



May 2, 2023

MEMORANDUM

TO: Jolene Ivey, Chair
Planning, Housing and Economic Development (PHED) Committee

THRU: Josh Hamlin
Director of Budget and Policy Analysis

FROM: Shalene Miller-Whyte
Budget & Policy Analyst

RE: Economic Development Corporation - Fiscal Year 2024 Budget Review
(Non-Departmental Grants & Transfer Payments)

Budget Overview

- The FY 2024 Proposed Budget for the Economic Development Corporation (EDC) is \$5,896,800, an increase of \$1,414,600 or 31.6% over the FY 2023 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 2023 Budget reflects County grant funding in the amount of \$4,772,200, an increase of \$789,600 or 19.8% from FY 2023.

Revenue						
Fund	FY 2022 Actual	FY 2023 Approved	FY 2023 Estimated	FY 2024 Proposed	\$ Change	% Change
County Grant	\$ 3,739,100	\$ 3,982,600	\$ 3,982,600	\$ 4,772,200	\$ 789,600	19.8%
Other Sources	543,701	\$499,600	\$1,734,600	\$1,124,600	\$625,000	125.1%
Total	\$ 4,282,801	\$ 4,482,200	\$ 5,717,200	\$ 5,896,800	\$ 1,414,600	31.6%

Budget Comparison - Consolidated Budget

Approved Fiscal Year 2023 to Proposed Fiscal Year 2024

Category	FY 2022 Actual	FY 2023 Approved	FY 2023 Estimated	FY 2024 Proposed	Change Amount	Percentage Change
<u>REVENUES</u>						
County Grant	\$ 3,739,100	\$ 3,982,600	\$ 3,982,600	\$ 4,772,200	\$ 789,600	19.8%
Enterprise Zone Grant	65,000	65,000	65,000	65,000	-	0.0%
Small Business Services Revenue	3,827	2,000	2,000	2,000	-	0.0%
Incubator Revenue	68,900	75,000	75,000	75,000	-	0.0%
Event/Sponsorship Revenue	150,000	150,000	150,000	150,000	-	0.0%
Fundraising Revenue	36,311	66,300	66,300	66,300	-	0.0%
EDI Fund Processing Fees	16,300	16,300	16,300	16,300	-	0.0%
American rescue Plan Act (ARPA) Grant			1,004,000	496,000	496,000	100.0%
Miscellaneous Income	203,363	125,000	356,000	254,000	129,000	103.2%
Total Revenues	\$ 4,282,801	\$ 4,482,200	\$ 5,717,200	\$ 5,896,800	\$ 1,414,600	31.6%
<u>EXPENDITURES</u>						
Salaries & Wages	\$ 2,167,300	\$ 2,357,400	\$ 2,357,400	\$ 2,359,100	\$ 1,700	0.1%
Fringe Benefits	780,228	848,700	848,700	849,300	600	0.1%
Operating						
Professional Services	358,837	264,600	974,600	773,000	508,400	192.1%
Facilities Expenses	254,603	250,900	280,900	272,200	21,300	8.5%
Outreach/Conference	611,375	662,700	1,117,700	1,035,300	372,600	56.2%
Staff & Board Expenses	81,711	88,900	98,900	98,900	10,000	11.2%
Other Operating Expenses	9,604	9,000	39,000	509,000	500,000	5555.6%
Sub-Total	1,316,130	\$ 1,276,100	\$ 2,511,100	\$ 2,688,400	\$ 1,412,300	110.7%
Total Expenditures	\$ 4,263,658	\$ 4,482,200	\$ 5,717,200	\$ 5,896,800	\$ 1,414,600	31.6%

Staffing Changes and Compensation

- From FY 2023, the Economic Development Corporation has restructured to create two positions which include:
 - Small Business Manager, funded by ARPA grant funds and savings from the Business Development Manager position, currently filled by a professional consultant. When this grant ends, this position will be absorbed.

- The Director for Business Development position was eliminated to create a supervisory position, Executive Director of Business Development.

Authorized Staffing Count

	FY 2023 Approved	FY 2024 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 2024 Proposed Budget, fringe benefit expenditures total \$849,300, an increase of \$600, or 0.1%, above the FY 2023 Approved Budget.

Revenue

- There has been a decline in sponsorship requests and fundraising revenue, the EDC projects that that revenue will be approximately \$50,000 less than the budgeted amount of \$216,300.
- Based on discussion, EDC confirmed they may need to absorb approximately \$120,000, due to the loss of their top three (3) sponsors for the International Commercial and Shoppers Conference.
- EDC has hired a grant writing consulting firm to seek grant opportunities to continue meeting its goals and mission.
- Miscellaneous income includes grant revenue such as the Community Development Block grant.
- The Innovation Station Business Incubator is projecting \$10,000 lower than the budgeted amount of \$75,000 for FY 2023 due to the pandemic long-term impacts and lower incubator occupancy.

