

MEMORANDUM

November 12, 2013

TO: Planning, Housing and Economic Development Committee
FROM: Jacob Sesker, Senior Legislative Analyst 
SUBJECT: **Worksession:** Economic Development Strategic Plan

Expected attendees: DED Director Steve Silverman, DED Deputy Director Sally Sternbach

On November 14, 2013 the Executive submitted Executive Regulation 7-13, an interim economic development strategic plan. The regulation was submitted under Method 1, meaning that the Council can approve, disapprove, or take no action on the regulation. This is an interim strategic plan, with a complete strategic plan expected as early as fall 2014 and no later than July 1, 2015. **Because this is an interim strategic plan, Staff recommends taking no action on the plan at this time.**

The FY14-15 Strategic Plan is built around six strategies:

- 1) A bird in the hand (company retention)—see ©5
- 2) Bigger is better (company growth)—see ©7
- 3) Smart growth=strategic growth (focus)—see ©9
- 4) Increasing the size of the table (MBWE)—see ©11
- 5) Building for our future (entrepreneurship)—see ©13
- 6) Telling the MoCo story (marketing)—see ©15

For each strategy, the Plan includes a rationale, tactics, and measurements. Staff's comments on the proposed document are included later in this memorandum.

The FY2014-2015 Strategic Plan, which is an improvement over the 2008 Strategic Plan and which would not have been delivered without Bill 14-12, is a significant first step. In its review of the plan, the Committee has an opportunity to consider two important questions:

Should the legal requirement to produce a strategic plan and also to tie the incentive process to the strategic plan be bifurcated? For example, it would be possible to require the County Executive in 2015 to simply transmit regulations for administration of the EDF process establishing clear criteria and perhaps even requiring a scorecard, matrix, or checklist. At the same time, it may not be necessary to require that the economic development strategic plan itself be transmitted as Method 1 regulations for Council approval. For example, a simple annual

budget provision could prohibit the expenditure of all money not previously appropriated to the EDF unless the County Executive transmits and presents an economic development strategic plan and all supporting documentation by July 1 on the year following an election.

How broad should a strategic economic development plan be? An economic development strategic plan can be limited to the areas in which DED has either primary or secondary responsibilities. An economic development strategic plan can also address other key issues related to both economic growth and development (such as housing affordability and transportation). An economic development strategic plan can also seek to strike a middle ground, acknowledging and incorporating broader issues, but keeping the focus on core functions such as business retention and expansion, marketing and attraction, workforce development, and neighborhood development.

Contents

This memorandum includes the following:

- Background—Bill 14-12
- Summary—Strategic planning for economic development
- Staff analysis—FY2014-2015 Strategic Plan
- Other EDF issues
- Appendix—Theoretical framework for economic development strategic planning
- Attachments

Background-Bill 14-12

Bill 14-12, Economic Development Fund – Amendments, was adopted in 2012. The Bill requires the Executive to propose and update an economic development strategic plan and to submit that strategic plan to the Council for review under Method 1. The Council may approve or disapprove the proposed regulation. A regulation proposed under Method 1 is not adopted unless the County Council approves the regulation.

The Bill required a first version of the strategic plan to be submitted in the summer of 2013, with subsequent quadrennial versions submitted by July 1 of the year following a general election. The Strategic Plan was submitted in the summer of 2013, but was not submitted as a regulation. The Strategic Plan regulation was posted for comment on the register in October and was transmitted on the morning of November 14, 2013. Because the regulation was transmitted at the deadline for this packet, the regulation itself will be included in the packet but will not be referred to because Staff has not yet had an opportunity to review them for consistency with the Strategic Plan document submitted this summer.

Under this new law, the success or progress of the strategic plan must be measurable and the plan must include measures to address:

- (1) job creation;
- (2) private sector compensation and benefits;
- (3) target industries;

- (4) target geographic areas;
- (5) workforce education and training;
- (6) growth in tax base;
- (7) economic opportunity for residents;
- (8) encouragement of entrepreneurs and small business;
- (9) land use; and
- (10) other actions necessary to promote economic development in the County.

Prior to the FY2014-2015 Strategic Plan (developed in response to Bill 14-12) the most recent strategic economic development plan was completed in 2008.¹ An effective strategic planning process must be continuous and include frequent updating to reflect current needs and resources and to have the support of the organizations that must implement the plan. *For additional details about the recent history of economic development strategic planning in Montgomery County, see ©36-39 (from OLO Report 2013-2).*

The Bill also established criteria for offers of assistance from the Economic Development Fund (EDF). Prior to the FY2014-2015 Strategic Plan, DED was not required to spend or allocate incentive money in a manner that was consistent with a strategic plan.

For each strategy, the plan includes a rationale, tactics, and measurements. Staff's comments on the proposed document are included later in this memorandum.

Summary—Strategic planning for economic development

A strategy is a carefully conceived long-range plan for achieving established goals by utilizing all available resources and capabilities. A strategy is not merely the sum of actions taken; rather, it is an approach to achieving a goal that can be adapted in order to address current challenges.

Strategic planning is a proactive, future-oriented approach to planning. The strategic planning process involves assessing the status quo, defining goals and/or objectives, and identifying a way to achieve those goals and/or objectives with current/expected resources. Strategic planning helps to chart a path from goals to strategies, and can then be applied to guide budget decisions and specific actions (such as granting an incentive) or projects (such as re-aligning the incubator network). Attached to this memorandum is an appendix prepared by Staff which provides a theoretical framework for understanding goals of economic development, theories of economic development, models of economic development practice, and strategies typically utilized to achieve established economic development goals (see pages 11-14 of this memorandum).

A strategic plan may include more than one specific strategy, and the strategies included in the strategic plan might or might not be well-aligned with current programs or policies. A strategic plan draws upon research to identify the appropriate mix of strategies or tactics. Strategies

¹ Strategic plans for economic development are often completed in cycles from 3 to 5 years in length. For example, the Louisiana Department of Economic Development uses a 5-year strategic planning cycle. Prince George's County (MD) also uses a 5-year strategic planning cycle. The Wisconsin Economic Development Corporation and Prince William County (VA) are examples of entities that use a 4-year strategic planning cycle. However, effective strategic planning requires constant feedback and is more a continuous process than an iterative one. Consequently, mid-cycle adjustments and annual updates are common.

selected should be those that are likely to be most effective in the specific community given that community's social and economic profile, rather than being merely best practices from other communities with different economic profiles or legal structures and fiscal constraints.

Strategic plans for economic development organizations tend to focus on satisfying the community's needs within the community's resources, rather than merely reacting to current opportunities, focusing on "attraction at all costs," or simply continuing to administer existing programs in the same way that they have been administered in the past. In developing strategic plans, economic developers often think (consciously or unconsciously) about the strategic choices facing them in terms of the theories and models of economic development described above.

All lead economic development organizations react to opportunities, seek to attract new firms, and maintain some programmatic continuity. However, combining those efforts with strategic planning improves the efficiency of the organization's efforts, increases public benefit, and reduces public cost. Strategic planning also presents an opportunity to develop consensus around economic development goals, to periodically re-evaluate goals, and to align actions and programs with current goals and strategies.

Staff Analysis: FY2014-2015 Strategic Plan

General comments

- The document as originally transmitted does not in any substantial way address attraction of new firms, capital, or talent. Staff understands that DED is preparing some changes to correct that, and expects that those changes will be transmitted late and posted as an addendum to the Committee agenda.
- EDF incentives need to be consistent with the strategic plan, but the strategic plan itself says little about the use of the EDF.
- Staff generally favors more measurement, and favors measurement that is based on effort rather than effect (often difficult to prove). However, recognizing that resources are limited, it may be best to proceed with a smaller number of meaningful measures of effort and ensure continuity so that improvements or regression can be tracked longitudinally. In preparing the next strategic plan, it may be advisable for DED and CountyStat to work together from the outset to establish a limited set of meaningful measurements that are specific to the strategic plan and which will be tracked throughout the life of the four year strategic plan.
- There are instances throughout the document in which "tactics" are actually goals—in many cases that problem can be resolved simply by being more specific about "who" and "how".
- While it is not necessary for this Strategic Plan to be accompanied by formal, annual action plans, the effectiveness of the Strategic Plan could be improved by better identifying DED's partners and by including a simple chart indicating which

organization, department or agency has primary or secondary responsibility (or is simply a stakeholder) with respect to each specific tactic.

- Montgomery County's economic development service delivery structure is complex, yet the Strategic Plan generally does not establish tactics for which primary responsibility lies with other (non-DED) departments, agencies, or economic development organizations. However, the plan identifies many tactics which will require close collaboration and in which DED may play a secondary role. In such cases, partners should be identified, DED's role clarified, and any associated measurement should be limited to measuring DED's effort or influence on the outcome.

Specific comments

A bird in the hand (company retention)

Tactics

- Retention should be a primary focus of DED's efforts. The tactics identified are sound and, if implemented, would advance the County's retention efforts. As opportunities present themselves (for example, new positions recommended by the Executive or added by the Council during budget, vacancies through attrition, etc.), each position and position description should be evaluated to determine whether it is consistent with the Strategic Plan and whether it will advance DED's efforts to retain local businesses and facilitate expansion.
- Development and implementation of the tactics may require baseline research such as cluster analysis, location quotient analysis (e.g., what is Montgomery County good at/specialized in), and shift share analysis (e.g., what is Montgomery County improving at faster than the region or the nation, or other jurisdictions in the region)—these analyses should be part of the strategic planning process.
- Research and analysis must be constantly truth-checked against the data, analysis and anecdotal evidence that business development specialists obtain through their relationships with strategic accounts and business organizations. Integrating data (from public and private sources) and "beige book" assessments by DED's feet-on-the-street (business development specialists) will enable the department to more quickly and accurately respond to emerging challenges or opportunities.
- Strategic account management should include identifying companies that are out-of-market but who are a key part of the supply chain or cluster of strategic account companies. In collaboration with MBDC, DED can identify potential attraction targets that would complement current strategic accounts.

Measurements

- Increasing the number of companies assisted by DED is an important goal. However, it is not necessary to assist larger companies each year than were assisted in the previous year.

The important thing is to ensure that the strategic accounts are assisted, and many of the strategic accounts are the County's largest employers.

- The measurements do not include any measurements related to efforts to identify newly vacant or available office space.

Bigger is better (company growth)

Tactics

- Expansion should be a primary focus of DED's efforts. The tactics identified are sound, and if implemented would advance the County's retention efforts.
- DED should be specific about how it intends to increase the amount of capital invested in Montgomery County start-ups by venture capital and angel investors—"increase" is a goal, not a tactic.
- Promoting the use of Enterprise Zones (EZ) to spur economic activity is a strategic tactic in locations in which the County is making a significant investment or policy change that is moving the needle in the market. Wheaton is an example of a strategic EZ—the County is also investing in a redevelopment project and several public capital improvement projects; creating a small business assistance program; and received a grant to re-start the County's façade improvement program in Wheaton. As such, Wheaton represents a strategic use of the EZ designation. DED should promote the use of the EZ designation in a limited number of high priority redevelopment or revitalization areas in which the designation, in combination with other investments or policy changes, is likely to spur the desired redevelopment/revitalization.
- DED's discussions with strategic accounts should explore opportunities to partner with the strategic account and other agencies or academic institutions to provide workforce development training. Workforce development partnerships with strategic accounts will generate economic benefits to the County that are greater than the economic benefits of providing financial incentives through the EDF grant and loan program.

