

Subject: County's Economic Development Strategy	
Purpose: Receive briefing and have discussion – no vote expected	
Analyst: Gene Smith, Legislative Analyst	Committee: None
Keywords: #EconDev	

EXPECTED ATTENDEES

County Executive Elrich
Jerome Fletcher, Assistant Chief Administrative Officer

SUMMARY

The Council met in March with the Montgomery County Economic Development Corporation and WorkSource Montgomery to understand better the County's economic development implementation through the County's designated economic development organizations. As follow up, the Council President requested an update from the Executive about current economic development strategy for the County and if he plans to modify the current implementation structure (see ©1-3).

The Council President's memorandum included a one-page chart of economic development functions for the Executive and his staff to modify, expand, and/or update as a context for the Council's discussion (see ©3). Council staff was informed that this information will be provided on Monday (see ©4). **The Executive's responses will be provided as an addendum to this memorandum.**

This report contains:

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MEMORANDUM

June 21, 2019

TO: County Council

FROM: Gene Smith, Legislative Analyst 

SUBJECT: Discussion – County’s Economic Development Strategy

PURPOSE: Discussion with County Executive about strategy and implementation

The Council met in March with the Montgomery County Economic Development Corporation and WorkSource Montgomery to understand better the County’s economic development implementation through the County’s designated economic development organizations. As follow up, the Council President requested an update from the Executive about current economic development strategy for the County and if he plans to modify the current implementation structure (see ©1-3).

The Council President’s memorandum included a one-page chart of economic development functions for the Executive and his staff to modify, expand, and/or update as a context for the Council’s discussion (see ©3). Council staff was informed that this information will be provided on Monday (see ©4). **The Executive’s responses will be provided as an addendum to this memorandum.**

I. Background

A. Economic Development Strategic Plan

Section 20-76 (a) of the County Code requires the Executive to submit or amend the County’s economic development strategic plan every four years. The economic development strategic plan must include measures to address specific outcomes, including but not limited to 1) job creation; 2) workforce education and training; 3) growth in tax base; and 4) encouragement of entrepreneurs and small business.

The County Code requires the plan to be submitted or amended by Method 1 regulation; this method requires Council approval before it can go into effect. **The next deadline for an update to the economic development strategic plan is October 2019.**

B. The County’s economy

There are numerous metrics to define or measure the County’s economy. The table below provides a series of common economic data points for the County and for other local jurisdictions. Following that table is a comparison of the covered jobs for: 1) 2008, the pre-recession high; 2) 2010,

the post-recession low, generally; and 3) 2018 current employment. In addition, the table details the changes in jobs from 2018 to 2010 (low) and 2018 to 2008 (high).

Common Economic Data Points for 2018

County	Resident Jobs	Covered Jobs	Unemployment Rate	GDP (2015 \$000)	Office Vacancy [†]
Arlington, VA	148,689	177,708	2.0%	38,277,598	17.4%
Baltimore Co.	436,400	376,390	4.2%	49,403,216	Unavailable
D.C.	382,140	769,916	5.6%	125,434,630	11.2%
Fairfax, VA	622,667	610,840	2.5%	100,218,990	15.8%
Howard	178,244	171,153	3.2%	23,643,566	Unavailable
Montgomery	543,410	469,907	3.2%	91,701,930	11.9%
Prince George's	487,710	318,716	4.3%	38,782,144	14.0%

Source: Bureau of Economic Analysis (BEA), Bureau of Labor Statistics (BLS), and CoStar; Resident Jobs is employment by location of residence; Covered Jobs is at-place employment.

† The County's CoStar license does not include the Baltimore region; vacancy rate is March 2019.

Changes to Covered Jobs Before and After Recession

County	2008	2010	2018	2010-2018	% Dif.	2008-2018	% Dif.
Arlington, VA	156,333	162,679	177,708	15,029	9.2%	21,375	13.7%
Baltimore Co.	375,321	360,873	376,390	15,517	4.3%	1,069	2.8%
D.C.	685,069	693,274	769,916	76,642	11.1%	84,847	12.4%
Fairfax, VA	585,727	573,551	610,840	37,289	6.5%	25,113	4.3%
Howard	148,289	146,125	171,153	25,028	17.1%	22,864	15.4%
Montgomery	457,736	441,887	469,907	28,020	6.3%	12,171	2.7%
Prince George's	313,443	299,093	318,716	19,623	6.6%	5,273	1.7%

Source: BLS, covered jobs.

