



MEMORANDUM

January 20, 2014

TO: Barbara Matthews, City Manager

FROM: Jenny Kimball, Assistant City Manager

SUBJECT: Small Business Grant Program

During the December 16, 2013 budget preview, Mayor Newton requested that the Mayor and Council consider implementing a small business grant program. Mayor Newton also suggested that staff examine the City of Gaithersburg's program as a model. The Councilmembers supported directing staff to explore Mayor Newton's suggestion further. This memo provides information about Gaithersburg's grant program. It also outlines next steps and some broad questions for the Mayor and Council to consider to more clearly define the goals and approach to a grant program in Rockville.

City of Gaithersburg – Economic Development Toolbox

The goal of Gaithersburg's Economic Development Toolbox is to provide diversified economic development incentives to existing businesses and eligible commercial spaces in the city. Incentives are generally directed to businesses in operation for more than two years that exhibit growth potential and provide stable, well-paying jobs. Some of the incentives are related to long-term marketability of commercial space.

The toolbox offers one-to-one matching grants, with the city reimbursing the grant recipient after the funds are invested in the intended project. The maximum grant amount an applicant can receive throughout the life of the program is \$50,000. Recipients are expected to report results based upon mutually agreed benchmarks. Failure to achieve desired outcomes may result in recovery of the City funds.

Gaithersburg has awarded 31 grants totaling \$620,000 since the inception of the program. Economic Development staff estimate that the grants have brought 600 jobs to Gaithersburg. A primary goal of the grants is to fill space that has been vacant at least two years. The majority of the grants awarded to date have funded the fit out of vacant commercial space to be occupied by a business with growth potential and well-paying jobs. The grants are not targeted to small businesses specifically, any size business may apply. Retail businesses are eligible if they are located in two targeted areas – Olde Town Gaithersburg and Main Street in the Kentlands. Only five of the 31 total grant recipients were retail businesses.

Six types of matching grants are available through Gaithersburg's Economic Development Toolbox:

1. Assistance for Long Term Commercial Vacancies – Tenant Fit-Up Grants (maximum of \$25,000 per applicant)

This matching grant assists owners in readying commercial spaces and buildings for tenants. Eligible spaces must have been vacant for at least two years (one year for biotechnology, lab space, or space located in the Olde Towne Enterprise Zone). The applicant must be relocating to the City or expanding a business currently in the City. Tenants must sign a minimum five-year lease under terms and conditions acceptable to the City. Restaurant and retail uses are eligible only if they involve the opening of a subsequent location of an existing business or the expansion of a business currently in the Olde Towne Enterprise Zone.

Examples of Tenant Fit-Up Grants awarded by the City include:

- \$4,320 to upgrade and improve 2,160 sq. ft. at 201 East Diamond Ave. for commercial office use
- \$31,500 for the build-out of 10,500 sq. ft. of accelerator space for Integrated BioTherapeutics
- \$42,558 for build-out of 14,186 sq. ft. of accelerator space for Zyngenia
- \$7,400 to upgrade and improve space for occupancy for Coratola Architectural
- \$50,000 for interior renovation for MDA Information Systems, Inc.
- Up to \$50,000 to renovate 20,570 sq. ft. of space for Amplimmune, Inc.

2. Job Training (maximum of \$20,000 per applicant)

This matching grant assists businesses in upgrading the skills of their workforce. Training funds are limited to persons earning less than \$75,000 per year who work for businesses deemed to be in high demand (biotechnology, health care technology). Training must be conducted by an outside vendor. The City established a non-exclusive relationship with the Montgomery College Business Training Center, a nationally recognized provider of business training.

3. Commercial Signage Assistance (maximum of \$10,000 per applicant)

This matching grant assists in upgrading freestanding multi-tenant and/or directional signage in accordance with Gaithersburg's sign ordinance. Primary individual business signs are eligible only for a business whose space is in excess of 20,000 square feet. Examples of Commercial Signage Grants awarded by the City include:

- \$4,480 to upgrade and improve commercial signage at 8 Russell Avenue
- \$10,000 to upgrade and improve commercial signage at Muddy Branch Center.

4. Demolition Assistance (maximum of \$25,000 per applicant)

This matching grant assists in demolishing commercial buildings interpreted by the city to be abandoned, blighted or obsolete. Funds can be used to demolish entire buildings or their interiors or exteriors in conjunction with interior or exterior renovations. Applicants must submit a description of how the demolition will result in the property becoming marketable for commercial purposes within a reasonable period of time. For example, a Demolition and Fit-Up Grant was awarded by the City to Noble Life Sciences, Inc. for \$43,741 to demolish and renovate 6,247 sq. ft. of space.

5. Americans with Disabilities Act (ADA) Upgrades (maximum of \$10,000)

This matching grant assists commercial tenants and/or property owners in completing ADA upgrades that are required by applicable codes or specific tenant requirements.

6. Utility Upgrades (maximum of \$10,000)

This matching grant assists commercial property owners in the Olde Towne Enterprise Zone in making their properties more marketable to new or expanding tenants. Utilities include infrastructure for electric, gas, water, phone and internet. For example, a Demolition, ADA and Utility Upgrades Grant was awarded for \$45,000 to restore the interior to the original bank floor plan at 300 East Diamond Avenue.

Options to Consider

Each element of the Gaithersburg toolbox was established to provide a specific type of assistance that benefits the city's economic development efforts in a targeted manner, such as to fill long vacant commercial space or to upgrade the skills of the workforce in specific high demand fields. To be most effective, Rockville staff recommends that the Mayor and Council consider the specific goal(s) of a Rockville grant program and design the program accordingly.

Business size is not a factor in selecting grant recipients under Gaithersburg's program. If the goal is to support small businesses in Rockville specifically, staff recommends that the Mayor and Council consider specific size eligibility criteria, such as numbers of employees or annual revenue.

Gaithersburg's Olde Towne Enterprise Zone and Main Street in the Kentlands offers a means to give special treatment to businesses in a specific geographic location. The Mayor and Council could consider designating specific locations in the City that would benefit from economic development assistance and design the grant program to target those areas.

Next Steps

The Gaithersburg toolbox provides a useful local model. As a next step, staff could research other municipal small business grants for additional models, however Gaithersburg staff reports that very few examples existed when they developed their program.

Staff could prepare an agenda item to further discuss the options and desired approach, including focus areas or specific goals of a grant program, administering agency, and funding amount. The results would provide additional information to use in incorporating a new program into the FY15 budget, if desired by the Mayor and Council.