

MEMORANDUM

January 24, 2013

TO: Planning, Housing, and Economic Development Committee
FROM: Jacob Sesker, Senior Legislative Analyst *JS*
SUBJECT: -Status Report – Department of Economic Development

Introduction

The Department of Economic Development (DED) will present its quarterly update. The previous quarterly update to the Planning, Housing, and Economic Development Committee was held on October 11, 2012.

The following individual is expected to attend this meeting: Director of Economic Development Steve Silverman.

Several issues, with accompanying updates from DED, are outlined below. The Director may also provide additional updates on other issues related to economic development and the County's economy.

FY13 Issues and Updates

Montgomery Business Development Corporation

Issue:

In approving the FY13 Operating Budget, the Council placed limits/conditions on the appropriation of \$500,000 to DED to contract with the MBDC, and required that both parties provide quarterly reports on the status of contract negotiations and contract deliverables. **While the parties are near agreement on the terms of that contract, a document has not yet been executed.**

Update:

“At 3 pm January 23, 2013, the County Attorney signed off on the final contract. Assuming three working days MBDC, and Procurement signoff, the contract will be in force by the first week of February.”

Implementation of Bill 5-12 (Small Business Navigator)

Issue:

Bill 5-12 added §2-25B to the County Code, which requires the Executive to establish a program to assist certain small businesses located in the County and to appoint a dedicated staff member to assist small businesses to comply with County requirements and regulations. **Where are we in the process of hiring to fill the position(s)?**

Update:

“DED has interviewed six candidates and chosen a candidate. An offer is being finalized with an anticipated start date in early February.”

Implementation of Bill 6-12 (Small Business Assistance)

Issue:

Bill 6-12 added §20-76B to the County Code. Under §20-76B(f), the Executive must adopt regulations to implement the law, and through those regulations must specify eligibility criteria for grants and loans under the program. **What is the current status?**

Update:

“The Executive Regulation has been posted in the January County Register, with the public comment period ending on 1/31/2013. DED will evaluate the comments and feedbacks received and revise the ER if necessary and submit for the County Executive approval and transmittal to the Council by mid-February.”

Implementation of Bill 14-12 (Economic Development Fund—Amendments)

Issue:

Bill 14-12 requires (in the transition section) that the Executive submit an economic development strategic plan within 180 days after the bill becomes effective (the effective date is December 20, 2012). Submitting a strategic plan within that timeframe represents the most significant challenge to implementing the law in FY13. **What is the current status? What resources has DED identified for outreach, analysis, and production of the strategic plan?**

Update:

“Upon execution of the MBDC contract, DED will meet with the MDBC to begin the planning and research phase for the revision to the strategic plan by July 2013.”

Senior Business Development Specialist position

Issue:

Staff’s May 4, 2012 memorandum to the County Council regarding the DED Operating Budget stated that DED intended to fill a Senior Business Development Specialist position in the first quarter of FY13. DED reassessed its needs and abolished this position. **What is the status of DED’s efforts to hire a social media/marketing person and an administrative support staffer?**

Updates:

“DED has filled the Administrative Specialist II position on 12/31/2013. DED has interviewed four candidates for the Public Relations Specialist position and has selected a candidate. An offer will be made by the end of January, pending satisfactory reference check.”

Professional service contracts to support business development

Issues:

The Approved FY13 Operating Budget included \$100,000 for contracts to support business development activities. **You selected 18 vendors under six service categories. How many task orders have been issued to date and for which functions?**

Updates:

“Five task orders were issued for conference planning, marketing, and one is being prepared for program administration.”

Website and marketing efforts

Issue

The FY12 Approved Budget included a \$350,000 one-time increase or enhancement to the DED budget. The FY13 Approved Budget included \$250,000 to enhance marketing initiatives. The new website, <http://www.choosemontgomerymd.com/>, went live last spring, but DED continues to add content and functionality. A specific area of need is to improve the DED calendar, and to allow non-County users to add events related to business development to the Department’s calendar.

October 2012 DED Update: “The Phase II [website], as initially planned, will be completed towards the end of this calendar year or at the latest early next year.” At that point, DED hopes that the social media marketing position (referenced above) will have been filled so that there will

be a staff person capable of providing frequent updates to content and executing a successful social media outreach effort.

Update:

“Phase II of the website enhancement is underway. The online calendar tool is complete and under final testing. As of January, seven organizations are actively posting their events online, testing the posting, and editing capabilities. The formal “launch” of the calendar will take place on March 6, when it is unveiled at a meeting of the county’s small and minority business owners. Following that launch, other organizations throughout the county will be invited to actively participate in updating the calendar.

“Other enhancements still to come will be a properties and a procurement database. We are still on track to complete these enhancements by the end of calendar year 2013.”

Web/tech support from DTS

Issue

DED lacks internal resources to address web or technology issues as they arise. DED issued an RFP in September. **Do you have a vendor under contract?**

Update:

“Since early December, DED entered into a contract with DTS contractor to be stationed at DED office every Tuesday and Thursday mornings, and also to respond to any other IT service needs within 1-hour response time. So far, this arrangement has reduced the Department’s IT issues drastically and enabled DED to engage in preventive service as well. The contract value is \$18,000 until 6/30/2013, funded from the Professional Contract funding.”

Bethesda Blues and Jazz Club

Issue

The FY13 Approved Budget included \$750,000 for a one-time payment/reimbursement related to failure to meet conditions that were attached to a previous state grant and payment which arose out of the foreclosure of the Bethesda Theatre. At that time, the new use of that facility, Bethesda Blues and Jazz Supper Club, was scheduled to open in the fall of 2012. **What is the current status?**

Update:

“Based on the latest update, after some delay in construction and factoring in 10-day training for employees, March 1, 2013 is the target opening date.”

1099s

Issue

In November, Councilmember Riemer requested some follow-up regarding EMSI data. This highlighted a need for further analysis of covered and non-covered employment trends in area jurisdictions (rate of change, demographic characteristics of non-covered workers, etc.) and a comparison of wages or income from non-covered employment and covered employment. **What is the status of this analysis?**

Update

“Separate attachment provided.”

Glenmont enterprise zone application

Issue

The application deadlines for enterprise zones are April 15 (Feb 15) and October 15 (Aug 15). **Is it reasonable for us to expect that we can submit by Feb 15th given resources?**

Update:

“The application preparation entails substantial staff time that DED does not have. A consultant (at a cost of \$5-\$7,000) was engaged to prepare the application and DED should make the April 15 submission deadline.”

Calendar improvements for DED, CVB

Update:

“Discussion is underway. As we are now monitoring how the current seven organizations’ calendar input works, strategy will be developed shortly.”

Next phase of incubator work

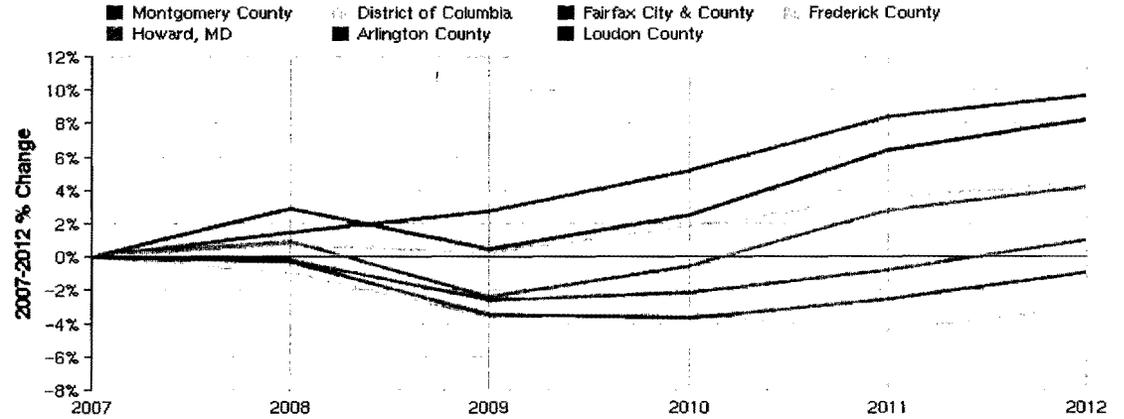
“The Solicitation for Phase III was issued and will close 1/25/2013. We will select a vendor by first week of February with the required deliverables due by the middle of April.”