The next series of tables focus on the County and the makeup of its economy. The first table on the following page details covered employment based on ownership type (i.e., public or private). For the County, the private sector experienced the greatest decrease in covered jobs during the recession. **Though the private sector has regained all the lost jobs from the recession, the overall increase is a modest 0.7% when compared to the pre-recession jobs in 2008.**

The County's Covered Jobs by Ownership Type

Type	2008	2010	2018	2010-2018	% Dif.	2008-2018	% Dif.
Federal	41,542	45,071	47,679	2,608	5.8%	6,137	14.8%
State	1,079	1,199	1,257	58	4.8%	178	16.5%
Local	37,966	37,139	41,056	3,917	10.5%	3,090	8.1%
Private	377,149	358,479	379,915	21,436	6.0%	2,766	0.7%

Source: BLS, covered jobs by ownership type.

The table below details the County's private-sector economy by the economic sectors of the North American Industry Classification System (NAICS).¹ The current BLS data series is 2017 for these economic sectors, not 2018 like the tables above. The sectors that experienced the largest growth following the recession were Health Care, Food Services, and Professional Services based on the pre-

¹ <https://www.census.gov/cgi-bin/sssd/naics/naicsrch?chart=2017>.

recession total jobs. The sectors that experienced the greatest decline were Construction, Finance, and Information.

The County's Covered Private Jobs by Economic Sector

Econ. Sector	2008	2010	2017	2010-2017	% Dif.	2008-2017	% Dif.
Admin. Serv.	31,290	30,451	32,305	1,854	6.10%	1,015	3.20%
Agriculture	496	429	267	-162	-37.80%	-229	-46.20%
Arts/Entertainment	7,256	6,780	8,370	1,590	23.50%	1,114	15.40%
Construction	28,540	22,212	23,496	1,284	5.80%	-5,044	-17.70%
Educational Serv.	9,121	8,762	10,352	1,590	18.10%	1,231	13.50%
Finance	21,949	19,996	17,216	-2,780	-13.90%	-4,733	-21.60%
Food Serv.	30,941	30,107	35,545	5,438	18.10%	4,604	14.90%
Health Care	51,323	54,482	63,237	8,755	16.10%	11,914	23.20%
Information	14,335	12,819	11,086	-1,733	-13.50%	-3,249	-22.70%
Manufacturing	14,456	12,392	12,641	249	2.00%	-1,815	-12.60%
Mgt. of Corp.	7,872	7,387	7,101	-286	-3.90%	-771	-9.80%
Mining	375	365	54	-311	-85.20%	-321	-85.60%
Other Serv.	21,910	21,647	22,515	868	4.00%	605	2.80%
Professional Serv.	63,304	62,332	65,823	3,491	5.60%	2,519	4.00%
Real Estate	12,374	10,826	11,369	543	5.00%	-1,005	-8.10%
Retail Trade	46,659	44,080	45,139	1,059	2.40%	-1,520	-3.30%
Transportation	3,640	3,784	3,793	9	0.20%	153	4.20%
Utilities	731	465	607	142	30.50%	-124	-17.00%
Wholesale Trade	9,989	9,166	7,308	-1,858	-20.30%	-2,681	-26.80%

Source: BLS, covered private jobs by NAICS sector.

