

ECONOMIC DEVELOPMENT TRANSITION FROM COUNTY DEPARTMENT TO PUBLIC/PRIVATE PARTNERSHIP

Based on community input, the neighboring jurisdictions' models and the profound changes in the region's economy and the competitive landscape, in the summer of 2015, the County Executive made a decision to privatize the core functions of the county's Department of Economic Development (DED). The County Council approved this action in bill 25-16. This bill created a non-profit organization, the Montgomery County Economic Development Corporation (MCEDC). With the closure of DED effective June 30, 2016, a majority of the DED responsibilities, especially those related to marketing, business attraction, business retention and growth, entrepreneurship development and technology innovation programs, have transitioned to MCEDC. This is part of a larger effort to increase Montgomery County's economic competitiveness. Other efforts include completion of a comprehensive economic strategy as a blueprint for future economic success.

In October 2015 the County Council passed bill 40-15, allowing the County Council to designate a non-profit corporation to assume the role as the county's workforce development organization and to restructure workforce development duties. WorkSource Montgomery, Inc.(WSM) was chosen for this role and now provides a central coordinating organization for all workforce strategies and programs for both employers and employees.

Some responsibilities of the DED remained under the auspices of other county departments, which include:
Finance - the fiscal management of the county's Business Innovation Network, small business financial and technical assistance services and the Economic Development Fund

The County Executive - small business navigation and special economic development projects.

Agriculture - all agricultural-related services and programs within a newly created Office of Agriculture.

Procurement - minority business assistance and outreach.

COMPREHENSIVE ECONOMIC STRATEGY

The County Council approved Executive Resolution 10-16 on October 18, 2016, which proposes a set of strategies to advance the county's future economic prosperity. The vision presented in the economic strategy is for the county to be a global magnet for creative companies, technologies and people with the county guided to be diversified, enterprising, purposeful, connected, sustainable and innovative. The strategy anticipates many implementation partners with MCEDC having a significant role, including WorkSource Montgomery (WSM), the Office of Agriculture and others, with each organization producing its own detailed work plan.

The goals of the strategy are:

1. **Business Vitality:** Montgomery County will be able to compete with any community in the nation for investment and jobs
2. **Talent:** Montgomery County will be home to a deep and diverse talent pool that meets the long-term needs of employers and helps spur economic growth
3. **Creative Economics:** Montgomery County will be an international hub for entrepreneurship and innovation
4. **Place Making:** Montgomery County will be a national model for providing the quality places, infrastructure and amenities desired by employers and residents.

ORGANIZATIONS AND INDIVIDUALS ARE INVITED TO DUPLICATE THIS FACT SHEET WITH ATTRIBUTION GIVEN TO LWVMC. BEFORE REPRODUCING, PLEASE CONTACT THE LEAGUE OFFICE AT 301-984-9585 OR LWVMC@EROLS.COM FOR CORRECTIONS OR UPDATED INFORMATION, OR CHECK OUR WEBSITE, LWVMOCOMD.ORG, FOR THE MOST UP-TO-DATE VERSION.

The strategy also identifies the target industries for the county as: biohealth/bioscience, information technology/cybersecurity, financial services, advanced manufacturing, corporate/regional headquarters and entrepreneurs and innovators.

For creative economics, the strategy calls for strengthening entrepreneurship and innovation countywide with the county government playing a role in linking to regional and risk capital networks. The bill 49-16 creating a microloan program for entrepreneurs was a step by the County Council to support microenterprise. Loans of \$5,000 to \$15,000 may be made to qualified applicants with a long payback period. In another approach, the Council successfully worked to get the state to designate the Glenmont area as an enterprise zone.

In February 2017 the Council voted to sell 110 acres where a sludge-processing facility once stood to the developer Percontee, which owns adjoining property near Route 29 and New Hampshire Avenue, next to the Food and Drug Administration (FDA) campus. The developer will build a “life sciences” town center — called Viva White Oak — that would feature a hub of medical and science companies and attract FDA workers as well as employees and visitors to the Washington Adventist Hospital facility being built nearby. Schools in the area are being encouraged to establish internships with businesses that locate there, leading to job placement.

