

## ECONOMIC DEVELOPMENT IN MONTGOMERY COUNTY

Montgomery County is known for having many amenities that make it a desirable place to live including its good schools, wonderful parks and a much-admired agricultural reserve. Very good public services are provided for a diverse and affluent populace. One perceived shortcoming of the county has been its business climate. Many have felt that the county is not business-friendly due to taxes, regulations and a slow development permitting process. In the past few years, Montgomery County has worked to change this view. To deal with negative perceptions and bring the business community more fully into the effort to maintain economic prosperity, in 2016 the county created the Montgomery County Economic Development Corporation (MCEDC) and articulated a comprehensive economic strategy with major goals in four areas: business vitality, talent, creative economics and placemaking. Many parts of the county government including the Department of Finance, the Montgomery County Planning Department of Maryland-National Capital Park and Planning Commission (MNCPPC) and the Office of Agriculture are also involved with economic development. Drawing upon these resources, this Fact Sheet presents the current economic climate and the progress toward meeting the goals of the economic development strategy.

Economic indicators allow analysis of economic performance and predictions of future performance and include various indices, earnings reports and economic summaries such as housing starts, consumer price index (a measure for inflation), gross domestic product, stock market prices and unemployment rate. The county utilizes the Quarterly Census of Employment and Wages (QCEW) produced by the Bureau of Labor Statistics for employment data. Reports created by different county agencies may present different numbers for a data point if the timing is such that a different quarterly report is referenced. Small data differences frequently occur as some sources report for a fiscal year (July 1 through June 30) and others for a calendar year.

### COUNTY TRENDS AND STATUS

Montgomery County Public Schools continue to be recognized as high quality with one of the highest graduation rates among the nation's largest school districts. The population of the county in July 2017 was 1,058,810, continuing a steady rise. Key changes of Montgomery County's demographics, housing and employment sectors from 1990 to 2016 are addressed in a trends report published by MNCPPC summarized below.

**Demographics:** Montgomery County, the most populous jurisdiction in Maryland since 1990, gained 293,000 people, a 38% increase between 1990 and 2017. Population growth is attributed to the natural increase of births which is more than twice the number of deaths. International migration gains have more than offset domestic departures, netting 90,000 new residents since 1990. Increasing racial and ethnic diversity outpaced the county's overall population growth since the 1990s. By 2010, non-Hispanic whites dropped to 49.3% of the population and by 2016 people of color comprised 55.5%, making Montgomery County more diverse than the nation (38.9%) and Maryland (48.6%). The age distribution has shifted as the median age rose from 33.9 years in 1990 to 39 years in 2016 as the baby boomers matured. The only age groups decreasing in number are young adults aged 20 to 34 who comprised 19% of the population in 2016. The County's median household income at \$99,763 in 2016 has yet to recover from the Great Recession after peaking at \$106,307 in 2007. Between 1989 and 2016, median household income countywide dropped 1.3%, while the median income of African American and Hispanic households fell, respectively, 5.5% and 3.1%; median income for non-Hispanic whites rose 12.4% and rose 6.4% for Asians. In contrast, the average 2016 household income of \$135,151 is higher than the median due to one in five households with incomes over \$200,000 pulling up the average. Average income gains rose a disappointing 6.3% compared to 16% in the Washington region and 13.2% in the nation. Household types have changed significantly since the 1960s, reflected by the growing senior population and delay in family formation by millennials. The average household size, consistently higher than the national average, steadily increased from 2.65 persons per household in 1990 to 2.77 in 2016.

**Employment:** There has also been a steady rise in employment since 2014. Montgomery County ranks second in the region, to Fairfax, VA, in terms of labor force size, with 539,132 employed persons in 2017. Employment in Montgomery County in 2017 was 477,900 with an average weekly wage of \$1333. However, dependent populations have increased relative to the working-age population. This trend of a rising dependency ratio could have economic implications such as shifts in health care demand, leisure-related goods and services and possibly reduced economic growth. The top

employment sectors have remained the same since 1990 and comprise 50% of all jobs in the county. They are education, health and social services followed by professional, scientific, management, administrative and waste management, which grew by 5% in the period 1990 to 2016. Since 1990 the retail industry has declined from employing 14% to 8% of county residents and has fallen in rank to fifth largest employer sector. Education, health and social services grew fastest by 6%. Most other industries lost resident employment and the share of sales and office occupations declined the most by more than 8%. Since 1990, there has been a 21% increase in private, federal and local government jobs in the county.