Measurements

- One of the measurements is "shorten the approval time for projects." The Strategic Plan should clarify which projects (e.g., projects that have been identified as strategic economic development projects?) and, to the extent possible, which part of the approval process.
- While achieving the designation of Glenmont as an EZ is measurable, it will only add economic development value if it is part of a comprehensive place-based approach to redevelopment which will bear fruit within the life of the EZ. Perhaps additional measurements should relate to (1) DED establishing an enterprise zone policy that establishes criteria related to the creation and continuation of any EZ, and (2) establishing

a community/neighborhood development strategy in conjunction with partners (e.g., property owners, DHCA, M-NCPPC, DGS, etc.).

Smart growth= strategic growth (focus)

Tactics

- It is not clear from this document and based on the criteria established whether agribusiness is more or less strategic than other industries not on this list. The fact that DED currently administers programs related to agribusiness does not mean that agribusiness is a strategic sector in the County's economy. Staff suggests that it may be necessary to (1) perform industry profile analysis of 2-3 industries not selected (e.g., industries that pay high salaries, are growing nationally/regionally, and that are growing more quickly locally than nationally/regionally), and (2) illustrate how those strategic industry sectors stack up against one another in terms of the criteria established.
- Accelerating development projects that rest on smart growth principles is important. However, the tactic should clarify whether the intent is to accelerate County capital projects, strategic economic development projects, all private real estate development projects, etc. Furthermore, the tactic should include specifics about how DED will be involved in such efforts. Being more specific about how DED will be involved would also facilitate more meaningful measurement.
- Currently, the County's place-based development efforts in geographic target areas have unique and seemingly ad hoc structures—for example, in Wheaton, a DGS employee works at the Wheaton Regional Service Center; in Long Branch, community development efforts are managed by DHCA; and in White Flint, there is a development coordinator working out of the County Executive's office. An important question for consideration is whether the Executive Branch should create a more standardized approach for neighborhood economic development in areas experiencing rapid growth and redevelopment, or areas most in need of stabilization assistance. A second important question is what DED's role will be in those efforts.
- Further developing the County's technology parks will be challenging given the current trends in office demand. While tactics to further develop our technology clusters absolutely must be a part of the Strategic Plan, the plan should not confuse the clusters with specific real estate holdings.
- Real estate is not a core function/skill set of DED. In real estate related tactics, the Strategic Plan should specify how DED will work with partners (DGS, M-NCPPC, DOT) on efforts requiring real estate expertise.

Measurements

- Completing the industry profile and action plan for each strategic sector is important. However, the purpose of the industry profile should be both to select the correct industries and to better understand the industries selected. DED should complete industry

profiles for 2-3 additional growth industries in order to ensure that the strategic industries selected are those with the greatest potential.

Increasing the size of the table (MBWE)

Tactics

- The plan should specify how the Local Small Business Reserve Program (LSBRP) will be expanded to include local large business procurement needs (presumably this would be voluntary) and what role, if any, DED specifically or the County generally would have with respect to facilitation, documentation, etc.

Measurements

- Increasing membership in MBWE membership organizations is not necessarily a meaningful goal. If the goal is to strengthen the MBWE membership organizations and to strengthen the relationship between the organizations and DED or County government, then different and more specific measures might be appropriate.
- There is no measurement associated with developing training programs specific to the non-profit community.

Building for our future (entrepreneurship)

Tactics

- This strategy has been discussed in the context of discussions of the incubator network. As such, the policy issues and tradeoffs are clear and the plan has been documented.
- Where necessary, the tactics should identify specific partners or classes of partners. For example, if DED intends to work with outside consultants, research institutions, or industry groups, then the tactic should clearly state that. For example, “To improve the quality of the education programming at each business incubator, work with outside consultants and industry experts.”

Measurements

- Include an effort measurement for contact with BIN graduates (for example, “make c-level contact with each BIN graduate every 6 months”).

Telling the MoCo story (marketing)

Tactics

- DED should establish targets (and associated measurements) related to attraction efforts by DED and other economic development organizations such as MBDC.
- Developing relevant marketing materials is important. This tactic should acknowledge partners (“Working with MBDC, the CVB, and our private sector partners...”), address the various economic development audiences (should include site selection professionals), address the need to develop targeted marketing materials for strategic sectors, and address the need to develop marketing materials that are targeted to a limited number of critical sub-county geographies (up to 8).
- An additional tactic should be partnering with MBDC, brokers, property owners, and local chambers on retail opportunity marketing materials. Such materials might include demographic information for the surrounding area, gaps or leakage, and identify specific retail vacancies or vacant commercially zoned land (including maps, photos, etc.).
- Another tactic could be establishing buy-local programs (such as gift or loyalty cards) that could be used at local businesses. Gift card/loyalty card programs can be effective complements to local marketing efforts related to local crops, crafts, and retail.
- An additional tactic might be partnering with some recipients of EDF grants or loans to allow small displays of marketing materials on-site (if their site is visited by the public). For example, the new Choice Hotel in Rockville, when completed, would be a candidate location.

Measurements

- While Staff agrees that DED’s lobby should be transformed into a marketing center promoting the County’s businesses and DED’s programs, DED should also establish one or more physical marketing centers in a more central location and/or establish a mobile or temporary marketing center.

Other EDF Issues

Staff offers the following additional observations regarding the Economic Development Fund process.

- The Economic Development Fund law assigns responsibility to the Director of Finance. It is worth considering whether this additional step in the process (see ©40) provides a needed check/balance, or whether it creates unnecessary additional steps in an already complex and time-constrained process.
- The purpose of many of the requirements of Bill 14-12 was to ensure that the Council had a better assessment of the economic development value/benefit of each proposed EDF

transaction over \$100,000. Staff believes that the process would be improved if DED prepared a scorecard for each proposed EDF transaction over \$100,000. Obviously, each transaction proposed by the County Executive is supported by the County Executive—however, Councilmembers should also be able to receive an objective rating of that proposal from DED based on established criteria (for example, on a scale of 0-100). Not every proposal is a 100, but under the current system there is no nuance.

- Bill 14-12 required DED to submit a fiscal impact analysis along with each proposed EDF transaction worth more than \$100,000. DED, Finance, OMB, and Council Staff have met to discuss assumptions in the fiscal impact model, and improvements have been made. Council Staff and Councilmembers have a very short time period to review the documentation of each proposed transaction. User error, poor presentation quality, and use of County-wide service cost averages compromise the usefulness of the analyses. Staff recommends developing a fiscal impact model with easy-to-use toggles, a fully documented methodology, clear presentation outputs (such as tables illustrating payback periods), and alternative scenarios. The model could be developed using a contractor in conjunction with DED and with input from Finance and OMB, and could be licensed to/possessed by both branches of government.
- Frequently, discussions about specific proposed EDF transactions get bogged down in discussions about vacancy rates and rental rates in Montgomery County relative to a competing jurisdiction. It may be helpful if Council Staff and DED jointly develop a user-friendly model for quantifying present value differences in lease costs, concessions, and tenant improvement budgets between actual competing buildings (when possible) or between relevant sub-markets.
- After discussions among DED, OCA, and Council Staff it was agreed that no change to the law is necessary in order to reflect the intent that the requirement for a supplemental or special appropriation for incentives over \$500,000 does not apply to each appropriation for transactions in which the Economic Development Agreement was executed before the effective date of the legislation. Consequently, it is not necessary for the Executive to request a special or supplemental appropriation each year in which more than \$500,000 is appropriated for NOAA or HHS, because both of those agreements were executed before the effective date.

| This packet contains: | <u>Circle #</u> |
|--|-----------------|
| July 2013 FY2014-2015 Strategic Plan | ©1-19 |
| Transmittal Letter (November 14, 2013) | ©20-21 |
| Executive Regulation 7-13 | ©22-31 |
| Fiscal Impact Statement | ©32-33 |
| DED FY13 Dashboard | ©34-35 |
| OLO Report 2013-2 (Select pages) | ©36-39 |
| EDF Process Flow Chard | ©40 |

Appendix: Theoretical Framework for Economic Development Strategic Planning

The purpose of this appendix is to establish an understanding of the goals of economic development, theories of economic development, dominant models of economic development practice, and the most common strategies used to achieve economic development goals.

Economic development and its goals

The term “economic development” is often used to refer to the creation of wealth or new jobs. Such a definition, however, fails to distinguish between “growth” and “development.” Growth without development tends to exacerbate social, economic, and spatial inequalities. Doing so increases wealth for a very small portion of the population, and often does so at the expense of the rest of the community. Economic development, in a broad sense, is about maintaining and improving quality of life in a community. Put differently (think “line graph”), economic development is not just about making the growth curve more steep; it is about raising the level of the line.

Economic development goals tend to fall into the following categories: employment base (job creation, job retention, and workforce development); tax base (real estate development, property value or assessment increase, occupancy rate); wealth and poverty (wealth retention, poverty reduction, re-employment, skills development); and fiscal/economic portfolio (stability, diversification, fiscal sustainability, strengthened clusters, supply chains, reducing leakage of dollars out of the local economy). Some economic development goals fall less neatly into one category or another—examples include those that are related to tech-led development, innovation and entrepreneurship, and minority and women owned businesses.

Clearly, some of those goals fall well outside of the scope/responsibilities of a typical economic development department or organization. As the field of economic development evolves, professionals are often asked to be mindful of this broad set of public policy goals while implementing a set of programs that is considerably narrower or more targeted—generally representing some combination of business retention and expansion, marketing and attraction, workforce development, neighborhood/community development, and real estate redevelopment.

Theories of economic development

There are six economic theories that most influence local economic development planning and practice. Those six economic theories are (in alphabetic order): central place theory, cumulative causation theory, economic base theory, growth pole theory, location theory, and neoclassical economic theory.

- *Central place theory*: Central place theory attempts to explain the hierarchy of places, and addresses problems such as why larger population centers offer a larger variety of goods and services than do smaller population centers. In larger population centers, the economy is more specialized, and also produces goods and services more efficiently (due to the advantages of agglomeration and urbanization). Under central place theory, all small towns would have a convenience or grocery store, and some small towns would also have a barber or a veterinarian. However, most small towns do not have an estate lawyer or hobby shop. The larger the population center, the greater the variety. Central

place theory can be a useful construct for identifying the economic/functional differences between central places and smaller places, and for understanding and explaining the economic hierarchy in a metro area or region in a way that can be understood (e.g., like a solar system).