©	Item
1	EMSI Data
4	PowerPoint slides

Regional Trends, 2007-2012

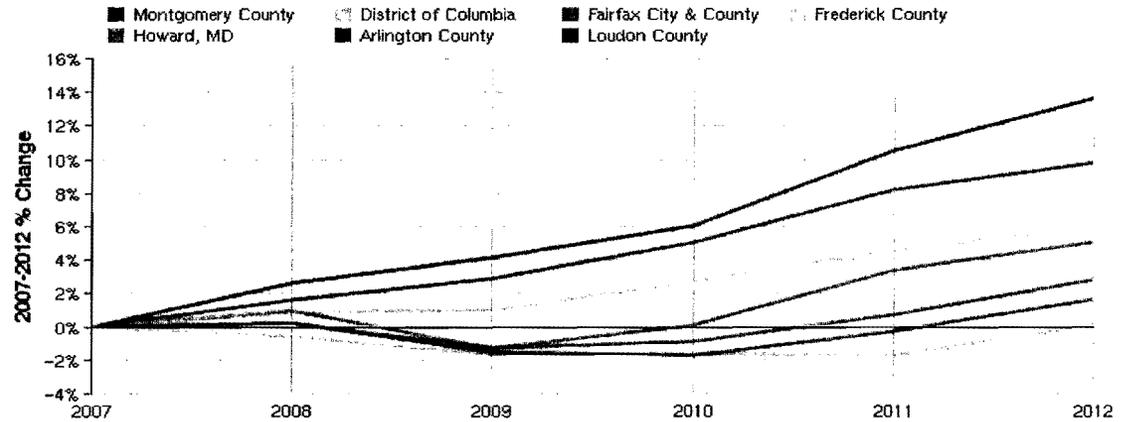
Covered Employment, 2007-2012

Region	2007 Jobs	2012 Jobs	% Change	2012 Average Earnings
Montgomery County	470,085	465,714	(0.9%)	\$67,061
Frederick County	97,198	94,341	(2.9%)	\$48,108
Howard, MD	148,493	154,751	4.2%	\$58,972
District of Columbia	704,073	735,725	4.5%	\$81,306
Fairfax City & County	630,203	636,504	1.0%	\$77,106
Arlington County	166,302	182,418	9.7%	\$84,042
Loudon County	130,320	141,075	8.3%	\$57,993



Complete Employment, 2007-2012

Region	2007 Jobs	2012 Jobs	% Change	2012 Average Earnings
Montgomery County	642,232	652,915	1.7%	\$68,884
Frederick County	127,867	128,061	0.2%	\$49,447
Howard, MD	184,905	194,295	5.1%	\$62,803
District of Columbia	798,417	845,459	5.9%	\$94,630
Fairfax City & County	808,251	831,323	2.9%	\$77,827
Arlington County	195,390	214,576	9.8%	\$94,111
Loudon County	164,499	186,961	13.7%	\$60,091



Notes: About 27% of workers in Montgomery County and 22% in Fairfax County are non-QCEW workers

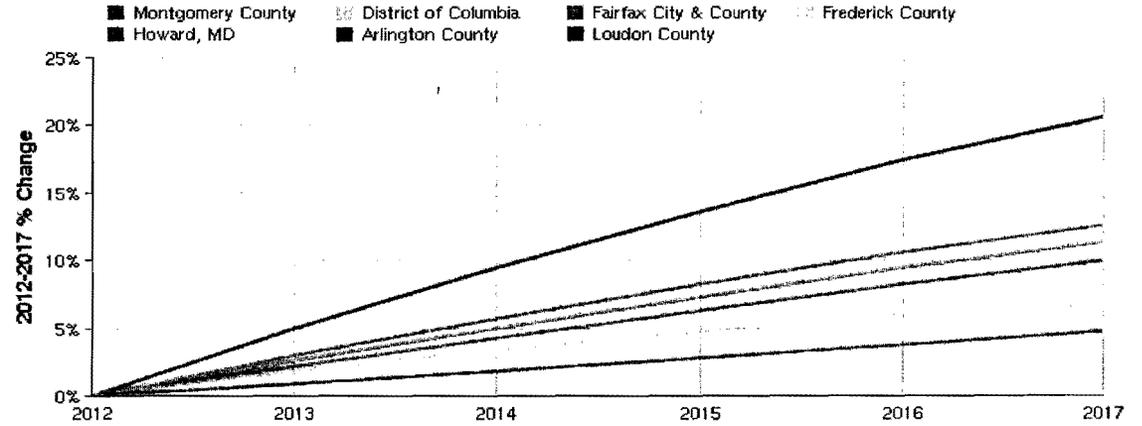
Covered Employment - employment covered by Unemployment Insurance programs and reported by Quarterly Census of Employment and Wages

Complete Employment - in addition to Covered Employment includes employment not covered by Unemployment Insurance programs, such as self-employed, railroad workers, religious workers, private elementary & secondary schools, military, domestic workers, etc.

Regional Trends, Projections for 2012-2017

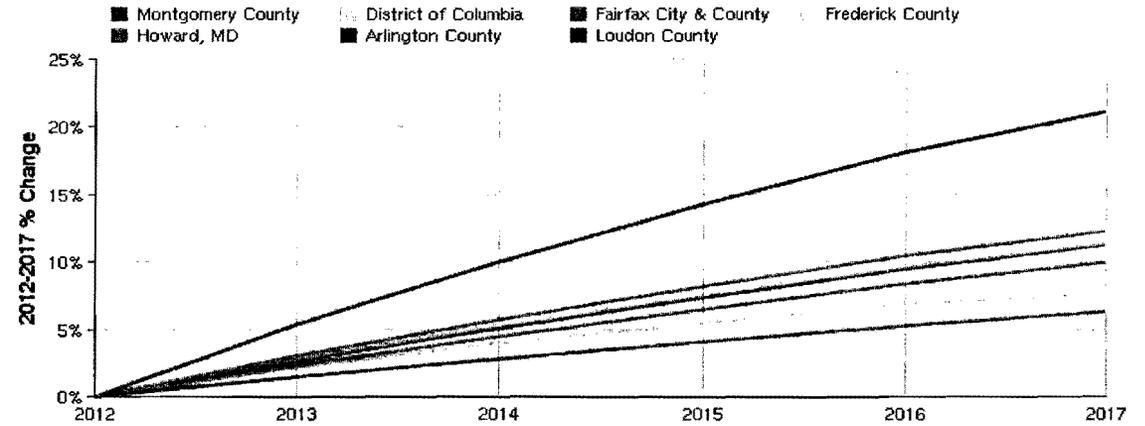
Covered Employment, Projections for 2012-2017

Region	2012 Jobs	2017 Jobs	% Change	2012 Average Earnings
Montgomery County	465,714	487,957	4.8%	\$67,061
Frederick County	94,341	105,081	11.4%	\$48,108
Howard, MD	154,751	174,258	12.6%	\$58,972
District of Columbia	735,725	785,342	6.7%	\$81,306
Fairfax City & County	636,504	700,030	10.0%	\$77,106
Arlington County	182,418	203,138	11.4%	\$84,042
Loudon County	141,075	170,185	20.6%	\$57,993



Complete Employment, Projections for 2012-2017

Region	2012 Jobs	2017 Jobs	% Change	2012 Average Earnings
Montgomery County	652,915	694,066	6.3%	\$68,884
Frederick County	128,061	142,659	11.4%	\$49,447
Howard, MD	194,295	218,164	12.3%	\$62,803
District of Columbia	845,459	910,858	7.7%	\$94,630
Fairfax City & County	831,323	914,138	10.0%	\$77,827
Arlington County	214,576	238,729	11.3%	\$94,111
Loudon County	186,961	226,432	21.1%	\$60,091



Regional Trends, Non-QCEW Employment

Non-QCEW Employment

Region	2007 Jobs	2012 Jobs	2017 Jobs	2007-2012 % Change	2012- 2017 % Change
Montgomery County	20,686	21,643	22,591	4.6%	4.4%
Frederick County	4,740	4,904	5,119	3.5%	4.4%
Howard, MD	5,178	5,215	5,416	0.7%	3.9%
District of Columbia	43,480	41,418	42,507	(4.7%)	2.6%
Fairfax City & County	34,261	35,813	40,061	4.5%	11.9%
Arlington County	14,756	14,105	14,369	(4.4%)	1.9%

PRESENTATION BEFORE:

**PLANNING, HOUSING AND
ECONOMIC DEVELOPMENT COMMITTEE
of the Montgomery County Council**

January 28, 2013

**ECONOMIC CONDITIONS
IN THE COUNTY**

by:

Department of Economic Development

Montgomery County Private Sector Employers by Employment – Size Class

Montgomery County Private Sector Employers by Employment-Size Class				
Number of Employers by Employment-Size Class	First Quarter of 2011		First Quarter of 2012	
	Employer Count	% of Total Private Sector Employers	Employer Count	% of Total Private Sector Employers
'0-4'	22,194	67.8	21,852	67.1
'5-9'	4,238	13	4,313	13.2
'10-19'	2,922	8.9	2,986	9.2
'20-49'	2,046	6.3	2,092	6.4
'50-99'	732	2.2	746	2.3
'100-249'	453	1.4	450	1.4
'250-499'	99	0.3	87	0.3
'500-999'	18	0.1	27	0.1
'1000 or more'	17	0.1	14	0
TOTAL	32,719	100	32,567	100

Prepared by: Maryland Department of Labor, Licensing and Regulation
Division of Workforce Development and Adult Education
Office of Workforce Information and Performance

