



FY 20 BUDGET MEMO # 37

DATE: May 2, 2019

TO: The Honorable Mayor and Members of the City Council

THROUGH: Robert A. Stalzer, City Manager *RA Stalzer*

FROM: Christopher Bruno, Director of Economic Development
John Sabo, Economic Development Authority Chair

SUBJECT: General Information on EDA Strategy related to the Mason Enterprise Center Budgeting

During the April 23 Work Session CM Yi inquired as to the general Economic Development Authority strategy for the Mason Enterprise Center - Fairfax (MEC) going forward.

The Mason Enterprise Center program is the result of a tripartite agreement between the City of Fairfax, the Fairfax City Economic Development Authority, and George Mason University. The memorandum of understanding (the “MOA”) dictates the parties’ responsibilities and their relationship to one another. Generally, the MOA provides for the funding, leasing, and programmatic operation of the MEC as a small business incubator located within the City of Fairfax, which is overseen by the EDA and administered by George Mason University.

The original MEC MOA document and corresponding office lease commenced in 2012. With minor exception, the MOA has remained consistent since 2012 and has only been extended to realign the MOA with the existing office lease. This extension was done for liability reasons to proactively protect the EDA’s investment in the leasehold agreement. **The current MOA and affiliated property lease expire in 2022. The EDA and city economic development staff have begun preliminary conversations regarding the MEC beyond 2022.** As information develops the Economic Development Authority will communicate updates to the Mayor and City Council either directly or in a joint-meeting between the two bodies. Substantive changes to a new MOA or program would require City Council support.

The Economic Development Authority currently exercises programmatic oversight of the MEC requiring monthly program updates and quarterly leasing and financial presentations. It does not, however, manage the MEC-related bank accounts. For

detailed information on those accounts the EDA would support facilitating an EDA work session meeting in the near future open to the public. All fiscal and programmatic updates are provided by the MEC Executive Director (“Program Staff”). Under the terms of the existing MOA, Program Staff are retained by the EDA to serve as its agent in the leasing of office space to MEC tenants.

The proposed annual support for the MEC program under the existing MOA is as follows:

- **\$45,000 – MOA Support.** This line, as proposed, would provide the baseline support of \$30,000 guaranteed to the program by the MOA. The additional \$15,000 which was added with the support of the Director of Economic Development in 2018, continues to provide for the attraction and retention of Program Staff with the capacity to develop a strategic vision for the reprioritization of MEC programs and resources.
- **\$15,000 – MEC Promotions.** The MEC Promotions line would continue to address an unspecified commitment by the EDA within the MOA to provide promotions support for the MEC. Historically this line has been used for the development of collateral to advertise available space and programs. Recently this line has also been used to provide support for a revamp of the MEC website and to provide additional support for the MEC’s social media campaign. This line would also providing support for a small move-in incentive program to attract new tenant companies with discounted rent. The maximum amount of funding for FY20 under this program would be \$6,500. While no specific dollar amount is set, the EDA has deferred to the needs of the MEC Program Staff in responding to its responsibility to promote the MEC.
- **\$45,000 – City Connected Grant.** The proposed City Connected Grant allocation represents a rebranding and packaging of a previously existing unstructured move-out incentive program. Previously, \$5,000 was awarded to any business “graduating” from the MEC into the City of Fairfax. With the support of the Economic Development Director and Commission, this program as proposed will establish a goal of three (3) awards each fiscal year. Each company relocating into the city would receive \$15,000 (to be either applied to office build out or lease payments). It was determined by the EDA that a grant of \$15,000 was more impactful than a standalone \$5,000 grant. This restructured program also allows for the adherence to a compliance agreement (a grant agreement) requiring obligations by the receiving company (e.g. lease length, job creation, etc.)

NB: These numbers represent the intended allocation of funds for FY20 (and are similar to current FY19 allocations, with minor exceptions). Unspent funds remain within the EDA budget and are either reallocated following a public meeting and vote of the EDA commissioners, or returned to the City as unspent funds at the conclusion of any given fiscal year.