Accommodations and food services have been growing since 2006 and netted more than 6000 jobs. Across industries, average annual pay for county private sector jobs have been stagnant (1.33% increase per year) in most of the largest industries with the exception of professional, scientific and technical services where annual pay grew by almost 2% per year. Federal government sectors have the most growth in pay over time (2%) and local government jobs had the smallest pay gains at 0.33% per year. Despite a largely office-based workforce, the demand for office space has dramatically decreased, resulting in a significant supply surplus of large office buildings and the demand for smaller and more flexible mixed-use office space located within walking distance of public transportation, retail and restaurants is on the rise. Despite sharp increases in e-commerce, the county's retail real estate market has enjoyed steady growth.

The ten largest employers in the county by rank with approximate percent of county employment are:

1. U.S. Department of Health and Human Services	6.12%
2. Montgomery County Public Schools	4.59%
3. Montgomery County Government	2.55%
4. U.S. Department of Commerce	1.53%
5. U.S. Department of Defense	0.76%
6. Holy Cross Hospital of Silver Spring	0.76%
7. Adventist Healthcare	0.76%
8. Government Employees Insurance Company	0.76%
9. Marriott International Admin. Serv., Inc	0.76%
10. U.S. Nuclear Regulatory Commission	0.41%

Ten years ago the list of government agencies would have been in different order and private entities Lockheed Martin Corporation and Giant Food Corporation would have been on the list.

**Housing:** At the end of 2017 Montgomery County contained 373,219 housing units of which 65.2% were owner-occupied. The median value of owner-occupied housing units was \$477,800. For rental units, the median gross rent was \$1,708 per month. The limited down-county development space and high demand for housing locations near public transit and amenities has resulted in a significant amount of tear-down activity, averaging over 230 per year since 2013 with larger and more expensive houses replacing more affordable starter homes. Homeownership rates of all age groups (except those over 65) have declined by 11 to 17.6 percentage points depending upon the age group, with the most dramatic drop amongst the youngest households (under age 35), most likely due to the dramatic increase in home prices. Access to affordable rental housing is a concern as demand is strong, illustrated by the increase in rent, which has risen nearly 50% since 2000. The percentage of rental households that are spending at least 35% of their income on housing costs has grown to 40.1%, compared to 21.3% of homeowners in 2016. Fulfilling the housing needs of low-income populations remains a challenge. In FY17 the county invested over \$53.0 million in affordable housing including the Montgomery Housing Initiative (MHI) fund and utilized \$17.0 million from the Affordable Housing Acquisition and Preservation CIP project. This increase in dedicated funding provides for the renovation of distressed housing, the acquisition and preservation of affordable housing units, *the creation* of housing units for special needs residents, services to the “Building Neighborhoods to Call Home” and “Housing First” programs, and the creation of mixed-income housing. Two multifamily redevelopment projects (the Bonifant in Silver Spring and Chevy Chase Lake) have significantly increased affordable housing. Chevy Chase Lake previously had 62 units and was redeveloped to have 262 units, including 90 affordable units. The Bonifant had 31 units and was redeveloped to include 149 total units with 139 affordable units. In 2017 the number of building permits issued was 1637.

**Transportation:** The most popular mode of commuting is driving alone which is declining from 68% in 2010 to 65% in 2016. 16% of commuters use public transportation, up from 13%, but carpooling has declined. Walking and working at home has increased significantly, by 48% and 100% respectively, since 1990. Between 2007 and 2018, county funding for primary road maintenance increased by more than 136% and the amount spent on residential roads by 1330%.

The county council has pursued traffic mitigation through mass transit rather than expansion of roads and has launched a number of new express bus service routes. The county raises many questions about Governor Hogan's public/private partnership (P3) proposal for widening the beltway and I-270 and seems to support reversible lanes accommodating transit on I-270. Discussion indicates that streets at exit locations are not suitable for handling vastly increased traffic. The county agrees that the American Legion Bridge on I-495 needs updates.

