

Economic Development Corporation (EDC) - Fiscal Year 2022 Budget Review Summary

Proposed FY 2022 Operating Budget

Revenue						
Fund	FY 2020 Actual	FY 2021 Approved	FY 2021 Estimated	FY 2022 Proposed	\$ Change	% Change
County Grant	\$ 3,665,700	\$ 3,997,700	\$ 3,997,700	\$ 3,665,100	\$ (332,600)	-8.3%
Other Sources	526,373	\$499,600	\$499,600	\$499,600	\$0	0.0%
Total	\$ 4,192,073	\$ 4,497,300	\$ 4,497,300	\$ 4,164,700	\$ (332,600)	-7.4%

Category	FY 2020 Actual	FY 2021 Approved	FY 2021 Estimated	FY 2022 Proposed
Compensation	\$ 2,005,881	\$ 2,271,500	\$ 2,271,500	\$ 2,172,900
Fringe Benefits	654,774	817,700	817,700	782,300
Operating Expenses	1,094,741	1,408,100	1,408,100	1,209,500
Total	\$ 3,755,396	\$ 4,497,300	\$ 4,497,300	\$ 4,164,700

FY 2022 Proposed Budget – Key Highlights

- FY 2022 proposed revenues for the Economic Development Corporation total approximately \$4,164,700, a decrease of \$332,600, or 7.4%, below the FY 2021 Approved Budget. The decrease is mainly attributed to a decrease in the County’s grant by the same amount,
- 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 2022 Budget reflects County grant funding in the amount of \$3665,100, a decrease of \$332,600, or 8.3%, below the FY 2021 County approved funding level.
- FY 2022 compensation is proposed at \$2,172,900, which is a decrease of \$98,600, or 4.3%, below the FY 2021 Approved Budget level. The FY 2022 compensation decreased due to mandatory salary requirements.
- The proposed budget includes funding for 24 full-time positions, which is consistent with the previous year’s budget.
- In FY 2022 Proposed Budget, operating expenditures is proposed at \$1,209,500, which is a decrease of \$198,600 or 14.1% below the FY 2021 approved budget levels. The proposed operating budget is comprised of the following major items:
 - Outreach/Conference \$ 600,900
 - Facilities Expenses 272,000
 - Professional Services 245,900
 - Staff and Board Expenses 81,700

FY 2022 Key Priorities include:

- Return to the primary role of business attraction, retention and expansion, utilizing the updated strategic plan for economic development.
- Support recovery of multiple sectors of the County economy from COVID-19 induced stress, including restaurant and hospitality industries.
- Develop and expand marketing campaigns and promotional opportunities to promote the Prince George’s County business climate, success stories, assets and lifestyles.
- Maintains the County’s status as #1 in Job Growth in Maryland and make progress toward commercial/residential real property tax ratio.

Economic Development Incentive Fund

- To date, 752 applications have been received through the EDIF online portal.
- FY 2021, 24 EDIF applications were received.
- Of the 24, four (4) were fully submitted and progressing with further considerations. Three (3) of the four (4) current pipeline projects are new entities to the EDIF process.
- At present time, the pipeline reflects projects for shopping center redevelopment, manufacturing facilities, and IT technology.
- The leverage of private equity capital to the EDI Fund has been nearly 27-to-1, resulting in an increase in the commercial tax by \$120 million, which has resulted \$1.8 million more in taxes collected annually.
- In FY2022, EDC projects eight (8) EDIF Awards for FCS to process.

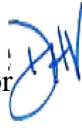



THE PRINCE GEORGE'S COUNTY GOVERNMENT
Office of Audits and Investigations

May 6, 2021

MEMORANDUM

TO: Calvin S. Hawkins, II, Chair
 Committee of the Whole (COW)

THRU: David H. Van Dyke, County Auditor 

FROM: Warren E. Burris, Senior Budget & Policy Legislative Analyst 

RE: Economic Development Corporation - Fiscal Year 2022 Budget Review
 (Non-Departmental Grants & Transfer Payments)

Budget Overview

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 2022 Budget reflects County grant funding in the amount of \$3,665,100, a decrease of \$332,600, or 8.3%, below the FY 2021 County approved funding level.

Approved Fiscal Year 2021 to Proposed Fiscal Year 2022

Category	FY 2020 Actual	FY 2021 Approved	FY 2021 Estimated	FY 2022 Proposed	Change Amount	Percentage Change
Prince George's County Grant	\$ 3,665,700	\$ 3,997,700	\$ 3,997,700	\$ 3,665,100	\$ (332,600)	-8.3%

Budget Comparison - Consolidated Budget

FY 2022 proposed revenues for the Economic Development Corporation total approximately \$4,164,700, a decrease of \$332,600, or 7.4%, below the FY 2021 Approved Budget. The decrease is mainly attributed to a decrease in the County's grant by the same amount.

