

PHED #1
June 18, 2015
Worksession

MEMORANDUM

June 16, 2015

TO: Planning, Housing and Economic Development Committee

FROM: Robert H. Drummer, Senior Legislative Attorney 
Jacob Sesker, Senior Legislative Analyst 

SUBJECT: **Worksession:** Bill 25-15, Economic Development – Reorganization –
Montgomery County Economic Development Corporation

Bill 25-15, Economic Development – Reorganization – Montgomery County Economic Development Corporation, sponsored by Lead Sponsor Council President at the request of the County Executive, was introduced on May 21, 2015. A public hearing was held on June 9.

Bill 25-15 would:

- (1) eliminate the Department of Economic Development as a principal department of the Executive Branch;
- (2) create an Office of Agriculture;
- (3) transfer certain duties of the Department of Economic Development to other County agencies;
- (4) provide for the designation of a non-profit corporation as the Montgomery County Economic Development Corporation;
- (5) assign certain duties to the Montgomery County Economic Development Corporation and exempt this assignment from a certain procurement law;
- (6) provide a certain notice under the collective bargaining law;
- (7) remove the designation of the County's Business Development Corporation; and
- (8) generally amend County laws, regulations, and certain contracts governing economic development and agricultural preservation.

Background

The Bill would privatize some of the functions currently performed by the Department of Economic Development (DED). These duties would be delegated to a non-profit corporation designated as the Montgomery County Economic Development Corporation (MCEDC) by the Council. Each of the 11 members of the Board of Directors of the Corporation would be appointed by the Executive and confirmed by the Council, but the Corporation would not be an agency of the County government. Certain duties now performed by DED would be transferred to the Department of Finance and a new Office of Agriculture. The Executive briefly explained why he

is recommending the privatization of some of the duties now performed by DED in his transmittal memo at ©31 and the Frequently Asked Questions at ©32-35.

Economic Development Service Delivery Structures

Many jurisdictions, like Montgomery County, have complex economic development service delivery systems that involve multiple economic development organizations (EDOs). While most communities have a clear “lead EDO” (such as Montgomery County’s Department of Economic Development), they may also have other EDOs such as regional marketing entities, workforce investment boards, university-affiliated technology programs, chambers of commerce, small business development organizations, community development organizations, and redevelopment/real estate authorities. The one thing that all such systems have in common is that they are structurally unique. System structures vary as a result of numerous factors including local and state laws, policies, politics, history, and the relevance of specific functions to the development of the community’s economy.

Montgomery County’s Economic Development Service Delivery Structure

In 2012, the Council required the County Executive to analyze the County’s economic development structure and compare that structure to peer jurisdictions. The report, *Organizational Assessment and Comparative Analysis Report*, was prepared by the International Economic Development Council (IEDC), the trade group representing professional economic developers and economic development organizations.¹ The portion of that report that reviews Montgomery County’s structure is attached at ©84-94.

Montgomery County’s economic development service delivery structure includes not only DED (the lead EDO) but also Montgomery Business Development Corporation (a private organization that receives public funding to execute a marketing program as well as to supplement the County’s business retention and expansion programs), the County’s Workforce Investment Board (staffed by DED), and many other entities performing economic development functions and funded, at least in part, by the County.²

Montgomery County’s DED performs several functions, including the following:

- Business retention and expansion
- Marketing and attraction
- Financing
- Agricultural services and preservation
- Small business and minority business development
- Technology-led development and entrepreneurship
- Workforce investment/development

¹ The full report can be found at the following address:

http://www6.montgomerycountymd.gov/content/council/pdf/REPORTS/org_assessment.pdf

² At the time the IEDC report was written, Montgomery Business Development Corporation did not yet employ any staff. As a result, the service delivery system involved less overlap than it does currently, with both DED and MBDC performing marketing and attraction functions as well as business retention and expansion functions.

The diversity of functions performed by DED has led to confusion within the business community regarding DED's core mission, and perhaps has made it difficult for DED to respond to both fluctuations in the resources available to fund economic development, and the community's evolving economic development needs. For example, the real estate footprint of the incubator programs was one of several factors that made it difficult for the department to maintain a robust business retention and expansion program during the Great Recession. On the other hand, the breadth of DED's functions and legal authorities represent a potential strength of the organization, though that potential strength has not been converted into general support or acknowledgement of successes from the business community.

In contrast to DED, Fairfax County's Economic Development Authority (FCEDA), which is regionally and nationally considered to be a top-performing EDO, performs a much narrower set of functions—marketing and attraction, and business retention and expansion. Other functions that are performed by Montgomery County's DED are not performed by the FCEDA. For example, technology led development is a function performed by Virginia's Center for Innovative Technologies and also by the Northern Virginia Tech Council; SkillSource, a nonprofit organization, leads workforce development efforts; and small and minority business development and finance efforts are led by the Mason Enterprise Center at George Mason University.

Private Sector Economic Development Organizations

Economic development organizations can be public (like DED) or private. Among private EDOs, some rely on a mix of public and private financing while others rely almost entirely on public funding. In its *Organizational Assessment*, IEDC observed that “Economic development organizations can operate effectively as public, public/private or private organizations. Success is based on strong leadership, a clear, well-communicated mission and the relationships, resources and staff skills to carry out the mission.”

Factors affecting whether or not a function is privatized include the nature of the function, regional assets, and resources available for public and private funding. Some functions are generally considered to be governmental in nature or are the sort of function that requires significant government involvement (e.g. real estate redevelopment, financing/incentives). Some functions may be aligned with regional assets like universities (e.g. technology-led development). Other functions may be more likely to attract private funding (e.g. regional marketing and attraction for businesses).

One common type of private EDO is the regional marketing entity. Examples include the Greater Baltimore Committee, the Charlotte Regional Partnership, the Greater Phoenix Economic Council, and the St. Louis Regional Chamber and Growth Association. While many private sector economic development organizations rely mostly on public funding, regional marketing entities sometimes receive a majority of their funding from the private sector (e.g. Greater Baltimore Committee). Miami-Dade County's Beacon Council, a private 501(c)(6), is an example of a lead economic development organization that also markets the region and receives private support for its regional marketing efforts.

The Anne Arundel Economic Development Corporation (AAEDC) is the lead economic development organization for Anne Arundel County. AAEDC performs the following functions:

- Marketing and attraction
- Business retention and expansion
- Financing (limited to small loans)
- Technology-led development (incubator)
- Agricultural business development

AAEDC partners with Anne Arundel Workforce Development Corporation and jointly meet with businesses as part of AAEDC's business retention efforts.

Public Hearing

Tim Firestine, testifying on behalf of the Executive, supported the Bill. (©41) Each of the business representatives, except Alian Briancon of Kitchology, also supported the Bill. Herman Taylor, representing the Minority Owned and Local Small Business Task Force, (©51-53) and Jim Golden, representing the Minority Business Economic Council, were concerned that the new Economic Development Corporation would not provide enough support for minority owned businesses. Each of the union representatives opposed the Bill. James Moody, representing the MCGEO employees of the current Department of Economic Development (©42-43), MCGEO President Gino Renne (©46-48), Rick Powell, Metropolitan Washington Council, AFL-CIO (©54), and Victoria Leonard, LIUNA (©71), urged the Council not to privatize the economic development function.

Robert Brewer, MBDC (©44-45), David Weitzer, Montgomery County Agricultural Advisory Committee (©49-50), Gigi Godwin, Montgomery County Chamber of Commerce (©55-65), Marilyn Balcombe, Gaithersburg-Germantown Chamber of Commerce (©69-70), Barry Bogage, Maryland/Israel Development Center (©72-73), Jennifer Russel, Bethesda-Chevy Chase Chamber of Commerce (©74-75), Joan Fidler, Montgomery County Taxpayers League (©76), Marjorie Nemes, Latino Economic Development Center (©77-78), Richard Bendis, BioHealth Innovation, (©66-68), and Veronique Marier, Bethesda Green (©79-81), each supported the Bill. Several of the business representatives recommended changes to the appointment process for members of the Board of Directors for the Economic Development Corporation. We also received a letter from George Lechliden, Montgomery Soil Conservation District (©82-83) supporting the Bill's creation of a new Office of Agriculture.

Discussion

1. What is the fiscal and economic impact of the Bill?

OMB estimated that there will be no net fiscal impact due to the implementation of the legislation. This estimate assumes that current resources allocated to DED will be reallocated either to other County departments, to the new workforce development entity, or to the new economic development entity.

Based on the fiscal impact statement, annualized personnel costs of approximately \$2.4 million are expected to shift to the new economic development organization, as well as \$3.8 million in operating expenditures. The estimated \$3.8 million in operating expenditures includes \$869,000 for incubator program operations, as well as some lease expenditures that should be allocated to other budgets (Conference and Visitors Bureau; new workforce entity).

If the new organization is to achieve substantially better results than DED, additional resources may be necessary. A useful point of reference would be the annual budget of the Fairfax County Economic Development Authority (FCEDA). The annual personnel costs for the FCEDA are approximately \$3.4 million for a personnel complement of 35 FTEs, with operating expenditures of \$3.9 million (with \$0 for incubator program operations, and including office rent for the organization).

	Personnel	Operating	Total
Fairfax County Economic Dev. Auth.	\$3.4 million	\$3.9 million	\$7.3 million
<i>Transfer to Montgomery County EDC</i>	<i>\$2.4 million*</i>	<i>\$3.8 million^{1 2 3}</i>	<i>\$6.2 million</i>

¹ Represents amount estimated to be transferred. Actual allocation between PC and OE will be made by MCEDC.

² Includes \$869,000 incubator program operating expenditures.

³ Includes all of current DED lease, with no allocation to the new workforce entity or to the CVB.

OMB has assumed that approximately \$6.2 million would be reallocated from county budgets to the budget of the new MCEDC. This number is below the funding level for FCEDA (\$7.3 million). In order to compare apples to apples, the portion of the assumed allocation to MCEDC that is attributable to incubator operations (\$869,000) should be subtracted—FCEDA’s budget does not include incubator funding (incubator programming is funded in the budgets of the Mason Enterprise Center and the Greater Reston Chamber of Commerce). Furthermore, OMB assumed that the entire amount expended on the current DED lease would be available to be reallocated, however, both the Conference and Visitors Bureau (currently paying DED approximately \$25,000 annually) and any future workforce development entity will also need space. These adjustments would reduce the budget available for the new MCEDC by approximately \$900,000. As a result, the MCEDC budget for research, marketing/attraction, and business retention and expansion functions would be approximately \$2 million below the budget for FCEDA. Closing the performance gap will likely require additional resources, not just a change in structure.

One-time costs associated with the reorganization will include any severance payment for County employees who are not placed in another vacant County position after a reduction-in-force, as well as furniture and equipment costs, legal and accounting costs, insurance, business cards, letterhead, and website development. Whether or not those one-time costs require additional appropriation would depend upon the pace of the ramp down in FY16 DED expenditures.

Finance assumed that the reorganization of the economic development service delivery system will have a positive impact on the County’s economy because the new non-profit will be

able to “forge a better partnership with the County’s business communities.” Finance assumed no economic impact associated with transferring some responsibilities from DED to other County agencies. Finance stated that the establishment of the new entity would have a positive impact on the County’s economy, but “no economic impact on employment, private spending, savings, investment, incomes, and property values in the County.”

2. What are the potential benefits of reorganizing economic development functions?

In Organizational Assessment, IEDC observed that “Most of the other [peer] counties and regions in this report have greater private sector engagement, especially in marketing and business recruitment. IEDC recommends Montgomery County further its efforts to involve the private sector through a separate, private led organization or through MCDED.” Richard Bendis, CEO of BioHealth Innovation (BHI), echoed this sentiment in his public hearing testimony—that the private sector is not as engaged as it needs to be in Montgomery County’s economic development efforts. In the experience of BHI, being able to engage with entrepreneurs in a business to business manner is vital to the success of the mission. See ©66-68.

Indeed, a private sector EDO that is led by a board of people with successful careers in business, operates like a business, employs individuals with business experience, and is managed on a day-to-day basis by a CEO with a business perspective and technical expertise in economic development would be a significant departure from the status quo. A change from the current model (long-time public sector employees, political leadership) will be welcomed by many in the business community, presumably resulting in a “honeymoon” effect related to the creation of the new entity.

Among the other potential advantages of reorganizing economic development functions are the following:

- A private sector EDO may be more capable of responding to changes in the economy.
- A private sector EDO may have greater staffing flexibility or be more capable of ensuring that its staff has current, mission critical skillsets.
- The board of a private sector EDO may be more likely to select leadership with technical expertise in economic development.
- A private sector EDO will be less affected by election cycles, leading to additional management continuity.
- A private sector EDO may be more capable at some point of raising private capital to support certain functions (such as marketing and attraction efforts).
- The shift to a private sector EDO may lead to a temporary increase in private sector engagement or support for economic development programs.
- Procurement and human resources requirements that apply to public sector organizations would not apply to a private sector EDO.
- Agriculture and workforce development functions may gain some prominence through autonomy.

3. What are the potential drawbacks of reorganizing economic development functions?

As a governmental entity, DED has access to state and county resources that may be unavailable – at least initially – to a private sector entity with a limited track record or relationships. The access that DED has to those resources is particularly helpful in resolving issues (for example, permitting issues) on behalf of businesses that are trying to navigate complex government processes. That access may also help when it comes to seeking legislative or regulatory relief for businesses or helping businesses access or understand government programs.

Among the other potential disadvantages of reorganizing economic development functions are the following:

- Disruption or temporary interruption of service delivery during a transition period.
- Disruption to current DED employees.
- Disruption to other departments and offices, especially those that will be taking on current DED staff or inheriting additional programs/responsibilities.
- Loss of institutional knowledge and as well as relationships between DED staff and the businesses/industries with which they work.
- Regulatory agencies may be less responsive to the entreaties of a private sector organization.
- Fiscal impacts and one-time costs related to the change in structure.

4. What are some potential alternatives to the proposed reorganizing economic development functions?

The proposed reorganization is not the only possible change to the status quo. Potential alternatives include the following:

- Conduct a national search for a new economic development director.³
- Shift certain functions (e.g. marketing and attraction; business retention and expansion) to the existing Montgomery County Business Development Corporation).
- Shift resources from partner organizations (e.g. MBDC) back to DED.
- Request state legislation in order to create an economic development authority under state law (similar to the Howard County Economic Development Authority).

The alternatives above each have distinct advantages and disadvantages. For example, the state legislature is not in session until January and therefore the state legislation approach would extend the implementation timeline.

Issues

1. Who should appoint the Board members?

The Bill, as introduced, mandates an 11 member Board for the MCEDC appointed by the Executive and confirmed by the Council. This has the advantage of giving the County maximum control over the MCEDC. This method establishes a Board composed completely of members

³ The Executive Director of Good Jobs First, non-partisan, non-profit research organization sent us a letter opposing the privatization of the economic development function and outlining some problems with private EDOs in other States. See ©97-99.

appointed by the same elected officials who currently appoint the Director of the Department of Economic Development. One of the advantages of a private corporation as EDO lead is the expectation that they will select leadership with technical expertise in economic development and be less susceptible to election cycles. Mandating that the Executive and Council retain total control over the appointment of the Board would lessen some of these advantages of a private EDO.

If acceptance by the business community is one of the major goals of the Bill, then the Committee may want to consider reducing the County's control over the appointment of Board members. The Montgomery County Chamber of Commerce (MCCC) asked that the number of Board members appointed by the County be reduced to 6. The Bethesda-Chevy Chase Chamber of Commerce (BCCC) suggested an initial 4-6 voting member Board appointed by the Executive and confirmed by the Council from the business community, including 2 current members of the Montgomery Business Development Corporation. Thereafter, the BCCC suggested that Board members should nominate slates for approval by the Executive and Council. The Gaithersburg-Germantown Chamber of Commerce suggested that the Executive and Council appoint the initial Board members, and the Board members nominate future members for approval by the Executive and Council.

In order to get started, the Executive can either appoint all of the Board members or just an executive committee of 3 to 5 members who can set up the corporation and appoint additional members. Since the Board's primary source of funding would be from the County, the Executive would have to contract with the MCEDC to perform the lead EDO function for the County. Even if the County does not retain control over the appointment of Board members, the MCEDC would be required to complete the tasks required in the contract. Therefore, the County could control the work product of the MCEDC without retaining control over the corporation.

Here are several reasonable alternatives to the appointment of all members by the Executive that would increase the acceptance of the MCEDC by the business community:

- (a) the Executive and Council appoints a 3-member executive committee to set up the corporation and appoint all Board members;
- (b) same as above, except all future Board members are nominated by the executive committee or Board subject to confirmation by the Council.
- (c) the Executive and Council appoint 6 members and the other 5 members are appointed by the Board;
- (d) the Executive and Council appoint less than a majority of the Board and the Board members appoint the remaining members.

There are other possible combinations for the appointment process, but each of these would give the MCEDC more autonomy and ability to function as a truly private business. **Council staff recommendation:** amend the Bill to have the Executive and Council appoint a 4-member executive committee to establish and appoint the initial 7 additional members. One of the members appointed by the Executive and Council should be a member of the Workforce Development

Board. After the initial appointments, the Executive and Council would continue to appoint 4 members and the entire board would appoint the remaining 7 members.

Amend lines 417-433 as follows:

- (a) To qualify as the [County's Business] Montgomery County Economic Development Corporation, [a corporation's] the Corporation's Board of Directors must have [no more than] 11 voting members. Four of the members must be appointed by the County Executive and confirmed by the County Council. The County Executive should appoint a member of the Workforce Development Board as one of the members of the Corporation's Board of Directors. The initial 4 members appointed by the Executive and confirmed by the Council must establish the corporation and appoint the remaining 7 members of the initial Board of Directors. After the initial appointments to the Board, the 7 members who are not appointed by the Executive and confirmed by the Council must be appointed by the entire Board. [[The Corporation's Board of Directors must also include one officio non-voting member appointed by the County Executive; and one non-voting member appointed by the County Council; and should have one non-voting member appointed by the Secretary of the Maryland Department of Business and Economic Development.]] [The corporation's bylaws should also allow the Director of the Department of Economic Development, the Superintendent of the County Public Schools, the President of Montgomery College, and the chair of the County Planning Board or the Planning Director, to serve as ex-officio non-voting members along with any other nonvoting members authorized under the bylaws.]

2. Should the Bill mandate certain stakeholder representatives on the Board?

The Bill, as introduced, requires the Executive to appoint 1 member of the Workforce Development Board as a voting member and 3 ex-officio non-voting members (1 appointed by the Executive, 1 appointed by the Council, and 1 appointed by the Secretary of the Maryland Department of Business and Economic Development). The Minority Owned and Local Small Business Task Force suggested that the Board members represent the County's diversity. Similarly, the MCCC suggested that the Board represent diversity in terms of geography, company size, and target industries and asked that the requirement to appoint a member of the workforce development board be eliminated.

Workforce Development Board member

Members of the Workforce Investment Board are appointed by the County Executive. The majority of the members are business members. Other members are specified in law and executive order and include members representing community-based organizations, educational institutions, and other specific programs.

Perhaps the single most important factor affecting business investment decisions is the availability of a pool of workers with relevant skills. As such, coordination between economic development and workforce development functions is important. A representative of the workforce development board would serve on the board of the MCEDC to facilitate coordination between the two boards.