- *Cumulative causation theory*: Why are some areas increasingly advantaged, while others spiral downward? Successful areas accumulate competitive advantages, and those competitive advantages lead to the accumulation of ever-more competitive advantages. At the same time, disinvestment from an area tends to lead to more disinvestment and, ultimately, to blight. A related theory of urban economics is Joseph Gyourko's theory of Superstar Cities, which explains why some cities that have very unique advantages that distinguish them from their global peers have experienced and will continue to experience rapidly increasing land values. Paul Krugman's new trade theory and new economic geography are also related, insofar as they explain the "centripetal" nature of location decisions—economies of scale result in concentrations of production activity, concentrations of production activity are most effective when made in proximity to large markets with trained workforces, all of which leads to production activities locating where other production activities have located in the past.
- *Economic base theory*: Economic base theory is more a theory of economic growth than it is economic development. Economic base theory ties growth in a local economy to demand for locally produced resources, goods and services from outside of the local economy. In essence, economic base theory holds that growth can only occur when money from outside of the community comes into the community, and thus focuses entirely on exports. A shortcoming of the theory is that it does not acknowledge the value of import substitution (local production of goods that local businesses and households had previously been purchasing from outside of the community). Economic base theory promotes local specialization in goods and services for export (the more central the place, the more specialization occurs).
- *Growth pole theory*: Growth pole theory attributes local growth to the presence of innovators and firms that are dominant in their field. The theory refutes the neo-classical notion that investment always flows to the least costly locations. Growth pole theory is often used to explain why innovation often happens in places that are well established, wealthy, influential, and already well served by infrastructure and technology.
- *Location theory*: Location theory is similar to central place theory, but focuses more on location/relocation decisions made by firms rather than on goods and services available to consumers. Under location theory, firms maximize profits by locating their operations in places that offer the lowest costs of production, warehousing, and transportation. As applied to manufacturing, the theory tends to focus on whether a product became heavier (or bulkier) in production. If so, the firm would tend to locate closer to its consumers (market oriented). On the other hand, if a product required heavy or bulky inputs for a product that was relatively smaller, the firm was more likely to locate close to the inputs of production (input oriented).
- *Neoclassical economic theory*: Neoclassical theory focuses on the mobility of capital and the tendency of capital to bring economic systems into equilibrium. Capital will flow

from locations with higher wages to locations with lower wages. Eventually, wages in the first location will fall, resulting in a surplus of labor. Eventually, wages in the second location will rise, thereby tightening the labor market.

Dominant models of economic development

Scholars tend to define four models of economic development practice. Economic development activities in most jurisdictions can be said to align with one or even all four models to some extent, depending upon the needs, resources, and history of economic development in the area.

- *Attraction model:* Attraction models of economic development practice tend to focus on incentives or subsidies to attract firms and outside investment, or subsidies or amenities to attract residents in certain socio-economic groups, e.g., “the creative class,” SINKs and DINKs (single-income no kids, double income no kids), etc. Attraction models are often criticized for transferring wealth from all taxpayers/residents to a small class of affluent individuals, landowners, developers, or industrialists.²
- *Community economic development model:* As an answer to the attraction model, community economic development tends to focus both on the process (more participatory and “small d” democratic) and on the results that increase the benefits to the community by leveraging the efforts of civic leaders, activist citizens and non-profits, as well as local philanthropies and the business community. In general, community economic development is more focused on poverty reduction and neighborhood self-sufficiency, and less focused on firm attraction.³
- *New markets model:* In the new markets model, economic development efforts should focus on areas that have experienced disinvestment that is out of proportion to the assets or location attributes of the community. Under this theory, communities should invest in areas that are economically depressed, but which could be dramatically changed by a catalytic investment by the public sector (think Silver Spring). While this model can be used to create significant social benefits in some redevelopments, the distinction between that gentrification and revitalization is often in the eyes of the beholder.⁴
- *Social capital building model:* Economic development can be facilitated when linkages between firms, individuals, and organizations improve local productivity. The linkages promote the flow of information and resources necessary to facilitate economic growth. However, the growth that results from applying the social capital building model results from more efficient utilization of internal inputs (building better, more productive relationships), rather than by attracting external inputs (outside investment, etc.).

² Attraction models are related to the following theories of economic development: location theory and growth pole theory.

³ Community economic development is heterodox, and is not a model associated with any of the economic development theories described above.

⁴ New markets models are related to the following theories of economic development: neoclassical economic theory, cumulative causation theory, and central place theory.

Strategies for achieving economic development goals

Economic development organizations do not pick one strategy and stick with it—generally, a community that is planning and acting strategically will mix and match strategies to solve specific problems at specific times. The mix of strategies selected for implementation should depend upon the socioeconomic base and development capacity of the specific community. Edward Blakely and Nancy Green Leigh (*Planning Local Economic Development: Theory and Practice*) suggest that economic development goals can be accomplished using four basic strategic options.

- *The locality development strategy option (built environment dimension)* can be achieved utilizing tools such as planning and development controls, economic and enterprise zones, transportation and major infrastructure, landscaping and streetscaping, and household services and housing for the workforce.
- *The business development strategy option (the demand side)* can be achieved using tools such as small business and innovation assistance centers, technology and business parks, venture financing companies, one-stop business information centers, micro-enterprise programs, financial incentives for business development, and local preference procurement programs.
- *The human resource development option (the supply side)* increases opportunities for good jobs for the unemployed and underemployed using tools such as customized training, creative venue development, requiring recipients of government assistance to hire qualified local personnel, welfare to work programs, school to work programs, and local employment programs including training and personal skills development for disadvantaged groups.
- *The community-based employment development strategy option (the neighborhood dimension)* promotes economic development at the neighborhood level using activities that connect the local economy and the social welfare system. Examples include community-based development organizations that own and/or operate entrepreneurial activities and provide a wide range of community services, cooperatives, community capital institutions (e.g., credit unions, community development finance institutions), affordable housing corporations, and land trust and other community ownership instruments.

Some strategic plans also use what could be called the *general business climate strategy option*. This option promotes economic development by declaring that the community is “open for business,” attempting to reduce effective tax rates, create a more favorable or rational regulatory environment, and promote or maintain fiscal sustainability. The actual implementation of such a strategy is often not sustainable in the long run (there is nothing strategic about using limited resources and capacities to support every type of business or every industry, or facilitating more rapid development of every community or neighborhood). In addition, the implementation of such a strategy can be difficult to effectively implement because of the myriad factors affecting the perception of business climate (many of which are outside of local control, such as state tax structures or environmental regulations).

Resources:

Creating an Economic Development Action Plan: A Guide for Development Professionals, Thomas Lyons and Roger Hamlin.

On the Mechanics of Economic Development, Robert Lucas.

Organizational Assessment and Comparative Analysis Report for Montgomery County, MD Department of Economic Development, International Economic Development Council.

Paul Krugman's Geographical Economics and Its Implications for Regional Development Theory, Ron Martin and Peter Sunley.

Planning Local Economic Development: Theory and Practice, 4th Edition Edward Blakely and Nancy Green Leigh.

Strategic Planning for Local Government, International City/County Management Association.

Superstar Cities (National Bureau of Economic Research Working Paper #12355), Joseph Gyourko, Christopher Mayer, and Todd Sinai.

Understanding Your Economy: Using Analysis to Guide Local Strategic Planning, Mary McLean and Kenneth Voytek.



FY2014-2015 Strategic Plan

**Montgomery County Department of
Economic Development**



Vision

Establish Montgomery County as a globally competitive, highly diversified knowledge-based economy that encourages company retention and growth, new job creation and new company formation.

Background

Montgomery County is home to more than 1,000,000 residents and is the equivalent size of the 12th largest city in the United States, ahead of Austin, San Francisco, Fort Worth, Charlotte, etc. Its population is incredibly diverse; Montgomery County is now a majority minority jurisdiction. The County's population is also among the most highly educated in the country, and Bethesda is touted as having more graduate degrees per thousand residents than anywhere else in the United States. Nevertheless, the income range of County residents is quite substantial with a growing number of millionaires on the one hand and a surprisingly large percentage of school-age children eligible for FARMS (free and reduced meals) assistance on the other. It is clear that this is not a jurisdiction where one size fits all.

The County is home to approximately 33,000 businesses in a wide range of sectors. The County's economy rises and falls in a pattern similar to swings in the regional economy, but with less of an arc than most of our neighboring jurisdictions. Our proximity to the US capitol and its executive agencies has had a profound influence on our economy, sheltering us from the worst effects of prior recessions. Going forward, sequestration and future federal budget cuts may well alter those historical trends.

Our "basic" industry sectors, those that drive the economy irrespective of population trends, are largely knowledge-based: IT, life sciences, professional services, cybersecurity, etc. These are generally-speaking the more globally competitive sectors and ones where access to customers, workforce, and capital are more important than the size, age or wealth of the population.

Our "non-basic" industry sectors, those that are driven by our population trends, include retail, healthcare, residential banking and financial services, etc. These businesses exist to support the local basic sector and residents and change in relation to population changes (number, avg. wages, etc.).

This distinction between basic and non-basic industry sectors is important as we look at the allocation of resources because a growing basic sector will lead to growth in the non-basic sector.

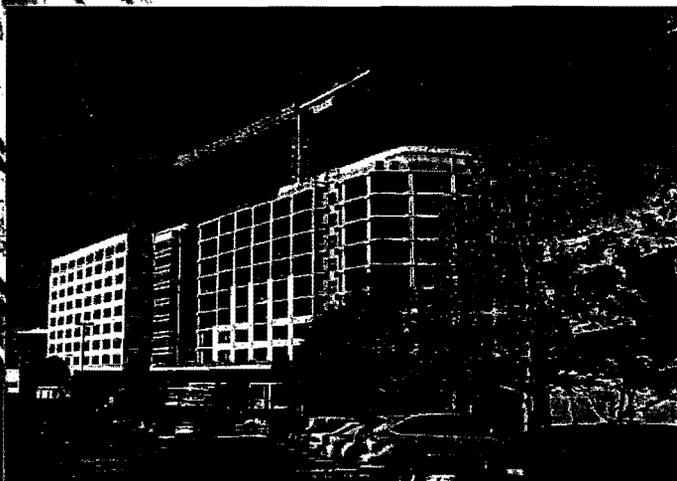
Every company and every entrepreneur is precious, and Montgomery County will do all it can to create a climate in which every company can flourish and is supported. The range of DED activities, as a result, is fairly broad, from those that affect the County's master plans to those that mentor individual start-ups.

In a world of constrained resources, however, it is necessary to make choices. As a result, the planned activities for FY14 ND FY15 are clustered around six primary strategies:

- A Bird in the Hand (Company Retention)
- Bigger is Better (Company Growth)
- Smart Growth = Strategic Growth (Focus)
- Increasing the Size of the Table (MBWE)
- Building for our Future (Entrepreneurship)
- Telling the MoCo Story (Marketing)

A Bird in the Hand

Company Retention



Choice International Hotels' new headquarters under construction.

Strategy

Develop relationships with and retain existing businesses

Rationale

Every good client management program begins with attention to the base; Montgomery County's economic development approach is no exception. We want to keep the companies that are here.

Tactics

- Strategic account management through relationship development; strategic account companies are chosen because of their size, lease expiration, rate of growth, recognition through awards, recipient of county funds/services (EDF recipients, BIN graduates)
- Maintain a comprehensive database of County companies
- Strengthen business organizations to create stickier networking centers, a stronger voice for business interests, and increased opportunities to stay abreast of best practices

- Develop and implement a business appreciation program with multiple segments (web, e-blasts, recognition events, milestone acknowledgment)
- Communicate regularly with the local business community
- Monitor and influence Federal leasing requirements

Measurements

- Increase the number of companies and the total number of employees at companies assisted by DED
- Visit c-levels of 200 strategic accounts and 200 general accounts annually.
- Increase membership in County business organizations
- Recognize 250 companies as part of an annual appreciation program
- Produce weekly e-publications that market the County and its companies
- Retain all Federal agencies with locations in the County

Bigger is Better

Company Growth



WeddingWire, #309 on the Inc. 500 Fastest Growing Companies, moves to a new 25,000-square-foot headquarters in Chevy Chase.