MCEDC

The primary responsibility for achieving the goal of business vitality has been assumed by MCEDC. The corporation is governed by an 11 member board of directors appointed by the County Executive and confirmed by the County Council. In addition, the County Executive, County Council and Maryland Secretary of Commerce each appoints a non-voting member to the Board. During the first year four members were appointed to one year terms, four to two year terms and three for three year terms. As terms expire, members will be appointed to serve three year terms. A voting member must be a resident of the county or in senior management position of a company in the county.

In FY17 the county approved \$4,180,750 for the MCEDC in the county budget and \$5,007,750 for FY18. The corporation occupies office space at 1801 Rockville Pike, Suite 320. WSM and the Conference and Visitors Bureau are co-located with MCEDC.

In the fall of 2016 David Petr was hired as CEO of MCEDC. The corporation has hired 18 staff members, but envisions a staff of 22 persons. As called for by the comprehensive strategy, MCEDC has focused upon establishing a comprehensive business retention and expansion program. Mr. Petr indicated that his focus for the first 18 months will be local and regional - to change the narrative for businesses that are here. To meet the MCEDC goal of business vitality, it works to retain current companies and help them expand. According to the Maryland Department of Labor, Licensing and Regulation (Q1 2017, the most recent available) there are 29,372 unique businesses in the county. Staff members have begun “Outreach Montgomery”, an effort to connect with 1,000 county businesses over the next year to learn their concerns and find ways to assist them. As part of this effort the staff also attends CEO Roundtables, workshops and industry events.

One aspect of this strategy has been to launch a marketing campaign that highlights the county’s connectivity to Metro, airports and other transportation as well as proximity to the federal government. Ads have run on NPR and *The Washington Business Journal* and there is a backlit display advertising the county as a business destination at Reagan Washington National Airport. The corporation’s web site thinkmoco.com features “Think Success” peer-to-peer videos that showcase Montgomery County business innovation and ingenuity. In addition MCEDC produces “MOCO365” videos with county business representatives giving brief statements about business in the county and incidentally showing the diversity of the county’s population. These videos are released daily at moco365.com.

MCEDC also attempts to attract new companies by going to trade shows and conferences. To attract new businesses to locate in the county, staff calls attention to the MOVE program which offers one-time per square foot incentive for new businesses coming into the county. It commissioned a cyber-security study and then convened a group of local cyber security CEOs and experts to prioritize the study's recommendations. MCEDC is now working to implement those recommended initiatives. Both the study and the follow-up report are available at [thinkmontgomery.com/key-industries/cyber security](http://thinkmontgomery.com/key-industries/cyber-security). An effort is underway to expand wet-lab space to attract companies developing vaccines or drugs or to help them expand. The corporation works cooperatively with WSM to retain, build and attract talent.

Under Montgomery County's Business Innovation Network, MCEDC contracts with BioHealth Innovation, Inc. (BHI) to operate innovation centers in Germantown and Rockville. BHI concentrates on biohealth and biotech companies and cites proximity to NIH and FDA as an advantage. The Germantown Innovation Center currently has 24 businesses in the program with 113 jobs. Rockville Innovation Center has 28 businesses with 120 jobs. The county is finalizing a contract for an operator at Silver Spring Innovation Center, which currently has 12 businesses in the program with 43 employees. MCEDC offers entrepreneurial assistance to incubator companies. The incubators have been described as a soft landing spot for international businesses.

MCEDC also works with entrepreneurs that are not in the incubators, offering coaching and referrals. This work is coordinated by MCEDC's Small and Minority Business Development Director, who also works with and develops partnerships with minority chambers and business organizations.