The county has advanced work on two major public transit proposals:

1. Purple Line – Ground was broken for the Purple Line in August 2017 and the county will be working with businesses both during and after construction to promote local commerce. The 16 mile light rail will have 21 stops, 10 of which will be in Montgomery County and will connect communities from Bethesda to New Carrollton. The Capital Crescent Trail, for bicycles and pedestrians, will be expanded as construction moves forward.
2. Bus Rapid Transit (BRT) – US29 and MD355 have been designated as “Flash” corridors for bus rapid transit. The county worked collaboratively with the Maryland Congressional delegation to secure a highly competitive transportation federal grant (\$10.0 million TIGER grant) that will be used to fund the US 29 corridor. Ground breaking for US 29 has occurred in FY19 and service is to begin in mid-2020. Other BRT corridors are expected to follow.

**Agriculture:** Approximately one third of the county’s 318,325 acres is devoted to agriculture with 26.3% of the county in the Agricultural Reserve. The purpose of the agricultural reserve is to preserve farmland and support sustainable, well-managed agricultural production, not to attract businesses and housing. One indicator of agricultural stability is the amount of land protected from development through the Transfer of Development Rights (TDR) and Building Lot Termination (BLT) programs. Currently 48,165 acres are protected by TDR easements and 1,938 by BLT.

The TDR benefit was outlined by the Functional Master Plan for The Preservation of Agriculture and Rural Open Space which was adopted almost 40 years ago. The TDR easement program was designed to allow landowners to be compensated for down-zoning from one house per 5 acres to one per 25 acres by selling rights for building on agricultural land. The rights were to be purchased by developers to gain additional density in designated areas of the county with sufficient infrastructure. The commitment made to the farmers that enough markets for selling TDRs would be available has never been fully realized. The BLT was defined more recently and the county was authorized to purchase both the TDR and BLT if requested by the landowner and funds were available. The primary source of funds for county purchase was to be the agricultural transfer tax levied when an agricultural tract was sold for non-agricultural use. In both FY18 and FY19 no funds were available to purchase either TDRs or BLTs. Increased emphasis upon utilizing TDRs and BLTs in the county’s development process would enable the agricultural community to reap the promised benefit.

In October of 2018 the County Council adopted ZTA 18-03 allowing alcohol production in the Agricultural Reserve and the Rural Residential zone as an accessory agricultural use with very loose ties to farming activity. The zoning amendment also allows 5 ticketed events per year with no more than 225 guests, with no limit on the number of events with less than 100 guests.

The Montgomery County Revenue Authority is in the process of establishing an agricultural activity center on 40 acres of land adjacent to Poolesville Golf Course. Plantings will include grapes and a grape crush pad will be installed at the center. A barley malting facility to help promote the production of barley for farm alcohol production is also planned for the site. The intent is to provide a viticulture specialist and hands-on activity to complement classroom work in culinary arts, hospitality and marketing in conjunction with the Universities at Shady Grove, the University of Maryland and Montgomery College. Grape processing will be among the activities provided and county farmers who wish to produce wine would be able to utilize the facility. Other activities will be designed to educate the public about Montgomery County agriculture. The golf course club house which is currently in disrepair is to be updated and rebuilt as a restaurant with an adjacent event area.

Montgomery County crops vary from grains and hay to fruits and vegetables. Since Montgomery County’s horse population is second only to that of Baltimore County, hay has become an important crop. With rainfall in the county this year surpassing 65 inches, hay production was severely impacted. The result has been an economic hit not only for the farmers who produce hay, but also upon the equestrian operators who must purchase higher priced hay and pay shipping

charges as well. The rainy weather has also had a negative impact upon producers of fruits and vegetables who have been unable to harvest their crops at peak condition, in many cases resulting in significant loss. Another factor affecting the county's farm economy is the international trade and tariff disagreement resulting in China's decision not to import US soy beans.

**Projected Development:** In the period from 2015 to 2045, job growth in Montgomery County is projected by the Metropolitan Washington Council of Governments to increase by 30.5% to 679,100 jobs. Areas with the largest concentration of jobs by 2045 are projected to be: Gaithersburg City with 67,200 (up 36.9%), Rockville City with 63,400 (up 17.8%), North Bethesda with 50,700 (up 29%), Bethesda/Chevy Chase 49,400 (up 17.7%), Bethesda CBD 45,600 (up 21%) and White Oak 38,300 (up 172.3%). The huge projected growth in the White Oak area is stimulated by the location of FDA and the building of the new Adventist Hospital in the White Oak Science Gateway Master Plan area. The plan was adopted in 2014.