Operating Expenditures

- In the FY 2024 Proposed Budget, operating expenditures are proposed at \$2,688,400, which is an increase of \$1,412,300 or 110.7%, above the FY 2023 Approved Budget. The proposed operating expenditure categories for the EDC include:
 - Professional Services, proposed at \$773,000, is an increase of \$508,400 or 192.1% over the FY 2023 approved budget. This increase is primarily due to EDC obtaining consulting services.
 - Facilities Expenses, proposed at \$272,200, an increase of \$21,300 or 8.5% over the FY 2023 approved budget.
 - Outreach/Conference proposed at \$1,035,300, an increase of \$372,600 or 56.2% over the FY 2023 approved budget. This increase is primarily due to increasing advertising and promotion, the BUY PGC Marketing Campaign and trade shows, and funding EDC's new trade booth.
 - Staff and Board Expenses, proposed at \$98,900, is an increase of \$10,000 or 11.2% over the FY 2023 approved budget.

- Other Operating expenses, proposed at \$509,000, which is an increase of \$500,000 or 5555.6% over the approved FY 2023 approved budget. This increase 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, 960 applications have been received through the EDI Fund online portal.
- FY 2023, 67 EDI Fund applications were received.
- Of the 67, six (5) were completed, of which one (4) has been fully submitted and progressing with further considerations.
- Currently the EDI Fund pipeline consists of eight (10) active projects totaling \$63.4 million in total aggregate project cost and \$2 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 291.

Areas of Concern/Challenges Facing EDC

Based on the First Round Response Questions and the Staff Review Session, the Economic Development Corporation have the following concerns and challenges:

- County initiatives have caused a decrease in the number of sponsorships requests for FY 2023.
- The EDC has struggled to offer competitive salaries due to the 2-3 percent increase, which is not meeting the rates of inflation and the competitive labor market
- 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 current 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 possibly 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.

- The brick-and-mortar retail sector is facing challenges due to the pandemic due to the increase in online sales, which have reached 15%. With greater vacancy rates of retail spaces, there will be a lower tax return for retail spaces in the County.
- Issues with the Department of Permitting, Inspections, and Enforcement have continued to contribute to the County's business climate reputation which may disincentive investment.
- There is a lag in job growth, commercial construction, and major corporation local preferences, from Virginia to Maryland. This has had long-term implications on tax revenue, workforce availability, and the overall growth of the state.
- Food deserts and the lack of financial resources available to identify a solution to County communities facing food deserts.
- Low funding levels for marketing and promotion, which has decreased radio and print media frequency, staff resources, and the EDC's ability to attend multiple national trade conferences.
- The EDC has concerns about implementing the New Strategic Plan recommendations, implementation of recommendations may take 3-5 years and there is an estimated cost of up to \$3 million. Recommendations assigned to EDC include:
 - Launch the innovation Collaborative of Prince George's County
 - Partnership for Jobs and Skills Initiative
 - Alliance for Placemaking Initiative

FY 2023 Accomplishments

- Made 10 referrals in the past 12 months to DHCD regarding multi-family projects in the County which encourage a workforce or affordable housing component, with and without retail or a commercial component.
- Used \$250,000 CDBG funding to create a technical assistance program for restaurant sector businesses, which includes seminars and counseling sessions to help expand business, grow their workforce, and increase capacity.
- In FY 2023, the EDC expanded 10 businesses, with 496 jobs created and 162 jobs retained.
- In FY 2023, the EDC attracted 12 businesses, with 673 jobs created.
- In FY 2023, the EDC retained 1 business, with 8 jobs created.
- With the use of social media and the EDC website, provided tools for the business community with the cyber-mall, with 35K unique visitors and 73K page views.
- Highlighted local companies through the Creando Exitors program, which has had great success in the Spanish-speaking business outreach program.
- Worked with two (2) successful backfills of grocer vacancies within the County and aided in the acquisition of two grocer locations.

FY 2024 Strategic Focus

- Develop the Buy Prince George's App to connect businesses to consumers, there is additional funding needed to support the app out of the \$150,000 to fund it currently due to ongoing maintenance costs.

- Attract grocers to food desert locations by identifying viable sites for grocer locations. In partnership with the County Executive's office, the EDC is recommending an enhancement of the existing Grocery Store Tax Credit, bundled with EDI funding to attract targeted grocers.
- Build a stronger partnership with the University of Maryland in support of the Quantum computing ecosystem around the presence of IonQ.
- Announce the first new data center in County, based on new "by right" zoning.
- Stabilize successes with Last Mile Centers by Amazon which has identified 1,300 jobs in the County.
- Support Transit Oriented Development Opportunities.
- Continue targeting shopping centers for redevelopment and improvement.
- Initiate new partnerships with TEDCO in support of startup technology companies, as well as grow the County's Technology Council.
- Focus on attracting federal jobs, including the Bureau of Engraving and Printing which is set to locate 1,600 jobs.
- Support the implementation of the new FBI headquarters within the County.
- Updating the EDC website to meet ADA compliance.
- A Kenya trade mission is under development and an El Salvador trade mission is in discussion.
- Establish an Economic Gardening program to support the recovery and growth of small businesses, as well as develop the Grow Prince George's program that will target the needs of Black, Indigenous, People of Color (BIPOC), and Latino entrepreneurs who need technical assistance.