3 ex-officio non-voting members

If the Executive and Council retain control over the appointment of each Board member, the need for the non-voting members appointed by the Executive and Council is lessened. As long as the Executive and Council retain control over the appointment of several members of the Board, there is little need for the ex-officio non-voting members.

Members representing the diversity of the County's population or its businesses by geography, company size, or target industries

The MCEDC must, as the County's lead EDO, work for improving the County's economy for all types of businesses – small, large, minority and women owned, non-minority owned, located all over the County. Appointing members who come from different types of businesses is important. However, appointing members as a representative of a specific type of business can sometimes prevent the Board from focusing on its overall mission. Mandating such representatives in the law encourages divided loyalty and can inhibit the ability of the MCEDC to act quickly and with a unified purpose.

3. Agricultural Business Development

Much of Bill 25-15 addresses issues related to agriculture. The bill would place the agricultural business development function in the new organization along with other business development functions. This approach would be similar to the approach taken in Anne Arundel County. In testimony the agricultural community expressed concerns regarding the proposal to shift agricultural business development functions to the new organization, and requested instead that the function should be housed in the proposed Office of Agriculture. See Testimony of Agricultural Advisory Committee at ©49-50; Testimony of the Soil Conservation District at ©82-83. The Gaithersburg Germantown Chamber of Commerce also submitted testimony in support of the agricultural community's position at ©69-70.

The agricultural community is a small community with unique issues. Familiarity with rural stakeholders and agricultural issues will be important to success of the business development function. The agricultural community's reasonable concern that the function will be ineffective or under-prioritized can be addressed by simply keeping that function within the Office of Agriculture. The function could be performed using the vacant Ag Navigator position in the Agricultural Services Division. **Council Staff recommendation:** Amend the bill to move agricultural business development into the Office of Agriculture.

Amend 100-106 as follows:

2B-1A. Office of Agriculture.

The Office must:

- (a) administer this Chapter and the regulations issued under it;
- (b) foster agricultural preservation;
- (c) administer programs associated with the Soil Conservation District and the Cooperative Extension Service;
- (d) develop the agricultural economy; and
- [[d]] (e) perform other duties as assigned by the County Executive.

Amend lines 481-502 as follows:

- (A) attracting and retaining businesses;
- (B) facilitating economic, industrial, and commercial development in the County;
- (C) [[enhancing the agricultural economy;
- (D)]] encouraging investment in commerce, industries, and businesses in the County;
- [[E)]] (D) promoting job growth and talent attraction, in coordination with the Montgomery County Workforce Development Board;
- [[F)]] (E) advising and informing County officials on economic development matters;
- [[G)]] (E) providing services to resident businesses in the County, including business retention, counseling, business planning, and other services to maintain and grow the existing economic base;

~~[[H]]~~ (G) stimulating and nurturing the development of new business;
and
~~[[I]]~~ (H) promoting the development of a vital and balanced
economy.

Amend lines 214-218 as follows:

- (e) Duties.
 - (1) The Committee must:
 - (A) after conferring with the ~~[[Montgomery County Economic Development Corporation]]~~ Office of Agriculture, advise the Executive and Council on all matters affecting agriculture in the County;

4. Incentives

The MCCC suggested giving the MCEDC authority to spend up to \$500,000 for specific and predetermined incentives without County approval (©55-65) and the BCCC suggested similar authority for the MCEDC without specifying a dollar amount. (©74-75)

All economic development organizations work with other organizations when providing financing for economic development grants and loans. Local economic development organizations routinely partner with state governments on grants and loans to local businesses. In addition, local economic development organizations work with authorities that issue revenue bonds or industrial development bonds, the U.S. Small Business Administration, community lending institutions, and other financing partners. The effectiveness of any incentive program in part depends on the working knowledge of the relevant staff and the working relationships of the relevant financing partners.

Many private EDOs do not have funds available for incentives. Economic developers within those organizations do maintain familiarity with financing programs in order to make referrals. For example, MBDC has a webpage explaining financing programs in Montgomery County. (©95-96) Some private EDOs do have funds available to make small grants or loans. For example, Anne Arundel Economic Development Corporation manages funds that make small loans (low interest or delayed repayment) to small businesses or technology businesses, and also makes small 0% interest loans to certain types of businesses in areas targeted for commercial revitalization or reinvestment.

Given the inherent need for accountability with taxpayer-funded incentives and the controversial nature of many incentives, the incentive process should continue to operate through the Department of Finance. If a change to the incentive process becomes necessary, the best time to initiate such a program would be after MCEDC develops legal and accounting practices, establishes a track record of performance, and following a review of the County and MCEDC

experience operating under the law as proposed. **Council staff recommendation:** Do not amend the bill as requested by MCCC. Add an uncodified section in the Bill requiring the Executive to evaluate the incentive process following the establishment of the MCDEC and the adoption of the economic development plan as part of the annual review of the EDF required by Section 20-76 in March 2017 as follows:

Add the following after line 667:

Section 8. Incentive Program Evaluation

The Executive must evaluate the incentive process after the establishment of the Economic Development Corporation as part of the annual review of the Economic Development Fund required by Section 20-76 in March 2017.

5. Strategic plan

Bill 25-15 requires MCEDC to adopt an economic development strategic plan every 4 years beginning October 1, 2019. Section 20-76 (a) currently requires the County Executive to submit a strategic plan to the Council by method 1 regulation on or before October 1, 2015. The proposed amendment to this section is awkward because the rest of this section deals with the administration of the Economic Development Fund (EDF), and because Section 20-75 requires that any incentives proposed be consistent with the strategic plan. If the proposed language on lines 229-232 were to be adopted, MCEDC would be preparing a strategic plan with which all proposed EDF transactions must be consistent. Alternatively, without the proposed language on lines 229-232 the economic development strategic plan process would be directed by the County Executive rather than MCEDC. Charging the lead EDO with developing a strategic plan for economic development is reasonable, but that would not rescind the method 1 regulation adopted by the Executive and approved by the Council. After the MCEDC adopts a new strategic plan in 2019, the Executive and Council would be free to amend the regulation to be consistent with the MCEDC plan.

Council staff recommendation: Remove the requirement that the MCEDC adopt a strategic plan in Section 20-76(a) and insert it into the tasks to be performed by the MCEDC in Section 30B-5 as follows:

Amend lines 225-231 as follows:

- (a) The Executive must submit, by method 1 regulation, an economic development strategic plan for the County to the Council for approval on or before October 1, 2015. [[The Montgomery County Economic Development Corporation must adopt an economic development strategic plan beginning]] Beginning no later than October 1, 2019 and each fourth year thereafter the Executive may amend the strategic plan, by method 1 regulation, to be consistent with the strategic plan

adopted by the Montgomery County Economic Development Corporation. The success or progress of the strategic plan must be measurable and the plan must include measures to address:

Amend lines 522-526 as follows:

30B-5. [Work] Economic development program.

- (a) The Board of Directors must [adopt a work] recommend economic development [program] programs to the Executive and Council each year to advance the policy objectives and perform the activities listed in Section 30B-1, including revisions to the County's strategic plan for economic development established by Section 20-76(a).

6. Small Business Navigator

Section 2-25B requires the Executive to designate an employee as the small business navigator. This position is currently in the Department of Economic Development. It is our understanding that the Executive is proposing to move this position to the Office of Procurement. While assisting a small business with securing a County contract is part of the mission of this position, the navigator must also assist a small business to understand County regulations and procedures so the business can grow without securing County contracts. Placing this position in the Office of Procurement would unnecessarily focus the position on only part of the economic development of small businesses. For example, the new Developer Ombudsman will work out of the County Executive's Office. **Council staff recommendation:** amend the Bill to require the Executive to designate an employee in the Office of the Executive or the Chief Administrative Officer to serve as small business navigator.

Add the following after line 48:

2-25B. Small Business Navigator.

- (a) Definitions. As used in this Section:

Navigator means the Small Business Navigator.

Small business means a privately owned business that meets the requirements of Section 11B-65(a).

- (b) Establishment of Program. The Executive must create and administer a Small Business Assistance Program with a Small Business Navigator to help small businesses comply with County policies and regulations.

- (c) Small Business Navigator. The Executive must designate an employee in the Office of the Executive or the Office of the Chief Administrative Officer as the Small Business Navigator. Among other duties, the Navigator must:
- (1) advise the Executive, the Council, the Chief Administrative Officer, County Department heads, the Planning Board, and any other appropriate government agency, of any action needed to assist small businesses to comply with County requirements and regulations;
 - (2) promote communications between a small business and each County department or agency that the small business must interact with;
 - (3) develop and maintain a database of information necessary for a small business to comply with County requirements and regulations;
 - (4) advise small businesses on how to comply with County requirements and regulations; and
 - (5) identify changes to regulations and requirements that would improve turnaround, eliminate duplication, resolve conflicts in authority, and eliminate unnecessary regulations and requirements.

* * *

This packet contains:	<u>Circle #</u>
Bill 25-15	1
Legislative Request Report	29
Executive Memo	31
Frequently Asked Questions	32
Fiscal and Economic Impact statement	36
Public Hearing Testimony	
County Executive	41
James Moody	42
Robert Brewer, MBDC	44
Gino Renne, MCGEO President	46
David Weitzer, MC Agricultural Advisory Committee	49
Herman Taylor, Minority Owned and Local Small Business TF	51
Rick Powell, Metropolitan Washington Council, AFL-CIO	54
Montgomery County Chamber of Commerce	55
Richard Bendis, BioHealth Innovation	66
Gaithersburg-Germantown Chamber of Commerce	69
Victoria Leonard, LIUNA	71
Barry Bogage, Maryland/Israel Development Center	72

The Greater Bethesda-Chevy Chase Chamber of Commerce	74
Joan Fidler, Montgomery County Taxpayers League	76
Marjorie Nemes, Latino Economic Development Center	77
Veronique Marier, Bethesda Green	79
George Lechliden, Soil Conservation District	82
International Economic Development Council Report Excerpt	84
MBDC Webpage Excerpt	95
Good Jobs First letter	97

F:\LAW\BILLS\1525 DED Reorg\PHED Memo.Docx

Bill No. 25-15
Concerning: Economic Development –
Reorganization – Montgomery
County Economic Development
Corporation
Revised: May 15, 2015 Draft No. 3
Introduced: _____
Expires: _____
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

By: Lead Sponsor: Council President at the request of the County Executive

AN ACT to:

- (1) eliminate the Department of Economic Development as a principal department of the Executive Branch;
- (2) create an Office of Agriculture;
- (3) transfer certain duties of the Department of Economic Development to other County agencies;
- (4) provide for the designation of a non-profit corporation as the Montgomery County Economic Development Corporation;
- (5) assign certain duties to the Montgomery County Economic Development Corporation and exempt this assignment from a certain procurement law;
- (6) provide a certain notice under the collective bargaining law;
- (7) remove the designation of the County's Business Development Corporation; and
- (8) generally amend County laws, regulations, and certain contracts governing economic development and agricultural preservation.

By amending

Montgomery County Code
Chapter 1A, Structure of County Government
Sections 1A-201 and 1A-203

Chapter 2, Administration
Sections 2-27 and 2-64L

Chapter 2B, Agricultural Land Preservation
Sections 2B-1, 2B-3, 2B-7, 2B-10, 2B-14, 2B-17, 2B-19, 2B-20, and 2B-21

Chapter 20, Finance
Sections 20-76, 20-76B, 20-76C, and 20-76D

Chapter 27, Human Rights and Civil Liberties
Section 27-26B

Chapter 30B, Business Development Corporation
Sections 30B-1, 30B-2, 30B-3, 30B-4, 30B-5, 30B-6, and 30B-7

Chapter 40, Real Property
Section 40-12B

Chapter 44, Schools and Camps
Section 44-47

By adding

Chapter 2B, Agricultural Land Preservation
Section 2B-1A

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

The County Council for Montgomery County, Maryland approves the following Act:

1 **Sec. 1. Section 2B-1A is added and Sections 1A-201, 1A-203, 2-27, 2-64L,**
 2 **2B-1, 2B-3, 2B-7, 2B-10, 2B-14, 2B-17, 2B-19, 2B-20, 2B-21, 20-76, 20-76B, 2-**
 3 **076C, 20-76D, 27-26B, 30B-1, 30B-2, 30B-3, 30B-4, 30B-5, 30B-6, 30B-7, 40-12B,**
 4 **and 44-47 are amended as follows:**

5 **1A-201. Establishing departments and principal offices.**

6 (a) Executive Branch.

7 (1) These are the departments and principal offices of the Executive
 8 Branch.

9 County Executive [Charter, § 201 et seq.]

10 Chief Administrative Officer [Charter, § 210 et seq.]

11 Consumer Protection (Section 11-2)

12 Correction and Rehabilitation [Section 2-28]

13 County Attorney [Charter § 213]

14 [Economic Development [Section 2-64L]]

15 Environmental Protection [Section 2-29]

16 Finance [Charter § 214; Section 20-38 et seq.]

17 Fire and Rescue Services [Section 2-39A]

18 General Services [Section 2-30]

19 Health and Human Services [Section 2-42A]

20 Housing and Community Affairs [Section 2-27 et seq.]

21 Human Resources [Section 2-64I; ch. 33]

22 Intergovernmental Relations [Section 2-64J]

23 Liquor Control

24 Management and Budget [Section 2-64K]

25 Permitting Services [Section 2-42B]

26 Police [Section 2-43; ch. 35]

27 Public Information

- 28 Public Libraries [Section 2-45 et seq.]
- 29 Recreation [Section 2-58]
- 30 Technology Services [Section 2-58D]
- 31 Transportation [Section 2-55 et seq.]

32 (2) The County Executive determines whether an entity is a
 33 department or a principal office.

34 [a] (A) Entities that directly serve the public are
 35 departments.

36 [b] (B) Entities that provide internal support to other parts
 37 of County government are principal offices.

38 * * *

39 **1A-203. Establishing other offices.**

40 (a) Executive Branch. These are the offices of the Executive Branch that
 41 are not part of a department or principal office:

42 Office of Agriculture [section 2B-1A]

43 Office of the Commission for Women [section 27-28 et seq.]

44 Office of Community Use of Public Facilities [section 44-4]

45 Office of Emergency Management and Homeland Security [section 2-
 46 64O]

47 Office of Human Rights [section 27-4]

48 * * *

49 **2-27. Functions and organization.**

50 The Department of Housing and Community Affairs has the following
 51 functions:

52 (1) Affordable housing programs.

53 (2) Community development programs.

54 (A) Urban renewal and community development projects.

- 55 (B) Relocation services for families and businesses displaced
- 56 by governmental actions.
- 57 (3) Housing standards enforcement, and related activities.
- 58 (4) Landlord-tenant relations.
- 59 (5) Common ownership community relations.
- 60 (6) [Technical assistance to the Department of Economic
- 61 Development and the Department of Environmental Protection
- 62 in the area of human resources, budget, technology, and
- 63 procurement.
- 64 (7)] Other functions designated by law.

65 **Division 18. [Department of Economic Development] Reserved.**

66 **2-64L. [Functions and organization] Reserved.**

- 67 [(a) The Department of Economic Development is responsible for
- 68 promoting and supporting:
- 69 (1) industrial and commercial development in the County, including
- 70 the technology and hospitality industries;
- 71 (2) agricultural preservation and enhancement in the County,
- 72 including programs associated with the Soil Conservation
- 73 District and the Cooperative Extension Service;
- 74 (3) other economic development in the County, including
- 75 coordination of employment and work force training; and
- 76 (4) services to resident businesses in the County, including business
- 77 retention, counseling, business planning, and other services to
- 78 maintain the existing economic base.
- 79 (b) In addition to the Director, the Department of Economic Development
- 80 has two non-merit system positions for a marketing and business
- 81 development manager and minority business affairs manager.]

82 **2B-1. Definitions.**

83 * * *

84 [(a)] In this Chapter, the following words and phrases shall have the
85 meanings indicated:

86 * * *

87 [*Department* means, unless otherwise specified, the Department of
88 Economic Development.]

89 * * *

90 *Landowner* means a fee simple owner of land located in the County on
91 which a landowner proposes to sell or has sold an agricultural easement
92 to the State or the County.

93 *Office* means the Office of Agriculture.

94 * * *

95 *Significant Agricultural Resource* or *Significant Agricultural*
96 *Capability* means land which, if properly agronomically managed and
97 under normal growing conditions, the [Department] Office, after
98 consulting local agricultural support agencies, finds can sustain a
99 profitable farm enterprise.

100 **2B-1A. Office of Agriculture.**

101 The Office must:

- 102 (a) administer this Chapter and the regulations issued under it;
- 103 (b) foster agricultural preservation;
- 104 (c) administer programs associated with the Soil Conservation District and
105 the Cooperative Extension Service; and
- 106 (d) perform other duties as assigned by the County Executive.

107 **2B-3. State Easement Application and Purchase.**

108 * * *

109 (d) If either the APAB or the Planning Board recommends approval, the
110 County Council must hold a public hearing on the proposed easement.
111 The [Department] Office must give adequate notice of the hearing to
112 the owner of any land adjacent to the proposed agricultural easement.

113 * * *

114 (i) The [Department] Office must work with the State to record each State
115 agricultural easement in the County land records. The recordation of a
116 State agricultural easement is not subject to any County recordation or
117 transfer tax.

118 **2B-7. County Easement Application and Purchase.**

119 (a) A landowner seeking to place land under an agricultural easement must
120 submit an easement sales application to the [Department of Economic
121 Development] Office. The application must include a completed
122 property description and specify the landowner's asking price.

123 * * *

124 (e) If any land does not meet all requirements of subsection (d), the County
125 must not buy a County agricultural easement on that land unless:

126 (A) the [Department] Office finds that placing an agricultural
127 easement on that land is in the public interest; and

128 (B) the [Department] Office concludes, after consulting local
129 agricultural support agencies, that the land has significant
130 agricultural resources.

131 * * *

132 **2B-10. Termination and repurchase of agricultural easements.**

133 (a) Process to Terminate and Repurchase an Easement.

134 * * *

135 (4) The APAB must determine if profitable farming is feasible on
136 the land and issue a written recommendation to the [Department]
137 Office. In determining whether farming is profitable, the APAB
138 must consider:

139 * * *

140 (5) After the APAB issues its recommendation, the [Department]
141 Office must advise the landowner that the [Department] Office
142 must order an appraisal of the land at the landowner's expense.
143 The appraisal must consider the current fair market value of land
144 and the current fair market value of the land encumbered by an
145 agricultural easement. The difference between these values must
146 represent the present value of the agricultural easement.

147 (6) The landowner must pay the [Department] Office for the cost of
148 an appraisal. The [Department] Office must order the appraisal
149 after receiving the funds from the landowner.

150 (7) After receiving the completed appraisal and APAB's
151 recommendation, the County Council must hold a public hearing
152 on the request to terminate the agricultural easement. The
153 [Department] Office must notify each [owner] owner of land
154 adjacent to the land where the easement is located of the public
155 hearing.

156 * * *

157 (10) The landowner must pay the required payment to the County
158 within 180 days after the Executive agrees to terminate the
159 easement. After receiving the required payment, the
160 [Department] Office must prepare, execute, and deliver to the

161 landowner for recording, a Deed of Termination and Release
 162 from Easement.