Approved Fiscal Year 2021 to Proposed Fiscal Year 2022

County Grant	\$ 3,665,700	\$ 3,997,700	\$ 3,997,700	\$ 3,665,100	\$ (332,600)	(8.3)%
Enterprise Zone Grant	65,000	65,000	65,000	65,000	-	0.0%
Small Business Services Revenue	1,672	2,000	2,000	2,000	-	0.0%
Incubator Revenue	76,312	75,000	75,000	75,000	-	0.0%
Event/Sponsorship Revenue	24,316	150,000	150,000	150,000	-	0.0%
Fundraising Revenue	-	66,300	66,300	66,300	-	0.0%
EDI Fund Processing Fees	-	16,300	16,300	16,300	-	0.0%
Miscellaneous Income	359,073	125,000	125,000	125,000	-	0.0%
Total Revenues	\$ 4,192,073	\$ 4,497,300	\$ 4,497,300	\$ 4,164,700	\$ (332,600)	(7.4)%

EXPENDITURES

Salaries & Wages	\$ 2,005,881	\$ 2,271,500	\$ 2,271,500	\$ 2,172,900	\$ (98,600)	(4.3)%
Fringe Benefits	654,774	817,700	817,700	782,300	(35,400)	(4.3)%
Operating						
Professional Services	141,435	203,700	203,700	245,900	42,200	20.7%
Facilities Expenses	347,461	272,000	272,000	272,000	-	0.0%
Outreach/Conference	533,965	713,000	713,000	600,900	(112,100)	(15.7)%
Staff & Board Expenses	65,561	110,400	110,400	81,700	(28,700)	(26.0)%
Other Operating Expenses	6,320	109,000	109,000	9,000	(100,000)	(91.7)%
Sub-Total	\$ 1,094,742	\$ 1,408,100	\$ 1,408,100	\$ 1,209,500	\$ (198,600)	(14.1)%
Total Expenditures	\$ 3,755,397	\$ 4,497,300	\$ 4,497,300	\$ 4,164,700	\$ (332,600)	(7.4)%

Authorized Staffing Count - County Funded Positions

	FY 2021 Approved	FY 2022 Proposed	Change Amount	Percentage Change
Full-Time	24	24	0	0.0%
Part-Time	0	0	0	0.0%
Total	24	24	0	0.0%

Staffing Changes and Compensation

- FY 2022 compensation is proposed at \$2,172,900, which is a decrease of \$98,600, or 4.3%, below the FY 2021 Approved Budget level. The FY 2022 compensation decreased due to mandatory salary requirements.
- There are 24 full-time positions funded in the Proposed FY 2022, which is consistent with the previous year’s budget.
- One of the positions that remains unfunded was the International Business Development Specialist.
- EDC employees received a 3.5 % merit increase but not the COLA. When the Pandemic hit, the budget was modified to exclude the 2% COLA increase.

Fringe Benefits

- In FY 2022 Proposed Budget, the fringe benefit expenditures total \$782,300, a decrease of \$35,400, or 4.3%, below the FY 2021 Approved Budget level due to aligning these costs with the mandated salary requirements. The fringe benefits rate remains at 36%.

Operating

- In FY 2022 Proposed Budget, operating expenditures is proposed at \$1,209,500, which is a decrease of \$198,600 or 14.1% below the FY 2021 approved budget levels. The proposed operating budget is comprised of the following major items:
 - Outreach/Conference \$ 600,900
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EDC Mission and Core Services

The EDC’s mission is to market and promote the County to businesses and provide services that support business development, high-wage job creation, and expansion of Prince George’s County’s commercial tax base.

The EDC’s core services are as follows:

- Promote economic development by providing business service to attract, retain, and expand businesses in the County
- Market and promote the County as the best place to do business.

- Provide wide range of services to support start-up technology companies.
- Promote international business development through export, assistance, foreign direct investment (FDI), and international business attraction.
- Implement and administer COVID-19 business recovery programs, including the Business Recovery, Child Care, and Restaurant Resiliency initiatives.

Economic Development Incentive (EDI) Fund Overview

The Economic Development Incentive Fund was established in FY 2012 to provide financial assistance to projects that would not have occurred without this public/private partnership. Sales, lease, and rent disparity in Prince George's County compared to neighboring jurisdictions creates continual demand for incentives and subsidies for commercial, residential, and retail development. The goal of the agency is to fully leverage the County's investment of EDI Funds (taxpayer investment) with funds from the State of Maryland and the private sector, including owners' equity and bank funds. This fund has been recognized as one of the most important tools the County has for business development and attraction.