WORKSOURCE MONTGOMERY

In October 2015 the County Council adopted bill 40-15 at the behest of the County Executive to designate by resolution approved by the County Executive, a single non-profit corporation as the county's workforce development organization and to assign duties to that organization. The corporation is required to be organized and operated under the laws of the state of Maryland and to be headquartered in Montgomery County. The purposes and activities of the corporation are limited to those that are permitted to be promoted or performed by a corporation that is exempt from federal income tax. The designation expires at the end of the fifth full fiscal year unless the Council extends it by adopting another resolution. The corporation is not an instrumentality of the county; however, WSM is the operating arm for the federally-mandated Workforce Development Board, part of the network of federal, state and local offices that support economic expansion and develop the talent of the nation's workforce. WSM's current funding is approximately 60 percent from federal sources, 15 percent from state and local sources and 25 percent through grants and other sources. For FY17 the county budgeted \$982,344 for the Workforce Development Corporation (WDC) and \$1,657,344 for FY18.

The bill states that the success of Montgomery County's economic development goals is dependent upon a comprehensive and demand-driven system of workforce development that:

1. Meets the talent attraction, development and retention needs of strategic industries
2. Meets the needs of the underemployed and unemployed
3. Develops career pathways that lead to sustainable wage jobs to support a thriving economy

WSM Activity

Ellie Giles, the CEO of WorkSource Montgomery, indicates that her highest priority is helping Montgomery County residents who are unemployed or underemployed to qualify for and find jobs that provide a sustainable income and benefits. That has been mostly funded with federal (Dept. of Labor) funds through the Workforce Innovation and Opportunity Act (WIOA). As a public/private non-profit corporation, WSM can prepare grant applications and engage in convening activities outside the scope of the federal law. For example, in partnership with the National Cancer Institute (NCI), National Institute of Health (NIH) and Bio-Health Initiative (BHI), WSM has conducted two industry exploration meetings to determine current demand across fields, especially

targeting opportunities for the over 5,000 post-doctoral candidates. Throughout 2018, WSM will be conducting several training workshops to enhance professionalism skills and understanding the business side of bioscience research. A large hiring event will be held June 20, 2018, in partnership with 20 Montgomery County based Biohealth and Bioscience Companies. Another example is a partnership WSM has undertaken with PEPCO to address the shortage of utility workers in the area. This partnership is to provide STEM training to open opportunities for career seekers to pass the competency assessments needed for utility training.

The federal funding through WIOA supports the American Job Center to help first time job seekers, the unemployed and the underemployed (underemployed includes people working two jobs to earn a sustainable wage.) WSM refers people only to employers who pay a sustainable wage and benefits and follows up to be sure the employer doesn't reduce the job to part time.

There are three categories of eligibility for WIOA fund allocation: Adult, Dislocated Worker and Youth participants. The Adult and Dislocated Worker Programs are designed to provide quality employment and training programs to assist eligible job seekers in securing gainful employment and in assisting local businesses in acquiring the skilled workforce necessary to remain viable and competitive in today's global economy. The objectives of the Adult and Dislocated Worker WIOA programs are to: increase employment and job retention, increase earnings, ensure customer satisfaction for job seekers and employers and increase enrollment in training programs that lead to recognized post-secondary credentials or employment. To help reach these goals, WSM offers two levels of weekly workshops: one for basic strategies to begin a job search such as resume writing and how to search for a job online and a second for coordinating with employers and other training providers to offer training for jobs in demand. WSM also regularly holds hiring events with specific industry employers to match qualified individuals with available job openings.

The Youth Opportunity Program delivers comprehensive services focusing on low-income young persons, ages 16 to 24, often high school dropouts without skills, direction or much motivation or with other barriers to employment. WIOA Youth funds assist participants in securing meaningful employment, preparing for post-secondary education and attaining skills/training credentials. The elements on which these programs focus include tutoring, summer employment opportunities linked to occupational learning experiences, higher education opportunities, skills training, leadership development, supportive services, comprehensive assessment and counseling, paid work experiences, mentoring programs, internships and intensive follow-up services. The objectives of the Youth WIOA programs include increasing meaningful employment and wages, increasing retention in education, training activities or unsubsidized employment, increasing the number of youth who earn a high school degree equivalent or skills certification and improving literacy and numeracy skills.