163 * * *

164 **2B-14. Recordation.**

165 (a) The County Attorney must record each agricultural easement in the
 166 County land records. The recordation of an agricultural easement is not
 167 subject to any County transfer or recordation tax.

168 (b) Each agricultural easement must:

- 169 (1) be recorded in the form required by the [Department] Office;
- 170 (2) run with the land and bind the landowner and each assignee,
 171 transferee, mortgagee, and any other party who obtains title to
 172 the property; and
- 173 (3) be recorded so that the easement is senior in priority to all liens,
 174 including any instrument securing permanent financing.

175 * * *

176 **2B-17. BLT Account.**

177 (a) The [Department] Office must create a separate account under the
 178 Fund, entitled the BLT Account.

179 (b) The BLT Account must contain payments made to comply with
 180 conditions of approval which the Planning Board has imposed for
 181 certain development plans, and may also contain funds received
 182 through donation, appropriation, bond proceeds, or any other source.

183 (c) Funds in the BLT Account must be spent only on BLT easements.
 184 Funds in the BLT Account may be used in conjunction with other funds
 185 to buy BLT easements.

186 **2B-19. Administration.**

187 (a) The costs of any agricultural land preservation program, including the
188 purchase of any agricultural easement, may be paid from the Fund and
189 any other appropriated funds.

190 (b) [The Department must administer this Chapter and the regulations
191 issued under it.

192 (c) The [Department] Office must issue an annual report that identifies the:

193 (1) number and types of agricultural easements bought;

194 (2) number of acres preserved by those easements; and

195 (3) price of each easement.

196 **2B-20. Enforcement of State and County Agricultural Easements.**

197 (a) Any violation of this Chapter or regulations issued under it is a Class A
198 violation. The Department of Permitting Services may issue a citation
199 for any violation of this Chapter or the terms of any agricultural
200 easement.

201 (b) The [Director of Economic Development] Office may take legal action,
202 including seeking injunctive or declaratory relief, to prevent any:

203 (1) subdivision of land under an agricultural easement that violates
204 this Chapter or an agricultural easement; or

205 (2) transfer of land, including the transfer of lots to or for the
206 landowner or the landowner's children, that violates this Chapter
207 or an agricultural easement.

208 (c) The [Director] Office may also take legal action to recover any funds
209 obtained from any subdivision or land transfer that violates this Chapter
210 or an agricultural easement, plus costs and a reasonable attorney's fee

211 * * *

212 **2B-21. Agricultural Advisory Committee.**

213 * * *

- 214 (e) Duties.
- 215 (1) The Committee must:
- 216 (A) after conferring with the Montgomery County Economic
 217 Development Corporation, advise the Executive and
 218 Council on all matters affecting agriculture in the County;
- 219 (B) bring matters of particular importance to the attention of
 220 the Executive and Council; and
- 221 (C) comment on matters referred to it by the Executive and
 222 Council.

223 * * *

224 **20-76. Economic Development Strategic Plan, Administration.**

- 225 (a) The Executive must submit, by method 1 regulation, an economic
 226 development strategic plan for the County to the Council for approval
 227 on or before [July 1, 2015] October 1, 2015. The Montgomery County
 228 Economic Development Corporation must adopt an economic
 229 development strategic plan beginning October 1, 2019 and each fourth
 230 year thereafter. The success or progress of the strategic plan must be
 231 measurable and the plan must include measures to address:

232 * * *

233 **20-76B. Small Business Assistance Program.**

- 234 (a) *Definitions.* As used in this Section:
- 235 *Adverse impact* means a loss of revenue resulting from a redevelopment
 236 project.
- 237 *Director* means the Director of the Department of [Economic
 238 Development] Finance.

239 *Enterprise zone* means an area designated under Maryland Code,
240 *Economic Development* Article, Section 5-704 or any successor
241 provision.

242 *Fund* means the Economic Development Fund established in Section
243 20-73.

244 *Program* means the Small Business Assistance Program.

245 *Redevelopment project* means any construction, alteration, or
246 improvement in an urban renewal area or enterprise zone where the
247 existing land use is commercial or industrial and is:

- 248 (1) located on property owned by the County; or
- 249 (2) financed in whole or part by the County.

250 *Small business* means a privately owned business that meets the
251 requirements of Section 11B-65(a).

252 *Technical assistance* means training directly related to operating a
253 small business provided by an educational institution or a non-profit
254 organization approved by the Director.

255 *Urban renewal area* means an area of the County as defined in Section
256 56-9(f).

257 * * *

258 **20-76C. Green Investor Incentive Program.**

259 * * *

260 (c) *Eligibility standards.* A qualified investor, who need not be a County
261 resident, is eligible to receive the incentive payment if the qualified
262 investor[:] invests in a qualified green company that:

- 263 (1) has its headquarters and base of operations in the County; or

- 264 (2) has signed a lease for at least 5 years to open a qualified green
- 265 company with its headquarters and base of operations in the
- 266 County; and
- 267 (3) has been in business for less than 10 years and employs less than
- 268 50 people and does not have its securities publicly traded on any
- 269 exchange.

* * *

271 (g) In order to calculate the amount of the incentive payment to be made to

272 a qualified investor under Subsection (f), the Director of the

273 Department of [Economic Development] Finance must, by January 15

274 of each calendar year, compile a list of each qualified investor making

275 an investment in a qualified green company and the amount of that

276 investment during the preceding calendar year. This list must be

277 determined using the applications and any supporting documents

278 qualified investors submit. The Director may take any other action

279 necessary to administer the incentive payment. The Executive may

280 issue regulations under Method (2) to implement this Section.

281 (h) *Application required.* The Director of the Department of [Economic

282 Development] Finance must require each qualified investor to submit

283 an application for the incentive payment and may take any other action

284 necessary to administer the incentive payment. The Executive may

285 issue regulations under Method (2) to specify an application process

286 and otherwise implement this Section.

* * *

288 **20-76D. Cybersecurity Investment Incentive Tax Credit Supplement.**

289 (a) The Director of Finance must pay, subject to appropriation, a
 290 Cybersecurity Investment Incentive Tax Credit Supplement to each
 291 Cybersecurity Company who meets certain eligibility standards.

292 * * *

293 (e) The Director of [Economic Development] Finance must request from
 294 the Comptroller of the Treasury and Department of Business and
 295 Economic Development, by April 30 of each year, a list of each
 296 Cybersecurity Company, headquartered and based in Montgomery
 297 County that was issued a final credit certificate by the State during the
 298 preceding calendar year. The Executive may issue regulations under
 299 Method (1) to implement this Section.

300 * * *

301 **27-26B. Interagency fair housing coordinating group.**

302 (a) The County Executive must designate an interagency fair housing
 303 coordinating group. The purpose of the coordinating group is to
 304 facilitate and promote the County's efforts to prevent discrimination in
 305 housing.

306 (b) The County Executive appoints the members of the coordinating group,
 307 subject to confirmation by the County Council. The coordinating group
 308 consists of one or more employees of each of the following agencies:

- 309 (1) Office of Community Outreach in the Office of the Chief
 310 Administrative Officer;
- 311 (2) Human Rights Commission;
- 312 (3) Housing Opportunities Commission;
- 313 (4) [Department of Economic Development;
- 314 (5)] Department of Housing and Community Affairs;
- 315 [(6)] (5) Community service centers;

- 316 [(7)] (6) Department of Health and Human Services;
 317 [(8)] (7) Commission for Women; and
 318 [(9)] (8) Commission on People with Disabilities.
- 319 (c) The Executive also may designate, subject to confirmation by the
 320 County Council, one or more members of the Executive's staff, and
 321 employees of any other County department or office, to serve on the
 322 coordinating group. The Executive must also invite the County
 323 Council, the Montgomery County public schools, the Montgomery
 324 County Economic Development Corporation, and the Maryland-
 325 National Capital Park and Planning Commission to designate one or
 326 more staff members to serve as full members of the group.
- 327 (d) The Executive must designate a chair of the coordinating group, subject
 328 to confirmation by the County Council. The chair or the Executive may
 329 call meetings. The group may form its own subcommittees.
- 330 (e) Meetings of the coordinating group and its subcommittees are [open]
 331 subject to [the public under] the [State] Maryland Open Meetings law
 332 [on public meetings]. In order to create a public forum and encourage
 333 diverse participation, the Executive must invite representatives of the
 334 housing industry and active community groups to participate in
 335 meetings. The group [is] must not be governed by Chapter 2 or Chapter
 336 2A.
- 337 (f) With staff support from the Fair Housing Coordinator, the coordinating
 338 group must submit to the County Council and County Executive an
 339 annual report on housing discrimination in the County. This report
 340 must:
- 341 (1) assess County, State and Federal laws prohibiting discrimination
 342 in housing, and evaluate their enforcement in the County;

- 343 (2) recommend changes in law, policy, programs or priorities needed
 344 to reduce discrimination in housing;
- 345 (3) include a work program for the coming year;
- 346 (4) include a progress report on the previous year's work program;
 347 and
- 348 (5) include the views of the Fair Housing Coordinator and any
 349 member whose views differ from those of the report.

350 **Chapter 30B [Business] Economic Development Corporation.**

351 **30B-1. Policy objectives.**

352 (a) [Recognizing that (1) the] The future success of Montgomery County
 353 related to education, infrastructure, public safety, public welfare, and
 354 quality of life is:

- 355 (1) built on a vibrant and growing economy[.];
- 356 (2) successful businesses [are the key to] creating this economy[.];
 357 and
- 358 (3) government [must foster] fostering a legislative and regulatory
 359 environment which encourages business success.[, to]

360 (b) To achieve these goals, the County Government [must] may designate
 361 a nonprofit corporation as the [County's Business] Montgomery
 362 County Economic Development Corporation (Corporation) to [enhance
 363 and supplement] implement the County's economic development
 364 programs and activities.

365 [The mission of the Business Development Corporation is to develop the
 366 vision for the County's economic future and to recommend and advocate for
 367 legislative and regulatory changes that move the culture and regulatory
 368 environment so that business success can create that vibrant and growing
 369 economy.

370 The Corporation must be able to:

- 371 (a) establish a vision of the economic future of the County founded on
 372 sound financial and economic condition and policies;
- 373 (b) develop and articulate strategies designed to achieve that vision,
 374 advocate for legislative and regulatory changes necessary to
 375 accomplish that vision, set measurements, and regularly report on the
 376 County's success in meeting its objectives and goals;
- 377 (c) provide leadership on economic issues at both the County and State
 378 levels;
- 379 (d) engage business leaders and other key stakeholders in developing and
 380 implementing economic development strategies;
- 381 (e) maintain close liaison with government agencies and elected
 382 representatives at both the County and State levels to achieve the goals
 383 of the Corporation; and
- 384 (f) undertake any other activities deemed by the Board of Directors to
 385 support the mission of the Corporation.]

386 **30B-2. Designation.**

- 387 (a) [In this Chapter "Corporation" means the Business Development
 388 Corporation that the County has designated to study, evaluate, enhance,
 389 and supplement the County's economic development programs and
 390 activities.
- 391 (b)] The County Council must designate, by resolution approved by the
 392 County Executive, a single nonprofit corporation which complies with
 393 all requirements and criteria of this Chapter as the [County's Business]
 394 Montgomery County Economic Development Corporation. If the
 395 Executive disapproves the resolution within 10 days after receiving it,
 396 the Council may readopt the resolution with at least 6 affirmative votes.

- 397 [(c) (1) Any designation under this Section expires at the end of the fifth
398 full fiscal year after the resolution is adopted unless the Council
399 extends the designation by adopting another resolution under this
400 Section.
- 401 (2) However, if the Council President does not notify the Chair of
402 the designated Corporation's Board of Directors, not later than
403 June 30 of the fourth full fiscal year of the designation term, that
404 the Council may allow the current designation to expire, the
405 designation is automatically extended for another 5-year term.
- 406 (d) The Council at any time may suspend or revoke the designation of a
407 corporation as the County's Business Development Corporation by
408 resolution, adopted after at least 15 days public notice, that is approved
409 by the Executive, or, if the Executive disapproves the resolution within
410 10 days after receiving it, is readopted by a vote of at least 6
411 Councilmembers.]
- 412 [(e)] (b) To continue to qualify as the County's [Business] Economic
413 Development Corporation, [a corporation's] the Corporation's articles
414 of incorporation and bylaws must comply with all requirements of this
415 Chapter.

416 **30B-3. Board of Directors.**

- 417 (a) To qualify as the [County's Business] Montgomery County Economic
418 Development Corporation, [a corporation's] the Corporation's Board
419 of Directors must have [no more than] 11 voting members appointed
420 by the County Executive and confirmed by the County Council. The
421 County Executive should appoint a member of the Workforce
422 Development Board as one of the members of the Corporation's Board
423 of Directors. The Corporation's Board of Directors must also include

424 one officio non-voting member appointed by the County Executive;
 425 and one non-voting member appointed by the County Council; and
 426 should have one non-voting member appointed by the Secretary of the
 427 Maryland Department of Business and Economic Development. [The
 428 corporation's bylaws should also allow the Director of the Department
 429 of Economic Development, the Superintendent of the County Public
 430 Schools, the President of Montgomery College, and the chair of the
 431 County Planning Board or the Planning Director, to serve as ex-officio
 432 non-voting members along with any other nonvoting members
 433 authorized under the bylaws.]

434 (b) Each voting member serves a 3-year term. The individual terms of the
 435 voting members must be staggered. Of the voting members first
 436 appointed, four must be appointed for a 1-year term, four must be
 437 appointed for a 2-year term, and three must be appointed for a 3-year
 438 term. A voting member appointed to fill a vacancy serves the rest of the
 439 unexpired term. A voting member continues in office until his or her
 440 successor is appointed and confirmed.

441 [(b)] (c) Each voting member must be either a resident of the County or
 442 [employed in the senior management of a company which] a senior
 443 manager in a for-profit or nonprofit entity that has a significant presence
 444 in the County [The voting members of the Board of Directors should
 445 include:

- 446 (1) one volunteer representative of a Chamber of Commerce in the
 447 County who is recommended by the Chamber of Commerce;
 448 (2) one owner of a small business in the County;
 449 (3) one owner or officer of the senior management of a medium-
 450 sized business located in the County; and

451 (4) up to 8 officers from the senior management of major companies
452 which have a significant presence in the County].

453 [(c)] (d) A member must not be paid for service on the Board but may be
454 reimbursed for necessary travel expenses.

455 [(d)] (e) A member is not subject to Chapter 19A because of serving on
456 the Board. The Corporation's bylaws must include provisions defining
457 and regulating conflicts of interest by Board members and Corporation
458 staff.

459 [(e)] (f) Notwithstanding any inconsistent provision of County Code
460 Section 19A-21, a member of the Board of Directors or a staff member
461 of the Corporation who engages in legislative, [or] administrative, or
462 executive advocacy as part of that [member's] person's duties [on the
463 Board] is not required to register as a lobbyist under Article V of
464 Chapter 19A because of that advocacy.

465 [(f)] (g) The Board must direct the program, management, and finances
466 of the [corporation] Corporation.

467 **30B-4. Status; incorporation; bylaws.**

468 (a) To qualify as the County's Economic [Business] Development
469 Corporation, [a corporation's] the Corporation's articles of
470 incorporation must provide for the appointment of the members of its
471 board of directors as set forth in this Chapter. The articles of
472 incorporation must also provide that the [corporation] Corporation is:

473 (1) a [tax-exempt] Maryland nonprofit, non-stock corporation the
474 purposes and activities of which are limited to those that are
475 permitted to be promoted or performed by a corporation that is
476 recognized as exempt from federal income tax under 26 U.S.C.
477 § 501;

- 478 (2) not an instrumentality of the County;[and]
- 479 (3) incorporated for the [sole] purpose of serving as the County's
- 480 [Business] Economic Development Corporation and
- 481 implementing the County's economic development strategic
- 482 plan, adopted under Section 20-76, and related programs. These
- 483 programs must include:
- 484 (A) attracting and retaining businesses;
- 485 (B) facilitating economic, industrial, and commercial
- 486 development in the County;
- 487 (C) enhancing the agricultural economy;
- 488 (D) encouraging investment in commerce, industries, and
- 489 businesses in the County;
- 490 (E) promoting job growth and talent attraction, in coordination
- 491 with the Montgomery County Workforce Development
- 492 Board;
- 493 (F) advising and informing County officials on economic
- 494 development matters;
- 495 (G) providing services to resident businesses in the County,
- 496 including business retention, counseling, business
- 497 planning, and other services to maintain and grow the
- 498 existing economic base;
- 499 (H) stimulating and nurturing the development of new
- 500 business; and
- 501 (I) promoting the development of a vital and balanced
- 502 economy.
- 503 (4) organized and operated under the laws of the State of Maryland;
- 504 and

505 (5) headquartered in the County.

506 (b) The Corporation's bylaws may contain any provision [, not inconsistent
507 with law or the articles of incorporation,] necessary to govern and
508 manage the Corporation that does not conflict with this Chapter. The
509 Corporation may exercise all powers and is subject to all requirements
510 which apply to non-stock corporations under the Corporations and
511 Associations Article of the Maryland Code.

512 (c) [The Board must adopt and may amend the Corporation's bylaws,
513 subject to approval by the Council. The public must be given at least 15
514 days to comment on the proposed bylaws, or any amendment to the
515 bylaws, before the Council approves them.

516 (d) The bylaws must require the Corporation to comply with the [state]
517 Maryland [open meetings] Open Meetings law and [provide that all
518 meetings of the Board of Directors must be open to the public except
519 when closed on a recorded vote of the Board for a reason expressly
520 listed in the state law or the bylaws] the Maryland Public Information
521 Act.

522 **30B-5. [Work] Economic development program.**

523 (a) The Board of Directors must [adopt a work] recommend economic
524 development [program] programs to the Executive and Council each
525 year to advance the policy objectives and perform the activities listed
526 in Section 30B-1.

527 (b) In its [work] economic development [program] programs, the
528 Corporation should collaborate with [complement the strategic
529 economic development activities of] the [Department of Economic
530 Development] Montgomery County Workforce Development Board to

531 advance the County's economic development strategic plan adopted
 532 under Section 20-76.

533 (c) The Corporation's [work] economic development [program] programs
 534 may include a plan for sponsorship of private investment, marketing,
 535 and advocacy initiatives.

536 (d) The Board must meet with the Executive and the Council at least [semi-
 537]annually. [The Board must advise the Executive and Council on
 538 economic development and related matters.]

539 **30B-6. Staff; support from County Government.**

540 (a) [The Department of Economic Development should, if the Board of
 541 Directors requests, provide administrative support for the Corporation,
 542 including contracts, grants, or services in kind, subject to appropriation.

543 (b)] The Office of Management and Budget, the Department of Finance, and
 544 other departments of County government and County-funded agencies,
 545 if the Board of Directors requests, should provide relevant economic
 546 data to the Corporation. The research division of the Planning Board
 547 must provide research support to the Corporation to the extent assigned
 548 by the Planning Board's work program, as approved by the Council.

549 [(c)] (b) The Corporation may also raise public and private funds and may
 550 accept services from any source consistent with its purposes.