The table below complements the previous table by detailing the changes in average annual wages by economic sector from before and after the recession. **Coupled with the table above, it is telling that the County's sectors experiencing the greatest growth, Health Care and Food Services, are also the sectors with lower average annual salaries.**

The County's Annual Average Salary by Economic Sector

Econ. Sector	2008 (\$)	2017 (\$)	2008-2017 (\$)	% Dif.
Admin. Serv.	36,392	51,006	14,614	40.20%
Agriculture	24,258	31,315	7,057	29.10%
Arts/Entertainment	23,114	27,612	4,498	19.50%
Construction	57,556	70,753	13,197	22.90%
Educational Serv.	38,515	48,866	10,351	26.90%
Finance	95,920	130,131	34,211	35.70%
Food Ser.	20,552	25,254	4,702	22.90%
Health Care	47,681	54,629	6,948	14.60%
Information	82,407	106,056	23,649	28.70%
Manufacturing	98,379	126,649	28,270	28.70%
Mgt. of Corp.	102,975	157,399	54,424	52.90%
Mining	52,894	74,265	21,371	40.40%
Other Serv.	35,178	50,647	15,469	44.00%
Professional Serv.	84,679	106,497	21,818	25.80%
Real Estate	65,954	85,945	19,991	30.30%

Econ. Sector	2008 (\$)	2017 (\$)	2008-2017 (\$)	% Dif.
Retail Trade	30,785	34,615	3,830	12.40%
Transportation	46,454	44,457	-1,997	-4.30%
Utilities	75,264	146,250	70,986	94.30%
Wholesale Trade	84,030	107,220	23,190	27.60%

Source: BLS, covered private jobs.

The next table provides a breakdown of the County's private sector by size of establishment. More than 83% of the establishments in the County employ 50 or fewer jobs. **These establishments, which are most of the County's small businesses, account for approximately 45% of the County's private sector covered jobs.**

The County's Private Sector by Establishment Size

Establishment Size	Number of Establishments	Number of Jobs
50 jobs or less	27,115	171,451
51 – 100 jobs	788	55,657
More than 100 jobs	614	152,762

Source: DLLR, Department of Finance

The final table details the growth in the County's assessable tax base for real property and includes both residential and commercial properties. Like the other tables, this one evaluates the change in the assessable base before and after the Great Recession. The County's real property is reassessed on a triennial basis. This process created a delay; therefore, the pre-recession high was not fully realized until FY10 – long after the recession had technically ended. **From FY10-FY18, the County's assessable real property tax base grew on average 1.1% per year.**

County's Assessable Tax Base for Real Property (\$ billion)

FY10	FY13	FY18	FY13-FY18	% Dif.	FY10-FY18	% Dif.
167.097	158.273	183.994	25.721	16.3%	16.897	10.1%

Source: Office of Management and Budget, Operating Budget Publications



MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

COUNCIL PRESIDENT NANCY NAVARRO
DISTRICT 4

CHAIR, GOVERNMENT OPERATIONS AND
FISCAL POLICY COMMITTEE

EDUCATION AND CULTURE COMMITTEE

MEMORANDUM

Monday June 10, 2019

TO: Marc Elrich, County Executive

FROM: Nancy Navarro, President, County Council

SUBJECT: June 25 Economic Development Writ Large Council Discussion

The Council met with the Montgomery County Economic Development Corporation (MCEDC) and WorkSource Montgomery (WSM) in March to understand better the County's economic development initiatives in the County through our designated economic development organizations. As follow up to these discussions, the Council scheduled a worksession with you and your staff to discuss the County's economic development writ large on Tuesday, June 25. Below is a framework and questions that I would like your team to consider as you prepare for this worksession.

The attached chart details the many economic development functions performed in the County by the department or organization primarily responsible for implementation. I believe this chart provides a good foundation to focus our June 25 discussion and define possible action steps to reinvigorate the County's economic development strategy. I encourage you and your team to consider and prepare to answer the following questions for the upcoming worksession:

- Are there additional functions that you are exploring and that you may add to this chart?
- Are there certain functions that you believe should be reduced, eliminated, or combined?
- Do you intend to shift primary responsibility of implementation of certain functions from one entity to another? If so, how will this/these shift(s) lead to better outcomes?
- Recognizing that the County cannot expand or focus on all these functions at the same time, which function(s) do you intend to expand in the next twelve months? Which functions do you intend to expand in the next 24-36 months? Please provide justifications for why you and your team are selecting certain functions to expand.