Strategy

Increase capital investment and job growth in the county

Rationale

Growth is good! Every dollar paid into County coffers from commercial real estate taxes is one less dollar needed from the home-owner community; every job created in the County is one more opportunity for residents to work closer to home and for the County to gain additional income tax revenue.

Tactics

- Through CEO Roundtables, identify roadblocks to company growth, develop a priority list of issues and work on resolving them
- Expand EDF's Small Business Revolving Loan Fund
- Implement DED's newly acquired ability to take an equity position in companies funded through one or more EDF grants/loans.
- Expand the funds available for small business loans through county funds placed in local community banks; the community banks have agreed to lend 2x the amount that the county deposits with them to local businesses
- Leverage state and federal programs to help Montgomery County companies penetrate foreign markets and attract foreign investment
- Continue the Global Trade Speakers Series with partners MCCC and JHU
- Increase the amount of capital invested in Montgomery County start-ups by VC and angel investors
- Monitor local and state legislation to assure support for a healthy, robust economy
- Collaborate with County agencies to streamline economic development projects
- Manage and promote the use of enterprise zones to spur economic activity
- Maintain and grow the County's farmland through use of TDRs and BLTs; find other funding to augment County Preservation funds

- Conduct an annual farm tour and harvest sale.
- Support the workforce needs of County companies and residents through job fairs, job-seeker assistance, and specific employer recruitments

Measurements

- Increase job growth, new capital investment and net new commercial space occupied by company expansions with DED assistance
- Hold five CEO Roundtables and develop an improvement agenda
- Increase, over the prior year, the value of loans made to local small businesses through local community banks
- Support Montgomery County business participation in foreign trade missions; assure 5 companies participate in each mission (DBED is planning Brazil mission in 4Q 2013; Montgomery County is planning China trip in 3Q 2013)
- Increase the number of companies receiving international assistance from DED
- Increase the value of exports by Montgomery County companies each year
- Increase the amount of FDI each year
- Increase participation in the Global Trade breakfasts by 10% each year
- Increase VC/angel investments in County companies each year
- Work with partners to assure that the economic impact of proposed legislation is considered; testify on an as-needed basis
- Shorten the approval time for projects
- Achieve the designation of Glenmont and redesignation of Takoma-Langley Park as enterprise zones
- Increased use of TDRs and BLTs and increase funding for farmland preservation
- Increase the number of stops in the Annual Farm Tour and the number of attendees
- Increase the number of companies and job-seekers given workforce assistance each year



Smart Growth = Strategic Growth

Focus

The White Flint redevelopment sketch plan submission.
The new facility will feature ample open space and
pedestrian-friendly access.

FY2014-2015 Strategic Plan

MONTGOMERY
ECONOMIC DEVELOPMENT
MONTGOMERY COUNTY, MARYLAND
Facilities • Innovation • Access



Strategy

Smart Growth = Strategic Growth and Vice Versa

Rationale

Yes, growth is good; smart, strategic growth is better. Growth in industry sectors that are considered basic and that match the criteria outlined below are also the most competitive sectors. Other states and local jurisdictions are pouring millions into attracting, starting and growing companies in these strategic sectors. Our goal is to develop robust clusters in select industry sectors.

Land use follows a similar logic. We leverage our assets, in this case it is our transportation systems, communications capabilities, school locations, etc, to allow density where infrastructure already exists. We work to make these areas as “green” as possible by integrating live/work/play elements and by building them in a way which reduces our carbon footprint.

Tactics

- Focus on growing strategic industry sectors, i.e., business sectors, that:
 - 1 match county demographics (highly educated, ethnically diverse)
 - 2 leverage local assets, e.g, NIH, NIST, FDA, JHU, USG, Montgomery College
 - 3 pay sufficiently to support a family living in Montgomery County
 - 4 are growing regionally and/or nationallyCounty strategic sectors are: lifesciences, cybersecurity, health IT, federal contracting, general IT, green/clean technology, agribusiness
- Develop plans to address deficiencies in each strategic cluster
- Provide workforce services to the strategic sectors
- Accelerate development projects that rest on “smart growth” principles, e.g., Wheaton, White Flint, areas with existing infrastructure

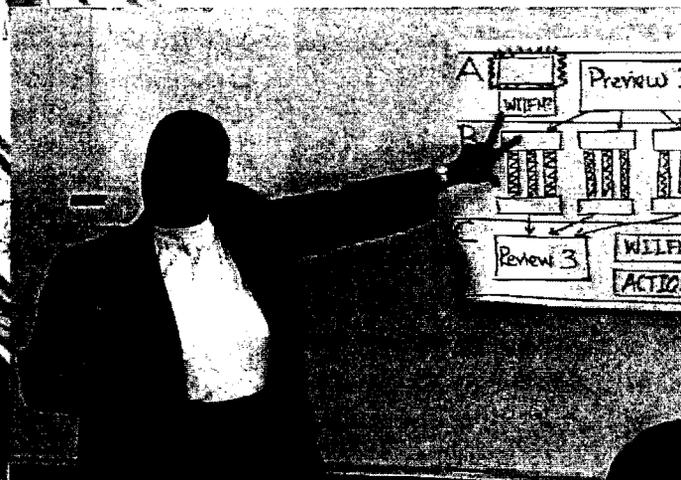
- Manage and further develop the County's technology parks, e.g., Life Sciences Center, LifeSci Village, Montgomery College-Germantown
- Review County-owned land to assure it meets best and highest use
- Work with the development community on unique projects, e.g., an arena, arts venues, etc.

Measurements

- Complete an industry profile and action plan for each strategic sector
- Support the FFRDC at the National Cybersecurity Center of Excellence
- Job growth in each targeted sector over 3 years
- Increase the number of jobs from new company attraction
- Develop web site pages, marketing materials and outreach plans for each strategic sector
- Identify workforce services needed in each sector, develop a plan, and deliver the services
- Secure land-use approvals required for a structured parking garage to be constructed at the conference center site, necessary due to the realignment of the roads in White Flint.
- Ensure that the commercial vacancy rate at the SGLSC is lower than that of the overall County vacancy rate.
- Successfully influence the final White Oak Science Gateway Master Plan so that LifeSci Village can be developed to its highest and best use, build on its proximity to FDA, and generate substantial private sector investment in the area
- Identify under-utilized and vacant County-owned properties that have near-term private sector residential and mixed-used development potential
- Identify private sector partners to join with the County in developing public amenity projects, e.g., arena, art venue, etc.

Increasing the Size of the Table

MBWE



Sylvia Henderson of Springboard Training emphasizes the need for good marketing strategies to the county's small businesses.

Strategy

Increasing the Size of the Table

Rationale

Fifty years after Martin Luther King's "I Have a Dream" speech, disparities continue to exist. Minority businesses (businesses owned by African Americans, Asians-Americans, disabled, Hispanics, veterans and women) still lag behind in terms of growth. These tactics are intended to help close that gap.

Tactics

- Deliver services to small, MBWE and veteran-owned companies through program grants to partner organizations, e.g., LEDC, Hispanic Chamber of Montgomery County, Asian Pacific American Chamber, SCORE, SBDTC, Montgomery Women's Business Center, etc.
- Monitor grants and work with partners to help them achieve maximum effectiveness
- Strengthen minority and women business organizations by promoting their events, encouraging membership
- Assist small non-profits in coalescing as a sector and increasing their business acumen; develop training programs specific to the non-profit community
- Through the Small Business Navigator, resolve small business issues caught in the county bureaucracy; increase local business participation in the Local Small Business Reserve Program
- Expand the Local Small Business Reserve Program (LSBRP) to include MCPS, MC and local large business procurement needs

- Work intensively with a small number of minority businesses in a year-long mentorship program
- Establish the Montgomery County Small Business Awards event as a premier showcase of the county's small businesses
- Reach out to the small business community through participation at local tradeshow, conferences, and other business events

Measurements

- Increase the number of people reached through DED and partner technical assistance events and training sessions
- Increase membership in minority and women business membership organizations
- Deliver programs for small businesses (largely through partners) that provide training in business skills; increase the number of people reached through the training programs
- Increase the number of County companies participating in the LSBRP; increase value of the procurements awarded through the program
- Resolve or identify solutions for 75% of small business' issues brought to the Small Business Navigator within 30 days
- Graduate 15 businesses annually from the mentorship program; increase mentee company revenues and/or jobs by year-end
- Increase the number of submissions for the county small business awards by 25%; increase the number of attendees at the event by 20%
- Participate annually in 24 tradeshow, conferences, etc. with a DED booth on available services; add 500 names to the mailing list each year



Building for our Future

Entrepreneurship



Montgomery County's Business Innovation Network provides a fertile environment for start-ups.

Strategy

Building for our Future

Rationale

A recent Kauffman Foundation (the world's largest foundation devoted to entrepreneurship) study found that ALL net new job growth since 1980 has come from companies that are less than five years old. New is good, and especially when the start-ups are in the County's strategic sectors. The amount of growth depends on multiple factors; the key ones are experienced management, available funding, and a supportive environment.

Tactics

- Complete the BIN study and begin implementation of recommendations to reposition the Business Innovation Network as the premier national network for high technology companies
- Continue to improve efficiency and effectiveness of the BIN's current operations in order to increase graduation rates and company retention
- Analyze the history of companies 5 years post graduation; determine any trends/issues which would suggest changes to the program
- Improve the quality of the BIN education program
- Partner with BHI to increase the number of local companies based on technology licenses from Maryland's federal and academic laboratories
- In conjunction with BHI, increase the win rate on SBIR and STTR grants for Montgomery County companies
- In conjunction with BHI, provide an increased level of review for early stage lifesciences and health IT companies, including assistance in pitch preparation

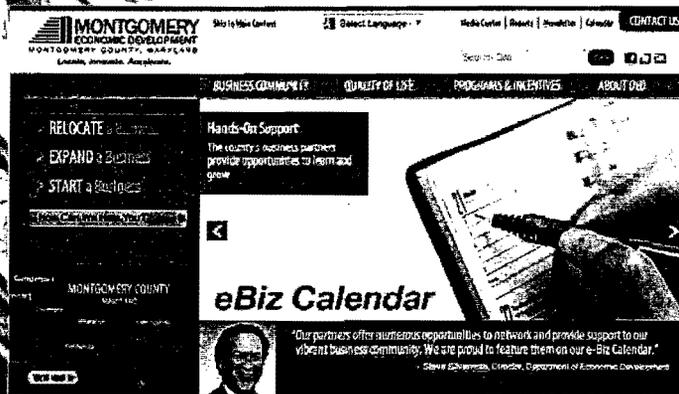
- Support entrepreneurial training programs, e.g., FastTrac, INNOVATE, etc.
- Support technology transfer through continuation of the Technology Transfer Speakers Series and the annual I2C (Innovation to Commercialization) Conference
- Increase the number of entrepreneurial events in Montgomery County, e.g., meet-ups, pitch contests, hackathons, etc)
- Partner in creating a national competition for lifesciences start-ups

Measurements

- Approve and fund the implementation plan for the BIN restructuring
- 80% of BIN tenants are technology-based companies; 10-15% of the companies graduate each year (15-20 companies); at graduation 85% of companies remain in Montgomery County
- Retain 50% of graduates in Montgomery County 5 years post graduation
- Develop BIN programs specific to the sectors and life cycle stages of the tenant companies; increase attendance at BIN programs by 25%
- Double the number of companies based on licenses from local labs
- Improve the SBIR/STTR win rate
- Graduate 40 students from entrepreneurial training programs each year
- Draw 10% more attendees to the T2 Speakers Series and 25% more to the annual conference
- Find a partner for and secure funding for a national lifesciences competition for start-ups; generate 75 entries

Telling the MoCo Story

Marketing



ChooseMontgomeryMD.com, the department's new website, provides a vehicle for communicating with businesses. Social Media integration is a major element.