High School Summer Program

Last summer WSM began a summer career awareness opportunity program, Summer R.I.S.E. (Real Interesting Summer Experience), open to all students who in 2018 will be juniors or seniors in Montgomery County public schools (MCPS). Students from all of MCPS high schools participated in this three week career exploration program. To participate, students had to take an online career readiness course coupled with an in-person professional skills workshop and a financial literacy class. The program ran the same time as summer school, because those who need to go to summer school (which is half-day) also particularly need this experience (which hopefully will help them understand what education they'll need for a job, may keep them from dropping out and motivate them to take a course seriously that they wouldn't have tried otherwise).

WSM recruited companies, non-profits and county agencies to host the program. All jobs were at least 20 hours per week (some were much more) and hours could be scheduled (in some placements) to fit around summer school. For those who participated, WSM paid a \$100 a week stipend. (If a company "sponsors", they give

WSM the money; they can't pay directly because this is less than minimum wage.) The program cost was approximately \$500,000. Private funding accounted for about \$31,000. The County Council provided \$250,000 (on a one-time basis) with other county support coming from the public schools and other county departments and organizations. The Wider Circle (a local non-profit) provided professional clothing and another source provided transportation. Three hundred and sixty-two students completed Summer R.I.S.E. The 2018 program will run from July 9-27 and WSM hopes to double the number of students enrolled and dramatically increase the number of businesses participating.

Other WSM Programs

Health Care: To address the nursing shortage, WSM has been awarded a grant to provide scholarships to nursing students to enhance and accelerate the workforce pipeline for RNs by training and placing 60 nursing students per year through a strategic partnership with Universities at Shady Grove (USG) and the Health Initiative Foundation (HIF). This will help provide skilled nurses to fill the hundreds of available nursing positions in the county.

Construction: WSM has collaborated with several construction employers to address the current shortage of qualified workers for trades-based occupations. WSM is working to enhance current apprenticeship opportunities and pipeline development. Current job demand in this industry is for over 800 construction trades openings (with a predicted demand of 2,159 within the next 10 years, increasing .9% annually). In partnership with the Associated Builders and Contractors (ABC), WSM will hold targeted hiring events. WSM is currently developing an interactive career pathway map and industry briefs to support pipeline development in the construction industry.

Entrepreneurship: Some people (those with skills, but a criminal record or inadequate English or undocumented) are not likely to be hired, so their best chance for an income is to have their own small business (e.g., restaurant or food truck, plumbing, air conditioning repair). In partnership with Launch Academy and Start-up Montgomery, WSM has established an entrepreneur training program. The program matches cohorts of unemployed/ underemployed participants with mentors to support the growth of new enterprises and independent employment. WSM is targeting the East County Region for this program.

FUNCTIONS RETAINED BY THE COUNTY

Economic Development Fund

The Economic Development Fund (EDF) is a non-lapsing, continuing fund made up of funds appropriated by the County Council, payments on any loan from the Fund, interest earned on funds in the Fund and funds received from any other public or private entity. The mission of the Economic Development Fund is to assist private employers who are located, plan to locate or substantially expand operations in the county. With the restructuring of the Department of Economic Development, staff management and administrative responsibility of the Fund were assumed by the Fiscal Management Division of the Department of Finance. The law regarding the use of the funds has not changed.

The EDF includes multiple programs, which can be summarized as follows:

1. A discretionary program (the Economic Development Fund Grant and Loan Program)
2. Small entitlement grants for attraction projects (the Make Office Vacancies Extinct Program or MOVE)
3. A small business revolving loan fund (the Small Business Revolving Loan Program, or SBRLP)
4. State tax credit supplement and investor incentive programs and Small Business Assistance Program (SBAP).

