Economic Development Corporation (EDC) is partially funded through an annual County grant in the non-departmental section of the budget.
- The EDC's Proposed FY 2025 Budget reflects County grant funding in the amount of \$4,272,200, a decrease of \$500,000 or -10.5%, from FY 2024.

Revenue						
Fund	FY 2023 Actual	FY 2024 Approved	FY 2024 Estimated	FY 2025 Proposed	\$ Change	% Change
County Grant	\$ 3,982,600	\$ 4,772,200	\$ 4,772,200	\$ 4,272,200	\$ (500,000)	-10.5%
Other Sources	1,000,589	\$1,124,600	\$1,575,700	\$1,136,500	\$11,900	1.1%
Total	\$ 4,983,189	\$ 5,896,800	\$ 6,347,900	\$ 5,408,700	\$ (488,100)	-8.3%

Budget Comparison - Consolidated Budget

Approved Fiscal Year 2024 to Proposed Fiscal Year 2025

Category	FY 2023 Actual	FY 2024 Approved	FY 2024 Estimated	FY 2025 Proposed	Change Amount	Percentage Change
<u>REVENUES</u>						
County Grant	\$ 3,982,600	\$ 4,772,200	\$ 4,772,200	\$ 4,272,200	\$ (500,000)	(10.5)%
American rescue Plan Act (ARPA) Grant	29,681	496,000	1,000,000	-	(496,000)	(100.0)%
EDI Fund Processing Fees	7,320	16,300	16,300	16,300	-	0.0%
Enterprise Zone Grant	65,000	65,000	65,000	65,000	-	0.0%
Event/Sponsorship Revenue	150,000	150,000	150,000	150,000	-	0.0%
Fundraising Revenue	39,793	66,300	66,300	66,300	-	0.0%
Incubator Revenue	66,275	75,000	75,000	75,000	-	0.0%
Miscellaneous Income	639,270	254,000	201,100	761,900	507,900	200.0%
Small Business Services Revenue	3,250	2,000	2,000	2,000	-	0.0%
Total Revenues	\$ 4,983,189	\$ 5,896,800	\$ 6,347,900	\$ 5,408,700	\$ (488,100)	(8.3)%
<u>EXPENDITURES</u>						
Salaries & Wages	\$ 2,252,686	\$ 2,359,100	\$ 2,404,800	\$ 2,478,700	\$ 119,600	5.1%
Fringe Benefits	775,655	849,300	865,800	892,400	43,100	5.1%
Operating						
Professional Services	519,131	773,000	1,161,900	622,200	(150,800)	(19.5)%
Facilities Expenses	287,646	272,200	272,200	272,200	-	0.0%
Outreach/Conference	1,034,960	1,035,300	1,035,300	1,035,300	-	0.0%
Staff & Board Expenses	99,984	98,900	98,900	98,900	-	0.0%
Other Operating Expenses	13,117	509,000	509,000	9,000	(500,000)	(98.2)%
Sub-Total	1,954,838	\$ 2,688,400	\$ 3,077,300	\$ 2,037,600	\$ (650,800)	(24.2)%
Total Expenditures	\$ 4,983,179	\$ 5,896,800	\$ 6,347,900	\$ 5,408,700	\$ (488,100)	(8.3)%

Staffing Changes and Compensation

- From FY 2024, the Economic Development Corporation has had two position changes:
 - Promotion of Staff Accountant to Senior Accountant
 - Changed the Latino Small Business Liaison position to the Latino Development Manager to create room for growth with increased responsibilities.
- For FY 2025, the EDC plans to restructure its organizational chart to retain the Small Business Manager originally funded by ARPA, to be funded by 50% of the County's grants and the other 50% by other funding sources such as non-county grants, sponsorship, fundraising, and other revenues.
- There is currently one vacancy, the International Business Development Manager, which is unfunded.

Authorized Staffing Count

	FY 2024 Approved	FY 2025 Proposed	Change Amount	Percentage Change
Full-Time (Funded)	24	24	0	0.0%
Full-Time (Unfunded)	1	1	0	0.0%
Total	25	25	0	0.0%

Fringe Benefits

- In the FY 2025 Proposed Budget, fringe benefit expenditures total \$892,400, an increase of \$43,100, or 5.1%, above the FY 2024 Approved Budget.