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- For the function(s) you intend to expand, what are the immediate action steps and goals that need to be accomplished in the next three to six months, and what is the long-term plan to sustain growth and success of these functions? Please consider and highlight steps that will require Council action.
- What actions or recommendations are you considering in order to streamline or update the County's business regulations, including procurement and permitting services?

Thank you for your consideration of this important matter. Please contact me if you have any questions or require clarification of the Council's direction for June 25.

CC:

Hans Riemer, Chair of Planning, Housing, and Economic Development Committee
Councilmembers

1- Attachment

Function	Description of function	Primary entity responsible
Marketing	Promote the County's resources and opportunities to attract new businesses.	MCEDC
Business Attraction	Recruit businesses to relocate by marketing, providing local intelligence, and connecting to appropriate partners.	MCEDC
Business Retention and Expansion	Intercept businesses at risk for relocating (e.g., lease expiration) or facilitate expansion efforts (e.g., capital funding).	MCEDC
Small Business Technical Assistance	Provide technical support for small business owners (e.g., how to start a business) through direct support or through local partners.	MCEDC
Entrepreneurship Development	Provide services and develop strategic partnerships to strengthen the delivery system for entrepreneurs.	MCEDC
Small Business Support	Provide support addressing specific concerns with the County Government (e.g., procurement).	Regional Business Hubs/Business Solutions Group
Finance/Incentives	Manage and administer the County's business incentive programs	Finance
Incubator Management	Manage facilities to provide space for local entrepreneurs.	Finance
Impact Mitigation	Manage programs, including financial assistance, to aid small businesses impacted by County redevelopment.	Finance
Procurement	Facilitate business creation and growth through purchasing of goods and services.	Office of Procurement
Workforce Development	Identify issues in the current workforce delivery system and partner with businesses and government to address them.	WorkSource Montgomery
Agricultural Services	Manage and administer the County's easement programs and provide business support to the agriculture industry.	Office of Agriculture
Real Estate	Facilitate redevelopment projects on or with County-owned property to attract private development.	Depends: CEX, DOT, DGS
Neighborhood Revitalization	Provide planning and implementation for targeted neighborhood revitalization, including revitalization for retail centers.	DHCA
Regional constituent issues	Collaborate with respective regional stakeholders to assess community needs to provide timely input to the appropriate County agency.	RSC Directors
Urban constituent issues	Promote business and resident interests by providing a higher level of service for amenities and maintenance within the district than the County-wide level of service.	Urban District
Regulatory Environment	Target business creation and growth by identifying regulations that promote certain industry sectors while maintaining public safety	Depends: CEX, DPS

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Smith, Gene

From: Fletcher, Jerome
Sent: Thursday, June 20, 2019 1:38 PM
To: Smith, Gene
Subject: Economic Development Hearing Materials - June 25, 2019

Good Afternoon Gene – My apologies, but the County Executive’s Office will not be able to provide our updated economic development chart and written remarks in time for you to post during your normal timeframe for the hearing on June 25th. Staff will need his final approval on the submitted information and he is currently out of the country and back in the office on Monday, June 24th. As soon as I get final approval I will forward you the proper information.

Thanks for your patience.

Jerome Fletcher
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AGENDA ITEM #5
June 25, 2019
ADDENDUM

Subject: County's Economic Development Strategy	
Purpose: Receive briefing and have discussion – no vote expected	
Analyst: Gene Smith, Legislative Analyst	Committee: None
Keywords: #EconDev	

ADDENDUM

Attached is the Executive's memorandum for the discussion on the County's economic development strategy (see ©A1-A3).

This report contains:

Executive materials

Circle #

A1

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OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

Andrew W. Kleine
Chief Administrative Officer

MEMORANDUM

Monday, June 24, 2019

TO: Nancy Navarro, President, County Council
FROM: Marc Elrich, County Executive
SUBJECT: June 25th Economic Development Writ Large Council Discussion Response

Economic Development in Montgomery County

"My vision is a modern economy that encourages entrepreneurship, moves people and goods efficiently, develops today's and tomorrow's workforce, reduces burdensome regulations, and promotes opportunity for all."