551 **30B-7. Report.**

552 The Board of Directors must report annually on the activities of the
 553 Corporation and [finances] provide an audited financial statement of the Corporation
 554 to the Executive and Council by November 1 of each year.

555 **40-12B. Real property sold in Agricultural Zones.**

556 (a) If any real property is located in, adjoins, or confronts an area zoned
 557 agricultural, as defined in Section 59-C-9.1, the seller must disclose to

558 each prospective buyer, before the buyer signs a contract for the sale of
559 the property, that existing County and State law is intended to
560 discourage owners of real property adjacent to agricultural-zoned land
561 from filing certain lawsuits against an owner or operator of an
562 agricultural use in those areas. The following text must be substantially
563 included in the disclosure:

564 As required under Montgomery County Code § 40-12B, you are hereby
565 notified that the state of Maryland and Montgomery County have
566 enacted laws that establish agriculture as the preferred use on land
567 zoned Rural Density Transfer and as a permitted use in other
568 agricultural zones, as defined in Section 59-C-9.1 of the County Code.
569 The property subject to this contract is located in, adjoins, or confronts
570 an area zoned agricultural. Residents and other occupants of property
571 near land in agricultural zones should be prepared to accept effects of
572 usual and customary agricultural operations, facilities, and practices,
573 including noise, odors, dust, smoke, insects, operation of machinery,
574 storage and disposal of manure, unusual hours of operation, and other
575 agricultural activities.

576 Under Maryland law, an agricultural operation is not a nuisance, and a
577 lawsuit may not be successful alleging that an agricultural operation
578 interferes with the use or enjoyment of other property, if the agricultural
579 operation:

- 580 (1) has continued for at least 1 year;
- 581 (2) complies with applicable health, environmental, zoning, and
582 permit requirements; and
- 583 (3) is not conducted negligently.

584 County law may provide additional protections for agricultural uses on
585 agricultural-zoned land. For further information, contact the
586 Montgomery County [Department of Economic Development] Office
587 of Agriculture.

588 (b) A prospective buyer must indicate, by signing an addendum to the
589 contract or a separate section of the contract printed in boldface type in
590 a clearly demarcated box, that:

591 (1) the seller has provided the information required by subsection
592 (a); and

593 (2) the buyer understands that:
594 (A) adjacent property may be the source of agricultural-related
595 nuisances; and

596 (B) the buyer may obtain more information about these
597 nuisances from the Montgomery County [Department of
598 Economic Development] Office of Agriculture.

599 * * *

600 **44-47. Workforce Investment Scholarship Program.**

601 (a) *Definitions.*

602 *Board* means the Workforce Investment Scholarship Board created in
603 Section 44-48.

604 *Director* means the Director of the Department of [Economic
605 Development] Finance or the Director’s designee.

606 * * *

607 **Sec. 2. Applicability of Chapter 11B, Article XVI (“Service Contracts”).**

608 Any service contract, grant, or other agreement between the County and
609 another person that encompasses any function that was performed by the Department

610 of Economic Development is exempt from Chapter 11B, Article XVI (“Service
611 Contracts”) under Section 11B-72(d)(1).

612 **Sec. 3. Collective bargaining notice.**

613 This Act serves as any notice required under Section 33-107(c)(17).

614 **Sec. 4. 2003 L.M.C., ch. 12, § 3 is repealed.**

615 The following law (2003 L.M.C., ch. 12, § 3) is repealed: “Marketing
616 Assistance. The Department of Economic Development must establish and
617 administer a fund, subject to appropriation, to provide marketing assistance to
618 County restaurants affected by the provisions of this law. The Department must
619 develop criteria for use of these funds and report to the Council quarterly on
620 expenditures from the fund.”

621 **Sec. 5. Montgomery Business Development Corporation.**

622 This Act revokes the designation of the Montgomery Business Development
623 Corporation as the County’s business development corporation.

624 **Sec. 6. References to the Department of Economic Development in
625 regulation.**

626 Reference to the Department of Economic Development in COMCOR
627 02.64L.01 (Silver Spring Enterprise Zone), COMCOR 02.64L.02 (Wheaton
628 Enterprise Zone), and COMCOR 02.64L.03 (Long Branch/Takoma Park Enterprise
629 Zone) is a reference to the Department of Finance.

630 Reference to the Department of Economic Development in COMCOR
631 02B.00.01 (Agricultural Land Preservation Districts and Easement Purchases) is a
632 reference to the Office of Agriculture.

633 Reference to the Department of Economic Development in COMCOR
634 15.12.01 (Fee Schedule for Food Service Facilities) is a reference to the Office of
635 Agriculture.

636 Reference to the Department of Economic Development in COMCOR
637 20.73.01.05(g) (Economic Development Fund - Award Process) is a reference to the
638 Montgomery County Economic Development Corporation and reference to the
639 Department of Economic Development in COMCOR 20.73.01.05(k) (Economic
640 Development Fund - Award Process) is a reference to the Department of Finance.

641 Reference to the Department of Economic Development in COMCOR
642 20.73.02 (Technology Growth Program) is a reference to the Department of Finance.
643 Section 20.73.02.05.b.5 (Program Operations) is amended as follows: "The Director
644 of the Department of Finance [must, upon request from the Director of the
645 Department of Economic Development,] may fund eligible projects with monies
646 from the Economic Development Fund designated for the Program."

647 Reference to the Department of Economic Development in COMCOR
648 20.76.01 (Strategic Plan) is a reference to the Montgomery County Economic
649 Development Corporation except the reference to the small business navigator
650 position in the Department of Economic Development in Section 20.76.01.02
651 (Definitions - Small Business Navigator) is a reference to the small business
652 navigator position in the Office of Procurement.

653 Reference to the Department of Economic Development in COMCOR
654 52.14.01 (Fuel Energy Tax for Agricultural Producers) is a reference to the
655 Department of Finance except that reference to the Department of Economic
656 Development in Section 52.14.01.05.A (Verification that Agricultural Producers
657 Meet the Eligibility Criteria) is a reference to the Office of Agriculture.

658 Reference to the Department of Economic Development in COMCOR
659 56.01A.01 (Financial Assistance to Demolish Commercial Properties) is deleted.

660 Reference to the Department of Economic Development in COMCOR Misc.
661 02 (Administration of the Glenmont Enterprise Zone) and COMCOR Misc. 03
662 (Burtonsville Enterprise Zone) is a reference to the Department of Finance.

LEGISLATIVE REQUEST REPORT

Bill 25-15

*Economic Development - Reorganization -
Montgomery County Economic Development Corporation*

DESCRIPTION: This Bill privatizes the County's economic development functions by (1) removing the designation of the County's Business Development Corporation and providing for the designation of a new non-profit corporation as the Montgomery County Economic Development Corporation; (2) eliminating the Department of Economic Development; and (3) transferring its functions to a newly created Office of Agriculture, the Department of Finance, and the Economic Development Corporation.

PROBLEM: There is a need to ensure greater alignment of resources with community needs and improve the County's competitiveness.

GOALS AND OBJECTIVES: Ensure greater alignment of resources with community needs and improve the County's competitiveness.

COORDINATION: Office of the County Executive, County Attorney.

FISCAL IMPACT: Requested.

ECONOMIC IMPACT: Requested.

EVALUATION: Subject to the general oversight of the County Executive and the County Council.

EXPERIENCE ELSEWHERE: In the national capital region, there are many examples of privatized economic development organizations acting as their jurisdictions' lead or primary point of contact for businesses, including Fairfax County, Washington, DC, Prince George's, Baltimore City, Howard County, and Anne Arundel County.

SOURCES OF INFORMATION: Edward B. Lattner, Chief
Division of Government Operations
Office of the County Attorney

Lily Qi
Special Projects Director
Office of the County Executive

APPLICATION WITHIN MUNICIPALITIES: n/a

PENALTIES: n/a

F:\LAWBILLS\1525 DED Reorg\LRR.Doc

Bill



has → BD
ce
SBF
has → LL
JS

2015 MAY 15 AM 10:10

OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

RECEIVED
MONTGOMERY COUNTY
COUNCIL

May 15, 2015

TO: George Leventhal, President
County Council

FROM: Isiah Leggett, County Executive

SUBJECT: Economic Development Reorganization—Montgomery County Economic
Development Corporation

I am attaching for Council introduction legislation to replace the Department of Economic Development (DED) and the Montgomery Business Development Corporation with a new nonprofit corporation, the Montgomery County Economic Development Corporation. The legislation would also transfer certain duties of DED to other County agencies, including a new Office of Agriculture within the Executive branch.

I made a decision to privatize the Department of Economic Development based on business community input, the neighboring jurisdictions' economic development organizational models, and most importantly, the profound changes in our economy. This is part of a larger effort to improve Montgomery County's economic competitiveness and better align our resources with the market dynamics and community needs for job growth. Other efforts underway include completion of a comprehensive economic strategy as a blueprint for future economic success and restructuring workforce development to create a central coordinating organization for all workforce strategies and programs for both employers and employees.

My staff stands ready to work with the Council on this important legislation, which I urge the Council to enact in the near future.

Attachments

- c: Timothy L. Firestine, Chief Administrative Officer
- Jennifer Hughes, Director, Office of Management and Budget
- Bonnie Kirkland, Assistant Chief Administrative Officer
- Lily Qi, Special Projects Director, Office of the County Executive
- Sally Sternbach, Acting Director, Department of Economic Development
- Marc Hansen, County Attorney





Frequently Asked Questions on Restructuring Economic Development in Montgomery County

County Executive Ike Leggett has decided to privatize the core functions of the Department of Economic Development by establishing a nonprofit public-private partnership as Montgomery County's lead economic development organization. Below are the most frequently asked questions about this move.

1. Why does Montgomery County want to privatize economic development functions?

The County Executive made a decision to privatize the Department of Economic Development based on community input, the neighboring jurisdictions' models, and most importantly, the profound changes in the region's economy and the competitive landscape. This is part of a larger effort to increase Montgomery County's economic competitiveness. Other similar moves include completion of a comprehensive economic strategy as a blueprint for future economic success and restructuring workforce development to create a central coordinating organization for all workforce strategies and programs for both employers and employees.

2. What does it mean to have a "private economic development organization?"

A new nonprofit 501c3 will be established as a public-private partnership to replace both the Department of Economic Development and the Montgomery Business Development Corporation (MBDC) as the lead economic development organization (EDO) for Montgomery County. The organization will have its own board and is not part of the Montgomery County government structure.

3. What are other examples of privatized economic development organizations?

In the National Capital Region, there are many examples of privatized economic development organizations acting as their jurisdictions' lead or primary point of contact for businesses, including the Fairfax County Economic Development Authority, the Washington, DC Economic Partnership, the Prince George's County Economic Development Corporation, the Baltimore Development Corporation, the Howard County Economic Development Authority, and the Anne Arundel Economic Development Corporation.

4. What does Montgomery County hope to achieve through this new economic development organization that it cannot achieve with the current structure?

By restructuring economic development functions, Montgomery County seeks to strengthen private-sector involvement in economic development, to be more nimble and adaptive to market changes and community needs, and to improve operational efficiency and effectiveness. Business operates at a much faster pace than most government services and, in order to be effective, the new organization needs to be responsive to businesses in their timeframe.

5. What is the estimated timeline?

It is the goal of Montgomery County government to have the new nonprofit incorporated and board members appointed and approved by January 2016. The organization is expected to be operational by late spring of 2016.

6. Would Montgomery County fund this new organization?

Yes. The Montgomery County government intends to fund the core functions of the new EDO. However, being a nonprofit corporation also enables the organization to raise or receive funds through grants, gifts, donations, fee for services, and other revenue sources.

7. How much does the County intend to fund the organization?

The new organization will be funded according to its scope of responsibility and at a level competitive to other comparable jurisdictions.

8. Would the new economic development organization have the exact same portfolio of responsibilities of the Department of Economic Development?

A majority of the current DED responsibilities will be transferred to the new EDO, especially those related to marketing, business attraction, business retention and growth, entrepreneurship and innovation programs. The functions that will be kept within the County government include Finance, Special Projects, Small Business Navigation, marketing of the Local Small Business Reserve Program, and Agricultural Services.

9. What would happen to the employees of the Department of Economic Development?

DED employees have years or even decades of excellent service to Montgomery County and the business community. We hope the new organization's leadership will recognize their value so those who wish to work with the new organization will find employment there. However, it will be a decision by the leadership of the new organization. As the transition unfolds, it is

anticipated that many DED employees will continue their services within the County government in different capacities, either because their functions will remain in the government, or because they choose to stay on as a County employee. Montgomery County government will make every effort to make the transition as smooth as possible.

10. What kind of board will this organization have and who appoints the board members?

An 11-member board will be appointed by the County Executive and approved by the County Council. In addition, there will be non-voting ex-officio members representing the County Executive, the County Council and the State's Office of the Secretary of Commerce. The board will be made of primarily private sector representatives with consideration for various industry sectors, geographical regions, company size, etc. Members will serve staggered terms with a combination of 1-year, 2-year and 3-year terms appointments to the initial board.

11. How can the County government ensure accountability of a private-sector-led economic development organization?

Montgomery County government provides budgetary oversight through contractual agreements with performance metrics with the EDO.

12. Who would manage the County's contractual relationship with this new organization?

There will be a designated senior staff person or function within the Office of the County Executive that will oversee the County's contractual relationship with this new EDO and facilitate its interaction with the rest of County government functions.

13. Who makes personnel and compensation decisions in the new organization?

The board of directors makes hiring and firing decisions of the Chief Executive Officer, who has the authority on all other personnel matters.

14. Does the County still have an active role in economic development with a privatized economic development organization?

Yes, economic development takes a village and there are many functions related to economic development that a local government performs, including land use, community development, transportation, etc. So creating this new EDO does not take away the County government's need to be actively engaged in economic development or provide overall leadership and vision on economic development.

15. Is the new organization subject to open meeting laws?

Yes, the new EDO is subject to the Open Meeting Act and Maryland Public Information Act similar to other County boards, committees and commissions. However, there are times when the board and its committees may need to have closed-door sessions for sensitive discussions related to certain businesses and prospects during negotiations, as is the case today.

16. Would this new organization be the first point of contact for businesses about doing business in Montgomery County?

Yes, as Montgomery County's lead economic development organization, the new EDO will be the first point of contact for start-ups as well as resident and prospective businesses about moving to, starting or growing a business in Montgomery County.

17. Would the new organization be responsible for implementing the comprehensive economic strategy that is under development?

The new EDO will play a major role in implementing the recommendations, but will not be solely responsible for implementing the strategic plan, which is much broader in scope than the new EDO's functions and will require active participation of both non-governmental and governmental agencies. The Office of the County Executive, which has been leading the development of the Comprehensive Economic Strategy, will continue to oversee the overall implementation and reporting of the strategic plan. The new EDO will assume leadership responsibility in developing a strategic plan beginning 2018 as required by County law.

18. How will this new EDO work with other economic development organizations?

As the County's lead EDO, the new organization is expected to take a leadership role in coordinating and facilitating marketing and business development functions, and for collaborating with partner organizations such as BioHealth Innovation, the new workforce development organization, etc.

19. What do you call this new organization?

For the purpose of incorporation, the new organization is called the Montgomery County Economic Development Corporation. The board of directors can decide on a new name later if it so chooses.

20. Who is the point of contact if we have more questions or want to provide input?

Please contact Lily Qi, Office of the County Executive, at lily.qi@montgomerycountymd.gov or 240-777-2524.

**Fiscal Impact Statement
Council Bill XX-XX
Economic Development Reorganization**

1. Legislative Summary.

Bill XX-15 will eliminate the Department of Economic Development (“DED”) as a principal department of the Executive Branch, and transfer certain duties of the Department of Economic Development to other County agencies. The Bill will also provide for the designation of a non-profit corporation as the Montgomery County Economic Development Corporation (“MEDC”) and assign certain duties to the new corporation. At the same time, the Bill will remove the designation of the County’s Montgomery Business Development Corporation and generally amend the County law governing economic development.

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.

The current assumption is that there will be no net fiscal impact due to the implementation of this legislation, since the current resources allocated to DED would be reallocated to either other entities within County Government, the MEDC or the new entity managing the County’s workforce programs. The resources that are currently appropriated to DED would follow the functions to their new entities.

While not impacting the overall dollars, the information below outlines how the County Executive envisions the allocation of resources.

The proposed legislation would designate DED functions related to marketing, outreach, business development and assistance to the new MEDC. It is estimated that approximately \$6.23M of personnel and operating costs associated with those functions would be transferred to MEDC. For those existing DED functions remaining in County Government, including agricultural services, special projects, some finance and administration services related to the Economic Development Fund (EDF), and incentives funded through the EDF, an estimate of \$6.82M in personnel and operating budget will be transferred to other County departments. The funds currently allocated to DED workforce services, approximately of \$835K in General Funds and \$3.57M in grants, will be transferred to a new non-profit entity.

Reallocation of FY16 Approved DED and EDF Budgets to MEDC and Other County Agencies				
	FTEs	PC	OE	Total
DED Budget – General Fund	32.4	\$4,214,975	\$7,073,036	\$11,288,011
DED Budget – Grants			\$3,572,311	\$3,572,311
EDF Budget	1.0	\$129,000	\$1,724,591	\$1,853,591
NDA-Lease for DED Office Rental			\$622,462	\$622,462
NDA-Conference Center	1.0	\$118,314		\$118,314
Total	34.4	\$4,462,289	\$12,992,400	\$17,454,689
Transfer to MEDC				
19 DED positions and associated OE, including incubator programming, MBDC, and DED current lease.	19.0	\$2,402,544	\$3,822,522	\$6,225,066

Remain in other County departments				
Remaining DED positions and associated OE, including Agricultural Services, Special Projects, some Finance and Administration services, Small Business Navigator, Incubator financing, and the EDF operations.	12.4	\$1,659,619	\$5,162,487	\$6,822,106
Transfer Workforce Services to a new entity				
Workforce Services – General Funds and Grants	3.0	\$400,126	\$4,007,391	\$4,407,517

A specific timeline for transferring existing DED functions to MEDC is currently being developed. During the transitional period in FY16, the potential savings generated from the ramp down of DED functions are assumed to be sufficient to cover any potential costs associated with the creation of MEDC. Once the transition is complete and DED is eliminated, actual expenditure needs for MEDC's operations will be reassessed and presented to the Council for approval.

The impact of the proposed legislation on County revenue cannot be estimated as MEDC's impact to the County's economy is unknown at this time.

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

Revenues and expenditures for the following five fiscal years will be re-evaluated once the transition from DED to MEDC is complete.

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

The retiree pension or group insurance costs are expected to be reduced because of the reduced position count. An actuarial analysis will be performed later once the reduction of position count is finalized.

5. An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.

No anticipated increase in expenditures will be associated with the transition. IT and ERP systems are already in place for those County agencies designated to absorb DED functions. The new MEDC will be a non-profit corporation setting up its IT systems without any connection to or support from the County's IT systems.

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

The success of MEDC in implementing the County's Economic Development Strategic Plan will impact future revenue and expenditures. It is too early to determine the fiscal impact.

7. An estimate of the staff time needed to implement the bill.

A team of senior managers from the County Executive's Office, the Office of the County Attorney, the Office of Human Resources, the Office of Management and Budget, and the Department of Economic Development will coordinate the transition of DED to MEDC. It is estimated that each agency would contribute on average 4-5 hours per week of staff time until the transition is completed.