Revenue

- The County's Grant to EDC is projected to be \$500,000 lower due to the removal of the operating costs of a one-time developer pilot program.
- The ARPA grant designated for FY 2023 and FY 2024 will be removed from the EDC's revenues as a one-time grant. ARPA Grant programs will end on June 30, 2024, due to the removal of this grant.
- Miscellaneous income is projected to have a 200% increase, or an increase of \$507,900, due to the EDC planning and hosting more events that bring traditional revenue.
- EDC has continued to retain a grant writing consulting firm to seek grant opportunities to continue meeting its goals and mission. The EDC is anticipating several grant decisions and has submitted six proposals in FY 2024. Grant funds will primarily support previous successful programming and the Corporation's overall mission.
- The Innovation Station Business Incubator is projecting \$10,000 lower than the budgeted amount of \$75,000 for FY 2024 due to the pandemic long-term impacts and lower incubator occupancy.

Operating Expenditures

- In the FY 2025 Proposed Budget, operating expenditures are proposed at \$2,037,600, a decrease of \$650,800 or -24.2%, below the FY 2024 Approved Budget. The proposed operating expenditure categories for the EDC include:
 - Professional Services, proposed at \$622,200, is a decrease of \$150,800 or -24.2% below the FY 2024 approved budget. This decrease is primarily due to the increased cost of consultants and contracted services and the end of the ARPA Grant on June 30, 2024.
 - Facilities Expenses, proposed at \$272,200, without any changes from the FY 2024 approved budget.
 - Outreach/Conference proposed at \$1,035,300, without any changes from the FY 2024 approved budget.

- Staff and Board Expenses, proposed at \$98,900, without any changes from the FY 2024 approved budget.
- Other Operating expenses, proposed at \$9,000, a decrease of \$500,000 or 98.2% below the FY 2024 approved budget. This decrease is primarily due to the Developer Pilot Program.

Economic Development Incentive (EDI) Fund Overview

The Economic Development Incentive Fund (EDI Fund) was established in FY 2012 through legislation (CB-04-2011) to allow Prince George's County to support development opportunities and job attraction and retention by providing critically needed financial assistance to projects that "but for" this public/private partnership will not occur and where market forces do not create the incentive to sustain private investments. As established, the EDI Fund should be used strategically to support developed tier and gateway communities, transit-oriented development, and local, minority, and small businesses, among other important priorities.

- To date, 1056 applications have been received through the EDI Fund online portal.
- FY 2024, 33 EDI Fund applications were received.
- Of the 33, six (6) were completed and submitted for further review.
- Currently, the EDI Fund pipeline consists of eight (8) active projects totaling \$26.2 million in total aggregate project cost and \$2.6 million in EDI Fund requests. All entities are new to the EDI Fund process.
- The total number of full-time jobs estimated to be created from all projects is 215.
- Currently provides outreach efforts to businesses by offering programs such as employee recruitment and training, business financing, building and site location assistance, public sector procurement, and introductions.
- The EDC team also communicates with businesses and developers within the County regarding how projects can benefit from private/public partnerships.
- The EDI Fund is currently thriving and working to grow the County's commercial tax base with projects across multiple industry sectors.
- Industry sectors for the EDI Fund's current pipeline of projects include the federal government, information technology and services, hospitals and health services, and research-intensive industries such as biosciences, instruments and electronics, research, and developer and engineering services.

FY 2024 Accomplishments

- Established an Economic Gardening Program to focus on the recovery and growth of companies negatively impacted by the COVID-19 pandemic.
- Engaged County businesses through programming, including peer-to-peer networking, technical assistance, trainings, meet-up groups, social media marketing, and entrepreneurial events. Programs included the following: Podcast Media Training Program, Website Development Essentials, Next Level Business Ventures, Latino Small Business Dev Program,

Financial Fitness, AI Empowerment, C Suite Accelerator, Certified PG, She Means Business, Entrepreneur in Residence, Latina Business Networking Breakfast, Pathways to Franchising, Contracting Opportunities, EmpowerHER Global Business Summit.