Strategy

Telling the MoCo Story

Rationale

People make choices based on what they think they know...on their perceptions. It is our privilege to share the exciting Montgomery County business story through a variety of media that lets us reach our key clientele...the business person and entrepreneur...so they can make a well-informed decision, a Montgomery County decision.

Tactics

- Maintain an interactive, current web site that speaks to the needs of DED's various constituents
- Create an electronic calendar that is the "go-to" address for information on regional business activities
- Develop and implement a marketing strategy to increase the number of unique visitors to DED's website
- Communicate with a weekly e-blast to a growing electronic address list on topics of relevance to the business community
- Develop a social media strategy that is supported by all DED employees
- Generate earned media placements locally, regionally and nationally
- Develop marketing materials relevant to DED's various clients, e.g., agribusinesses, start-ups, developers, attraction prospects, global trade interests, etc.

- Develop marketing materials (annual report, "On The Move" flyers, promotional videos, etc.) relevant to DED's general audience
- Share good news....Recognize companies that win awards (Fast 500, Best Place to Work, Women Who Mean Business, etc.), achieve a major milestone (new contract, merger, acquisition, etc.), move into the county, renew a significant lease, etc.

Measurements

- Incorporate the BIN and T2 web sites into the DED site; add an agribusiness section
- Review each page for accuracy and completeness 2x/year
- Double the number of unique visitors to the web site each year
- Develop 25 new partner accounts for the website calendar; assure that there are always 150+ future events listed on the calendar
- Develop and implement a social media strategy that results in an active LinkedIn and/or Facebook account and/or tweeting by 50% of DED employees
- Produce marketing materials for key constituencies, e.g., Farmers Markets and Farm Directory; BIN overview and individual pieces for each center; an annual report, etc.
- Achieve six feature stories a year in local media, four in regional media and one in national media
- Transform the DED lobby into a marketing center promoting the County's business community and DED's programs



Addendum

**Highlights of Major DED
Successes and Initiatives**

Background

In order to allocate our resources for FY14-15 most effectively, it is useful to consider our past efforts and outcomes. Economic development is a discipline with a relatively long-term horizon. Results may take years and, in some cases, even decades to achieve. DED has consistently contributed to the success of our local economy through strategic, targeted initiatives, programs and activities.

Today, despite the economic downturn felt most significantly from 2008-2010, Montgomery County has more than 33,000 private sector businesses. In fact, employment in the County grew between 2010 and 2012 by nearly 25,000 jobs - from 631,154 jobs in 2010 to 655,824 jobs in 2012. That represents a 3.9% job growth rate. During the same period, job growth in Fairfax City & County was 3.6% and the District of Columbia was 2.8% (Based on EMSI data).

During this time, Montgomery County also managed to maintain one of the lowest unemployment rates in the nation - at 4.8% for April 2013 - and tied only with Howard County as the lowest in Maryland.

We are home to the corporate headquarters of industry leaders such as Choice Hotels International, Discovery Communications, GEICO, Hughes Network Systems, Lockheed Martin, Marriott International and United Therapeutics.

Incentive Programs (FY09-FY13)

Economic Development Fund Grant & Loan Program/Technology Growth Program

Through these two programs, Montgomery County committed more than \$50.74 million to 47 companies; the funds will be paid over 15 years if the companies meet negotiated milestones.

Small Business Revolving Loan Program

\$464,500 in loans were made to 10 companies since 2008.

Business Attractions, Retentions and Expansions

Since 2008, DED assisted with nearly 300 projects that resulted in:

- 9,936 new jobs;
- 27,217 retained jobs;
- 1,683,092 square feet of new commercial space on the County's property tax rolls; and
- \$1.7 billion in new capital investments.

Selected attraction projects since 2008 include:

- Bethesda Blues & Jazz Supper Club
- Brown Advisory
- Costco
- Cricket Communications
- Infosys Public Services, Inc.
- International Baccalaureate
- Kohl's
- Live Nation/Fillmore
- Microsoft Mid-Atlantic
- Tasly Pharmaceuticals
- Teva Biopharmaceuticals

Selected retention and expansion projects include:

- Advanced Bioscience Laboratories, Inc.
- Aeras
- Amplimmune
- Boeing-DRT
- Choice Hotels International
- CPSC

- Discovery
- FINRA
- HHS
- Holy Cross Hospital
- Kaiser Permanente
- Lockheed Martin
- MesoScale Diagnostics
- NCI
- NOAA
- Novavax
- NRC
- OpGen
- Qiagen
- Social & Scientific Systems, Inc.
- Sodexo
- Thales Communications
- TV One/Radio One
- United Therapeutics
- US Pharmacopeia
- Zyngenia, Inc.

Key Initiatives/Projects

First Local Biotech Investment Tax Credit Program

– FY10 passage by the County Council of the Montgomery County Biotech Investment Tax Credit was supported by the County Executive’s budgets with \$500,000 in FY12 and \$500,000 in FY13. Ten local companies received investments totaling \$6 million under the program. Montgomery County is the first local jurisdiction in the country with this program.

Green Investment Incentive - Bill 40-12 implements one of the recommendations from the County’s Green Economy Task Force. It authorizes the County to provide qualified applicants a Green Organization Supple-

ment. The County would supplement up to 50% of the recipient’s investment in a qualified green organization, depending on the percentage set in the annual operating budget resolution, with a maximum allocation per recipient of \$25,000. DED’s FY14 budget includes \$500,000 to fund the program.

National Cybersecurity Center of Excellence – U.S.

Senator Barbara Mikulski secured \$10 million in federal appropriations as part of the National Institute of Standards and Technology’s FY12 budget to create this new Center in Gaithersburg to encourage cybersecurity-related technology transfer. The Center is developing as the result of close collaboration between NIST, the Maryland Department of Business and Economic Development and Montgomery County.

Support for BioHealth Innovation, Inc. (BHI) – BHI is

a regional innovation intermediary formed to connect market relevant research assets in Central Maryland to appropriate funding, management and markets to facilitate the development of commercially viable bio health products and companies. It is a private-public partnership in the form of a 501 (c)(3) nonprofit. From FY12-FY15, DED will provide a total of \$1.5 million to BHI to support their operations and help leverage private sector contributions.

National Recognition –

The national spotlight shone brightly in Montgomery County in 2012, as eleven local companies made Inc.’s Top 500 Fastest Growing Companies list, over 30 made Inc.’s Top 5000 Fastest Growing Companies list, Money Magazine named Bethesda the country’s top earning town, and Gaithersburg and Germantown ranked in the Top 25 on its Top 100 Best Places to Live list.

New Farmer Pilot Project – Launched last summer, this unique program trains and mentors new farmers by allowing them to lease individual, long-term farm sites to support agricultural entrepreneurship in Montgomery County.

Arts Summit - In September, 2012, DED co-sponsored, in conjunction with the Arts and Humanities Council of Montgomery County, MD, the release of the Montgomery County Arts & Economic Prosperity IV Study at an Arts Summit hosted at United Therapeutics Corporation's Silver Spring headquarters. The Study found that the County's nonprofit arts and culture industry generates \$151 million in annual economic activity, supporting 2,955 full-time equivalent jobs and generating \$10.2 million in state and local government revenue.

Non-Profit Conference - In February 2013, DED and Non-Profit Montgomery co-hosted a press event at Discovery Communications' Silver Spring headquarters to release a new report, *Beyond Charity: Nonprofit Business in Montgomery County*. Supported with funding from DED and the County's Department of Health and Human Services, the report found that 1 in 10 workers in Montgomery County is employed by a non-profit and that in 2011, the County's 43,371 non-profit employees earned \$2.2 billion in total wages. It also showed that non-profit jobs in the County grew even during the height of the recession, increasing 9.1 percent between 2007 and 2011.

Small Business Support

DED continued, launched or supported numerous programs over the past 4-5 years to support the continued growth and success of the County's 33,000-plus local businesses including:

- Business Innovation Network (BIN): 5 facilities housing 160 companies and 850 employees
- New Small Business Navigator position in DED
- Local Small Business Reserve Program
- Health IT Breakfast Forums
- Global Trade Forums
- Federal Markets & Property Summit
- Bagels & Business Procurement Breakfasts
- Meet the Lenders Financing Seminars
- Business Mentorship Program
- Women's Power Conference
- First Annual Montgomery County Small Business Awards

Tech Transfer Initiatives

DED organized an inaugural conference, *Innovation2Commercialization: Making Tech Transfer Count*, in Rockville, attracting more than 100 researchers, federal lab and university tech transfer officers, investors, and entrepreneurs.

Through the monthly Tech Transfer Speakers Series, DED provided introductions for more than 400 researchers and entrepreneurs to local federal laboratory and university tech transfer leaders and programs.



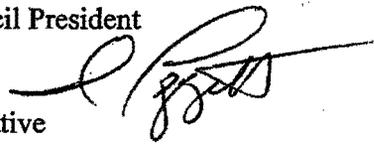
OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

November 14, 2013

TO: Nancy Navarro
County Council President

FROM: Isiah Leggett 
County Executive

SUBJECT: Executive Regulation 7-13:
FY14-FY15 Economic Development Strategic Plan

In accordance with Bill 14-12, I am submitting to you the Executive Regulation for the County's two-year, interim strategic economic development plan. This interim plan will provide the framework for the County until the four-year economic development strategy is approved in FY16.

Our vision is to establish Montgomery County as a globally competitive, highly diversified, knowledge-based economy that encourages business retention and expansion, and supports new job creation through company attraction and new company formation.

We hosted public meetings on July 23 at the Silver Spring Civic Building and on July 31 at the Universities at Shady Grove as a way to present and solicit feedback on the strategic plan. The plan was generally very well-received; the only issue raised was the importance of using attraction efforts to create new jobs. We believe that Executive Regulation 7-13 reflects the comments that we received at those events.

Our use of CountyStat will be instrumental in tracking the effectiveness of our efforts. During FY12 and FY13, the Department of Economic Development (DED) had 28 performance measures, which were categorized by division (Marketing and Business Development, Workforce, etc.). The FY12 "dashboard," which summarizes the data, is included in this submittal.

Executive Regulation 7-13 proposes several additional performance measures, which will help to paint a clearer picture of where our economic development resources are focused, and, if necessary, how they should be reprogrammed or enhanced. The FY14-FY15 performance measures will be used as the basis for future analyses in FY16-FY19.