For the grant and loan program, MCEDC identifies prospects for receipt of grants or loans, conducts due diligence and a fiscal impact analysis and refers a recommendation to the Department of Finance (DOF) which conducts its own fiscal impact analysis. If the amount is less than \$100,000, it is referred to the County

Executive for approval and then DOF develops a contract to reflect the terms of the agreement. When the agreement is signed, DOF disburses the funds and monitors performance according to the contract. If the amount is more than \$100,000 and DOF approves, the recommendation is forwarded to the Office of Management and Budget (OMB) for review and comment. OMB forwards its review to the County Executive for approval; the County Executive then forwards a recommendation to the County Council for its approval. With County Council approval, DOF can proceed to draw up a contract.

The relationship between the county and its funding partners is unchanged with the creation of MCEDC. The state of Maryland is a funding partner in significant deals involving the county's discretionary grant and loan program. In addition, municipalities (Rockville and Gaithersburg) are often involved in discretionary incentive projects within their jurisdictional boundaries. The funding partners work with MCEDC and the county on an ongoing basis, and the extent and nature of their involvement on individual projects often reflects both the merits of the individual case and the natural "give and take" that occurs over a series of deals involving separate governmental entities. MCEDC's ability to identify prospects and initiate discussions on the use of incentives in no way affects the county's continued interest in managing relationships with its funding partners.

MOVE is a statutory program originally designed to encourage the use of Class A office space. The program criteria require that the applicant be a new business to the county which has executed a direct lease with a landlord for at least three years for up to 20,000 square feet of Class A or B commercial office space, or wet lab space. A 10,000 square foot cap is utilized to determine the grant amount. Application for the grant must be made within 90 days of the lease signing date. The rules were expanded in 2015 to increase financial assistance from \$4 to \$8 per square foot for any industry sector except retail and restaurant. The county has attracted 73 new businesses and more than 500 new jobs in companies utilizing this incentive since the program's establishment in 2014.

The Small Business Assistance Program is used to mitigate harm to businesses negatively affected by a county redevelopment project. The only area for which the Small Business Assistance Program currently applies is the Wheaton area. The County Council is supportive of suggestions for an assistance program partially funded by the state to provide assistance to small businesses affected by Purple Line construction.

The state Biotechnology Investment Incentive Tax Credit Program reimburses up to 50% of the investment into a qualified Maryland business back to the investor via a tax credit. Among other criteria, the company must be less than 12 years old with fewer than 50 employees. The county funds a matching program that historically provides a grant to investors who receive state tax credits equal to 7-8% of the original investment.

Montgomery County was the first in the nation with a local biotechnology investment incentive program and its existence is considered a differentiator in the biotech community.

A similar state program for cyber security provides a 33% tax credit; the Montgomery County add-on to that program provides for a one-time payment which goes to the company (not to the investor). The cyber security program has been undersubscribed. The Green Investor Incentive Program offered grants to qualified investors for investments in county-based green technology businesses. This program was designed based on the biotech program, but there is no analogous state tax credit program. No investors took advantage of the program during the four years since its inception, and subsequently, the \$500,000 has been repurposed for other uses in the EDF.

Functions under the County Executive

Special Projects: The Special Projects Director in the office of the County Executive is primarily involved with capital projects in the county such as the recently completed parking garages behind the County Conference Center and at the Universities at Shady Grove. She also works with federal agencies located in the county to

address any issues such as finding space for expansion or resolving traffic problems. While the federal government already owns the land upon which the Food and Drug Administration (FDA) is scheduled to build, she is working with federal, state and local staff on ongoing developments.

Private sector activities such as retaining the Marriott headquarters in the county also fall under Special Projects. Securing an enterprise zone designation for Burtonsville and pursuing a redevelopment plan at the last stop of the proposed BRT involves special projects effort as does the creation of the Purple Line Community Development agreement. While the Purple Line agreement seeks to preserve what is there, it also recognizes growth opportunities. The four goals articulated are:

1. Affordable housing
2. Job growth
3. Community preservation
4. Vibrant environment

Small Business Navigator: This position is designed to help small businesses navigate county government departments and regulations. Assistance might be related to rules, regulations or licensing, permitting, procurement or simply improved communication with county departments and agencies. The navigator also advises county officials of any action needed to assist small businesses in complying with county requirements and regulations.