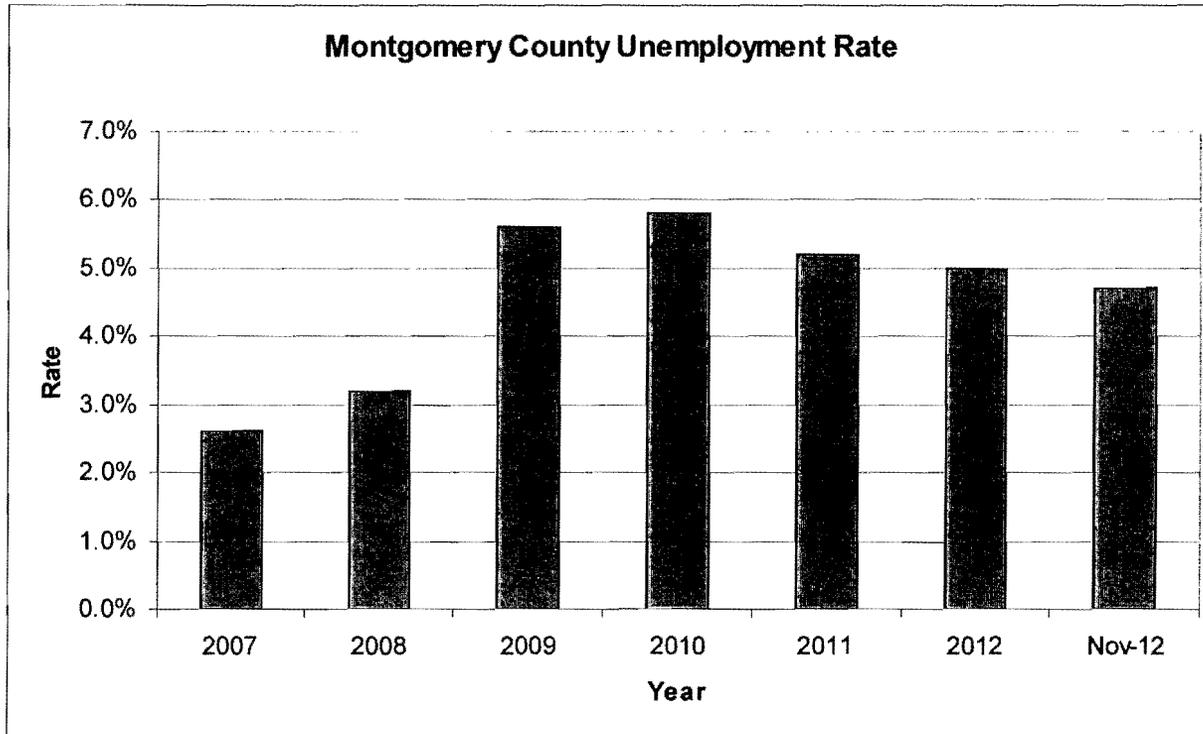
Source: QCEW Data 2011 Q1 & 2012 Q1

Montgomery County Complete Employment, 2007-2012

NAICS Code	Description	2007 Jobs	2008 Jobs	2009 Jobs	2010 Jobs	2011 Jobs	2012 Jobs	Change	% Change
11	Agriculture, Forestry, Fishing and Hunting	1,161	1,183	1,085	1,085	1,185	1,198	37	3%
21	Mining, Quarrying, and Oil and Gas Extraction	486	651	704	729	570	592	106	22%
22	Utilities	823	844	715	556	648	667	(156)	(19%)
23	Construction	42,353	40,077	35,515	32,955	34,273	33,620	(8,733)	(21%)
31-33	Manufacturing	15,801	15,725	14,798	13,605	13,062	12,634	(3,167)	(20%)
42	Wholesale Trade	11,937	11,590	10,636	10,811	10,782	10,933	(1,004)	(8%)
44-45	Retail Trade	56,153	54,594	51,307	51,568	51,685	52,553	(3,600)	(6%)
48-49	Transportation and Warehousing	8,899	8,532	8,599	8,918	8,820	8,776	(123)	(1%)
51	Information	18,329	18,734	17,962	16,974	16,675	16,884	(1,445)	(8%)
52	Finance and Insurance	34,442	36,282	37,365	35,352	36,531	37,430	2,988	9%
53	Real Estate and Rental and Leasing	41,622	40,747	38,512	39,147	38,962	39,282	(2,340)	(6%)
54	Professional, Scientific, and Technical Services	95,688	96,366	96,210	95,631	96,655	99,855	4,167	4%
55	Management of Companies and Enterprises	8,377	8,840	8,869	8,325	9,429	11,022	2,645	32%
56	Administrative and Support and Waste Management and Remediation Services	44,260	42,975	40,969	43,024	43,087	44,294	34	0%
61	Educational Services (Private)	15,322	15,959	16,272	16,398	16,854	17,461	2,139	14%
62	Health Care and Social Assistance	64,583	66,021	67,974	69,646	70,695	72,591	8,008	12%
71	Arts, Entertainment, and Recreation	15,866	16,141	15,910	15,608	15,992	15,179	(687)	(4%)
72	Accommodation and Food Services	33,328	34,017	33,035	33,131	33,750	34,482	1,154	3%
81	Other Services (except Public Administration)	42,805	42,693	43,244	43,704	44,170	44,508	1,703	4%
90	Government	89,325	91,251	92,607	93,986	96,692	98,956	9,631	11%
99	Unclassified Industry	673	588	169	0	0	0	(673)	(100%)
	Total	642,232	643,810	632,456	631,154	640,515	652,915	10,683	2%

Source: EMSI Complete Employment - 2012.4

Montgomery County Unemployment Rate November, 2012



Source: Maryland DLLR.

Total Job Growth by Jurisdiction

Year/Jobs	Montgomery County	Fairfax City & County	District of Columbia
2010	631,154	801,214	820,812
2011	640,515	814,107	835,663
2012	652,915	831,323	845,459
2010-2012 % Change	3.4%	3.8%	3.0%

Source: EMSI Complete Employment - 2012.4

Total Jobs and Federal Jobs by Jurisdiction

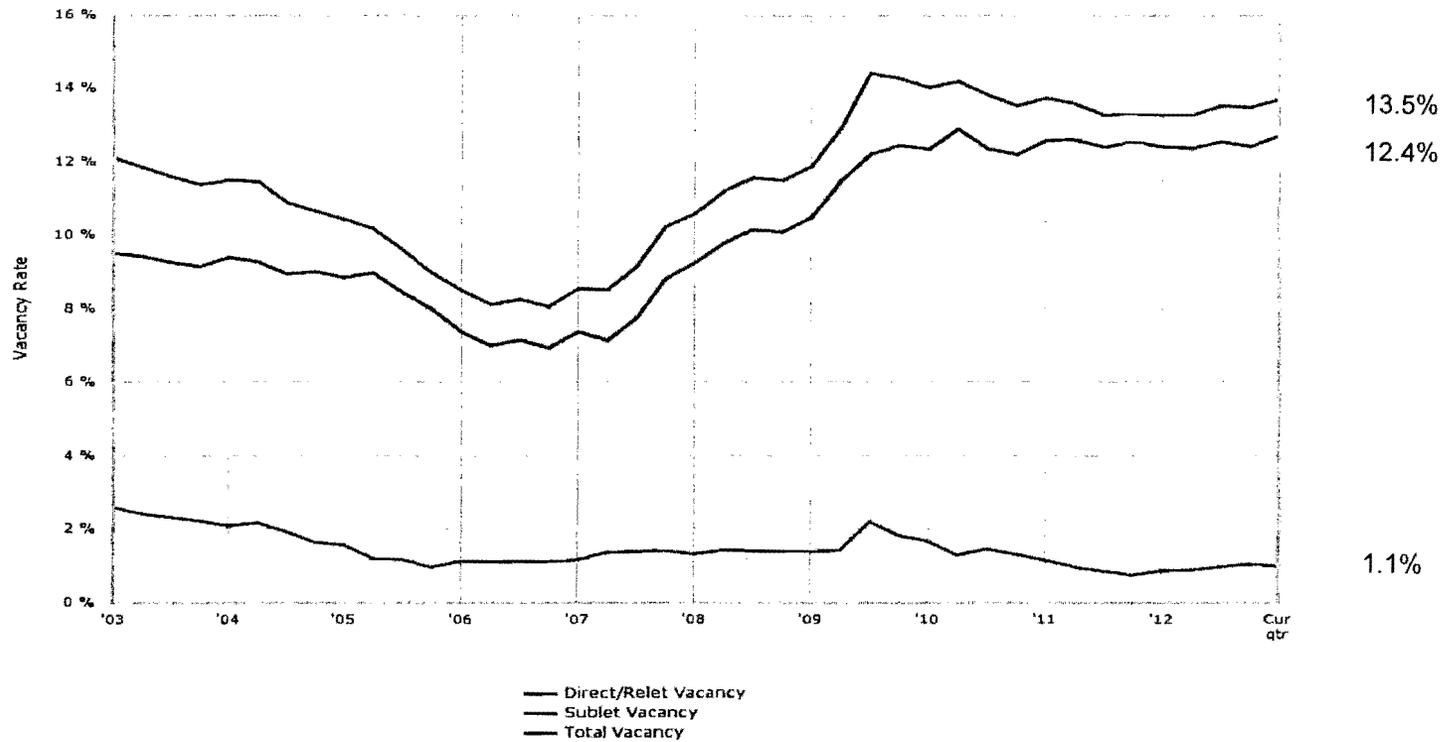
Region	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2001-2012 % Change
Montgomery County													
Total Jobs	589,234	595,263	601,207	606,819	622,429	634,576	642,232	643,810	632,456	631,154	640,515	652,915	11%
Federal Jobs	41,961	42,949	44,207	43,685	42,988	42,787	43,362	44,543	46,203	48,143	49,355	50,362	20%
District of Columbia													
Total Jobs	744,687	757,486	760,462	773,435	781,817	788,182	798,417	805,568	806,467	820,812	835,663	845,459	14%
Federal Jobs	187,229	192,611	196,531	196,028	195,652	197,096	195,070	196,532	203,395	213,571	214,734	211,646	13%
Fairfax City & County													
Total Jobs	712,755	700,232	719,813	744,342	769,774	786,121	808,251	810,165	797,991	801,214	814,107	831,323	17%
Federal Jobs	27,997	29,483	30,483	31,229	31,961	32,263	35,826	36,192	36,889	37,932	39,775	40,421	44%
Arlington County													
Total Jobs	196,843	190,571	190,130	197,222	193,612	198,374	195,390	198,583	201,099	205,267	211,441	214,576	9%
Federal Jobs	30,705	28,702	30,012	34,315	33,736	36,216	28,524	29,168	31,123	33,635	33,766	33,663	10%