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

As explained in Question 2, no additional appropriation is anticipated for FY16 based on the assumption of potential savings generated from the ramp down of DED functions. Future expenditure needs for MEDC will be reassessed once the transition is completed.

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

The following are some factors which could affect revenue and cost estimates:

- Range of current DED duties to be transferred to MEDC – this could affect the MEDC’s staff size, budget, office space and infrastructure needs, space sharing arrangements with partner organizations, and the number of contracts and MOUs with existing DED partners to be assumed or executed.
- Duration of transition period from DED to MEDC – this would determine whether some core DED services should continue to be offered by the County until MEDC is ready to assume those services.

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

See response to Question 10.

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

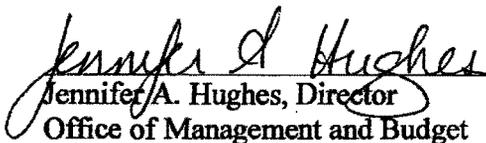
Not applicable. The proposed legislation would have no net fiscal impact. See Question 2.

13. Other fiscal impacts or comments.

None

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

Peter Bang, Chief Operating Officer, Department of Economic Development
Pofen Salem, Office of Management and Budget


Jennifer A. Hughes, Director
Office of Management and Budget

5/14/15
Date

Economic Impact Statement
Bill #-15, Economic Development Reorganization

Background:

This legislation would:

- Eliminate the Department of Economic Development (DED) as a principal department of the Executive Branch;
- Transfer certain duties of DED to other County agencies;
- Provide for the designation of a non-profit corporation as the Montgomery County Economic Development Corporation (MEDC);
- Assign certain duties to the MEDC; and
- Remove the designation of the County's Business Development Corporation.

1. The sources of information, assumptions, and methodologies used.

The source of information is the Department of Economic Development.

The Department of Finance (Finance) assumes that the reorganization of the County's economic development program will have a positive impact on the County's economy as the Montgomery County Economic Development Corporation (MEDC) will be formed to implement the County's new Economic Strategic Plan. As a non-profit organization, MEDC will be able to forge a better partnership with the County's business communities. However, Finance assumes that there is no economic impact attributed to the transfer of some of DED programs and initiatives to other County Agencies. Those programs and initiatives that are transferred will not change and result in similar economic impacts even after the establishment of MEDC.

2. A description of any variable that could affect the economic impact estimates.

Not applicable

3. The Bill's positive or negative effect, if any on employment, spending, savings, investment, incomes, and property values in the County.

The transfer of duties and initiatives currently undertaken by DED and transferred to other County agencies will have no economic impact on employment, private spending, savings, investment, incomes, and property values in the County. However, the establishment of MEDC will have a positive impact on the County's economy.

4. If a Bill is likely to have no economic impact, why is that the case?

See paragraph #3

Economic Impact Statement
Bill #-15, Economic Development Reorganization

5. The following contributed to or concurred with this analysis: David Platt and Rob Hagedoorn, Finance; Peter Bang, Department of Economic Development.



Joseph F. Beach, Director
Department of Finance

5/10/15

Date

Chief Administrative Officer's Testimony on Reorganizing Economic Development

June 9, 2015, 1:30 pm

Council President George Leventhal and members of the County Council, I am Tim Firestine, Chief Administrative Officer. I am here to speak on behalf of County Executive Ike Leggett on Bill 25-15, which proposes reorganizing the Department of Economic Development (DED) from a government agency to a nonprofit corporation, the Montgomery County Economic Development Corporation.

Building on the momentum of the 6-point Economic Plan that the County Executive laid out in his inaugural speech last December, this reorganization is part of a bigger reset to improve our economic competitiveness in light of the dramatic changes in community and market dynamics. It is also a well-timed move as we complete the Comprehensive Economic Strategy required by the County Council and realign our workforce development strategies to meet both residents' and businesses' needs.

Montgomery County today is at a cross roads. Like our neighbors in the National Capital Region, our economy is transitioning from one driven largely by the public-sector to one increasingly driven by market demand. The suburbanization of poverty means we have a pressing need to grow quality middle class jobs through diversifying our economic infrastructure and building a stronger entrepreneurial culture. We must overcome any sense of complacency to achieve the next level of success and that requires fresh thinking and stronger partnership with the private sector.

There are numerous examples of public-private partnership economic development organizations around the country and the Region. In Maryland, Prince George's, Howard, and Anne Arundel counties as well as the City of Baltimore all have non-governmental economic development organizations. The Fairfax County Economic Development Authority is well known in the Region and so is the Washington, DC Economic Partnership.

On behalf of the County Executive, I want to take a moment to thank our Department of Economic Development and its dedicated staff for their service to our business community and contributions to our economy. This restructuring should not be seen as a lack of confidence in the staff's competencies or commitment. Rather, it reflects our belief that being part of the government structure simply does not provide the level of flexibility and nimbleness required to respond to market opportunities or business needs in this increasingly competitive regional and global landscape. A public-private partnership will greatly enhance the business community's engagement in economic development while improving operational efficiency as we integrate the programs and services of DED with those of Montgomery Business Development Corporation. On this note, let me also acknowledge the MBDC board and staff for their partnership and contributions to our economic development efforts.

We fully understand the complexity of the restructuring process and are working hard to make this a smooth transition on both operational and personnel fronts. With the Council's approval, we will be able to move expeditiously to execute the transition so that we may complete the incorporation process and have a board of directors in place by the end of the calendar year.

Thank you for your continued leadership and support as we work together to build a stronger economy for Montgomery County!

**Testimony of James Moody,
 Montgomery County Department of Economic Development Employee and Shop
 Steward
 Regarding Bill 25-15: Economic Development Reorganization – Montgomery County
 Economic Development Corporation
 June 9, 2015**

President Leventhal and members of the County Council:

I'm James Moody, UFCW Local 1994's shop steward at the county's Department of Economic Development. Thank you for the opportunity to represent the employees of the department at this hearing. I'm particularly appreciative because many others in the community called to testify either in favor or opposition to this bill and were told they had to be put on a wait-list.

The employees of the department first learned of a plan to privatize the department when we read about it in an article in the Washington Business Journal in late February. Since that time, we have had only a handful of meetings with management or representatives of the administration. Yet, as of today, the administration has been unable to provide a clear answer as to what will happen to the employees of the department should this bill pass. County Executive Leggett has been quoted twice in the media saying that employees will be transferred to other jobs in the county and that there will be no layoffs as a result of this change. But the legislation as it exists makes no such provisions. The majority of the employees who appear to be affected by this bill are over 50, and a majority of that group are women.

Despite these concerns, this legislation has been fast-tracked. The County Council is being asked to vote on this legislation a mere five months after it was hinted at in the press. The legislation wasn't introduced until May 19. As late as last week [June 1], DED Acting Director Sally Sternbach indicated that the legislation was still being amended because, in her words, "it is a complex piece of legislation."

No matter whether you support or oppose this bill, it does seem to be moving far too quickly for something so important. If privatizing the department is truly the best way to go, allowing more time for discussion by a broader cross section of the business community can only make choosing that option more compelling. Given a choice between getting this important issue done right or done quickly, everyone's best interests will be served by allowing further debate during the council's summer recess.

The other major concern opponents of this bill have concerns its lack of transparency. Greg LeRoy of the non-profit "Good Jobs First" has made that case in a couple of studies. But a case in point can be made with the Montgomery Economic Development Corporation. MBDC's board set the compensation for the officers of that organization. An examination of MBDC's Form 990 filed with the IRS for 2013 reveals that the president and Director of Operations received compensation that year of \$340,111—which equaled 68 percent of the

\$500,000 in funding the county provided that year. It's this lack of control and transparency that is so troubling.

For these and many other reasons, much more consideration needs to be given to this legislation before it is enacted. At the very least, tabling Bill 25-15 until after the County Council's summer recess is a rational idea.

June 9, 2015

Hon. George Leventhal
President, Montgomery County Council
100 Maryland Avenue
Rockville, Maryland 20850

Re: Economic Development Reorganization
Bill 25-15

Dear Mr. Leventhal and Council Members,

On behalf of the Board of Directors of Montgomery Business Development Corporation, I am writing to express our support for the pending Bill to privatize the County's economic development efforts.

MBDC was formed four years ago to help the County be more strategic and proactive in its marketing and business development activities. We recruited a nationally known CEO, Holly Sears Sullivan, and she and our small staff, along with our dedicated and selfless Board of Directors, have assisted in facilitating a change in culture and attitudes about business—its value, its virtues, and its necessity for a strong economy. MBDC has also made its own contributions, through marketing campaigns, data collection and dissemination, and opportunistic sponsorships, to focus positive energy and resources into growing our talented business community. We are proud of our accomplishments, but there is so much more to do!

This Bill represents a fresh approach to help tackle the growing need to make Montgomery County more competitive and collaborative in the region, and to retain and target key business sectors to sustain our tax base and high quality of life. It preserves within County government those functions most suited to government, and transitions to a public/private partnership those activities better suited to a smaller, more dynamic organization with greater focus and market identity. It contains an array of healthy checks and balances to ensure that public resources are used wisely, while preserving separate governance and management functions inherent to a private organization.

We are confident that a new economic development organization, if properly funded and staffed, will sustain and accelerate the progress made by MBDC and others recently in the economic development realm. We hope and expect that the new organization's leadership will be creative, collaborative, entrepreneurial and regional in its work, and that the board members chosen will broadly represent the County's key industries and businesses. MBDC will do its best to cooperate with and transition its activities to the new organization as soon as it is ready.

Hon. George Leventhal
June 9, 2015
Page 2

Meanwhile, MBDC will continue to work with the Department of Economic Development and its staff to help sustain the current momentum and address pending priorities.

Thank you very much for your favorable consideration.

Sincerely,



Robert G. Brewer, Jr.
Chair

cc: Hon. Isiah Leggett
Ms. Lily Qi
Ms. Sally Sternbach
MBDC Board of Directors
Ms. Holly Sears Sullivan

**Testimony from
Gino Renne
President, UFCW Local 1994
TO
Bill 25-15 The Privatization of the Department of Economic
Development**

A report from Good Jobs First has said that the privatization of the functions of economic development agencies "is an inherently corrupting action that states should avoid or repeal." Yet, here I sit, once again, fighting against privatizing yet another government function. Let me be clear, Local 1994 favors a more robust economic development strategy. Our members, as well as the community we serve will benefit from such. However, we believe that goal would best be achieved with more effective leadership not by relinquishing that responsibility to the private sector.

Economist Milton Friedman is the original disaster capitalist – he basically created the idea of privatization as a way to cure any and all woes and his ideas are what have brought us here today. He claimed that the business world is more "nimble" than the government world and more able to adapt and change to provide better service to the consumer.

It hasn't sorted out problems like Friedman claimed it would. And in the world of state and local economic development corporations, privatization has been scandalous: overpaying their executives, misusing taxpayer funds, grossly overstating job creation numbers, failing in accountability to the public and awarding questionable subsidies.

The latest example of those lies comes from the great state of Wisconsin and Governor Scott Walker. Last month, it was discovered through an audit of Wisconsin's Economic Development Corporation that the WEDC hadn't required grant, loan or tax credit recipients to submit any information that they added or saved jobs. The agency has been plagued with problems since it was created in 2011. Previous audits said the agency failed to justify spending on expenses and hadn't tracked grants.¹

¹ http://host.madison.com/news/local/writers/mike_ivey/hours-after-damning-audit-scott-walker-calls-off-wedc-wheda/article_578c0a5d-f398-56e5-9cf9-7196b64dd7ed.html#ixzz3cCwd5o9s

"Rather than be at the table, I've decided to literally give you the table." Those were the County Executive's words in April when he revealed this plan to privatize DED. What's to stop tons of corporate welfare in the future? We need transparency and accountability, not to give away the store to big business.

The International Economic Development Council, which conducted a study of the DED in 2012, found some faults with the Department's operations, but nothing that cannot be resolved in house – with strong leadership, improved operating structure and a clear mission while still holding on to full control and oversight of the Department. Given Montgomery County's assets and potential for economic growth, we are positioned to attract outstanding Economic Development professionals. We encourage the County Council to conduct a national search to find a leader with the talent, track record and vision to lead our Economic Development efforts. The DED's employees are a well-educated and ambitious group who've presented a plan in a white paper entitled "A Pathway to Success: A Blueprint to Revitalize and Retain Montgomery County's Department of Economic Development." I urge you to read it.

Their vision aligns with the IEDC's recommendations while keeping the operations as a function of the County government. I urge you to reject Bill 25-15. Thank you.



5

AGRICULTURAL ADVISORY COMMITTEE

June 8, 2015

The Honorable George Leventhal
Montgomery County Council President
100 Maryland Avenue
Rockville, MD 20850

Re: Bill 25-15 Economic Development-Reorganization-Montgomery Economic Development Corporation

Dear Council President Leventhal:

On behalf of the Montgomery County Agricultural Advisory Committee-AAC please accept this letter as our testimony encouraging the County Council to incorporate our suggested amendments before approving Bill 25-15.

Referring to lines 216 and 217 of the bill, it states the AAC-Committee must: after conferring with the Montgomery County Economic Development Corporation on matters relating to agricultural business advise the Executive and Council on all matters affecting agriculture in the County. The AAC recommends the Bill should state the following: the AAC-Committee must: after conferring with the Office of Agriculture on matters relating to agricultural business advise the Executive and Council on all matters affecting agriculture in the County.

In 1973, the AAC was created to advise County Executive James P. Gleason and Council on all matters related to agriculture. As chair of the AAC, I have experienced—first-hand—the benefits of staffing our committee with public sector employees that can speak the language of farmers, but also understand the internal workings of the county government and have an understanding of agriculture. Locating the AAC and staff within the Office of Agriculture will provide us an invaluable seat at the table.

Referring to line 487 of the bill, it states the Economic Development Corporation's programs must include: enhancing the agricultural economy. The AAC is concerned that the EDC will not be familiar with or have expertise in the agricultural industry and we question how the EDC will enhance the agricultural economy. The AAC strongly feels the Office of Agriculture will be much better equipped to enhance the agricultural economy. The AAC therefore recommends the Bill should imply the following - the Economic Development Corporation's programs must include: supporting and promoting the Office of Agriculture to enhance the agricultural economy.

Creating the Office of Agriculture will provide tremendous opportunities to further promote the Agricultural Reserve and show case our County farmers. The AAC has begun discussions on programs that could be improved and which types of new services, regulations or business opportunities could help our farms evolve and grow.

Working in the agricultural industry has never been easy, but our future is still looking bright in Montgomery County thanks to the strong relationships between farmers and the county government's numerous experts, programs and resources.

The AAC welcomes the Office of Agriculture because it will remain in the public sector and we also welcome potential opportunities that a new Economic Development Corporation can create.

The AAC thanks the County Council for this opportunity to present our amendments to Bill 25-15 and we strongly encourage you to incorporate them into the Bill.

Sincerely,


David Weitzer, Chairman

MINORITY OWNED AND LOCAL SMALL BUSINESS TASK FORCE

PUBLIC HEARING TESTIMONY

BILL 25-15

JUNE 9, 2015

Good afternoon Council President Leventhal and members of the Council. My name is Herman Taylor, Chair of the Minority Owned and Local Small Business Task Force-initiated by Council Member Navarro. Thank you for today's opportunity to comment on the current version of Bill 25-15, Economic Development Reorganization.

As a County Business Owner, Task Force Chair, and Managing Director of the recently organized Minority Business Economic Council –I have, as do many others, a strong interest in Bill 25-15. I applaud the vision of the County Executive for his initiation of this legislation, and offer the following as the Bill proceeds through the legislative process.

- 1. The proposed economic development corporation must not lose sight of this important commitment to ALL County businesses as described in Chapter 30 B-1-Policy Objectives of the legislation, and in so doing must make certain that minority owned businesses in general, and African

American firms in particular, are provided fair opportunities to compete for County contract awards consistent with their presentation. Also be reminded that the County's collective population of African American, Hispanic, and Asian residents now represent a significant percentage of the overall County population. This necessary emphasis on remedying the underutilization of minority vendors is most importantly a legal matter that stems from the findings documented in the Griffin & Strong Disparity Study commissioned by the County. The successful marketing and promotion of minority businesses must be a priority for the proposed economic development corporation.

2. It is also important that the Economic Development Corporation's Board of Directors, and key senior staff be representative of the community's diversity at ALL levels. Close attention must also be paid to ensure that voting members are sensitive to and supportive of remedying underutilization of minority businesses in the contract awarding process. When listing all of the other stellar County results that have been accomplished over the years – it remains disappointing what has not been accomplished in the minority business contract award arena.

3. On another note, I am certain that we all agree that successful organizational change requires that performance metrics be vetted and established early on. Spelling out in specific detail what will constitute economic development corporation success is key.

If accountability is agreed upon and established, the greater is the likelihood that objectives as outlined in Chapter 30 of the legislation will be met. I encourage the Council to spend ample time reviewing the proposed performance metrics of the economic development corporation before they are etched in stone.

In summary, the Task Force supports this legislation assuming that the points previously mentioned are given serious consideration. Thank you for opportunity to testify before you today.

Testimony of the Metropolitan Washington Council, AFL-CIO
On Bill 25-15 Reorganization – Montgomery County Economic Development
Corporation

Madame Chair and Members of the Committee:

My name is Rick Powell and I am the Political/Legislative Coordinator of the Metropolitan Washington Council, AFL-CIO. I am testifying on behalf of our president Joslyn. N Williams in opposition of Bill 25-15.

The Metro Labor Council, is made up of 120 affiliated unions representing 150,000 working men and women of which 50,000 live in Montgomery County.

My testimony will be short this afternoon but intent to submit additional comments before the record closes.

What the County Executive is proposing is a huge mistake and sends the wrong message to the residents of the county and the rest of the region.

Bill 25-15 proclaims that the private sector can do the business of government better and be more effective in protecting the public interest.

This is a claim we adamantly disagree. The people's business can best be done and protected by the people elected to do it, The County Executive and the County Council.

We are prepared to work with the County Council and the County Executive to find a way to accomplish the goals of this bill without "contracting out" the key functions of the Department of Economic Development.

Thank you for the opportunity to present organized labor's views. I am happy to answer any questions you may have.



THE VOICE OF MONTGOMERY COUNTY BUSINESS

9

Lisa Cines, Chairman
Jerry Shapiro, Chair-elect
Chris Carpenito, Immediate Past Chair
Georgette "Gigi" Godwin, President & CEO

Testimony for Public Hearing
Bill 25-15 – Economic Development Reorganization –
Montgomery County Economic Development Corporation
June 9, 2015

SUPPORT

A fundamental value of a healthy community is strengthening and sustaining a vibrant local economy. MCCC supports a publically funded entity that is focused on increasing economic activity and expanding the tax base in Montgomery County. The focus of the proposed Montgomery County Economic Development Corporation must be attracting and retaining employers with high wage jobs.

The Montgomery County Chamber of Commerce Board and members understand the critical importance of this effort to the viability of our local economy. To that end, we have offered a number of amendments in the attached document to strengthen the effort.

These include:

- Board composition;
- Clear articulation of mission;
- Statement of remaining publically funded;
- Clearer delineation on the use of the economic development fund;
- Suggested criteria to use in the selection of a President/CEO;
- Clarification of the responsibility for implementing portions of the County's economic development strategic plan.