Changes in household development to some extent follow job numbers, but not consistently. The largest number of new households in the period 2015 to 2045 is expected to be in the White Flint area with an increase of 8400, followed by Gaithersburg city with 7300 and Silver Spring CBD with 7000. Household increase in the 5000 range is expected in Bethesda CBD, Clarksburg, Rockville City and White Oak. However, areas with the largest percent change are Twinbrook at 400%, White Flint at 262.5%, Glenmont at 240% and Rockville Town Center at 103.2%. The overall increase in households is expected to be 23.2% for a total of 461,800 households.

This projected development has the potential to benefit the agricultural community by utilizing TDRs and BLTs. If developers elect the optional method of development in order to increase density or square footage of floor space, they can purchase TDRs or BLTs from the sending area to achieve this goal. Currently, developers are using alternative methods to achieve increased density such as Moderately Priced Dwelling Units (MPDU) and Workforce Housing Units (WHU). The utilization of the TDR or BLT has broader application and could be applied more frequently.

## ECONOMIC DEVELOPMENT ACTIVITY

MCEDC was established as a public/private partnership in 2016 to help promote economic growth in the county. WorkSource Montgomery, a non-profit organization, was designated as the county's operating arm of the federally-mandated Workforce Development Board to support economic expansion and develop talent.

**MCEDC:** Part of the role of the MCEDC is to advertise the county as an exceptional place for a business to start or grow. It does this by touting the positive aspects of the county in 8 key areas: talent, connectivity, innovation, diversity, access to capital, infrastructure, top schools and sustainability.

As the biomedical and cyber security fields are two of the focus areas of the overall economic development strategy, MCEDC flaunts resources in these areas right in Montgomery County. For example, it highlights the biomedical sciences building being built at the Universities of Shady Grove, the Center for Biotechnology Education at **Johns Hopkins Montgomery County Campus** and the Bioscience Education Center at **Montgomery College**. The county also hosts ultra-Montgomery, a "high-speed fiber network that connects our business, academic and federal institutions along major corridors and greatly improves communication."<sup>1</sup> There are also a variety of tax credits, loans and grants available to all companies, but some are meant to directly encourage work in life sciences and cyber security.

Information derived from data reported on MCEDC's web site indicates that MCEDC's advertising efforts have been reaching an audience. The two primary websites, [www.thinkmoco.com](http://www.thinkmoco.com) and [www.moco365.com](http://www.moco365.com), have received 56,304 unique viewers between the two and there have been 134,383 views on the Think Success videos on YouTube. In addition, just under 2,000 people per month on average view the online newsletter.

The MCEDC published an array of accomplishments achieved since its creation in 2016. The February 2018 Fact Sheet provided information about the Make Office Vacancies Extinct (MOVE) program, which offers one-time per square foot incentive for new businesses coming into the county. MCEDC reports that in FY18 the MOVE program successfully assisted in 26 projects to connect businesses with vacant office space. There were also successes attracting businesses to the area and retaining others from the bio, cyber, hospitality, advanced manufacturing, real estate and non-profit sectors.

<sup>1</sup> <https://thinkmoco.com/infrastructure>

Some examples are Host Hotels & Resorts announcing a move to Bethesda, Marriot breaking ground on its new headquarters and the Nonprofit Village incubator announcing an expansion in Montgomery County. Of the new jobs created in Montgomery County, 52.6% were in the Healthcare, Pharma and Biotech industries.

**WorkSource Montgomery:** As discussed in the February 2018 Fact Sheet on Economic Development, WorkSource Montgomery (WSM) has a threefold mission: First - to meet the needs of strategic employers to attract, develop and retain needed talent; Second - to meet the needs of underemployed and unemployed residents of the county; and Third - to develop career pathways to sustainable wage jobs and a thriving economy. In January 2018 WSM opened an office called HIRE in the eastern region of the county to provide career counseling and assessments, resume and on-line job application support, employability and technical training, financial and entrepreneurial services and job search and placement. In fiscal year 18 HIRE provided 105 customers with services, conducted 65 workshops and hosted 5 hiring events. Sustained employment was achieved by 20% of its customers. The activity has continued in fiscal year 2019 which also included a Multi-Industry Regional East County Job Fair on October 17, 2018.