Source: EMSI Complete Employment - 2012.4

Federal Jobs = federal government, civilian, except postal service

Montgomery County Office Vacancy – All Space

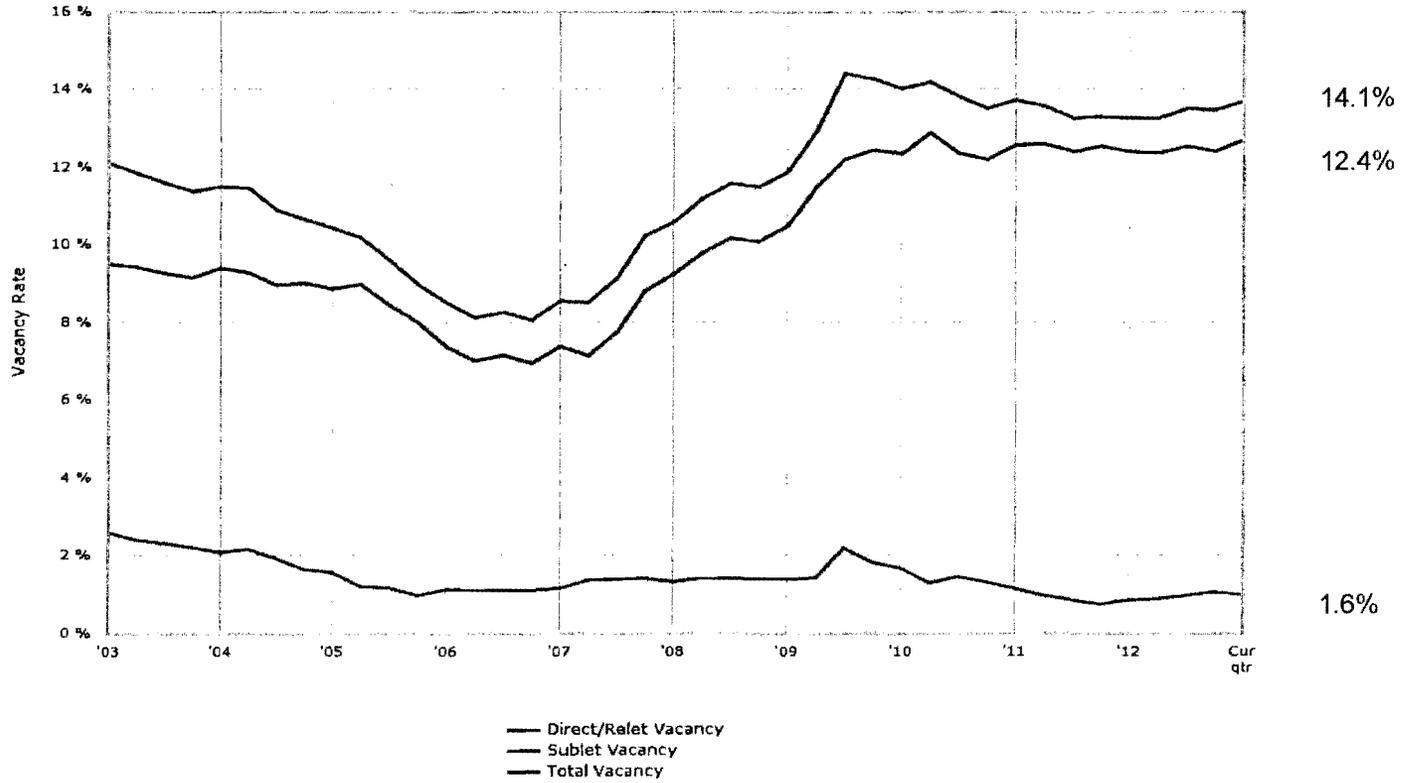
December 2012



Source: Costar Property®, Vacancy Report

Montgomery County Office Vacancy – Class A Space

December 2012



Source: Costar Property®, Vacancy Report

Montgomery County Office Vacancy – Class B Space

December 2012



Source: Costar Property®, Vacancy Report

(12)

Class A & B Office Space

Montgomery, Fairfax and Prince George's Counties

December, 2012

	Total Vacant Class A, 50K+	Total Vacant Class A	Total Inventory Class A
Montgomery County, MD	1,838,387	4,983,279	34,031,884
Fairfax County, VA	5,526,799	12,316,488	70,687,484
Prince George's County, MD	782,898	1,819,234	8,836,025
	Total Vacant Class B, 50K+	Total Vacant Class B	Total Inventory Class B
Montgomery County, MD	869,713	4,017,260	29,402,025
Fairfax County, VA	1,370,576	6,167,299	40,764,917
Prince George's County, MD	627,677	2,669,738	12,775,922

Montgomery County -- 2012 Top Leasing Transactions

	Tenant	Building Address	City	Class	Transacti on Type	Space Use	Square Footage
	Sodexo North America	9801 Washingtonian Blvd	Gaithersburg	A	Renewal	Office	182,194
	NIH	6701 Democracy Blvd	Bethesda	A	Renewal	Office	126,626
	Adventist HealthCare	820 W. Diamond Avenue	Gaithersburg	A	Move In	Office	69,379
	MSCI	702 King Farm Blvd.	Rockville	A	Move In	Office	51,090
	JDA Software	9713 Key West Avenue	Rockville	A	Renewal	Office	44,308
	3eTi	9713 Key West Avenue	Rockville	A	Move In	Office	38,258
	WeddingWire	2 Wisconsin Avenue	Chevy Chase	A	Move In	Office	26,180
	Learning Tree	1801 Rockville Pike	Rockville	A	Renewal	Office	25,976
	Notable Solutions	530 Gaither Road	Rockville	A	Move In	Office	24,447
	Undisclosed Tenant	9801 Washingtonian Blvd	Gaithersburg	A	Move In	Office	23,592
	Econometrica, Inc.	7475 Wisconsin Avenue	Bethesda	A	Move In	Office	23,199
	DMI, Inc.	6550 Rock Spring Drive	Bethesda	A	Move In	Office	21,976
	ARDMS	1401 Rockville Pike	Rockville	A	Move In	Office	21,303
	Undisclosed Tenant	7529 Standish Place	Derwood	A	Move In	Office	20,864
							699,392
SOURCE: CoStar® Property							

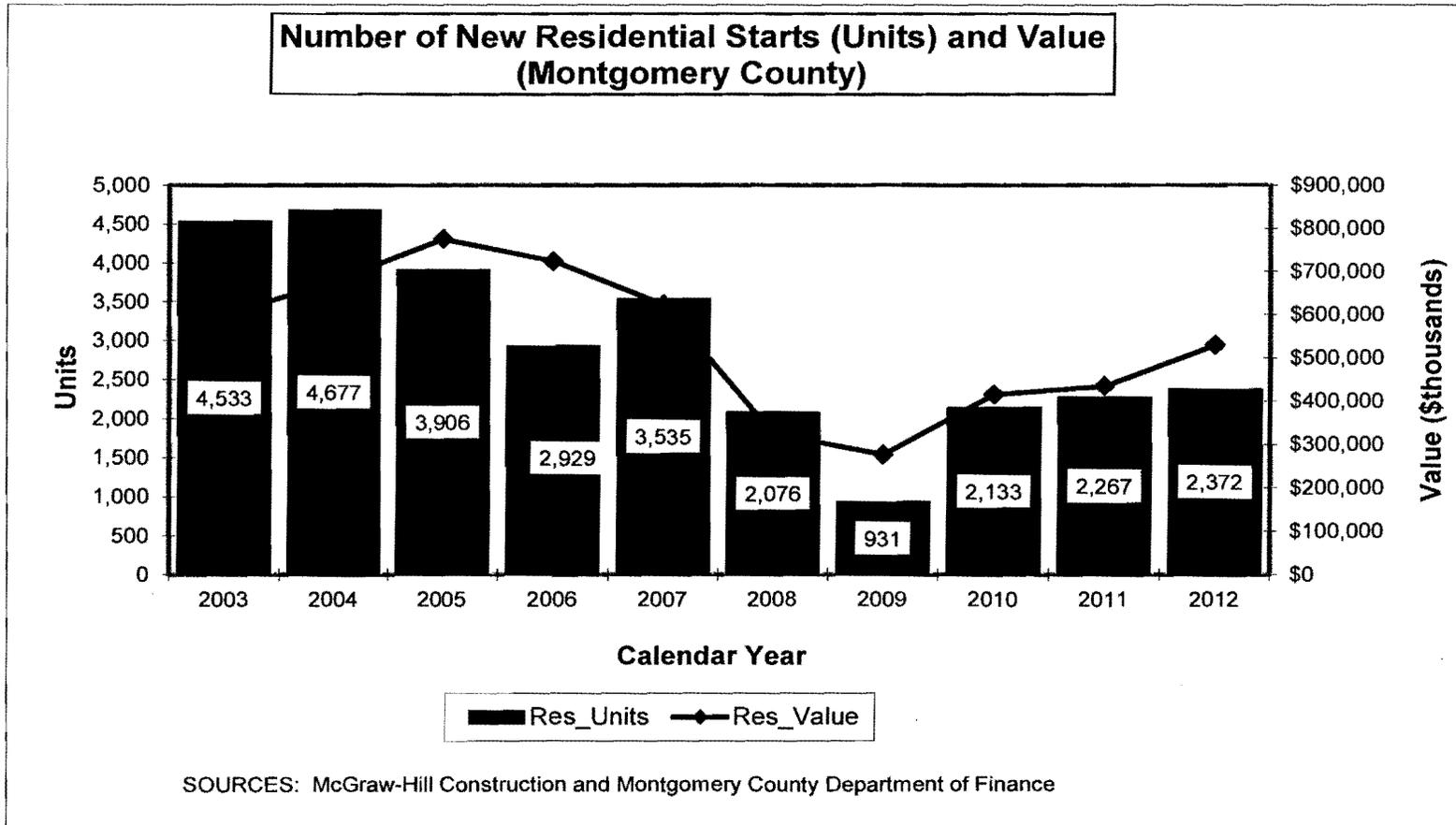
Montgomery County Net Absorption Class A Space