Bill 14-12 requires that this submittal include an analysis of the County's delivery structure for economic development services, a comparison to peer jurisdictions' economic development organizations, and the public and private funding allocated to economic development efforts in those peer jurisdictions. The recent study from the International Economic Development Council (IEDC), *Organizational Assessment and Comparative Analysis Report for Montgomery County, MD*, is a comprehensive resource that completes those analyses. A copy of that study is included in this submittal.

Finally, Bill 14-12 requires us to make recommendations about improving the structure of economic development within the County. Continually improving the delivery of economic development services is the bedrock of the economic development plan. Our interim plan reprioritizes local growth by supporting existing companies and growing our own start-ups. The plan encourages greater participation with partner organizations, including the private sector, with a heavy emphasis on engaging our entrepreneurial citizens. These entrepreneurs are not limited to biotech founders or Fortune 500 leaders, but also social entrepreneurs who can overcome our communities' challenges through innovation.

As the nation continues to recover from the Great Recession, we have a keener understanding of the importance of balancing economic, social and environmental issues. In this interim plan, we are re-engaging companies in our bread-and-butter industry clusters, like the lifesciences and finance, but we are also growing strategic clusters like green/clean technology and agriculture. These smaller clusters are important because they affect our residents directly and on a daily basis. Additionally, the problems these cluster companies tackle result in triple-bottom line solutions, and their work can help our larger industry clusters do business better.

This is an exciting time to be in our region, and our businesses, residents and partner organizations are helping us to maximize our competitive advantages. We are confident that this interim plan will help us to achieve our goals.

IL/pb

Attachments



MONTGOMERY COUNTY EXECUTIVE REGULATION

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

| | |
|---|-----------------------|
| Subject FY14-FY15 Economic Development Strategic Plan | Number 7-13 |
| Originating Department Economic Development | Effective Date |

Montgomery County Regulation on:

FY14-FY15 Economic Development Strategic Plan

Department of Economic Development

Issued By: County Executive

Regulation Number: 7-13

COMCOR No. 20.76.01

Authority: Montgomery County Code, Section 20.76.01.01

Council Review: Method I Under Code Section 2A-15

Register Vol.30, Issue 10

Sunset Date: June 30, 2015

Effective Date:

SUMMARY:

The regulation provides generally for the framework for the FY14 and FY15 ECONOMIC DEVELOPMENT STRATEGIC PLAN for Montgomery County, MD.

ADDRESS:

Department of Economic Development
111 Rockville Pike, Suite 800
Rockville, Maryland 20850

STAFF CONTACT:

Peter B. Bang
(240) 777-2008

BACKGROUND INFORMATION:

The ECONOMIC DEVELOPMENT STRATEGIC PLAN has been created to establish Montgomery County as a globally competitive, highly diversified, knowledge-based economy that encourages business retention and expansion, and supports new job creation through attraction and new company formation. The purpose of this strategic plan is to advance ECONOMIC DEVELOPMENT within the County.



MONTGOMERY COUNTY EXECUTIVE REGULATION

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| | |
|---|-----------------------|
| Subject FY14-FY15 Economic Development Strategic Plan | Number 7-13 |
| Originating Department Economic Development | Effective Date |

Section 1. AUTHORITY.

In accordance with the procedures authorized in Section 20-76 of the Montgomery County Code 1994, as amended, the following Executive Regulation establishes the ECONOMIC DEVELOPMENT STRATEGIC PLAN for Montgomery County, MD during FY14 and FY15.

Section 2. DEFINITIONS.

BIN: Business Innovation Network

DED: Department of Economic Development

EDF: Economic Development Fund

FastTrac: A national entrepreneur learning program, with a local affiliation with Montgomery College

INNOVATE: A program that provides applied training for post-doctoral fellows, research scientists, and other professionals who want to start life science-based companies

LSBRP: Local Small Business Reserve Program

MCPS: Montgomery County Public Schools

SBIR/STTR: Small Business Innovation Research/Small Business Technology Transfer

SBTDC: Maryland Small Business & Technology Development Center

SMALL BUSINESS NAVIGATOR: A position within DED designed to help small businesses navigate County government, including regulations, licensing, permitting and procurement

STRATEGIC ACCOUNT COMPANY: A company, which, because of its size, lease expiration, rate of growth, recognition through awards, and/or because it is a recipient of County funds/services (EDF award, BIN graduate) is considered to be strategic

Section 3. This ECONOMIC DEVELOPMENT STRATEGIC PLAN is based on six programs of work, which have been identified as priorities for sustainable economic growth in Montgomery County. The economic development efforts of the County will focus on: 1) Company Retention, 2) Company Growth, 3) the development of Strategic Industry Sectors through attraction and new company formation, 4) the expansion of Minority, Women, Disadvantaged and Veteran Owned Businesses, 5) Entrepreneurship, and 6)



MONTGOMERY COUNTY EXECUTIVE REGULATION

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| | |
|---|-----------------------|
| Subject FY14-FY15 Economic Development Strategic Plan | Number 7-13 |
| Originating Department Economic Development | Effective Date |

Marketing. The County will measure the effectiveness of these efforts by tracking the outcomes listed in Section 5. The fiscal year (FY14-FY15) outcomes will provide the baseline for evaluating economic development efforts in future years (FY16-19), and will compare Montgomery County to peer jurisdictions, Maryland and the nation.

Section 4. During FY 14 and FY15, the County will perform the following tasks based on the six categories listed in Section 3:

(A) THE COUNTY WILL RETAIN EXISTING BUSINESSES BY:

- 1) Developing relationships with, and visiting, 200 Strategic Account Companies annually
- 2) Visiting C-levels of 200 accounts annually
- 3) Maintaining a comprehensive database of County companies
- 4) Increasing membership in business organizations to create stickier networking centers, a stronger voice for business interests, and increased opportunities to stay abreast of best practices
- 5) Developing and implementing a business appreciation program, which will recognize 250 companies annually
- 6) Communicating regularly with the local business community by producing weekly e-publications that showcase the County's companies
- 7) Monitoring and influencing Federal leasing requirements in order to retain all existing Federal locations in the County

(B) THE COUNTY WILL INCREASE CAPITAL INVESTMENT, JOB GROWTH, AND NET NEW COMMERCIAL SPACE IN THE COUNTY BY:

- 1) Hosting 5 CEO Roundtables annually, which will identify roadblocks to company growth and inform a priority list of relevant solutions
- 2) Increase the activities of the EDF's existing Small Business Revolving Loan Fund.
- 3) Implementing DED's newly approved equity investment program



MONTGOMERY COUNTY EXECUTIVE REGULATION

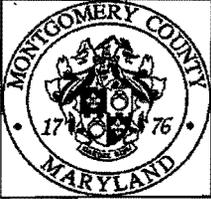
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- 4) Working with community banks to lend local businesses at least double the amount of the County's deposits in those banks
- 5) Increasing the amount of Foreign Direct Investment (FDI) in local businesses each year by:
 - a. leveraging state and federal programs to help Montgomery County companies penetrate foreign markets;
 - b. ensuring that Montgomery County's private sector companies participate in each overseas mission (the State is planning a Brazil mission in 4Q 2013; Montgomery County hosted a China trip in 3Q 2013); and
 - c. continuing the Global Trade Speakers Series with partners at Montgomery County Community College and Johns Hopkins University, and increasing participation by 10% annually from FY13's participation level of 100 attendees.
- 6) Monitoring local and state legislation to assure support for a healthy, robust economy
- 7) Collaborating with County agencies (planning, permitting) to streamline strategic economic development projects and shorten the approval time for projects
- 8) Administering and promoting the use of existing and newly approved Enterprise Zones (EZ) to spur economic activity.
- 9) Increasing the use of Transfer Development Rights and the Building Lot Termination program to increase the County's farmland preservation efforts, and finding other funding to augment County Preservation funds
- 10) Supporting the growth of a sustainable workforce by aligning the workforce programs with industry needs, as outlined in the Workforce Investment Board's Strategic Plan, and increasing the number of businesses and job seekers receiving workforce assistance.

C) THE COUNTY WILL USE BUSINESS ATTRACTION AND RETENTION EFFORTS TO DEVELOP ROBUST STRATEGIC INDUSTRY CLUSTERS AND GUIDE GROWTH IN THE COUNTY USING SMART GROWTH PRINCIPLES:

- 1) Completing at least seven strategic industry profiles and action plans about Lifesciences, Cybersecurity, Health IT, Federal Contracting, General IT, Green/Clean Technology and Agriculture, which include:
 - a. developing plans to address deficiencies in each strategic cluster;
 - b. providing workforce services for specific sectors; and
 - c. developing targeted outreach plans (marketing, websites, etc.)



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- 2) Supporting the development of the County's technology parks, (e.g., Life Sciences Center, Montgomery College-Germantown), including advocating for the White Oak Science Gateway Master plan that will speed the development of LifeSci Village in East County (Site II).
- 3) Promoting development projects based on smart growth principles, e.g., Wheaton, White Flint, and other transit-oriented areas with existing infrastructure.
- 4) Supporting the Federally Funded Research and Development Center at the National Cybersecurity Center of Excellence
- 5) Securing land-use approvals for a structured parking garage at the conference center site
- 6) Identifying under-utilized and vacant County-owned properties that have near-term private sector residential and mixed-used development potential
- 7) Identifying private sector partners to join with the County in developing public amenity projects, e.g., sports facility, art venue, etc.

(D) THE COUNTY WILL INCREASE THE NUMBER OF SUCCESSFUL MINORITY, WOMEN AND DISADVANTAGED BUSINESSES AND VETERAN-OWNED COMPANIES IN THE COUNTY BY:

- 1) Increasing services to small, minority and women businesses and veteran-owned companies through enhanced collaboration and, when necessary, program grants to partner organizations, (e.g., Latino Economic Development Corporation, Hispanic Chamber of Montgomery County, SBTDC, Montgomery Women's Business Center, etc.), and working with these partners to achieve maximum effectiveness for their clients.
- 2) Increasing membership in minority and women business organizations by promoting their events, encouraging membership
- 3) Assisting small non-profits in coalescing as a sector and increasing their business acumen; developing training programs specific to the non-profit community
- 4) Increasing local business participation in the Local Small Business Reserve Program, increasing the value of procurements awarded through the program annually, and expanding the program to include MCPS, Montgomery College and local large business procurement needs
- 5) Working intensively with a small number of minority businesses in a year-long mentorship program, and graduate 15 businesses from the program annually.
- 6) Establishing the Montgomery County Small Business Awards event as a premier showcase of



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the County's small businesses, and increase the number of submissions by 25%, and the number of attendees by 20% from the FY13 levels of 62 nominations and 317 attendees.