When the Department of Economic Development was disbanded and the MC Economic Development Corporation (MCEDC) was created, the County outsourced the majority of the economic development and workforce development functions, but the new assignments, responsibilities and goals were not clear. My administration is now in the process of determining how to realign roles and resources.

Montgomery County is fortunate to have many assets that can be leveraged for economic development. These include:

- Infrastructure – schools, transportation, parks and more
- Talented Workforce
- Highly Educated Community
- Office Building Inventory
- Diverse Population

We also face challenges. These include:

- Transportation and school construction to accommodate future development
- Affordable Housing
- Technology Talent Pipeline
- Income Inequality

Strategic Framework

Move People, Goods and Data Efficiently

- An efficient transportation network is essential to doing business. I am working with our transportation team to advance a true Bus Rapid Transit (BRT) system as quickly and efficiently as possible and am supporting innovation, including the pilot Flex microtransit. I am also working with others to determine the best path forward on addressing congestion on I-270 and the beltway, including support for the addition of two reversible lanes on I-270. I will work with the Governor and our regional partners in supporting Metro and making sure it is on a sustainable path for the future.

Develop Our Workforce

- Early childhood development sets the stage for a person's entire lifetime. Education of our youngest has the ability to be a game-changer, which is why I made it a priority in my budget and view it as an integral part of economic development. Additionally, I am working with our MCPS and Montgomery College partners on quality education and a variety of workforce training. I am also engaged with the Universities at Shady Grove an important partner in the County. We are working with them and the state as their mission and role is reviewed. We are also working with the Council and other partners to determine the best paths forward for workforce development.

Encourage Entrepreneurship

- We are reviewing how to best help large, medium and small businesses in this county. As part of our broader effort to determine how best to enhance our entrepreneurial climate, we will be reviewing the status of our existing County incubators in Germantown, Rockville and Silver Spring to ensure that they are supporting innovation in a more targeted fashion.
 - County Staff and MCEDC are finalizing a scope of work for the procurement of a consultant to enhance & maximize entrepreneurship with a look at how our existing incubators tie into the innovation climate of the community. MCEDC is leading the development of a light manufacturing strategy
 - Listening tour – I have been hearing from business owners all over the county – via bi-weekly visits to individual businesses of all types and sizes; meetings with various Chambers of Commerce, roundtable discussion with the County's biotech community and my 4Business Listening tours.
 - Feedback from numerous business representatives is that the County has tremendous assets, but that we need to do a better job of publicizing our assets and connecting the dots – a better job at branding the County.

Reduce Burdensome Regulation

- I will continue to work cooperatively with business leaders around the County to understand what they need to thrive in Montgomery County.
 - 4Business Listening Sessions
 - Six countywide sessions concluded June 10, 2019
 - Transcripts from each available online
 - Online feedback accepted thru August 31, 2019

Next Steps: Two roundtable charettes

Promote Opportunity for All

Our county is large and diverse and one size does not fit all. My staff and I are working around the county with partners in the public and private sectors to bring appropriate resources and focus to each area.

Tracking Our Progress

I will also measure the performance of the Montgomery County Economic Development Corporation and fund it based on how well it is doing its job, and I will make sure the county's workforce development programs can show evidence of results.

- Finalizing improved FY20 outcome-based metrics with MCEDC and WorkSource Montgomery

Accomplishments in the first 6 months

- Conducted 6 (six) 4Business Listening Sessions
- Made Procurement More User Friendly
 - During the first 4Business meeting, a small business owner complained that the solicitations the county published on its website were too lengthy for a small company to review. Since that listening session, the procurement office extracted the scope of work from each solicitation and made them available as a paragraph summary (2-4 sentences) and Scope of Work (8-10 pages).
 - Starting in July, on the 3rd Wednesday of each month at 10AM the Office of Procurement will be hosting an open house for vendors to stop by and meet the Procurement Specialists and Program Managers to help demystify the process and receive "pro advice."
 - I will soon propose to the Council a new Local Business Preference Regulation giving a 10 percent bonus for locally based businesses
- Opened the Upcounty Business Connect Hub, the first of five resource centers providing hands-on support to businesses. The Silver Spring hub will open next month.
- Drafted Small Business Strategic Plan