Period	Net Absorption
QTD	(201,321)
2012 4Q	(97,365)
2011 4Q	(108,775)
2010 4Q	218,744
2009 4Q	(55,184)
2008 4Q	16,795
2007 4Q	334,305
2006 4Q	73,409
2005 4Q	141,054
2004 4Q	481,865
2003 4Q	1,265,599
2002 4Q	541,884

Source: CoStar Property Database

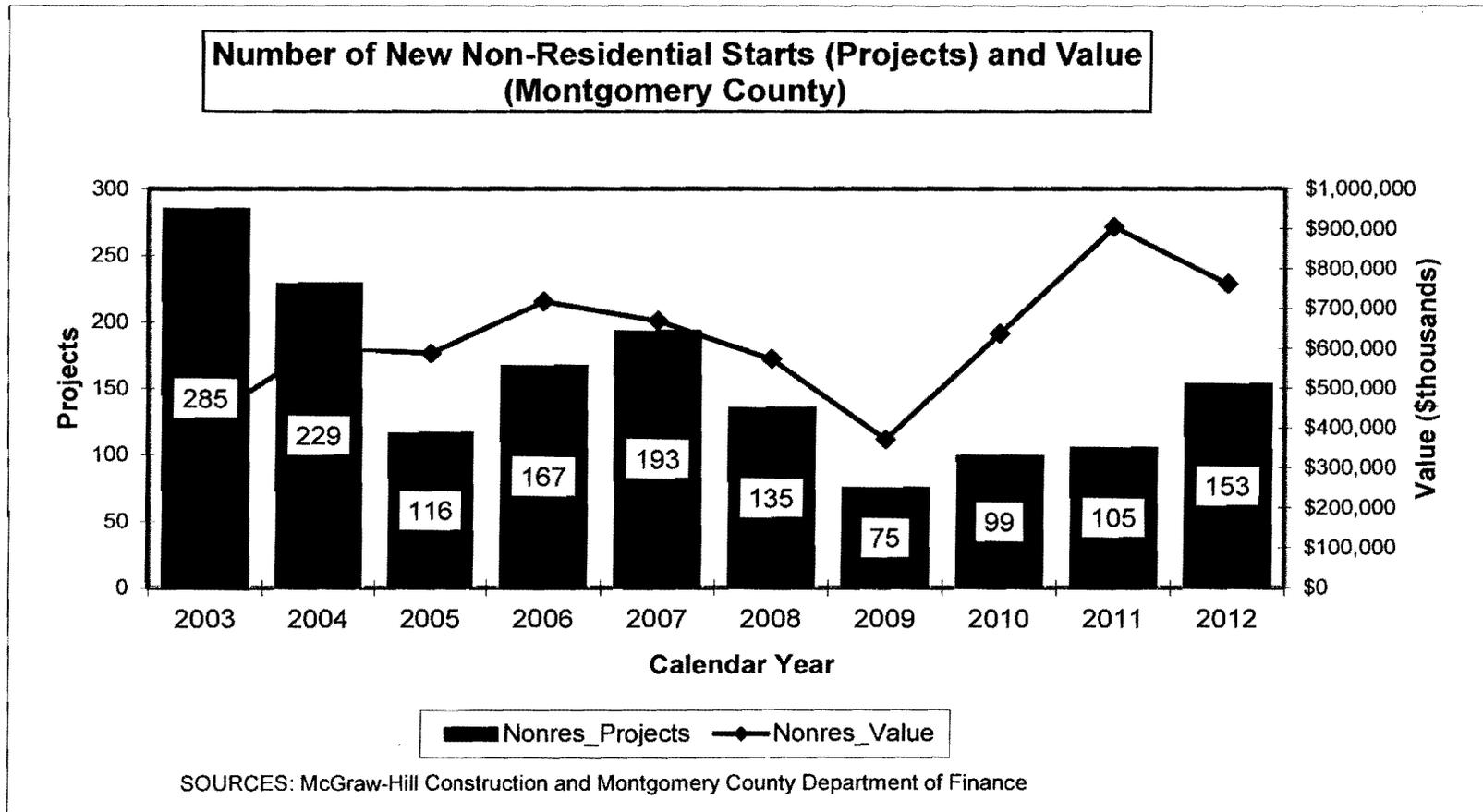
Residential construction up significantly from CY2009.

Total residential construction increased steadily from CY2009 to the CY2012 attributed to the increase in construction of multi-family units from CY2009 to CY2011 and single-family units in CY2012.

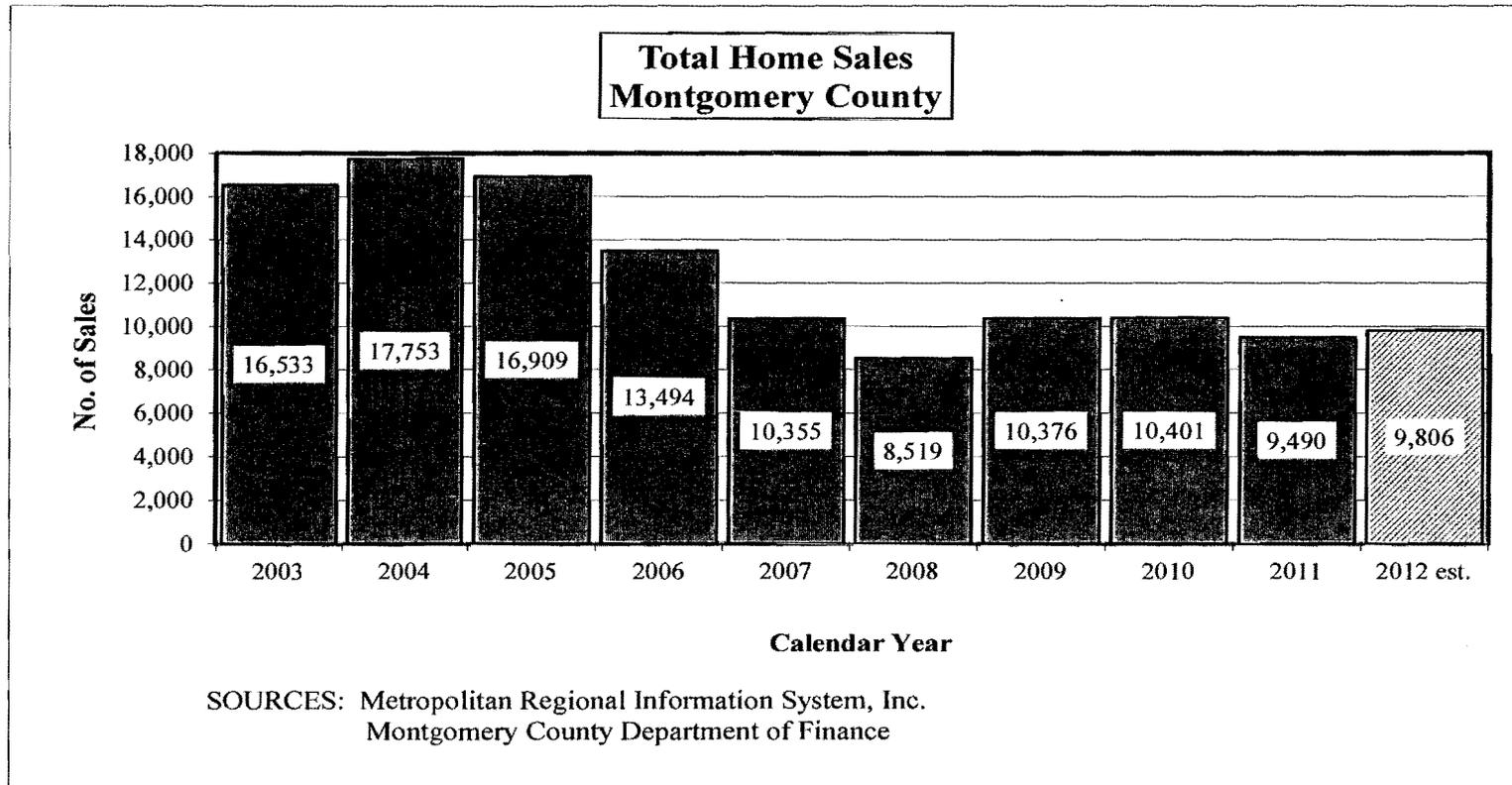


Non-residential construction up significantly from CY2009.