- 7) Reaching out to the small business community through participation at local tradeshows, conferences, and other business events
- 8) Resolving or identifying solutions for 75% of small business' issues brought to the Small Business Navigator within 30 days
- 9) Increasing the number of people reached through DED and partner technical assistance events and training sessions
- 10) Participating annually in 24 tradeshows, conferences, etc. with a DED booth on available services; add 500 names to the mailing list each year

(E) THE COUNTY WILL IMPROVE THE CLIMATE FOR ENTREPRENEURSHIP BY:

- 1) Completing the Business Innovation Network ("BIN") study and implementing the recommendations to reposition the County's incubator network as the premier national network for high technology companies
- 2) Continuing to improve efficiency and effectiveness of the BIN's current operations in order to:
 - a) increase graduation rates and company retention;
 - b) develop BIN programs specific to the sectors and life cycle stages of the incubator companies, and
 - c) increase attendance at BIN programs by 25% from the current average of 15 per event.
- 3) Analyzing the history of companies 5 years post graduation; determining any trends/issues which would suggest changes to the program
- 4) Partnering with BioHealth Innovation (BHI) to:
 - a) increase the number of start-up companies receiving technology licenses from Maryland's federal and academic laboratories that can be commercialized;
 - b) increase the win rate on Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) grants for Montgomery County companies;
 - c) provide an increased level of review for early stage lifesciences and health IT companies, including assistance in pitch preparation to access funding



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- 5) Supporting entrepreneurial training programs, e.g., FastTrac, INNoVATE, etc., and target 40 participants each year
- 6) Supporting technology transfer through:
 - a) continuing the Technology Transfer Speakers Series;
 - b) continuing the annual I2C (Innovation to Commercialization) Conference; and
 - c) drawing 10% more attendees to the Speaker Series and 25% more to the conference from the FY13 levels of 475 participants at the Speaker Series and 146 at the I2C conference.
- 7) Increasing the number of entrepreneurial events sponsored by Montgomery County and its partners, (e.g., meet-ups, pitch contests, hackathons, etc)
- 8) Identifying a partner, and funding, for a national life sciences start-up competition

(F) THE COUNTY WILL STRENGTHEN ITS MARKETING CAMPAIGN BY:

- 1) Maintaining an interactive web site that speaks to the needs of DED's various constituents, including the incorporation of the BIN, T2 websites and agribusiness, and doubling the number of unique visitors to DED's website annually, which was 24,715 in FY13
- 2) Communicating with a weekly e-blast to a growing electronic address list on topics of relevance to the business community
- 3) Generating earned media placements including six feature stories a year in local media, four in regional media and one in national media.
- 4) Developing marketing materials relevant to DED's various clients, e.g., farmers markets, start-ups, developers, attraction prospects, global trade interests, etc.
- 5) Develop marketing materials relevant to DED's general audience
- 6) Recognizing companies that win awards (Fast 500, Best Place to Work, Women Who Mean Business, etc.), achieve major milestones (new contract, merger, acquisition, etc.), move into the county, renew a significant lease, etc.
- 7) Developing and managing an on-line calendar that is the "go-to" address for regional business activities, which will include 25 new partner accounts annually and at least 150 future events at any time



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- 8) Developing and implementing a social media strategy by DED staff
- 9) Transforming the DED lobby into a marketing center promoting the County's business community and DED's programs
- 10) Increasing participation in the annual Farm Tour and Harvest Sale.

Section 5. The County will evaluate the effectiveness of its economic development efforts by collecting and analyzing certain performance measures annually. FY14-15 data will serve as the baseline for future analyses. FY16-FY19 data will include those analyses comparing Montgomery County to peer jurisdictions, Maryland and the nation, where practical.

The Department of Economic Development's current performance measures, by division, as reported through CountyStat are:

Marketing & Business Development, Special Projects & Minority Business Empowerment

- Jobs created by existing business expansions through DED involvement
- Jobs created by new business attraction through DED involvement (by Industry)
- Jobs Retained (location decision, lease renewals)
- Total new capital investment by business expansions DED involvement (in millions)
- Total new capital investment by new business attractions and start-ups through DED involvement (in millions)
- Net new commercial space occupied by businesses currently located in the County through DED involvement (sq. feet)
- Net new commercial space occupied by newly attracted and start-up businesses through DED involvement (sq. feet)
- Number of companies that received Business Assistance (permits, zoning, B2B, introductions, land-use, etc.)
- Number of companies that received international/export business assistance
- Number of employees at companies affected by DED business assistance
- Number of Business Assistance engagements (each company may be assisted multiple times)
- Number of Technical Assistance Events and Training Sessions organized by DED
- Number of Participants in Tech Assistance Events and Training Sessions
- Percent of participants satisfied with DED sponsored technical assistance and training programs
- Number of events/tradeshows where DED actively marketed the county
- Number foreign delegations hosted by DED

Business Innovation Network



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- Occupancy rate of incubator facilities (Lowest, Average & Highest)
- Number of new jobs created by incubator tenant companies post-graduation
- Amount of federal research grant funding received by incubator companies (in millions)
- Amount of equity financing received by incubator companies (in millions)

Workforce

- Number of job seekers placed in jobs
- Number of unique businesses served
- Number of employer recruitments
- Number of job fairs

Agricultural Services

- Acres of land under easements inspected

Finance

- Number of EDF Transactions

In addition to the existing performance measures listed above, DED will also track the following measures in FY14-15.

- Commercial vacancy rate of Montgomery County
- Commercial vacancy rate at Shady Grove Life Sciences Center
- Number of existing (or start-up) target industry companies assisted by DED.
- The number of retained jobs and net new jobs in target industries assisted by DED
- The value of loans made to local small businesses through local community banks.
- Amount of contracts let under LSBRP
- Number of people reached through DED/partner technical assistance events and training
- Number of participants in entrepreneurial training programs
- Percentage of BIN graduates in Montgomery County one year after graduation
- Percentage of BIN graduates in Montgomery County five years after graduation
- Number of companies receiving international assistance from DED
- The value of exports by Montgomery County companies
- The amount of Foreign Direct Investments
- Amount of venture capital/angel investments in Montgomery County businesses
- SBIR/STTR win rate



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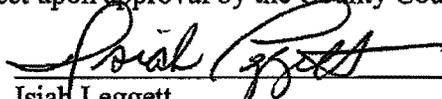
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- Number of companies based on licenses from local labs
- Number of unique visitors to the website each year

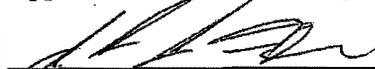
Section 6. EFFECTIVE DATE.

This Executive Regulation takes effect upon approval by the County Council.



 Isiah Leggett
 County Executive

Approved as to form and legality:



 John L. Fisher
 Associate County Attorney

11/12/13

 Date

Fiscal Impact Statement

Executive Regulation 7-13

1. Legislative Summary.

The Executive Regulation 7-13, Economic Development Strategic Plan (ER 7-13) is required under Bill 14-12 enacted on December 20, 2013. The Bill 14-12 required the County Executive to propose and update an economic development strategic plan for the County, subject to Council approval; establish criteria for offers of financial assistance from the Economic Development Fund that promote the County's approved economic strategic plan; require the Council to approve certain offers of assistance from the Economic Development Fund; and generally amend the County economic development fund laws.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

ER 7-13 summarizes the two-year, interim strategic economic development plan. The work plans contained in the ER 7-13 is based on the FY14 approved budget of the Department of Economic Development. As such, no revenue or expenditure change is anticipated during FY14 or FY15.

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

For the new Economic Development Strategic Plan required for FY16-FY19, the estimate cannot be made at this time but will certainly be influenced by the following factors.

- New work programs under the FY16-FY19 economic development strategic plan as proposed by the County Executive, and approved by the County Council.
- Number of new business retention and expansion projects that will require the County's use of the Economic Development Fund during FY16 – FY20.

4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

Not applicable at this time.

5. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

Modification to the 4-year economic development strategic plan that will be first adopted beginning in July 2015.

6. An estimate of the staff time needed to implement the Executive Regulation.

The execution of the interim economic development strategic plan being submitted through the ER 7-13 does not require any additional staff time, as this interim strategic plan is based on the resources approved for FY14. However, for the first 4-year economic development strategic plan due by July 2015 (FY16), additional staff time (capacity) could be required if the strategic plan includes new and expanded work programs without proportional down-sizing or elimination of existing programs.

7. An explanation of how the addition of new staff responsibilities would affect other duties.

Not applicable

8. An estimate of costs when an additional appropriation is needed.

Not available at this time.

9. A description of any variable that could affect revenue and cost estimates.

The scope and focus of the new four-year economic development strategic plan due in July 2015 could affect the revenue and the cost estimates for years beyond FY15.

10. Ranges of revenue or expenditures that are uncertain or difficult to project.

All revenue or expenditures are difficult to project at this time—see response 2 and 3.

11. If a bill is likely to have no fiscal impact, why that is the case.

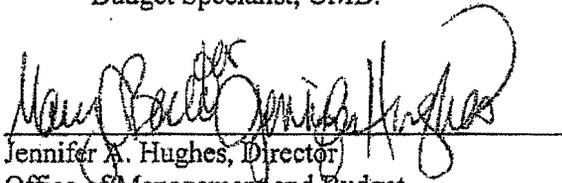
Not applicable

12. Other fiscal impacts or comments.

None at this time.

13. The following contributed to and concurred with this analysis:

Peter Bang, Chief Operating Officer, DED and Jahantab Siddiqui, Management and Budget Specialist, OMB.



Jennifer A. Hughes, Director
Office of Management and Budget

9/23/13

Date

Department of Economic Development FY13 Dashboard

| DEPT | Measure Text | Current Value | Current Value Reporting Date | Previous Value | Previous Value Reporting Date | Comments |
|----------------------------|--|---------------|------------------------------|----------------|-------------------------------|---|
| MBD, Special Projects, MBE | Jobs created by existing business expansions through DED involvement | 475 | FY13 | 709 | FY12 | |
| | Jobs created by new business attraction through DED involvement (by Industry) | 348 | FY13 | 758 | FY12 | 11 Attractions, 21 Start-ups. Healthcare, Pharma & Biotech (15); Technology (9); Prof & Business Services (5); Finance (1); Retail (1); Environmental (1) |
| | Jobs Retained (location decision, lease renewals) | 1,367 | FY13 | 9,891 | FY12 | Social & Scientific Systems |
| | Total new capital investment by business expansions DED involvement (in millions) | \$53 | FY13 | \$380 | FY12 | Largest projects: Sodexo (\$44M), Progressive Insurance (\$1.82M), ActioNet (\$1.25M), DataDesign (\$1.32M), Wedding Wire (\$1.2M) |
| | Total new capital investment by new business attractions and start-ups through DED involvement (in millions) | \$2.7 | FY13 | \$141 | FY12 | Largest projects: Kohl's (\$1.15M), Brace Pharma (\$100K) |
| | Net new commercial space occupied by businesses currently located in the County through DED involvement (sq. feet) | 134,522 | FY13 | 368,850 | FY12 | |
| | Net new commercial space occupied by newly attracted and start-up businesses through DED involvement (sq. feet) | 90,534 | FY13 | 316,457 | FY12 | |
| | Number of companies that received Business Assistance (permits, zoning, B2B, introductions, land-use, etc.) | 319 | FY13 | 160 | FY12 | |
| | Number of companies that received international/export business assistance | 42 | FY13 | 58 | FY12 | |
| | Number of employees at companies affected by DED business assistance | 35,346 | FY13 | 22,474 | FY12 | |
| | Number of Business Assistance engagements (each company may be assisted multiple times) | 520 | FY13 | 372 | FY12 | |
| | Number of Technical Assistance Events and Training Sessions organized by DED | 90 | FY13 | 80 | FY12 | |
| | Number of Participants In Tech Assistance Events and Training Sessions | 1,443 | FY13 | 1,939 | FY12 | |
| | Percent of participants satisfied with DED sponsored technical assistance and training programs | 99% | FY13 | 94% | FY12 | |
| | Number of events/tradeshows where DED actively marketed the county | 68 | FY13 | 161 | FY12 | Presented at 7 events; exhibited at 12 events, organized 14 events, sponsored 8 events |
| | Number foreign delegations hosted by DED | 6 | FY13 | 2 | FY12 | Estonia, Brazil (2), Nigeria, Taiwan, Turkey |