WSM proposes to create an integrated talent development system involving industry alliances, educational organizations, social services and other community organizations to enhance economic development of the county. Priorities for FY19 are to implement strong customer-focused practices with a sustainable employment placement rate, to increase employer engagement and career pathway partnerships in strategic industries and to enhance the current community-based partnerships.

## ECONOMIC GOALS OF THE COUNTY

With the adoption of Executive Regulation 10-16, the county indicated that it would evaluate the effectiveness of its economic development efforts by collecting and analyzing performance measures annually with the measures aligned with the four basic goals: business vitality, talent, creative economics and placemaking. The county indicated that FY16-FY17 data would be collected as a baseline for future analysis. Although the indicated data for every performance measure is not available, the activity related to each goal is described below.

**Business Vitality:** Measurements aligned with this goal are: the number of jobs created/retained, the average wage of jobs created/retained, private employment, non-federal government sectors as a percent of county GRP, private commercial tax base, time required for development approvals and processing permits, number of expanded businesses retained in county and foreign direct investment.

According to MCEDC data, the number of new jobs created during FY18 in which they had some involvement was 1340 of which 476 were created through attraction projects while 864 came about through retention and expansion of existing county businesses. While pay data is not available for these specific jobs, the QCEW report for the county's annual pay average for private sector jobs is in the \$60,000 range. Private employment is estimated to increase by 4.4 thousand per year (.8%). For many years the portion of jobs by sector has remained constant with federal government accounting for 9 to 12 percent of all county jobs and state and local government accounting for 8 to 9 percent, leaving about 80% private sector jobs.

Countystat tracks the time required by the Department of Permitting Services (DPS) to process permits of various types. Their data indicates that:

- DPS Commercial Permits New Construction Total Time has been reduced from 265 days in FY 2013 to 79 days in FY 2018
- DPS Fast Track Customers served within 2.5 hours increased from 54% in FY 2012 to 75% in FY 2018
- Residential (home) Permits - New Construction dropped from 88 days in FY 2012 to 64 days in FY 2018

While significant reduction in time to process permits has been achieved, some businesses have reported that inspection by different inspectors during the building process has resulted in a need to make corrections to work that was previously approved. Consistency in evaluation may need improvement.

MCEDC reports that 39 businesses chose to expand or relocate within the county during FY18 and an additional ten considered relocating, but decided to stay. The cyber security industry accounted for 546 of the new jobs in FY18. The largest portion of Montgomery County cyber security companies is service-based, i.e., government contractors and those that serve government contractors. MCEDC is working with companies in the industry to increase the county's proportion of successful product companies.

Although the numbers are not formally tracked, many of the companies MCEDC has visited are international companies that have established a U.S. headquarters or facility here or companies that have been fully or partially purchased by an international company. The most visible example of foreign direct investment in Montgomery County is Autolus, a British biohealth firm that announced in January that it is settling its US headquarters, research and development and manufacturing facility in Rockville. The company will invest \$28 million, create 174 jobs, and fill 85,000 square feet of space in a brand-new building.

**Talent:** Measures aligned with this goal are: population age 25+ with a bachelor's degree or higher, percent of population age 20-34, number of enrolled college and university students, annual unemployment rate, net migration to the county, labor force participation rate for working age population, median household income and average weekly wage per worker.

Data from QuickFacts corresponds closely to that reported by the department of finance and gives a bit more detail. At the end of 2017 it reports the county population to be 1,058,810 with 61.8% between the ages of 18 and 65. The median age is reported to be 39 years. Of those over 25 years of age 58.3% had earned a bachelor's degree or higher.

During 2018 the county gained 7000 new residents and the labor force participation rate for working age population was up 0.7%. The median household income at the end of 2017 was \$103,178 with an increase for calendar year 2018 of 3.9%.

The most consistent concern for businesses across all industries is talent acquisition. MCEDC connects businesses with talent sources including Montgomery College, the Universities of Shady Grove and other institutions. WorkSource Montgomery is exploring the workforce pipeline and best practices to creatively meet county companies' talent needs over the long term. Talent is a huge issue for cyber security companies. As they grow, MCEDC has observed a tendency for them to gravitate toward closer proximity to large 4-year universities to feed their talent pipeline. The bio-tech industry similarly thrives in the county because of the health-related federal offices and the proximity to Johns Hopkins University. There are 149 cyber and 300+ biotech companies in the county.