The navigation service was expanded this year by bill 8-17 with the creation of a Small Business Solutions Group in the County Executive's office to increase communication with small businesses about new and revised county laws and regulations affecting county businesses, to provide publications on county policies, operate workshops and conferences, convene targeted business events and to assist county businesses in interactions with other state, county and local government agencies.

Office of Agriculture

The responsibilities of the Agricultural Services Division of DED were transferred into a newly created Office of Agriculture (OAG), a non-principal office of county government. Its mission remained the same: to promote agriculture as a viable component of the county's economic sector and the preservation of farmland as a resource for future agricultural production capability. The existing staff of eight remained, and to handle budget and management functions of the office, an Administrative Specialist II position was transferred to the OAG and located with the rest of OAG staff at the Agricultural History Farm Park. This made it necessary to provide improved phone and broadband service fast enough to operate the Enterprise Resource Planning systems.

The OAG also provides agricultural program coordination with the Soil Conservation District and the University of Maryland Extension, both of which are located at the Agricultural History Farm Park. Programs under the OAG include Close Encounters with Agriculture, a multi-phased program for fourth grade students with three educational tracks conducted with the staff assistance of all the agricultural agencies located at the Farm Park. The tracks are Production Agriculture, the Environment and Nutrition, Diet and Health.

The agricultural services include co-sponsoring farmers' markets, an annual farm tour, the New Farmer Project, partnership with the Montgomery County Food Council to provide assistance in local food production, food recovery and food recycling initiatives, as well as other activities that promote agricultural business and products. OAG is the primary resource for implementing county agricultural policy, providing farmers with technical assistance in zoning and land use planning matters. Acquiring easements under the Transferable Development Rights (TDR) and Building Lot Termination (BLT) programs is an additional responsibility; however, there has been no new/additional funding available for this purpose since 2009.

Procurement

Montgomery County maintains a database of businesses desiring to do business with the county. For those Montgomery County based businesses wishing to be recognized as participants in the Local Small Business Reserve Program (LSBRP), information is recorded on the number of employees and annual income of the business. Currently each department must spend 20% of its procurements to LSBRP businesses. Eligibility is determined according to type of business and a size indicator. For example, a service contractor is eligible if it has either fewer than 100 employees or 3-year annual average sales less than \$10M. For construction the criterion would be fewer than 50 employees or 3-year annual average sales under \$14M, etc. For very small Montgomery County businesses, direct purchases of less than \$10,000 can be made.

For more than 20 years Montgomery County has operated a voluntary affirmative action plan in its procurement policies based upon the race and gender of the owners of the business (the Minority, Female, Disabled - MFD Program). This legislation was updated by bill 49-14 to set percentage goals of the dollar value of purchases made by various departments and to provide additional procurement points for minority participation in contracts. Participants must be certified as MFD by recognized groups such as MDOT and this certification is recorded in the county's business database.

CONSENSUS QUESTIONS:

Does the League support the stated goals of the economic development strategy to achieve:

1. Business Vitality
2. A deep and diverse pool of talent
3. Creation of an international hub for entrepreneurship and innovation
4. Providing quality infrastructure and amenities.

Does the League support the goals of:

1. Preparing non-college bound residents for self-sustaining employment in the county
2. Increasing economic vitality in the Eastern portion of the county

This Fact Sheet was prepared by the LWVMC Economic Development Study Committee: Margaret Chasson, Adrienne Craver, Dorothy Dennis and Judy Morenoff.

The committee thanks the following persons for their assistance in the preparation of this Fact Sheet: Tina Benjamin, Lynne Stein Benzion, Michael Brown, David Buonora, Jeremy Criss, Ellie Giles, Nancy Navarro, David Petr, Lily Qi, Gene Smith, Judy Stephenson.