MCCC is an independent non-profit membership organization that helps our members thrive in and contribute to a vibrant regional economy. As companies grow, they add to the tax base and create access to opportunity and improved quality of life for our residents.

Data shows that our local and regional economy is recalibrating after the recession, sequestration and shifting federal government spending. High wage jobs that were lost are being replaced by lower wage jobs. We need to attract and retain companies that have high wage jobs in order to bring our economic ecosystem into balance and strengthen our local and regional economy to the benefit of all.

MCCC believes

- The focus of economic development activity should be to attract and retain employers with high-wage positions which have a large multiplier effect;
- Economic development (or 'growth') brings an increase in economic activity which results in an expanding tax base and an improved quality of life for residents;
- Public policy impacts the ability of the private sector to catalyze growth and development;
- An independent, publically funded organization led and staffed by credentialed economic development professionals is best positioned to execute economic development activities focused on retaining and attracting business.

MCCC has been actively engaged in promoting focused economic development efforts in Montgomery County for a number of years. In the Chamber's letter to the County Executive dated April 14, 2015 we focused on the key areas of Strategy, Structure, and Success to improve economic development in Montgomery County.

The strategy should be guided by an overarching economic development strategy that promotes success of business and is incorporated into all work of the government.

- Business growth leads to opportunities for residents.
- A strong local economy should be a core value of any community.
- Local policies should support and strengthen the economic development strategy in order to help achieve desired results.

The structure should be a publically funded, independent chartered corporate entity with a private sector board of directors and an executive director with economic development professional credentials. Staff compensation should include performance-based commission. The Board and Executive Director should have authority over the use of the Montgomery County Economic Development Fund.

- The structure should allow for formal private sector participation through the Board. The County Executive should appoint and the County Council should confirm up to 6 members of the board; the balance of members should be selected by the board and then sent to the County Executive and County Council for appointment and confirmation.
- As was done with MBDC, the board should include a designated representative of the Chambers of Commerce. We also encourage the County Executive to consider appointing a number of current MBDC board members to the new board to assist with the transition.
- While the budget will be approved on an annual basis, a Memo of Understanding should be used to support the ongoing work of the organization beyond one fiscal year.
- Leadership hired by the board is critical. The Executive Director/CEO must have a demonstrated and proven track record of making deals on behalf of a community to attract and retain strategic businesses.
- The Executive Director/CEO together with the Board of Directors must have broad authority to prioritize and act on economic development matters on behalf of the county.

- The entity must have some authority over the economic development fund in order to engage in negotiations on behalf of Montgomery County.

The success should be based on metrics related to the ability to retain and attract business in Montgomery County.

- The mission of the Montgomery County Economic Development Corporation should focus on attracting and retaining business in Montgomery County, the result of which will be more high-wage jobs in Montgomery County.
- It will be important to measure the success of the efforts, ie the number of high wage jobs added in Montgomery County.
- Reference to collaborating and including members of the Workforce Development Board on this board should be omitted so that the focus remains exclusively on attracting and retaining targeted employers.
- Executive Director and staff should be compensated in part by achieving the goals of attracting new and retaining and growing existing business.

Finally, we urge support for both DED and MBDC during this transition period. Both organizations are engaged in important ongoing work and this must continue until the new organization is up and running.

Business growth contributes to the success of a community. As you put your values into action through the budget and legislative process, we hope you will demonstrate today and going forward your commitment to supporting the success of business in Montgomery County.

Attachments:

- April 14, 2015 MCCC letter to County Executive
- Suggested Amendments to Bill 25-15
- “Multiplier Effects: Connecting the Innovation and Opportunity Agendas” Brookings Institution, August 23, 2012
- “Entrepreneurial clusters are easier to kill than create” The Economist, March 17, 2012

Suggested Amendments to Bill 25-15 Economic Development Reorganization –
Montgomery County Economic Development Corporation

Submitted as part of testimony on June 9, 2015 by
Montgomery County Chamber of Commerce

The suggested amendments below are listed in order of their appearance in the current legislation. Line numbers of Bill 25-15 as seen in the Public Hearing packet are included where appropriate.

Line 224 Section 20-76

If the Montgomery County Economic Development Corporation is to adopt an economic strategic plan beginning October 1, 2019, the plan should only include measures for which the entity is responsible.

Section 20-76 - and references to it and its contents in Bill 25-15 - should therefore be amended on or before October 1, 2019 to align the entity with the programs and goals contained therein.

Line 242 Fund Section 20-73

No where in the existing legislation is the relationship between the Economic Develop Fund and the new Montgomery County Economic Development Corporation clearly articulated.

The Montgomery County Economic Development Corporation - and specifically the CEO and/or his or her designated representative(s) - should have authority to spend up to \$500,000 for specific and predetermined incentives without seeking approval from the Director of Finance.

This or similar language should be incorporated into the legislation.

Line 351 30B-1 Policy Objectives

The Operations and programs of the Montgomery County Economic Development Corporation will be publically funded. Therefore, we recommend inserting such language in 30B-1 (b) or another appropriate section.

The focus of the Montgomery County Economic Development Corporation should be clearly articulated.

Therefore at **line 362 ADD**

[may designate a nonprofit corporation as the Montgomery County Economic Development Corporation (Corporation) to focus on attracting and retaining employers in Montgomery County and implementing appropriate mission aligned aspects of the County's economic development programs and activities.]

Further, in **Line 467 30B-4 Status; incorporation; bylaws**
Line 477, clarify that this entity will be a 501 c 3.

And, at **line 479** ADD

(3) incorporated for the purpose of [attracting and retaining
businesses in Montgomery County and]

Taking into consideration the utmost importance of the singular focus on working to attract and retain businesses to Montgomery County, the work of the Montgomery County Economic Development Corporation should not be muddled.

Specifically,

- The MCEDC should not be expected to sit on the Interagency fair housing coordinating group (Line 323)
- All references to Workforce Development Board should be deleted including:
 - Line 421
 - Line 490-492
 - Line 527 (30B-5 (b))

Line 416 30B-3 Board of Directors

Line 419 should be edited to read

[must have 11 voting members, six of whom are directly appointed by the County Executive and confirmed by the County Council. The remaining 5 members are to be selected by the board for approval and confirmation by the County Executive and County Council, respectively.]

Line 421 There should not be a member of the Workforce Development Board as a member of the Corporation's Board of Directors.

Line 441 30B-3 Board of Directors (c)

Ideal composition of the Board of Directors should be further articulated in the section to include:

- Members should represent diversity in terms of geography, company size, target industries.
- One member of the Board of Directors should be identified as a representative of the Chambers of Commerce.
- Initial members should have familiarity with the current Board of MBDC
- Metrics of success of the organization and CEO will be an immediate deliverable

A key responsibility of the board will be the selection and annual review of the CEO. Selection criteria should take into consideration the following:

- An experienced economic development professional with a proven track record of completing deals and managing an economic development organization.
- An advanced degree in an area that supports economic development
- Knowledge of economic development principles (strategy, recruitment, retention strategy, industry clusters, talent, negotiation)
- Base knowledge of national trends, the role of site selection consultants, role of the broker, etc.
- Understanding of the political landscape and ability to convey confidence about the process to prospects.

Line 467 30B-4. Status; incorporation; bylaws (3)

Line 482 The strategic plan laid out in Section 20-76 no longer comports with the focus of the new Montgomery County Economic Development Corporation.

Therefore, certain programs listed as “must include” should be deleted from this legislation including:

- Line 490 (E) promoting job growth and talent attraction, in coordination with the Montgomery County Workforce Development Board
- Line 495 (G) providing services to resident businesses in the County, including business retention, counseling, business planning, and other services to maintain and grow the existing economic base
- Line 499 (H) stimulating and nurturing the development of new business
- Line 501 (I) promoting the development of a vital and balanced economy.



Montgomery County Chamber of Commerce
51 Monroe Street, Suite 1800, Rockville, MD 20850
301-738-0015 phone | 301-738-8792 fax | www.mccc.md.com

April 14, 2015

The Honorable Isiah Leggett
Montgomery County Executive
Executive Office Building (EOB)
101 Monroe Street, 2nd Floor
Rockville, MD 20850

Dear Mr. Leggett:

The Montgomery County Chamber of Commerce applauds your interest in improving economic development in Montgomery County in order to increase economic activity and expand the tax base. Economic development is a government function that is core to a sustainable community. It requires a structure that is built to last and resources to support its efforts.

As you look to change economic development in Montgomery County, we urge you to consider the following:

- The strategy should be guided by an overarching economic development strategy that promotes success of business and is incorporated into all work of the government.
- The structure should be a publically funded, independent chartered corporate entity with a private sector board of directors and an executive director with economic development professional credentials. Staff compensation should include performance-based commission. The Board and Executive Director should have authority over the use of the Montgomery County Economic Development Fund.
- The success should be based on metrics related to the ability to retain and attract business in Montgomery County.

We are vested in your success and the success of this effort. The Chamber's Board of Directors stands ready to assist in the launch and implementation of this entity and we look forward to serving as a resource and partner for this new chapter in economic development in Montgomery County.

Sincerely,


Georgette "Gigi" Godwin
President and CEO

cc:

Secretary Mike Gill, Maryland Department of Business and Economic Development
Members of the Montgomery County Council
Members of Montgomery County Delegation to the Maryland General Assembly
Members of the MCCC Board of Directors

To Lead, Advocate and Connect as the Voice of Business



61

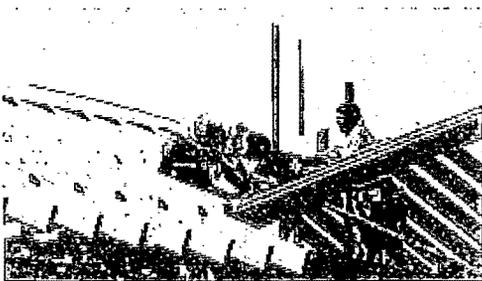
BROOKINGS

THE AVENUE / *Rethinking Metropolitan America*

« Previous | Next »

Mark Muro | August 23, 2012 12:00am

Multiplier Effects: Connecting the Innovation and Opportunity Agendas



My colleague Jonathan Rothwell already reviewed economist Enrico Moretti's wonderful book, "The New Geography of Jobs," but I wanted to jump in to highlight one particularly important point among the many Moretti makes. This concerns the matter of why everyone—including those of us worried about the fortunes of lower-income workers—should care about the innovation agenda we have made so much of here at the Metropolitan Policy Program.

On this issue, Moretti speaks pretty insistently to those who remain skeptical about the benefits the high-tech, high-pay innovation economy confers on the rest of society. Put simply, he says that not only do innovative industries bring "good jobs" and high salaries to the communities where they cluster but that their impact is "much deeper" than their direct effect.

And here Moretti deploys some fascinating original research on the nature and scope of "multiplier effects."

Multiplier effects reflect the full impact of a single job as measured by its associated additional economic activity and along these lines Moretti notes that attracting a scientist or a software engineer to a city triggers a substantial chain of economic effects with special relevance to both skilled and unskilled workers outside of the tech industry. Yet what is fascinating is that Moretti goes beyond asserting the general existence of multipliers to insist that high-tech jobs have especially large multipliers that are especially favorable for regular working people. Here's Moretti:

With only a fraction of the jobs, the innovation sector generates a disproportionate number of additional local jobs and therefore profoundly shapes the local economy. A healthy traded sector benefits the local economy directly, as it generates well-paid jobs, and indirectly as it creates additional jobs in the non-traded sector. What is truly remarkable is that this indirect effect on the local economy is much larger than the direct effect. My research, based on an analysis of 11 million American workers in 320 metropolitan areas, shows that for each new high-tech job in a metropolitan area, five additional local jobs are created outside of high tech in the long run.

[And] it gets even more interesting. These five jobs benefit a diverse set of workers. Two of the jobs created by the multiplier effect are professional jobs—doctors and lawyers—while the other three benefit workers in nonprofessional occupations—waiters and store clerks. Take Apple, for example. It employs 12,000 workers in Cupertino. Through the multiplier effect, however, the company generates more than 60,000 additional service jobs in the entire metropolitan area, of which 36,000 are unskilled and 24,000 are skilled. Incredibly, this means that the main effect of Apple on the region's employment is on jobs *outside* of high tech.

Through this analysis, Moretti squares the circle between the economic value of super-productive, traded-sector innovation jobs and the well-being of everyone else.

As far as job creation is concerned, there is, in his view, no inherent contradiction between the interests of high-income workers and those of low-income workers.

The takeaway is critical: One of the best ways for a city or state to generate jobs for less-skilled workers is to develop and attract high-tech companies that hire highly skilled ones.

Mark Muro

Senior Fellow and Policy Director, Metropolitan Policy Program

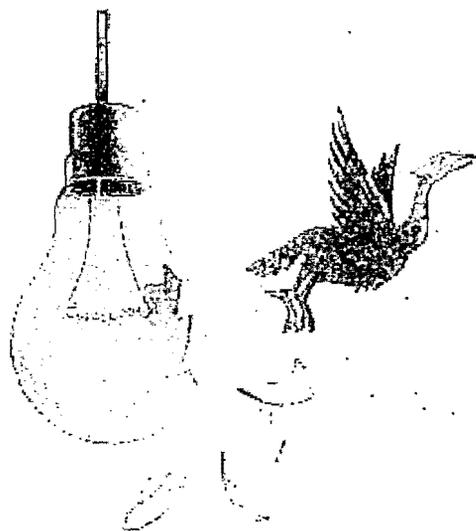
@markmuro1

Mark Muro, a senior fellow and director of policy for the Metropolitan Policy Program at Brookings, manages the program's public policy analysis and leads key policy research projects.

[More Posts from Mark >](#) | [View Expert Page >](#)

Schumpeter | The view from Liverpool

Entrepreneurial clusters are easier to kill than create. Policymakers should remember this



ON MARCH 13th 3,000 people gathered for the annual Global Entrepreneurship Congress. They listened to Sir Richard Branson of Virgin Group, on the subject of "screw it, let's do it". They heard Sir Terence Leahy, a former boss of Tesco, on how to unleash "the winner within". And, above all, they networked furiously, Albanians with Egyptians, Ghanaians with Latvians. The location of all this entrepreneur-worship was Liverpool.

Holding a congress on enterprise in Liverpool might sound a bit like holding a conference on women's rights in Riyadh. The city is firmly identified with a very different set of values. Every Briton has a fund of jokes about allegedly work-shy Scousers (Liverpudlians). What do you call a Scouser in a suit? The descendant. What is a Scouser's laptop? A pizza. And so on.

In fact, Liverpool was an ideal place for such a conference because the city provides a vivid demonstration of three points that should be at the heart of discussions of the subject. The first is that entrepreneurial economies can be destroyed by ill winds or bad policies. The second is that the cost of such destruction is high, especially because decline becomes self-reinforcing. The third is that the flame of enterprise is hard to rekindle when it has been snuffed out.

Liverpool was once one of the most enterprising cities in Britain, a shipping superpower with a thriving network of insurers and trading houses. Liverpool invented financial derivatives, in the form of cotton futures. It created Britain's first underwriters' association, its first accountants' institute, and its first intercity railway (to Manchester). In 1800 two-fifths of the world's trade passed through the city. At various points over the next century the empire's second city was wealthier than its first, London.

But in the 20th century, as Britain's trade swung away from the Atlantic towards Europe, the city got into the habit of resisting innovation rather than embracing it. Liverpool became a hotbed of militant trade unions, which hastened the decline of the shipping industry (by striking against containerisation, for example) and almost wrecked the municipal government. It also lost most of its best and brightest: the Beatles may have revolutionised the music business with the Mersey sound but they soon migrated to London. Liverpool's story has been repeated endlessly across the world: think of Detroit or Buffalo or Cleveland in the United

States. And there is no reason to think that it will not be repeated again in the information age.

Alas, the entrepreneurial flame is easier to put out than to light or relight. Governments across the world are determined to promote high-growth companies and the other accoutrements of an entrepreneurial society: can it be long before Kim Jong Un announces a North Korean venture-capital fund? But a collection of policymakers and academics assembled in Liverpool by the Kauffman Foundation, which promotes enterprise, all made it clear that this is easier said than done.

Policymakers have proved inept at promoting enterprise. For one thing, politicians focus on short-term election cycles and tend to junk their predecessors' policies, good or bad. But there are also two bigger reasons. The first is that policymakers confuse promoting enterprise with promoting small businesses, regional development or job growth. In fact, serious entrepreneurs want to create big businesses, not multiply small ones. They don't give a fig about regional development. And they habitually disrupt established patterns of employment rather than simply creating new jobs on top of the old.

The second is that policymakers are obsessed by Silicon Valley. The Russians claim to have built a clone of it near Moscow. Latvia aspires to create its own venture-capital industry. Universities everywhere are building high-tech "incubators". Yet there is little evidence that the model is transferable. Most incubators are a bit like roach motels: would-be entrepreneurs check in but never leave. The venture-capital industry is in trouble in Silicon Valley itself, given the high rate of failure of start-ups, and is unlikely to flourish in Latvia. Rohit Shukla of the Larta Institute in California says policymakers should stop obsessing about clusters (which are usually the product of accident, not planning) and embrace global networks instead. The rise of the Internet, the growing importance of emerging markets and the proliferation of networking organisations like the Indus Entrepreneurs (IIE, a group with members across 14 countries), all make it easier to link talent with opportunity around the world.

Look on the bright side

Even if governments can do little to promote enterprise directly, there are things they can do to increase the chances that entrepreneurs will thrive. The Kauffman group identified several, from the obvious (improving education and transport) to the politically controversial (encouraging immigration) to the technical (making it easier to declare bankruptcy and letting academics make money from ideas they come up with on campus).

Liverpool provided a perfect background for these reflections: signs of a nascent entrepreneurial revival are in the air. Although one of the first things that greets you after your train rolls into Lime Street station is a union headquarters festooned with posters about cuts and privatisation, the trade unions are now a shadow of their former, bolshevik selves. Liverpool's population has started growing again after seven decades of decline. Its economy has outperformed the British average in recent years. Tata Motors, the Indian owner of Jaguar Land Rover, this week announced 1,000 new jobs at its plant on the edge of town. And the idea that Liverpool's future lies in embracing enterprise has entered so deeply into local policymakers' minds that they outbid numerous rivals to hold this year's congress.



BioHealth Innovation
Maryland's Commercialization Collaborative

11

Testimony of
Richard A. Bendis
Before the Montgomery County Council
on
Restructuring Economic Development

June 9, 2015

Presented by:

Richard A. Bendis
President and CEO, BioHealth Innovation, Inc.

Richard A. Bendis
President and CEO
BioHealth Innovation, Inc
22 Baltimore Road
Rockville, MD 20850
Email: rbendis@bendisig.com
Phone: 301.637.6439
Mobile: 215.593.3333
<http://www.biohealthinnovation.org>



BioHealth Innovation

Maryland's Commercialization Collaborative

Presented by:

Richard A. Bendis

President and CEO, BioHealth Innovation, Inc.

Good afternoon, Council President and members of Montgomery County Council. My name is Richard Bendis and I am the Founder, President and CEO of BioHealth Innovation, Inc., (BHI), which was co-founded by the County in 2012 as a regional private-public partnership to generate a greater return on the significant biohealth assets and to accelerate commercialization of those assets that exist within the County.