**Creative Economics:** Measures aligned with this goal are: number of private business establishments, number and dollar value of venture capital and angel investment deals, Small Business Innovative Research (SBIR) /Small Business Technology Transfer (STTR) awards, patent grants and federal R&D higher education expenditures.

MCEDC has engaged in an angel/venture capital fund initiative to match start-up companies with investment outlets. The expectation is that a larger number of angel investors will be identified through this program and they will be one key source for increased investments. Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs have three phases and are focused on developing innovative solutions to pressing problems that can then be commercialized as new products and services or as improvements to existing ones.

The county lists 12 sources of state and county business funding and incentives. For example, a Montgomery County company that has been awarded a SBIR or STTR Phase I or Phase II grant from the National Institutes of Health (NIH) and conducts at least 51 percent of its research & development operations in Montgomery County may apply for a local Montgomery County match. Companies may receive a match of 25%, up to a maximum of \$25,000 for a Phase I grant, or a match of 25%, up to a maximum of \$75,000 for a Phase II grant. Companies are eligible to receive a local match once per calendar year, up to a total of five grant awards.

Venture capital investment in FY18 amounted to \$608.17 million. While the number of patents granted annually to businesses in the county was identified as a measure of creative economics, the most recent data found via the US Patent and Trademark Office indicates that 701 utility patents were granted in Montgomery County in 2015. While the Universities at Shady Grove is not separately ranked in terms of Federal R&D higher education expenditures, Johns Hopkins University has been ranked first for many years. For 2017 the University of Maryland is ranked 43 among hundreds of schools.

**Placemaking:** Measures aligned with this goal are: amount of new office space (square feet) added to regional market, commercial office and retail vacancy rate, net absorption rate, retail sales, median owner-occupied home value and apartment vacancy rates.

MCEDC reports 1,165,613 square feet of newly leased office space during FY18 and that 7.5 million square feet of private facility wet lab space exists in the county. There are 1,600 regional LEED-certified commercial buildings, highest of any MSA. The total value of non-residential construction is reported at \$1,162 million, up 10.2% in FY18. The office vacancy rate was 16.3% in FY17, but was reduced to 14.8% at the end of calendar year 2018. Average prices for existing homes were up 2.7% in FY18. The median value of an owner-occupied home at the end of 2017 was \$477,800 while the median sales price was \$410,500 in February 2018. The effective gross rent per unit for the 3rd quarter of 2018 was \$1771 and the vacancy rate was 5.7%.

## CRITICISM OF THE COUNTY'S ECONOMIC MANAGEMENT

Empower Montgomery, a group of Montgomery County businessmen generally critical of the county's progress, commissioned a two part report from Sage Policy Group, Inc. in Baltimore. The first part of study focused on big picture economics, with special attention given to the county's "soft business formation, slow job growth, expanding tax burdens and rapid debt accumulation." Part 2 of their report, issued in December 2018, states:

"Newly available data indicate that:

- Between 2011 -2017, the county added just 88 net new establishments, or 0.3%.
- During that same period, the number of business establishments in Maryland increased by more than 7,500 (4.6%)
- Over the last 11 years (2006-2017) Montgomery County added 292 net new establishments while the District of Columbia added 8,113 net new establishments.

Relative tax burdens go a long way toward explaining Montgomery County's sluggish economic performance – performance that is especially soft beyond Bethesda's central business district.... When one considers only business taxes, the difference in tax burdens between Montgomery County and Fairfax County (for instance) is reasonably small. Once one layers on State and local income taxes, however, Fairfax County emerges as a far superior proposition from the perspective of cost minimization."

The Empower Montgomery web site further states, "Our County commercial tax base is in steady decline."