Total non-residential construction starts increased steadily from CY2009 to the CY2012 estimate and the value increased from \$371 million in CY2009 to \$762 million in CY2012.

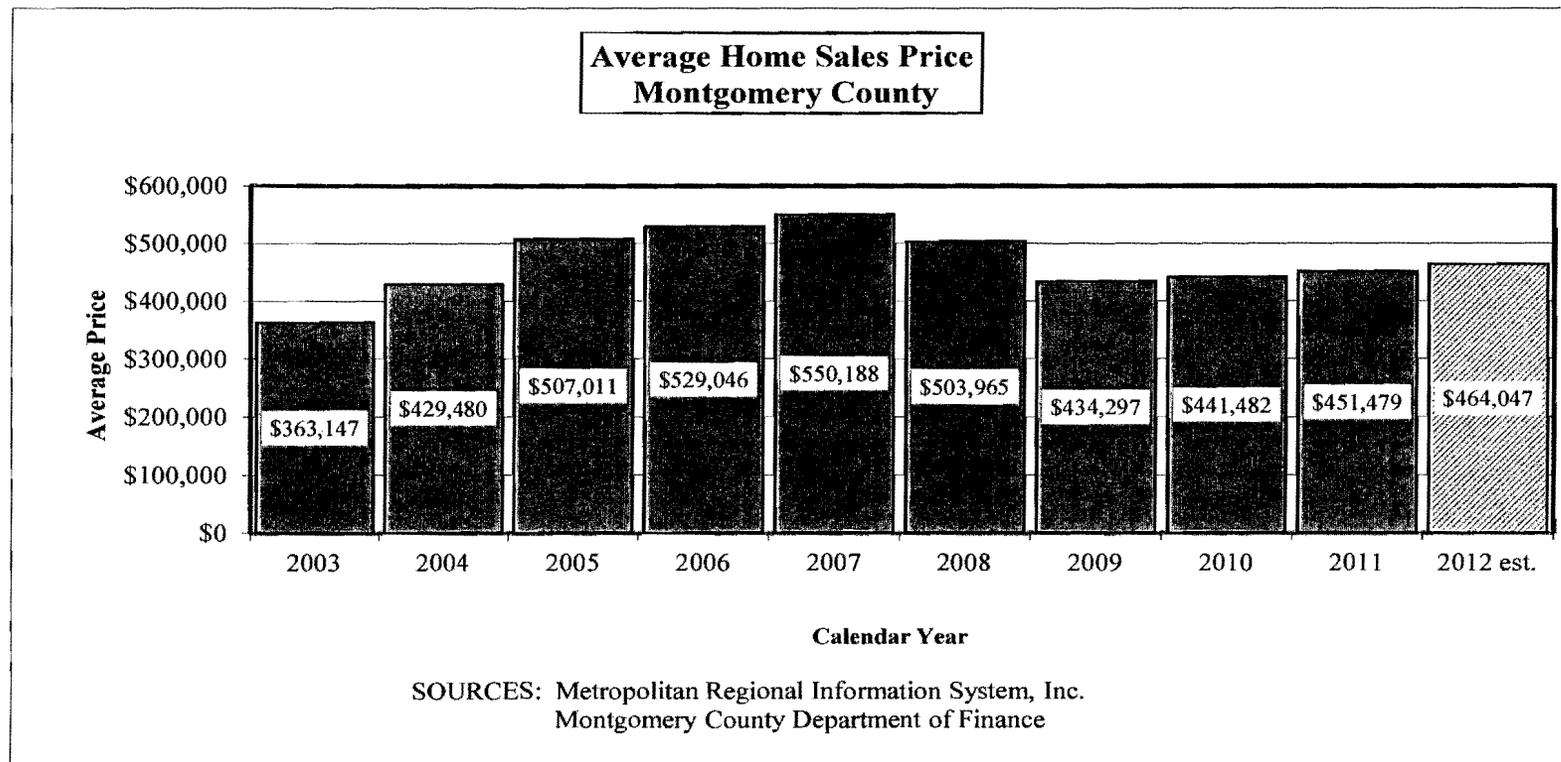


Home sales are estimated to increase 3.3 percent in CY2012. Total sales of existing homes decreased 8.8 percent in CY2011 compared to an increase of 0.2 percent in CY2010. Most of that increase in CY2010 occurred during the first half of the calendar year.



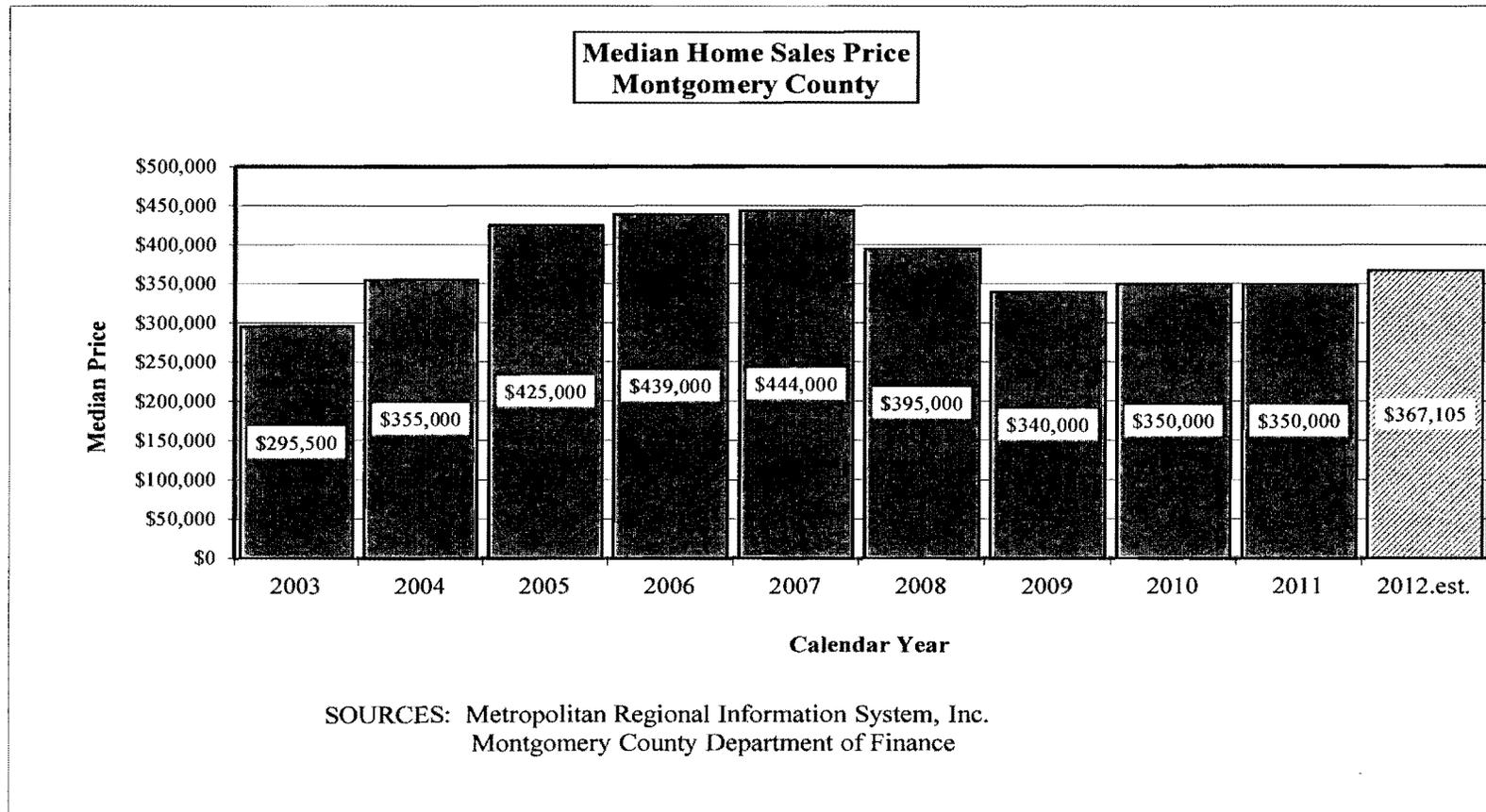
Average home sales prices are estimated to increase 2.8 percent in CY2012.