As a consultant before BHI was formed, I recognized that everything economic development related within the County and the State of Maryland was generally government driven and that the private sector was not engaged. My primary recommendation was to create a new private public partnership that would be governed and managed by people who have private sector experience which would operate as successful businesses do. BHI was created in that spirit based on best practices for economic development and as a result has thrived over the last three and half years, leveraging the County's annual \$500K investment by a factor of 9 to 1. As such, we are primarily private sector governed with an independent board of directors functioning as a non-profit 501c3, which is the proposed structure for the new economic development corporation. All of the members of the BHI team have had private sector experience, so we run the organization with a management style similar to that of a for profit company. As our primary interactions involve working with early stage entrepreneurs as well as established businesses, operating BHI in this manner gives us the perspective of business to business interaction, which is vital to the success of our mission.

I believe that the County's desire to create a more market-facing and private sector economic development organization is critical to moving our economy forward, as I have evaluated similar entities across the United States. On a national and even on a regional basis, there are many successful private-public partnership models that have been proven to stand the test of time to be the most effective vehicles in delivering economic development services for a county, city or state.

BHI has proven to be a very successful innovation intermediary, with strong annual growth and has developed a very prominent private sector board which is governed and led by respected and



established private sector companies within the County. Based on our experience operating in

Montgomery County for the past three and half years and my national experience working with other economic development organizations, I believe that a private-public partnership would be the most appropriate for redesigning Montgomery County's economic development efforts.

On behalf of the BHI team and the board of directors, I look forward to working with the new economic development organization to enhance Montgomery County's innovation economy. Thank you.



Gaithersburg-Germantown Chamber of Commerce, Inc.

12

910 Clopper Road, Suite 205N, Gaithersburg, Maryland 20878 (301) 840-1400, Fax (301) 963-3918

Public Hearing Bill 25-15 – Economic Development Reorganization –
Montgomery County Economic Development Corporation
Marilyn Balcombe, President & CEO
June 9, 2015

The Gaithersburg-Germantown Chamber of Commerce is in support with the County Executive's proposal to privatize Montgomery County's economic development functions. The Chamber was able to provide input in the development of the proposed Economic Development Reorganization.

We see this as a step in the right direction and look forward to the evolution of the new entity. We primarily agree with the functions that will go to the new organizations and those that will remain with the County.

There are a few issues that I would like to address today.

1. The Board should be comprised solely of Montgomery County business representatives across industry sectors with sufficient geographic diversity.
2. In light of the fact that the privatized entity will rely substantially on public funds, we understand the rationale for having the County Executive and County Council appoint the founding Board of Directors. However, we believe that the Board slate in subsequent years should be nominated by the Board, with submission of the slate to the County Executive and County Council for approval. There has to be ownership of the organization, the Board must take responsibility for the success of the organization and be held accountable for the successful operation of the entity. Internal Board development is a critical component of fostering individual responsibility to the organization.
3. We would also recommend that the Chambers of Commerce have the opportunity to nominate a representative on the Board as is currently the case with the Montgomery Business Development Corporation. Having a representative on the Board of Directors of MBDC has been a very effective way to keep the Chambers abreast of the issues impacting economic development and also effective in allowing the Chambers, and our members, to weigh in on issues impacting the business community.
4. The Board of Directors should have complete authority in hiring and, if necessary, firing the organization's chief executive officer. The CEO should have complete authority in hiring and, if necessary, firing staff.
5. Funding needs to be provided at par or above competing neighboring jurisdictions to ensure organizational success. And there must be expressed intent on funding sustainability in order to attract a seasoned chief executive officer and for the organization to succeed operationally.
6. We assume that adequate funding will also be transferred to the Department of Finance to oversee the functions that will be moved to Finance. While it makes sense that the Small Business Assistance Program will move to the Department of Finance, we want to make sure the mission of the program doesn't get lost.
7. While we understand the rationale for a 501(c) 3 organization, however, we also believe that the organization should have the ability and authority to advocate on behalf of its core functions and strategic priorities.

69

8. We agree that the existing workforce development function within Montgomery County's Department of Economic Development should be spun off into a private non-profit organization and include talent attraction and expansion to the extent that local, state, and federal program funding allows.

9. We agree that the agricultural services should not be a function of the new economic development entity.

Thank you for your attention and consideration of our recommendations.

Testimony of Victoria Leonard,
Laborers' International Union of North American, Mid-Atlantic Region
on
Bill 25-15: Economic Development - Reorganization - Montgomery County Economic Development
Corporation
June 9, 2015

Thank you Council President Leventhal and councilmembers for the opportunity to provide comments on B25-15, which eliminates the County's Department of Economic Development and outsources this function to a separate, nonprofit economic development corporation. My name is Victoria Leonard. I am employed by the Mid-Atlantic region of the Laborers' International Union of North America, or LiUNA for short. LiUNA represents more than 6,300 members in the Washington metro area, including most of the sanitation workers in Montgomery County.

While LiUNA understands the County Executive's desire for a nimble organizational structure focused on attracting and retaining businesses, we believe outsourcing has the tendency to take good-paying public-sector jobs and replace them with non-government positions offering lower pay and fewer benefits. Outsourcing is one of the culprits behind the growing problem of income inequality and our shrinking middle class, and we do not think it is good government policy. It creates a second, lower tier of government workers.

The County's outsourcing of trash collection is a perfect example. Sanitation work went from being a municipal position that offered a pathway to the middle class to a contracted-out, low wage job. County sanitation workers are paid a day rate that, in some cases, LiUNA found was so low that workers weren't even making the County's mandated Living Wage. To address low wages pushed down by decades of outsourcing, the County's sanitation workers ultimately recognized that, like regular government workers, they needed to form a collective bargaining unit to secure better pay and benefits. As everyone knows, to achieve their pay gains from the companies with the County contracts, the sanitation workers had to go on strike, and county residents suffered when their trash did not get collected.

If the economic development function of the County absolutely must be outsourced to be effective, then measures should be put in place to ensure that the workers of the Economic Development Department are not displaced, and that jobs at the nonprofit corporation have the same level of pay and benefits, and are not degraded.

Moreover, the composition of the proposed 11-member board of directors for the nonprofit corporation should include at least one seat designated for organized labor. Because the Workforce Investment Board (or WIB) includes businesses, workforce development providers and labor representatives, the seat on the proposed board designated for the WIB does not necessarily ensure a seat at the table for organized labor. The voice of both business and organized labor are important to furthering the County's economic agenda, so specifically allocating a seat on the board for organized labor is the best way to accomplish this.

Thank you for the opportunity to comment on B25-15.

14



MARYLAND/ISRAEL
DEVELOPMENT CENTER

401 E. Pratt Street, Baltimore, MD 21202
Phone 301-325-3654
bbogage@marylandisrael.org
www.MarylandIsrael.org

**Testimony on Bill 25-15, Economic Development Reorganization,
Barry Bogage, Executive Director, Maryland/Israel Development Center
June 9, 2015**

Thank you for the opportunity to appear before you today to express my support for Bill 25-15, the Economic Development Reorganization. I am Barry Bogage, Director of the Maryland/Israel Development Center, a "public private partnership" between the Maryland Department of Business and Economic Development, Israel's Ministry of Economy, and Maryland's Jewish Community to promote bilateral trade and investment.

I have over 30 years' experience in economic development, most of it in Maryland and in the international arena. I have been Director of the MIDC for 23 years. Prior to this, I was the U.S. Business Development Director for the Welsh Development Agency from Britain. And before that, I was Director of the Howard County Office of Economic Development, and with the Prince George's County Economic Development Corporation.

Also, I have lived in Montgomery County for most of my adult life. It's a great place to live, work, play and raise a family, and has much to offer businesses and entrepreneurs to grow and create jobs. I want to see it succeed.

In economic development, there are two ways to create jobs: attract them from elsewhere, and grow your own.

To attract jobs the competition is fierce. There's no better example of success than our neighbor across the river, Fairfax County. They have had a unified economic development voice and substantial financial resources for many years letting them aggressively market the county. They even have six international offices. This consistent unified voice in the international marketplace is crucial. Montgomery County does not have that. The proposed legislation goes a long way to fix it.

For a community to grow its own jobs there's no better example than Israel, known as "The Startup Nation." It takes a very aggressive, coordinated approach to creating and maintaining an entrepreneurial culture and ecosystem, which includes supporting scientific research, providing substantial financial support to entrepreneurs, and seed funding a vibrant venture capital industry which, today, is one of the top destinations in the world for venture investment.

Right now for both attracting new jobs and creating its own, Montgomery County's economic development efforts are fractured across several agencies including the Department of Economic Development, the Montgomery Business Development Corporation and even BioHealth Innovation. There are three separate websites and phone numbers to call for assistance, while both the County and BHI run incubators. Where's an out of town business or local entrepreneur supposed to go for assistance?

It's a very diffuse and diluted structure which diminishes the county's voice and effectiveness in the business community and impact when working with companies. The proposed legislation goes a long way to repair this.

All these functions should be put under one roof. The Augustine Commission and state government saw the wisdom of this and recently merged all of the state's entrepreneurship programs into the Maryland Technology Development Corporation (TEDCO). Montgomery County should do the same.

The county stands at an economic inflection point. The cushion of federal government spending and jobs is disappearing. The County must create a vibrant knowledge driven economic future to take its place. Either it's proactive and charts its own course, or it's buffeted by economic forces and trends out of its control. A streamlined, unified economic development structure with one voice and strategy to carry the message that "Montgomery County is the best place in the world to start or move a business" is crucial. I support the proposal to establish a unified Montgomery County Economic Development Corporation.

Thank you. I'd be happy to answer any questions.

15



**THE GREATER
BETHESDA-CHEVY CHASE
CHAMBER OF COMMERCE**

7910 Woodmont Avenue, Suite 1204
Bethesda, MD 20814
T: (301) 652-4900
F: (301) 657-1973
staff@bccchamber.org
www.bccchamber.org

Your Business Is
Our Only Business

**THE GREATER BETHESDA-CHEVY CHASE CHAMBER OF COMMERCE
TESTIMONY BY JENNIFER RUSSEL
ON Bill 25-15, ECONOMIC DEVELOPMENT – REORGANIZATION –
MONTGOMERY COUNTY ECONOMIC DEVELOPMENT CORPORATION
BEFORE THE MONTGOMERY COUNTY COUNCIL – JUNE 10, 2015**

Good afternoon. I am Jennifer Russel, representing The Greater Bethesda-Chevy Chase Chamber of Commerce. On behalf of our more than 630 member businesses in Montgomery County, we are testifying in support of Bill 25-15, which would privatize the functions of the current Department of Economic Development and create a non-profit entity that would solely focus on economic development and making Montgomery County more successful in a highly competitive marketplace.

We want to thank County Executive Leggett for introducing this legislation to the County Council and to his team which has worked so hard over the past several months in developing this legislation. In preparation for introducing this legislation, they have reached out and worked with the chambers of commerce and business organizations to get our input and recommendations for this bill.

We also want to thank Nancy Floreen for her leadership over five years ago in developing legislation that was also sponsored by Councilmembers Navarro, Berliner and Leventhal, which created the Montgomery County Business Development Corporation. Five years later we are now discussing the various aspects of legislation that will greatly improve our team's performance on the playing field we share with other competing economic development organizations in the Washington region. Although we would have been satisfied with the MBDC taking over the responsibilities of economic development for the County, we do support the creation of this new entity.

As we discussed in the meetings with the County Executive's team, there are some aspects of the legislation to which we would like to recommend amendments. They are as follows:

Executive Committee and Board of Directors:

We recommend that an initial Advisory or Executive Board of the new Montgomery County Economic Development Corporation ("Corporation") be appointed by the County Executive and approved by the County Council. The Executive Board should have no more than 4- 6 voting members that are comprised entirely of business leaders, and would be tasked with developing and recommending the composition of the new full Board. The Executive Board should include at least 2 members of the MBDC Executive Committee, one of which should represent the chambers of commerce. Although this founding Executive Board should be appointed by the County Executive and approved by the County Council, we believe that once the Corporation is in operation, the members of the Board of Directors should develop and approve all future slates of full Board members, to be confirmed by the County Executive and County Council. The full Board should also consider representation from geographic and industry sectors.

74

Chief Executive Officer /Staff /Negotiations for Financial Incentives: The Board of Directors of the Corporation should have the responsibility to hire and fire the CEO of the Corporation. Strong consideration should be given to an executive with a track record of working on economic development projects; managing numerous staff members and relevant degrees and education from the Economic Development Institute or a similar organization. The CEO should have full authority to hire and fire all of the staff of the Corporation. Part of the compensation of the staff of the corporation should be based on measured success in meeting their goals of retaining and growing existing businesses and attracting new businesses to the County. In addition, the CEO should have full authority to negotiate confidentially and provide appropriate financial incentives for designated purposes (up to an amount established by the County Executive and County Council), utilizing the Economic Development Fund.

Budget/Fundraising: We believe that although the full funding for this corporation should be provided by the County Government, we understand there will be times when fundraising will be necessary in order for the Corporation to participate in various external recruitment events and programs. We believe that this fundraising should be focused on the attraction and recruitment of businesses to the County – not business assistance or promotional efforts within the County.

We thank you for the opportunity to present these comments, and we look forward to continuing our discussions with you as we all work to keep Montgomery County the best place to start, expand or to relocate a business.

Testimony before County Council
Bill 25-15, Economic Development Reorganization – June 9, 2015

I am Joan Fidler, president of the Montgomery County Taxpayers League testifying in support of Bill 25-15 with some caveats. We believe that this legislation sets Montgomery County on the right track to develop businesses and jobs - without the stultifying constraints of a government bureaucracy.

Set up as a non-profit corporation and freed of the onerous delays associated with the county's somewhat hidebound HR and procurement requirements, the EDA will have the flexibility it needs. Also we see as hugely positive the establishment of serious performance metrics hopefully similar to the Balanced Scorecard used by the Fairfax County Economic Development Authority on which both the organization and its employees are rated.

However we have a few concerns. The major one is that this new EDA not be more of the same - under a new name. For instance, an 11-member Board seems to repeat what we currently have in the Montgomery Business Development Corporation. Why 11? Fairfax County has 7 and has been extremely successful. How about 9, enough to have a quorum. Why prescribe that the Board be represented by a small business, a medium-sized business and a chamber of commerce? Are we trying to be all things to all people? Prescribing the specific composition of this private sector Board smacks a bit of governmental intrusion. Also, we would caution against a representative from the State's Department of Commerce. Our interests, funded by county taxpayers, may be different from those at the state level. Information sharing – yes; representation - no.

Also the Board will be chosen by the County Executive and confirmed by the Council? How about some openness and transparency in the process? We suggest an Executive Committee that will propose names to the County Executive from which he can choose. The names should be available to the public. For organizations of this sort, we tend to see the names of the same lions of the business world. How about looking for some new, hard charging business innovators too?

We support the core financing of this new EDA by the county as well as its ability to receive funds through grants and fees. We are a little leery about "gifts" as they may raise the perception of preferential treatment. And we are extremely wary of "other revenue sources" such as granting EDA taxing authority. We assume that it is not being contemplated.

Finally, it is our hope that the County will not be needlessly engaged in this organization by dictating to and drastically constraining its mission. Let the new EDA do what it can do best – marketing the county. All else will fall into place.

The Montgomery County Taxpayers League supports Bill 25-15 and has high expectations that the new EDA will lead to economic growth in Montgomery County.

Thank you.



**LATINO
ECONOMIC
DEVELOPMENT CENTER**

Stable Housing. Thriving Businesses. Strong Communities.

www.ledcmetro.org
@ledcmetro

June 9, 2015

Marjorie Nemes, *Director of Development*
Latino Economic Development Center-LEDC
641 S St NW Washington, DC and
1102 Viers Mill Road, Suite 503 Wheaton, MD 20902

Re: Support for the creation of a private economic development organization for Montgomery County

Good day, members of the Council and fellow community members. My name is Marjorie Nemes and I am the Director of Development for the Latino Economic Development Center. At LEDC, we have worked for 24 years to help Latinos and other residents buy and stay in their homes, join with neighbors to keep their rental housing affordable, and start or expand small businesses. I am grateful for this opportunity to testify in support of County Executive Isaiah Legget's move to create a private economic development organization for Montgomery County.

LEDC was founded in Washington, DC in 1991. We expanded our services to Montgomery County in 2006, as we followed our Latino constituents who were moving out of the city and into the surrounding suburbs. I am sure that all who are present can agree that Latinos are important contributors to Montgomery County's rich entrepreneurial fabric.

The Latino community offers great potential to contribute in a real way to the region's economic engine. According to the September 2010 U.S. Census figures, between 2002-2007, Hispanic businesses in the DC metropolitan area were growing three times as fast as local businesses overall. The number of majority Hispanic-owned businesses in the area increased 53.5 percent between 2002-2007. According to the Small Business Administration-SBA from mid-2009 to 2011, small firms accounted for 67 percent of the net new jobs in the nation. So, the power of these small businesses as a critical component to successful economic development and job creation is not to be overlooked.

LEDC believes in the power that knowledge and capital have to transform the lives of the Greater DC area entrepreneurs, their families, and their communities. That is why we are grateful to have key partners like Montgomery County who support our work providing bilingual small business technical assistance and training. With the County's support, we have rolled out important bilingual training curricula on topics such as business planning, marketing, technology integration, access to finance, social media marketing, accounting, and financial literacy.

In 2014, we provided 344 Montgomery County aspiring and established entrepreneurs with small business technical assistance support through one-on-one technical assistance and training workshops. This work is complemented by our microlending program that provides financing from \$5,000-\$50,000 to un-bankable DC area entrepreneurs. Through our microlending efforts in 2014 we disbursed 25 loans totaling a \$297,623 capital injection in Montgomery County. Currently we have approximately 260 outstanding loans totaling \$2.8 million in the Greater DC and Baltimore region.

We aim to deliver our services to small businesses with a focus on innovation and that is why we were excited to learn about the County's move to privatize economic development activities under a new economic development





**LATINO
ECONOMIC
DEVELOPMENT CENTER**

Stable Housing. Thriving Businesses. Strong Communities.

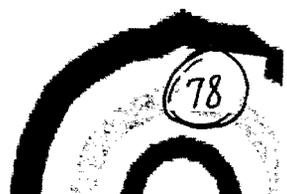
www.ledcmetro.org

@ledcmetro

organization. LEDC has participated in presentations by those involved in rolling out the new program and we have been very impressed by the thought that has gone into the development and planned implementation of this new initiative.

Specifically, we have been pleased to see that the new organization will contain functions focused on microenterprise and small business development. There will be programming around business incubation and other supportive services for the County's emerging entrepreneurs. This creates avenues for partnership and complementary activities between this new entity and LEDC...and, most importantly, provides an innovative, agile, and dynamic new resource for our small business clients.

We want Montgomery County small businesses to succeed. With support of privatization of the economic development functions of the County as outlined in my testimony; LEDC will have a new and creative partner to continue helping the County's entrepreneurs to launch and expand their businesses and create economic opportunity for themselves, their families, and their communities.