The original Sage report has been refuted and the facts regarding their major tax criticisms as reported in the county's Comprehensive Annual Financial Reports are:

- **Soft business formation:** Currently there is no way to accurately track the number of new businesses in the county. MCEDC reports that it is working with county and state partners to explore different datasets to create a more accurate picture.
- **Slow job growth:** QCEW data shows that the number of jobs increased 6% between 2011 and 2017. MCEDC reports 1340 new jobs created in FY18, with 476 for new business attracted and 864 from expansion and retention of business existing in the county.
- **Expanding tax burdens:** The county direct property tax rate in 2011 was \$.9040 per hundred dollars of assessed value. The rate exceeded \$1 in 2014 and 2017, but in 2018 dropped below \$1. The FY19 rate is \$.981. The direct personal property rate has grown from \$2.247 in 2011 to \$2.4871 in 2018 and was above \$2.50 in 2014 and 2017. The county income tax rate has remained steady at 3.2%.
- **Rapid debt accumulation:** Total debt applicable to the debt limit of 6% of the assessable base in 2011 was \$2,455,600,000 or 77% of the limit. It did increase by 2017 to \$3,620,532,257, but was only 68% of the limit.
- **Commercial base:** The assessed value of commercial property was \$36,011,884,254 in 2011 and dropped over 6% in 2012, but then began a steady climb in value to \$41,267,669,577 in 2017.

In response to its gloomy portrait of Montgomery County's current stance, the Sage report goes on to make the following recommendations:

1. Build schools to improve student outcomes and end development moratoria: Citing the Montgomery County Planning Department's declaration of development moratoria in sections of Silver Spring, Wheaton and Bethesda because of schools well over capacity, they propose that the county lower its goal of 10% reserves by 1% "which would free up approximately \$56 million, which could be used to fund school construction or other needed investments that can in turn spur economic development."
2. Accelerate public and private investment in White Flint and the White Oak Science Gateway: These two areas stand out as representing future centers of innovation and dynamic growth. To assure their success, the county should accelerate the pace of planned transportation infrastructure improvements. Opportunity zones could further help stimulate momentum in and around these areas. An expedited Commercial Permitting Process might

be established for these areas. The county could also explore the idea of constructing a STEM high school at a site in White Oak.

3. Remove Montgomery County's monopolistic liquor restrictions
4. Invest additional resources in economic development: Since all available funds for the MOVE Program (which supplies grants for businesses that are new to the county and lease up to 20,000 square feet of Class A or B space) have been allocated, the county should consider expanding the program to accelerate the population of businesses in the county.
5. Advocate for an improved statewide business climate: A lower state corporate tax rate (8.25 % in Maryland versus Virginia's 6%) would benefit other counties as well.

Activity underway before the recommendations were published include:

**White Oak:** Montgomery County first released the request for proposals for the county-owned portion of the White Oak site in 2008; due to delays, it did not select Percontee as the developer until 2011. The project was delayed further by issues with the county, but the public-private partnership reached an agreement in June 2016 allowing the development to move forward. A sketch plan for a 300 acre mixed use development called Viva White Oak was submitted by Global Lifesci Development Corporation to the planning board and approved in November 2017 and a preliminary plan was approved a year later. Construction of public roads in the plan is scheduled for this spring. Part of the site had been a sand and gravel mine since the 1930's and is currently being used as a rubble land fill, a sand, gravel, stone, topsoil processor and wholesaler and concrete recycler. Development plans are expected to be submitted to the planning board this spring with development following in phases shortly after the plans are approved.

**Opportunity Zones:** In June 2018 the U.S. Treasury Department approved 14 designated areas of land in Montgomery County for the nationwide Opportunity Zone program, which provides federal tax incentives to spur investment in underserved communities by attracting investment. The areas approved are:

- Montgomery College's Germantown Campus
- Four census tracts in Gaithersburg
- Rockville Pike in-between Rockville Town Center and the Twinbrook Metro Station
- Downtown Wheaton
- Two census tracts in Downtown Silver Spring
- Two census tracts in White Oak
- Three census tracts in Long Branch along the future Purple Line.

## CONSENSUS QUESTION:

Should the county identify performance measures that align with its stated economic development goals and collect and analyze data on those performance measures to create a publicly available annual progress report?

This Fact Sheet was prepared by the LWVMC Economic Development Study Committee: Margaret Chasson, Chair; Adrienne Craver, Judy Morenoff, Melissa Urofsky. The committee wishes to thank the following persons for their assistance in the development of this Fact Sheet: Brandon Bedford, Laurie Boyer, Jeremy Criss, Luis Estrada, Gigi Godwin, Lisa Govoni, Caroline McCarthy, David Petr, Caroline Taylor, Bill Tompkins, Richelle Wilson, Pamela Zorich.