Average sales price increased 2.3 percent in CY2011, which followed a decrease of 13.8 percent (CY2009) and a modest increase of 1.7 percent (CY2010).



Median home sales prices are estimated to increase 4.9 percent in CY2012.

The median sales price remained flat in CY2011, which followed a decrease of 13.9 percent (CY2009) and an increase of 2.9 percent (CY2010).



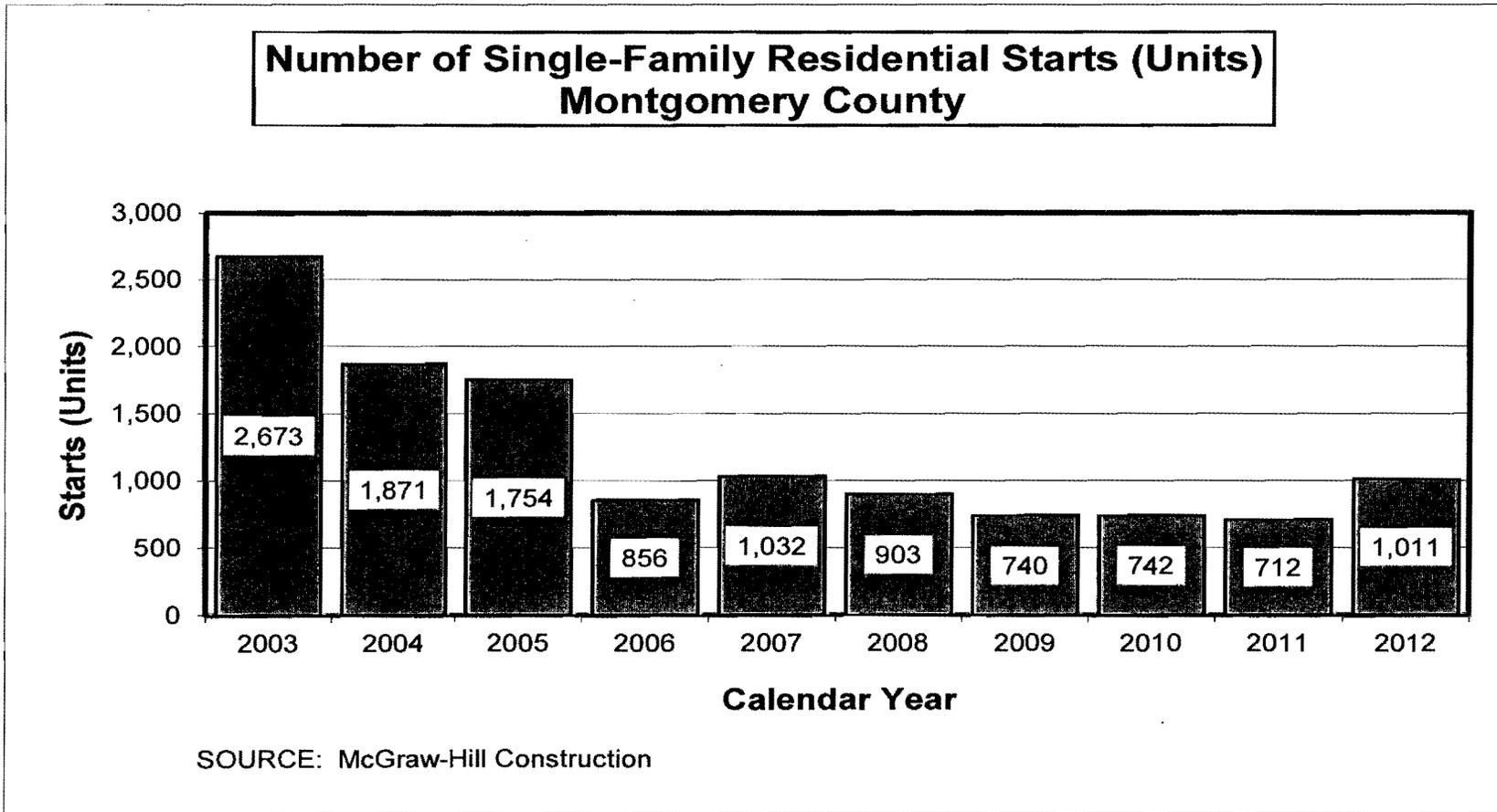
**MONTGOMERY COUNTY, MARYLAND,
REVENUE CAPACITY
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Table 8

Fiscal Year	Real Property						Total Direct Tax Rate (3)
	Residential (1)		Commercial/Other		Total		
	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	
2003	\$ 61,732,348,676	\$ 69,991,325,030	\$ 20,674,989,155	\$ 23,441,030,788	\$ 82,407,337,831	\$ 93,432,355,818	\$ 1.004
2004	67,348,233,048	74,009,047,306	21,914,772,219	24,082,167,274	89,263,005,267	98,091,214,580	1.005
2005	74,808,909,028	80,181,038,615	23,472,815,695	25,158,430,541	98,281,724,723	105,339,469,156	0.994
2006	84,762,150,340	90,946,513,240	25,767,098,776	27,647,101,691	110,529,249,116	118,593,614,931	0.952
2007	96,569,606,606	101,120,006,917	29,141,169,512	30,514,313,625	125,710,776,118	131,634,320,542	0.902
2008	110,002,920,713	112,247,878,279	32,303,514,880	32,962,770,285	142,306,435,593	145,210,648,564	0.902
2009	123,318,552,451	127,923,809,596	34,814,939,022	36,115,081,973	158,133,491,472	164,038,891,569	0.902
2010	131,149,193,561	137,472,949,225	35,947,649,976	37,680,974,818	167,096,843,537	175,153,924,043	0.904
2011	131,778,908,275	149,071,163,208	36,011,884,254	40,737,425,626	167,790,792,529	189,808,588,834	0.904
2012	129,513,818,139	139,412,075,499	32,683,331,619	35,181,196,575	162,197,149,758	174,593,272,075	0.947

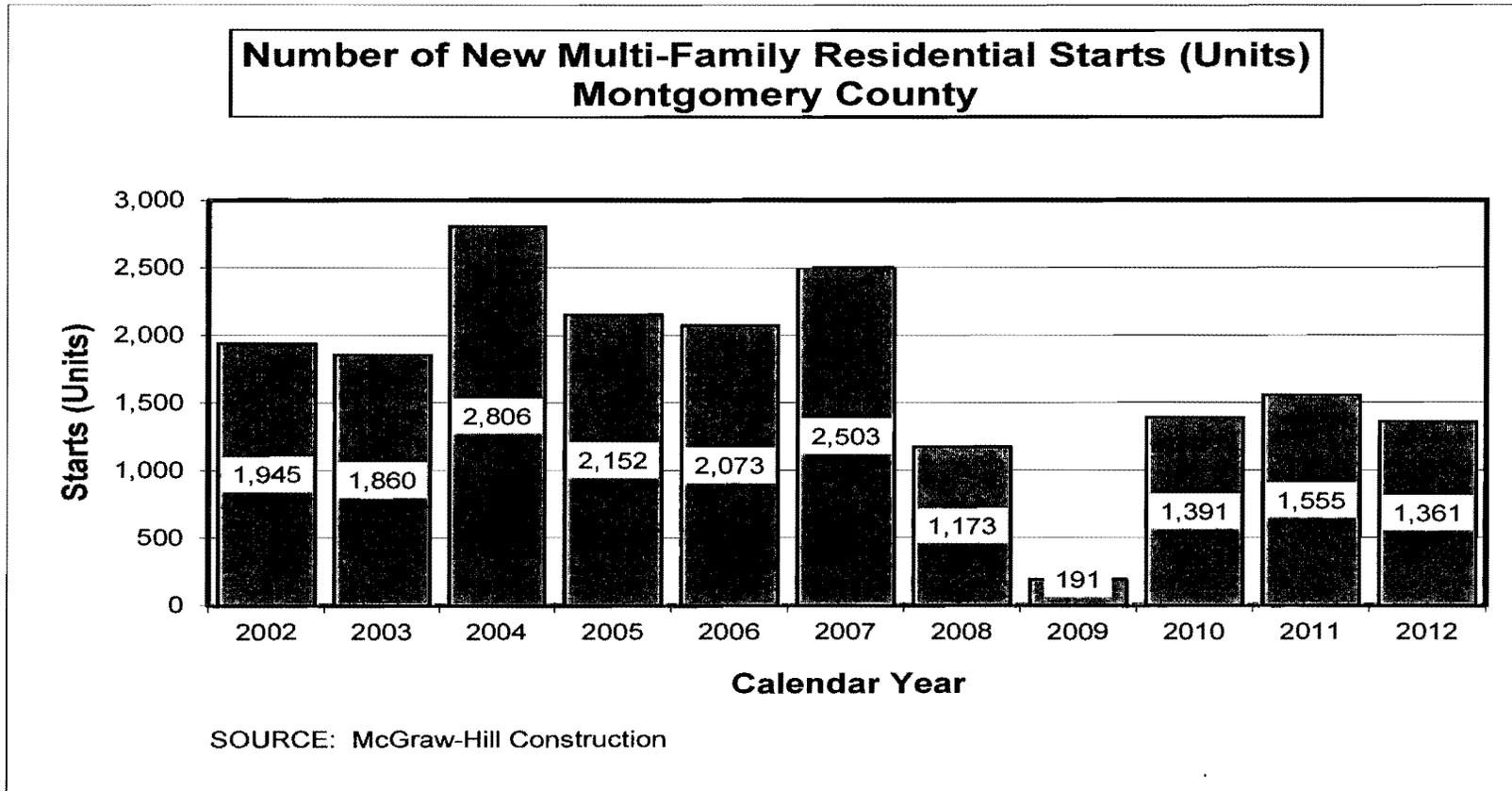
Construction starts of single-family units increased 42 percent in CY2012.