| | | | | | | |
|------------------------------------|--|--------|------|---------|------|--|
| Business Innovation Network | Occupancy rate of incubator facilities | | | | | |
| | Lowest | 86% | FY13 | 76% | FY12 | |
| | Average | 92% | FY13 | 88% | FY12 | |
| | Highest | 93% | FY13 | 100% | FY12 | |
| | Number of new jobs created by incubator tenant companies post graduation | 36 | FY13 | 109 | FY12 | |
| | Amount of federal research grant funding received by incubator companies (in millions) | \$1 | FY13 | \$10.42 | FY12 | |
| | Amount of equity financing received by incubator companies (in millions) | \$1.23 | FY13 | \$8.25 | FY12 | |
| Workforce/Business Svcs | Number of job seekers served | 14,414 | FY13 | 11,409 | FY12 | From the FY13 State Performance Report, includes adult and youth job seekers. |
| | Number of job seekers placed in jobs | 5,934 | FY13 | 4,898 | FY12 | |
| | Number of unique businesses served | 676 | FY13 | 592 | FY12 | |
| | Number of employer recruitments | 57 | FY13 | 72 | FY12 | |
| | Number of job fairs | 8 | FY13 | 7 | FY12 | |
| Agricultural Reserve | Acres of land under easements inspected | 1,000 | FY13 | 5,000 | FY12 | |
| Division of Finance | Number of EDF Transactions | 6 | FY13 | 9 | FY12 | CosmosID, Social & Scientific Systems, Sucampo Pharma, Total Wine & More, Sodexo, Precision for Medicine |
| | Total Value of EDF Transaction (in millions of dollars) | \$2.85 | FY13 | \$1.17 | FY12 | |

Chapter 52, Article 1 of the County Code implements the tax credit locally. The County has three designated Arts and Entertainment Districts in Bethesda, Silver Spring and Wheaton. The County Code limits the tax credit to renovated property and establishes the amount of the tax credit, to be calculated by the Director of Finance.²¹

B. Economic Development Strategy

In addition to the specific requirements and limitation of economic development incentive programs established in law, the County Government has adopted an Economic Development Strategic Plan (initially approved in 2004 and updated in 2008) to provide an overall vision and framework for all economic development activities – including incentives.

The 2004 and 2008 strategic plans were developed at the discretion of the County Executive (there was no requirement to adopt a strategic plan). As indicated on page 14, recent legislation passed by the County Council formalizes the economic development strategic planning process by requiring the County Executive to propose (on or before July 2015) and update every four years thereafter an economic development strategic plan for the County, subject to Council approval.

This section briefly summarizes the 2004 and 2008 strategic plans and highlights the components of each plan most relevant to the provision of economic development incentives.

1. Strategic Plan for Economic Development (2004-2008)

In January 2003, the County Executive transmitted to the County Council a proposed strategic plan for economic development. The Executive requested that the Council “adopt this Plan as the official economic development strategy for our community.”²² The Council held several worksessions and a public hearing on the proposed Plan, considered and approved a number of amendments to the Plan, and adopted the Plan in June 2004.

Plan Summary. The Executive Summary of the 2004 Strategic Plan stated that the economic development vision for Montgomery County is to: “Foster a growing, diversified, and innovative economy, providing opportunity and prosperity for businesses and residents alike, while sustaining the County’s quality of life.” The Plan set forth four guiding principles and seven strategic goals, which are summarized in Table 1. Specifically related to incentives, the guiding principals and strategic goals call for:

- A strategic focus on knowledge-based industries; and
- Providing incentives to promote the expansion and global leadership in bio-sciences and health care, information technology and communications, and related professional services.

²¹ Montgomery County Code § 52-18L(b) (d)

²² Letter from Douglas Duncan (County Executive) to Michael L. Subin (President, County Council); January 24, 2003.

Table 1. Montgomery County's 2004 Strategic Plan for Economic Development Guiding Principles and Strategic Goals

| Guiding Principles | |
|--------------------|--|
| 1. | Our community's quality of life and public services are dependent on the ongoing prosperity of the economy – with economic success and a high quality of life mutually reinforcing. |
| 2. | Nurture a supportive business environment. |
| 3. | Focus strategically on knowledge-based industries. |
| 4. | Promote the development of critical long-term infrastructure through projects with immediate impact and through the commitment of required fiscal resources. |
| Strategic Goals | |
| 1. | Progressive business climate: Cultivate a business climate that supports economic growth, new job creation, and commercial development. |
| 2. | Transportation infrastructure: Stimulate the provision of transportation infrastructure with necessary long term financing to support an improved and more efficient transportation system – improving services to residents and helping County firms attract and retain the needed work force. |
| 3. | Global center for technology leadership: Provide leading-edge infrastructure and incentives to promote the expansion and global leadership in bio-sciences and health care; information technology and telecommunications; and related professional services. |
| 4. | Stimulate existing businesses and entrepreneurship: Foster the growth of existing businesses and enhance opportunities for small businesses, minority-, female- and disable-owned businesses and entrepreneurship; in addition, work to ensure that existing businesses are not adversely affected by revitalization. |
| 5. | Marketing and business promotion: Market the unprecedented business opportunities in the County and enhance County-sponsored business services in a concerted effort to attract new firms and expand the existing business base. |
| 6. | World-class work force: Promote the development and recruitment of a skilled work force, trained in today's technologies and management practices. |
| 7. | Quality of life: Support housing and community development and continued excellence in public services, and promote richness and vibrancy in the arts and culture, recreation and rural life, and the environment, as vehicles to enhance the County's quality of life. |

Source: *Montgomery County: The IDEALocation, Strategic Plan for Our Community's Quality of Life and Economic Development*, June 2004.

2. Vision for Economic Development in Montgomery County (2008-Current)

The *Vision for Economic Development* is the economic development strategic plan currently in effect and was transmitted from the County Executive to the County Council in December 2008. The appendix contains the entire 2008 strategic plan (beginning at ©1).

While the 2004 Strategic Plan articulated a broad vision with policy implications throughout County Government, the 2008 Strategic Plan focuses on the activities initiated and managed by the Department of Economic Development. The current plan also has a greater focus on the global economy, including how to help local businesses compete globally and how to attract international investment to the County. The major sections of the strategy are summarized below.

Vision. The County Executive's vision for Montgomery County is a "globally competitive and highly diversified knowledge-based economy that provides for the retention and growth of existing companies, stimulates new job creation and enhances entrepreneurial opportunities."²³

According to the *Vision for Economic Development*, both large global corporations and small local businesses contribute to County residents' quality of life. The County's high quality of life, in turn, creates a place where businesses want to locate, helping retain, attract, and create businesses. The strategy explains that all companies, including small businesses, must seek opportunities outside the County in order to remain competitive and the County Government's role is to "create an enabling business environment"²⁴ and ensure that companies have the tools they need to succeed.

Goals and Action Items. The *Vision for Economic Development* includes four goals and specific action items for each goal. Table 2 describes each goal and lists a selection of action items for each. Multiple goals and/or action items in the strategic plan have particular relevance to economic development incentive programs, including:²⁵

- The text associated with Goal One indicates that "retention of existing businesses, especially during trying economic times and heightened competition from other jurisdictions, will be the top priority of DED." It also states that, "alongside retention, business attraction will remain a high priority."
- Action items under Goal One provides guidance as to the industry types incentive programs should target, specifically listing bio-pharma, aerospace, communications, green technology, professional services and government contracting. The strategy suggests that the County should focus on these industries because they form part of the County's established and emerging "clusters", that is, "geographic concentrations of interconnected companies, specialized suppliers, service providers and associated institutions in a particular industry."
- Action items under Goal Two call for the County to enhance incentive programs and better align attraction and retention efforts with incentives, tax policies, and regulations.
- Action items under Goal Three call for enhancing the Economic Development Fund and using it to leverage State resources to attract, retain, and expand businesses in key industry clusters.

²³ *A Vision for Economic Development in Montgomery County*, December 2008, Page 2.

²⁴ *Ibid*, p. 2.

²⁵ *Ibid*, p. 2-10

**Table 2. 2008 Vision for Economic Development in Montgomery County:
Goals and Selected Action Items**

| |
|---|
| <p>Goal #1: Retain and grow existing businesses, strategically attract new ones, and enhance entrepreneurial opportunities; work to ensure that all business sectors benefit from the knowledge-based economy.</p> <p><u>Selected Action Items</u></p> <ul style="list-style-type: none">• Implement a short-term strategy to help local businesses, including an economic stimulus package.• Aggressively recruit firms in targeted industry sectors (e.g., bio-pharma, aerospace, communications, green technology, professional services and government contracting) and grow non-tech sectors.• Upgrade and enhance the DED website and collateral materials to improve marketing and recruitment efforts.• Open a specialized one-stop career center focused on life sciences and technology careers.• Support the County's Smart Growth Initiative, with a focus on dense transit-oriented development; affordable, workforce and market-rate housing; high-wage jobs in biosciences and technology; and new higher education opportunities. |
| <p>Goal #2: Adapt to a more competitive business climate by creating an environment where knowledge-based industries and small businesses thrive.</p> <p><u>Selected Action Items</u></p> <ul style="list-style-type: none">• Enhance economic development incentive programs, and better align attraction and retention efforts with incentives, tax policies and regulations that benefit the growth and development of clusters.• Cultivate existing (e.g., biosciences, electronics, hospitality) and emerging (e.g., green/clean technology, financial service) industry clusters by forming taskforces that will include business, academia, and federal, state, and regional government entities.• Work with partners in the private sector and government to develop capital projects to enhance the quality of life in the County, create positive spillover effects, and respond to the needs of key industry clusters.• Support the commercialization of new technology and high-profile pilot programs. |
| <p>Goal #3: Foster creative and strong partnerships with academia, the federal research community, the private sector and various levels of government to pursue innovative projects, policies and best practices that support business growth and expansion.</p> <p><u>Selected Action Items</u></p> <ul style="list-style-type: none">• Rebuild and enhance the Economic Development Fund so that DED can leverage its resources with State of Maryland funds, including DBED, TEDCO, MEDCO, MARIBIDCO and others, to attract, retain and expand businesses in key industry sectors.• Coordinate policies with other governmental entities to ensure a supportive environment for cluster development and small business development.• Work with technology companies to train dislocated workers, low-income adults, older workers, disadvantaged workers, and youth. |
| <p>Goal #4: Establish global linkages to facilitate business opportunities abroad, attract international investment to Montgomery County, and foster trade and joint ventures for Montgomery County businesses.</p> <p><u>Selected Action Items</u></p> <ul style="list-style-type: none">• Build strong relationships with County-based international entrepreneurs to leverage networks in their countries of origin.• Expand the Business Innovation Network's (i.e., incubator program) portfolio of international companies. |

Source: *A Vision for Economic Development in Montgomery County*, December 2008.

EDF Process Flow Chart