- To date, 752 applications have been received through the EDIF online portal.
- FY 2021, 24 EDIF applications were received.
- Of the 24, four (4) were fully submitted and progressing with further considerations. Three (3) of the four (4) current pipeline projects are new entities to the EDIF process.
- At present time, the pipeline reflects projects for shopping center redevelopment, manufacturing facilities, and IT technology.
- The leverage of private equity capital to the EDI Fund has been nearly 27-to-1, resulting in an increase in the commercial tax base by \$112 million, which has resulted in \$1.8 million more in taxes collected annually.
- In FY2022, EDC projects eight (8) EDI Fund Awards for FCS to process.

FY 2022 Grant Applications in Process

- \$500,000 Request – Citi Foundation Technical Assistance Program for Black, Indigenous and People of Color – Will assist with providing technical assistance and COVID support to small minority businesses
- \$500,000 Request – International Trade Administration Market Development Cooperator Program – Will assist with identifying and addressing export challenges.
- \$200,000 Request – Economic Development Agency -Public Works and Economic Adjustment Assistance Program – Will assist County Small business and leverage County's Opportunity Zones.
- \$250,000 Request – Community Development Block Grant (CDBG) – Will assist local business to increase job opportunities in Low Moderate Incomed Communities.

The Economic Development Corporation received unusual grants from Pepco in the amount of \$250,000 and Exelon in the amount of \$65,000 to support local business that suffered major issues in the early days of the Pandemic.

Areas of Concern/Challenges Facing EDC

- The Innovation Center is projecting \$18,000 in lower revenue due to the unexpected impact of the lower tenancy due to COVID pandemic. EDC had to restructure Innovation Center to attract more virtual tenants.

- Impact of COVID on retail space and potential vacancy rates.
- Achieving aspirational targets of private donorship, sponsorships and fundraising.
- Lack of support from Maryland Department of Commerce in providing prospects and attracting large national companies to the County.
- Sales, lease and rent disparity in Prince George's County as compared to neighboring jurisdictions creates continual demand for incentives and subsidies for commercial, residential and retail development.
- The challenge of food deserts will remain one of the most difficult issues facing economic development in the County.

2021-enacted Maryland General Assembly Legislation that may have significant impact EDC operation and fiscal resources:

- HB 1279 and SB 778 – RISE Zone – Legislation addresses the failing of the well-intended RISE zone program by changing its emphasis from real property tax credits to leasing and rental assistance, the latter being much more useful to targeted start-up technology companies. *Passed and approved by the Governor -Effective July 2021*
- SB 196 – Economic Development- Research and Development Tax Credit -Alterations would extend the termination date of the Research and Development tax credit. *Passed and approved by the Governor -Effective July 2021*
- SB 365 – Neighborhood Business Development Program – Food Desert Projects – Business Retention. The Neighborhood Business Development Program provides grants and loans to community- based economic development activities in revitalization areas or eligible opportunity zones by local governments. *Passed and approved by the Governor-Effective July 2021*

EDC's FY 2022 Key Priorities include:

- Return to the primary role of business attraction, retention and expansion, utilizing the updated strategic plan for economic development.
- Support recovery of multiple sectors of the County economy from COVID-19 induced stress, including restaurant and hospitality industries.
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Economic Strategic Analysis Moving Forward

The implementation of new strategic plan for Economic Development will provide important direction for EDC's priorities moving forward. EDC is prioritizing its Data Center Initiative and will market new incentives to promote multiple potential data center sites in the County. EDC intends to focus resources and to support small businesses in the County and to develop a broad post-COVID marketing strategy. Below are excerpts from the new Strategic plan that will seek to drive the Corporations strategy moving forward. This strategy considers the impact of the COVID pandemic on the overall economy and how it effects the County. The slides provide reference and guidance to the Economic Drivers and industry clusters the Corporation will focus.

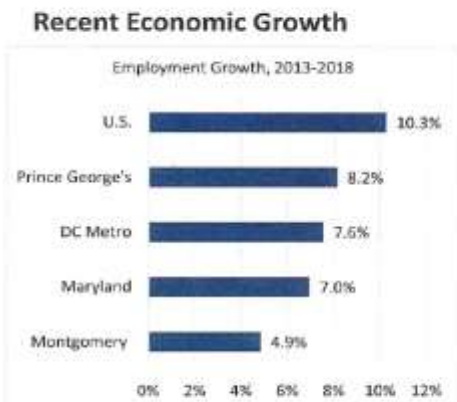
Economic Drivers

- Strong economic growth leading from 2015-2019...but uncertainty exists in the wake of the COVID-19 Pandemic
- Concerns exist about the County's short-term recovery...but this strategy must address longer-term economic issues
- Targeted industry clusters are boosting economic growth...but they are evolving