The starts in CY2012 were the largest since CY2007 and nearly 40 percent above the average number of starts between CY2009 and CY2011.



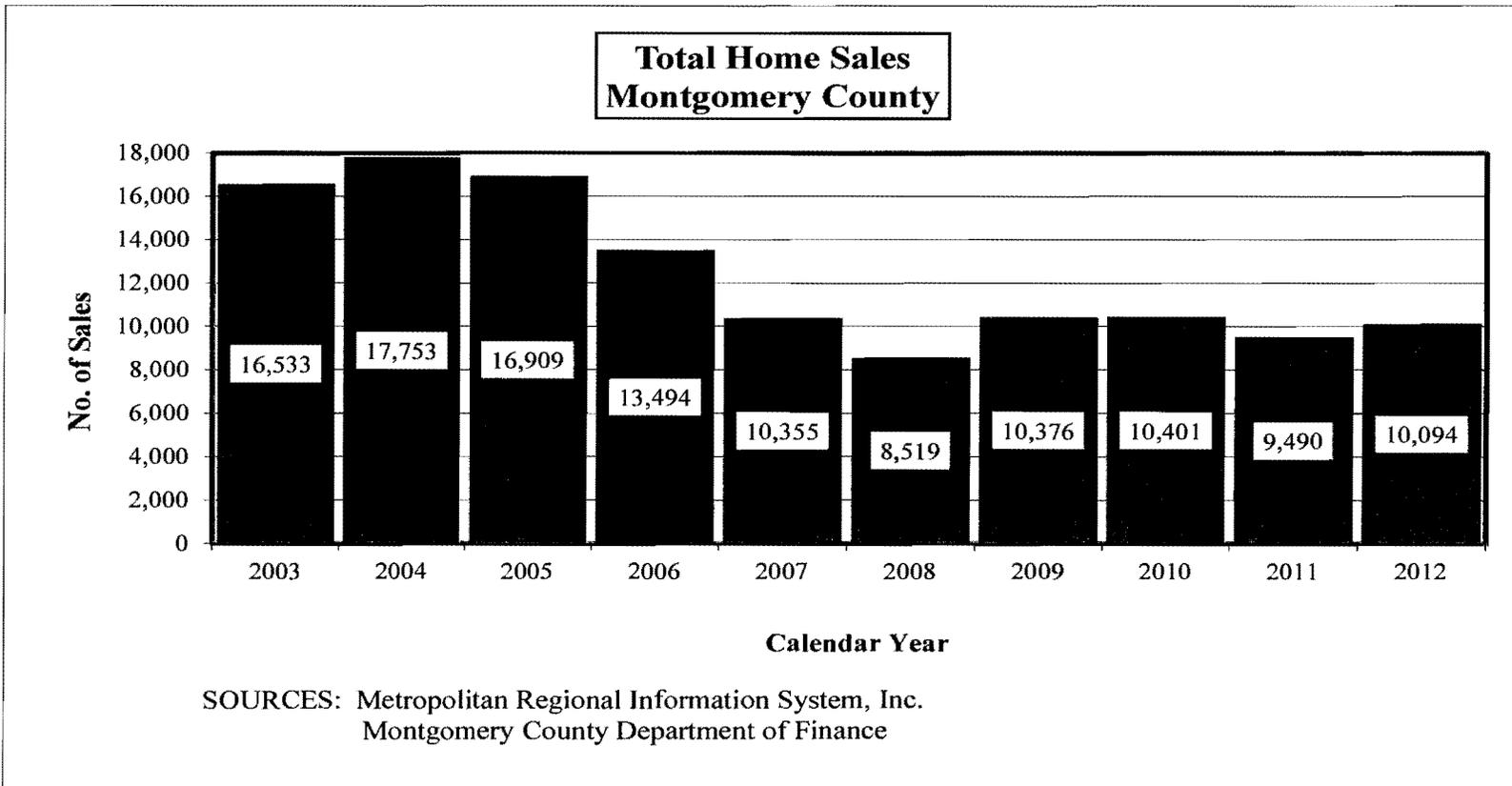
Construction starts of multi-family units decreased 13 percent in CY2012.

However, even with that slight decrease the starts in CY2012 were the third largest since CY2007.



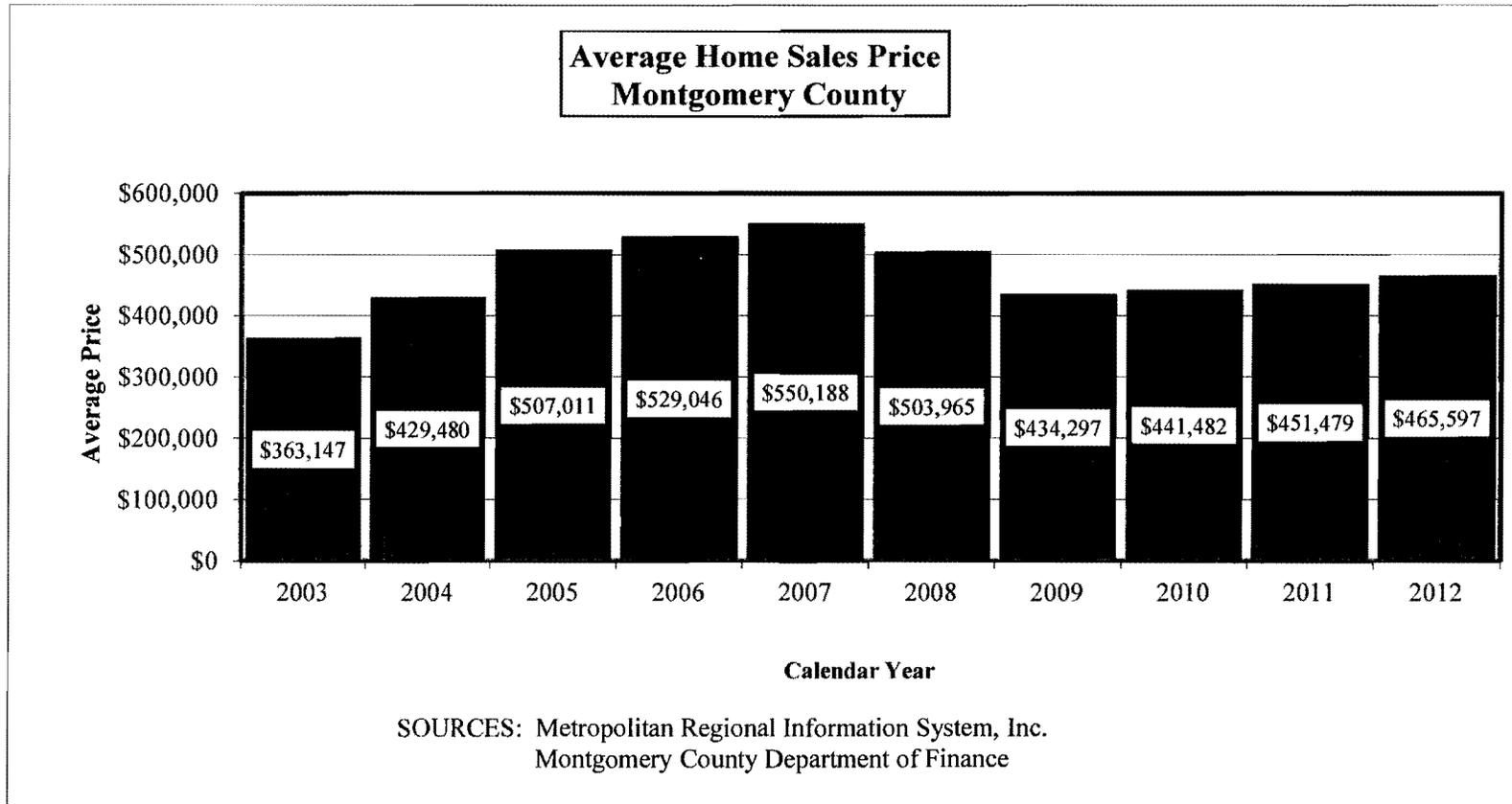
Home sales increased 6.4 percent in CY2012.

Total sales of existing homes decreased 8.8 percent in CY2011 and the level of home sales are below both 2009 and 2010 and far below 2004 and 2005.



Average home sales prices increased 3.1 percent in CY2012.

Average sales price increased 2.3 percent in CY2011, which followed a decrease of 13.8 percent (CY2009) and a modest increase of 1.7 percent (CY2010) and far below 2005 - 2007.



Median home sales prices increased 4.9 percent in CY2012.

Average sales price increased 2.3 percent in CY2011, which followed a decrease of 13.8 percent (CY2009) and a modest increase of 1.7 percent (CY2010) and far below 2005 - 2007.