- 1,208 businesses participated in the economic gardening programming. The programs with the highest participation included the She Means Business Summit, with 185 businesses participating; Pathways to Franchising, with 218 businesses participating; and the EmpowerHER Global Business Summit, with 210 business participants.
- Used CDBG funds to offer financial resiliency courses and coaching sessions to in-home early childcare providers within Prince George's County. This included three (3) cohorts of up to 25 participants, and 50 businesses were assisted.
- To date, has conducted 248 Purple Line annual meetings with businesses within the County to uncover opportunities for redevelopment and repositions of business operation, structure, or marketing. As well as has conducted needs assessments to determine expansion options for businesses.
- Through partnership, continued to work on recommendations set by the Strategic Plan.
- Assisted three (3) shopping centers inside the Beltway in their various stages of redevelopment into mixed-use projects.
- Played a major role in the redevelopment of the Livingston Square shopping center by assisting with providing retail tenants, incentive programs, and permit assistance.
- Supported the Redevelopment Authority on the development of the Towne Square at Suitland Federal Center, a mixed-use project. EDC assisted the RDA in identifying commercial retail and hotel tenants for the project.
- Recommended shopping centers to the RDA to qualify for the Commercial Property Improvement Program (CPIP).
- Created and/or retained an estimated 1,600 jobs because of business attraction, retention, or expansion deals, 1,151 of which were full-time.
- Provided an estimate of 1,200 business attraction, retention, and expansion leads.
- Worked closely with DPIE to address concerns about the status of permits and facilitate projects such as TOD and major employers.
- Worked closely with Experience Prince George's in hotel development and major event marketing.
- Worked with FSC First in various ongoing projects, programs, and financing, and notably worked together on training programs provided to businesses.
- Partnered with various organizations, including the Maryland Department of Commerce, Maryland Department of Labor, Maryland DHCD, The U.S. Department of Commerce, USEAC, U.S. embassies in select Countries, Selected Embassies of Foreign Countries in Washington DC, World Bank, IMF, African Development Bank, OPIC, MCC, and other international institutions.

FY 2025 Strategic Focus

- Continue trade mission activities in all regions with an emphasis on emerging markets and sectors such as renewable energy, technology and aerospace, hospitality, healthcare, warehousing, logistics, and cybersecurity.
- Promote economic development by providing services and resources to attract, retain, and expand businesses in the County.
- Market and promote the County as the best place to do business.
- Provide services to support start-up technology companies through new initiatives such as the RISE Zone Rental Assistance Program and the Prince George's County Technology Council, as well as build stronger partnerships with TEDCO.
- Attract and promote revitalization, repurposing, and redeveloping shopping centers to attract retail establishments and grocers in food deserts.
- Build a stronger partnership with the University of Maryland to support the Quantum computing ecosystem.
- Support implementation of new FBI headquarters.
- Announce the first large-scale data center.
- Support administration efforts revolving around TOD opportunities, including the Blue Line Corridor.
- Revamp and update the EDC website for ADA and language compliance.

Areas of Concern/Challenges Facing EDC

- The ARPA grant-funded activities ending on June 30, 2024, include activities in the Economic Gardening Program. Activities may continue through bartering or increasing sonship, but activities may not continue in the same large-scale capacity without the grant from ARPA. Overall, the increased capacity to assist businesses revealed that there is a great need for technical assistance in programming, training, and networking events.
- Lack of funding to implement recommendations from the Economic Development Strategic Plan.
- Current concern about population losses in Maryland, including Prince George's County, has led to a low unemployment rate due to a lack of employees in the workforce. This concerns businesses who think they may have trouble finding employees.
- Teleworking and how it is contributing to the office vacancy rate, including its effect on mass transit usage and retail and restaurant business within the day-time business areas, which have both seen a decrease. This may ultimately affect the County's Transit Oriented Development strategy and Plan 2035 initiatives.
- Inflation and rising interest rates are impacting commercial construction. This includes multi-family projects with retail. Developers are experiencing a reduction in their internal rate of return from 26% to 12%. This could make financing commercial projects more difficult and increase the demand for County incentives.

- County initiatives to lower rent has led to a lower rate of return for developers. This frequently translates to a demand for incentives and tax credits to build within the County. This causes a disadvantage, as developers may be encouraged to build elsewhere, where subsidies are not required.
- Issues with the Department of Permitting, Inspections, and Enforcement have continued contributing to the County's business climate reputation, which may disincentive investment.
- The challenges of food deserts: currently, no grocers have taken advantage of the grocery tax credit established by CB-082-2023.
- Senate Bill 516 – Economic Development – Maryland Aerospace and Technology: This Bill would create the Maryland Aerospace and Technology Commission to promote innovation in the fields of space exploration and commercial aerospace opportunities, as well as provide grants for emerging technologies and research. The implications of this bill may include the potentiality of diluting the current influence of NASA Goddard in the County, as EDC has working partnerships in supporting the aerospace industry within the County.
- House Bill 306 – Prince George's County – Economic Development – Independent Innovation Agency of Prince George's County: This Bill would establish an innovation agency to promote innovation and technology in the County. It would require the State and County to fund this agency and establish programs such as the Innovation Places Program and Entrepreneurs-In-residence Program. This Bill may ignore the 2022 Strategic Plan for Economic Development regarding the role of the EDC in the TEDCO sector.
- House Bill 1413 – Prince George's County – Development Authority: This Bill will create a development authority for certain neighborhoods in the County. The purpose of this Bill is to support the development and approval of a comprehensive neighborhood revitalization plan to benefit housing, neighborhoods, and economic development. It is not clear how it will interact with the EDC's current efforts to implement the current strategic plan.