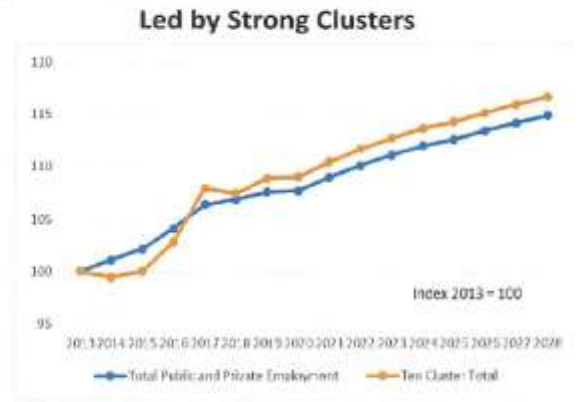
Based on previous tasks, analyses, and meetings, we have identified **four target industry clusters**, as well as **two supporting economic drivers**:



Although Prince George's County has trailed the region and the nation for the last two business cycles, encouraging recent employment growth and strong industry clusters provide reason for optimism.



Over the past five years, county growth has outpaced the region and most of its peers. However, the County still lags the U.S. average.



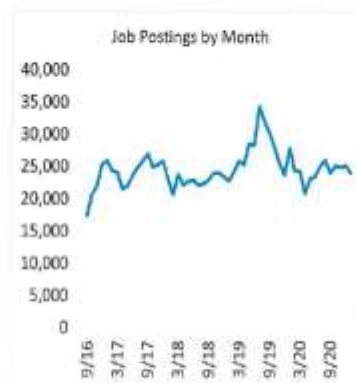
The 12 clusters represent 46% of employment. The fastest growing clusters were Travel/Tourism (59%), Research, Development, and Engineering (33%), and Biosciences (31%)

While our analysis started prior to the pandemic and is focused on long-term trends and alignment, it is important to understand the challenges facing Prince George's County's economic recovery.



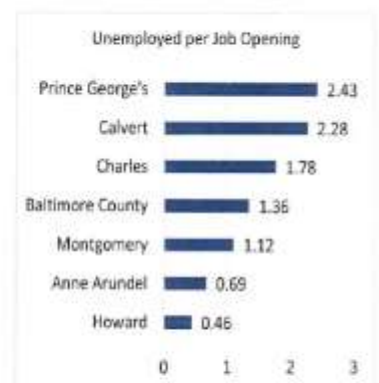
High COVID Vulnerability

Compared to peers, County residents and businesses are more impacted. Vulnerable sectors include mining, retail, arts/entertainment, accommodations, food services, and professional services.



Slower COVID Recovery

According to EMSI, Job postings peaked in July 2019 at nearly 35,000, with a low of 20,862 in April 2020. Notably, job postings have stalled since August 2020.



Widespread Unemployment

As of December 2020, the County had the state's rate of unemployed workers as a share of job openings. This cuts across educational, occupational, and skill levels.

The Economic Development Corporation has utilized Maryland Technology Development Corporation (TEDCO) to address venture capital needs of County companies and supports Innovation Center tenants. TEDCO has informed EDC that it is planning the launch of a new program called the Urban Business Innovation Initiative (UBII) targeted to Prince George's County and Baltimore City. TEDCO indicates that they will assign a part-time staff to the County that will work one on one with a number of companies to provide mentorship and guidance to other resources in the region.

On November 17, 2020, Governor Larry Hogan announced Maryland's Fortune 20, a list of innovative start-ups from various industries that have potential to be the State's next major business success story. The following seven County companies were mentioned on the lists:

- **Airgility** – Developer of unmanned aerial systems to help support defense missions, public safety and commercial sectors.
- **InventWood** – Start-up developing environmentally-sustainable cellulose products.
- **IonQ** – Quantum computing hardware and software company talking ion quantum computing from lab to the marketplace.
- **Ion Storage Systems** – Technology company that creates batteries that are safer and enhance system performance.
- **Medcura** – Medical device company that is developing a wound care platform for surgical, medical, and consumer applications.
- **pathOtrak** – Biotechnology company that is developing a rapid detection test for foodborne pathogens, including E.coli and salmonella.
- **Resensys** – Technology company with a wireless sensor network to help monitor infrastructure systems against aging and malfunction.

Three (3) companies located in Prince George's County made the January 2021 list of top 25 Venture Capital deals in Maryland:

- IonQ - \$62 million (Computer Hardware)
- Immuta - \$40 million (Software)
- Inky - \$20 million (Software)