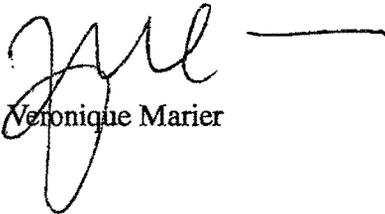


4825 Cordell Ave., Ste 200
Bethesda, MD 20814
240.396.2440
www.bethesdagreen.org

Dear Council Members,

Please find enclosed my written statement regarding Bill 25-15 on behalf of Bethesda Green.

Sincerely,

A handwritten signature in black ink, appearing to read "V. Marier", followed by a horizontal line.

Veronique Marier

STATEMENT TO MONTGOMERY COUNTY COUNCIL
BILL 25-15, MONTGOMERY COUNTY ECONOMIC DEVELOPMENT
CORPORATION
BY VERONIQUE MARIER, EXECUTIVE DIRECTOR, BETHESDA GREEN
JUNE 9, 2015

Dear Council Members:

On Behalf of Bethesda Green, a private nonprofit sustainability-focused organization founded in 2009, I am pleased to support the creation of the Montgomery County Economic Development Corporation (EDC) as referred to in Bill 25-15.

Bethesda Green serves as a community hub that catalyzes businesses, government and residents in creating more sustainable local economic growth. We house a next-generation green business incubator and focus our work on education and outreach and facilitating green solutions. Bethesda Green has played a unique role in knitting together some of our county's top priorities including advancing the sustainable practices of businesses and residents and furthering the growth of local green products and services.

The green business incubator accelerates innovation. Our businesses are deeply rooted in the fabric of our local community, operating closely with other businesses, schools and the county government, cumulatively and consistently generating over \$1 million in annual revenue and between 25 and 35 new jobs per year. They pursue a wide range of initiatives such as reducing buildings' water and energy consumption, growing rooftop farms, monetizing the value of solar energy installations, and modeling the risks of potential flood damage in the area, to name a few.

The new Montgomery County EDC will enable the County to better address its future economic development needs and to be more competitive with neighboring jurisdictions. It will enable the County to address changing priorities more quickly and respond to business needs more adroitly.

Our aim is to align our focus with that of the County and continue concentrating on how to best serve Montgomery County's start-ups and small-scale businesses so that our local economy may best prosper.

We hereby wish to share some comments on the subject of the EDC board composition and the role of green business entrepreneurship, two topics that we find to be of utmost importance to the draft legislation of Bill 25-125.

Bethesda Green has been the recipient of not only from year-to-year community grants but also of small DED contracts for which we executed programming for the start-up community. This support which has had local positive impacts is very much appreciated; moving forward we hope that Bethesda Green will be considered as part of the annual County and/or EDC budget that recognizes the key role that we play in developing our local sustainable entrepreneurial economy.

We look forward to working closely with the County Executive, the County Council and the new EDC to make the new EDC a success.



Montgomery Soil Conservation District
18410 Muncaster Road - Derwood, MD 20855 - Phone (301) 590-2855

June 5, 2015

The Honorable George Leventhal, President
Montgomery County Council
100 Maryland Avenue
Rockville, MD 20850

Re: Bill 25-15, Economic Development – Reorganization – Montgomery County
Economic Development Corporation

Dear Council President Leventhal and Council Members:

The Montgomery Soil Conservation District (MSCD) Board of Supervisors would like to express our sincere gratitude and congratulations to the County Executive for proposing the establishment of a new Office of Agriculture in Montgomery County! We hope that the County Council will endorse this bold new initiative, and we look forward to working with you to insure the success of the new Office of Agriculture. By becoming the first County in the state and probably the region to elevate the agricultural industry through the creation of this new office, Montgomery County's leadership will once again demonstrate an incredibly progressive vision for the future. By proposing the establishment of the Office of Agriculture, the county has not only demonstrated their commitment to the future viability and prosperity of the agricultural industry, but you have also highlighted the importance of the resource protection and conservation mission of MSCD.

The formation of this new office provides so many opportunities to promote the amazing legacy of our farmers as producers of our food, stewards of the land, and the caretakers of our rural heritage. Since 1945, the MSCD has helped Montgomery County landowners to protect their valuable soil, water, and other natural resources. Our Supervisors and staff provide the technical and financial assistance farmers need to implement the agricultural best management practices outlined in the Chesapeake Bay restoration effort. We are so grateful that you are considering taking the initiative to create the Office of Agriculture to ensure that funding for our critical mission is secure. Montgomery County has a rich agricultural heritage and a legacy of leadership in conservation. The Office of Agriculture will allow future generations to celebrate these traditions through plentiful food supplies, beautiful landscapes, and vibrant natural resources.

One critical element that we ask the Council to consider as this transition unfolds is the importance of agricultural preservation and the promotion of agriculture as a leading industry in the county and the state. Our conservation efforts throughout the County would not have been as successful without the assistance of Mr. Jeremy Criss and the Agricultural Services Division. Mr. Criss' office has made major contributions to the

June 5, 2015

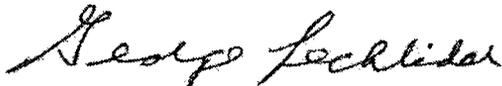
Page 2

overall welfare of the agricultural industry. Specific to our conservation efforts, Mr. Criss has advocated for MSCD programs at both the state and federal level, providing a perspective from **County government** that positively influenced crucial policy issues that directly impacted our funding and our ability to assist farmers in Montgomery County. **We request your assistance in ensuring that Mr. Criss' role of promoting, advocating, and guiding the agricultural industry remain a function of the new Office of Agriculture.** We **do not** believe that having this role performed by the economic development corporation would be in the best interest of Montgomery County farmers.

There is a critical need to ensure adequate funding for all the functions within the new Office of Agriculture. While we respectfully request that the Council fully fund MSCD operations at our current level, we also see a need for funding the agricultural preservation program that made Montgomery County a national leader. When farmers are compensated for permanently dedicating their land to agricultural production they have more resources to install conservation projects on the land. This cycle of preserving agriculture and enhancing natural resources has evolved into the amazing landmark we call the Agricultural Reserve. But we need to continue investing in our agricultural and natural resources to protect and enhance this legacy.

The MSCD once again applauds the County leadership for taking the bold initiative to establish an Office of Agriculture. We also offer our assistance in developing the structure and framework under which this new Office will operate. As with so many other bold ideas that have originated in Montgomery County, we look forward to working with the County Council and County Executive to make the Office of Agriculture a tremendous success for others to emulate.

Sincerely,



George Lechlida, Chairman
Montgomery Soil Conservation District

Cc: Montgomery County Councilmembers
Jeremy Crisis, Director Agricultural Services-DED

Montgomery County, MD Department of Economic Development

Overview of Economic Development Delivery System

County Economy

Montgomery County, home to 971,777 residents and covered employment of 441,877, is the most populous county in Maryland and the second most populous county in the Washington, DC metropolitan area. With a median household income of \$89,155, it is one of the wealthiest counties in the US. The population is well educated with 56.5% of adults with at least a bachelor's degree. The county's January 2012 unemployment rate of 5% is well below the national average.

Montgomery County has a strong, resilient economy represented by information technology, telecommunications, biotechnology, software development, aerospace engineering, and professional services. Nearly 600 businesses employ over 100 workers. The major employers are the National Institutes of Health (NIH), National Naval Medical Center, Adventist Healthcare, US Food and Drug Administration (FDA), Marriott International, and Lockheed Martin. Anchored by NIH, FDA and other federal facilities, the county is home to over 250 biotech companies including Human Genome Sciences, MedImmune, United Therapeutics, and Qiagen.⁴

Most of the primary economic development functions are managed by the county government. With a \$4.3 million administrative budget (FY12), the Department of Economic Development (DED) leads county efforts in marketing and business recruitment, business retention and expansion (BRE), technology-led development, small and minority, women, and/or disadvantaged (MWD) business development and finance, workforce development and agricultural services, as shown in Table B-1. DED engages or supports other county offices in strategic real estate development. DED staff manages the county's workforce investment board (WIB), which is responsible for channeling federal, state, and local funds to one-stop career centers and other workforce initiatives.

County History

Montgomery County originally developed as a bedroom community, but later experienced commercial growth and became an economically diverse urban municipality. During the Duncan administration (1994-2006), the county initiated projects such as the Strathmore Arts Center, Soccer Complex, and Silver Spring redevelopment in order to retain more residents for work and recreation. Today, as an established residential, cultural, and commercial center, economic development continues to be a priority for the county. Formed from a smaller county economic development office in the 1980s, DED has slowly grown since then. DED has always included agriculture services but did not include Workforce Services until 2001, taking on the WIB from private sector management.

⁴ Adapted from Montgomery County DED website

Lead County EDO: Montgomery County Department of Economic Development

Table B-1 Lead EDO Profile

LEAD EDO	Legal Status	Governance	2010 Pop.	Employment	Budget	Budget per Capita	Funding Source	Primary Functions
Montgomery County Department of Economic Development	County Government	County and Executive Council	971,777	441,887	\$8,334,312 Administrative Budget \$4,257,237	\$8.58	100% public	Marketing, business recruitment, business retention & expansion, research, small business finance & TA, incubator management, workforce development, real estate, agricultural services

Table B-2 Economic Development Roles

Economic Development Role	Lead Organization	Supporting Organization
Marketing & Business Recruitment	Montgomery County Department of Economic Development (DED)	
Business Retention & Expansion	DED	
Technology-led development	DED	TEDCO, Bio Health Innovation, MD Bio Science
Small & MWD Business Development/Finance	DED, Small Business Development Centers	
Real Estate Development	DED, Dept. of General Services, Dept. of Housing & Community Affairs	
Workforce Investment Board	DED	

Source: DED, IEDC

Legal Designation, Governance and Funding

As a county government department, DED is led by a director and deputy director. The deputy also serves as the director of the Marketing and Business Development Division. The director, deputy director, and one other department head are political appointees. The DED director reports to the County Executive, who is elected. While the County Executive reviews and approves key DED operational changes, the budget must be approved by the County Council.

The FY12 budget of approximately \$4.3 million supports seven operating divisions comprising 32 positions or 26.5 work years. The budget, shown in Table B-2, allocates staff and budget among economic development roles so as to compare with other economic development organizations. The budget does not accurately show the staff and budget by department. The largest amount of the budget (32% or \$1.37 million) is allocated to the marketing and business development function, which also includes business retention & expansion, communications, and research activities. About \$700,000 goes to small business development and finance functions and another \$619,000 to administration and finance. In addition to the \$4.3 million operating and personnel costs, approximately \$1.73 million is passed through to the incubator facility owners. Another \$2.3 million is passed through from other governmental sources for WIB service providers.

If the administration and finance budgets were allocated among functions, the marketing and business development functions would total about \$1.57 million. This figure would be comparable to a budget for an economic development organization that focused on marketing, business attraction, business retention and expansion.

Budget

Table B-3 Montgomery County FY 2013 Budget

Departments	Staff	Budget
Administration/Finance (& staff for EDF)	6	\$619,469
Incubator Management- Operations and Personnel	3	\$358,166
Marketing & Business Development, including communications & research	7	\$1,367,090
Small Business Development/Finance	4	\$701,548
Special Projects	2	\$291,162
Workforce Investment Services (WIS)	3	\$425,579
Agricultural Services	7	\$494,223
Subtotal, Administrative Budget	32	\$4,257,237
5 Incubators Facility Pass-through		\$1,733,055
WIS Pass-through Funds for One Stop Centers		\$2,334,020
Total		\$8,334,312

Source: Montgomery County Department of Economic Development

Staff

DED has experienced a significant decrease in staff since 2008. Since that year, the department declined from 56 to 26.5 work-years, over a 50% reduction in staff resources. Since county policy is to cut the last-hired first, the remaining staff are long time employees. To address the impact of the budget cuts on programs, the department also undertook a reorganization to reallocate staff. This and a more recent 2012 reorganization are shown in the organization chart (next page).

As is common with many government agencies, county employees are not eligible for incentive pay or bonuses. Compared to the private sector, the process for procurement and the hiring and firing of staff is very time consuming. Except for seven managerial and two other staff, all are union members.

Economic Development Roles

Marketing and Business Recruitment

Given the staff reductions, DED tends to be more reactive than proactive. DED provides services to address prospect inquiries, such as site and building assistance, incentive negotiations, fast track permitting, and referrals. Staff participates in industry conferences and targeted trade missions often with the state. Staff members also call on GSA and other federal agencies. Since division staff specialize by industry, DED does not have dedicated business recruitment staff.

DED has access to funds to close its recruitment deals. Since the Economic Development Fund (EDF) was created in 1995, the county has funded 270 transactions for a total of \$38 million and an additional \$48 million from the state. Although the base EDF budget is \$850,000, DED often seeks additional county funds, if needed, to support a high impact business recruitment or expansion project.

Given its limited resources, DED doesn't have a well-defined marketing program. There are two communications staff: one focused on graphics and content development, and another on public relations. The \$50,000 advertising and promotion budget got a \$350,000 special supplement for 2012, which was used to design a new website. Approximately \$80,000 of this 2012 budget is going to ad placements, public relations, and other media efforts to build visibility for the county.

Business Retention & Expansion (BRE)

DED has a comprehensive business retention and expansion (BRE) program. DED identified target industries based on the top 236 largest and most strategic county firms. Business development specialists (BDS) are assigned to one of four target industries: life sciences, information technology, healthcare delivery and support, and federal contracting. A staff person focuses on each of these targets and a fifth staff person focuses half of her time on the finance, insurance, and real estate (FIRE) segment. Staff contacts each of the 236 companies twice a year. Staff also use contact management software to track firms.

DED works with other county offices to resolve regulatory concerns. For example, DED has worked with fire and rescue services and business representatives to resolve building code issues. DED can fast track high-impact, strategic projects through the regulatory process. Such efforts may require working with state officials and/or testifying before the legislature. Other aspects of BRE, such as industry cluster support, are discussed below.

Technology-Led Development

Technology-led development is addressed through several functions: technology-focused incubators, institutional relationships, and cluster organization development. Through its Business Innovation Network, DED actively manages five incubators (with 168 companies and 650 employees) and provides support to a sixth. Prior to the budget cuts, DED provided full services to the incubator tenants and virtually participating firms. Given the reductions in staff, management is limited in the amount of services that they provide to the incubators. DED currently has a study reviewing its incubator operations. Montgomery County's incubator program was a nationally recognized model and DED would like to maintain that level of excellence.

The incubators target both technology and non-technology firms. Biotech firms are encouraged in Shady Grove and Germantown since they have wet labs. IT firms are encouraged at the Germantown (clean labs) and Silver Spring locations. Wheaton targets small business professionals and Rockville targets international companies. A separately owned and operated incubator, Bethesda Green, focuses on clean energy. All except the Shady Grove space, which needs building improvements, are fully leased. DED also works with universities and federal labs on technology transfer. It has three MOUs with federal agencies.

DED supports industry cluster organizations. For example, it facilitated the Bio Sciences task force report and has helped implement the report's recommendations by starting a life science-based cluster organization (Bio Health Innovation). With initial staff and financial support, the organization is now self-sustaining. DED would like to do more to support IT startups. IT startups can grow relatively quickly compared to biotech firms. Other key technology-focused organizations include the Maryland Technology Development Corporation (TEDCO) and the Maryland Biotechnology Center.

Small & MWD Business Development and Finance

DED conducts small and MWD business development training and technical assistance (TA) through its Business Empowerment Division. It administers the finance programs through its Administration and Finance Division. The Empowerment Division director and two staff promote programs such as small business development center (SBDC) funding, the LEDC, Women's Business Center and the Local Small Business Reserve Program. This last program is intended to help small and MWD businesses gain access to county procurement contracts. Staff also recruits large institutions and private sector firms to participate in the program. Staff is also active in providing referrals to various service providers, such as SCORE and Montgomery College. Given the reduction in staff, the division does less outreach and little one-on-one counseling.

Real Estate Development

DED works on strategic real estate development. DED works with other county staff to complete predevelopment activities in order to help secure private investment. For example, DED did predevelopment work for the Fillmore Theater in Silver Spring. Area redevelopment efforts, such as those in Wheaton and Silver Spring, are typically led by local county office service centers.

Other county real estate roles include asset management, entertainment district support, façade improvements and strip mall revitalization. DED is the asset manager for the county-owned conference center in White Flint and therefore represents the property in White Flint redevelopment. DED also supports arts and entertainment districts by helping them reapply for designation, for example. Housing and neighborhood revitalization is handled by the county's Department of Housing and Community Affairs. DHDA programs include housing, façade improvements and strip mall revitalization. The DHDC also oversees the county's CDBG funds.

Workforce Investment Board (WIB)

DED's Workforce Investment Services Division manages the county WIB. Staff manages relations with the board and oversees the distribution of 12-15 county, state, and federal grants. Of the \$2.3 million in public funds, approximately \$900,000 goes to youth and disabled youth service providers, while the remaining goes to MontgomeryWorks, which operates the two one-stop employment centers. The centers provide vocational assessments and job readiness, training, and placement services. Since much

of the state and federal funding is based on a formula tied to poverty levels, Montgomery County receives a lower proportion of funding per capita than most other Maryland counties.

The division operates according to the strategic plan prepared by the WIB board in 2010. The WIB plan focuses on business outreach and engagement, especially to targeted sectors. The plan identified three target sectors based on high growth potential and resident demand: 1) health and education with an emphasis on allied health; 2) business, professional, and technical services; and 3) food services, especially hospitality related. The division measures performance through surveys of businesses that use the one-stop centers as well as through grantee reports.

Previously, division staff participated in DED business recruitment meetings. Given the DED staff reductions and decreased state funding for incumbent worker training, workforce services staff attends fewer of these meetings.

Agricultural Services

DED's Agricultural Services Division supports and promotes the county's agriculture industry. Its work includes marketing assistance, assistance with the regulatory and legislative issues, the emergency assistance program, and the management of the agricultural reserve transfer development rights. The agricultural reserve was established to preserve farmland. The land's developable density was reduced from one unit per five acres to one unit per 25 acres. To compensate for the lost density, property owners can sell development rights to growth areas in other parts of the county. The division oversees this process.

The division's office is in Derwood, MD and is co-located with other agricultural services such as USDA and the University of MD extension program. Performance measures include land preserved, easement inspections, businesses assisted, and fuel energy tax relief.

Supporting Components

Research

With the cut in staff, DED conducts a limited amount of research. Much of DED research is for internal consumption. DED identifies expiring leases and fast growth companies through secondary sources. Staff reports that it needs to conduct primary research to inventory county businesses and identify fast growth firms. There is a comprehensive section on the website about technology transfer that includes listings of federal and academic institutions.

Strategic Planning Process

In 2008, DED developed a strategic plan. However, it became obsolete with the onset of the recession and the resulting staff layoffs. DED then prepared a condensed version of the plan based on four strategic goals:⁵

1. Retain and grow existing businesses, strategically attract new ones, and enhance entrepreneurial opportunities, while also supporting strategic housing projects to increase the tax base.
2. Adapt to a more competitive business climate by creating an environment where knowledge-based industries and small businesses thrive.

⁵"A Vision for Economic Development DED FY12 Major Goals & Action Items," Montgomery County DED

3. Foster creative and strong partnerships with academia, the federal research community, the private sector, and various levels of government in order to pursue innovative projects, policies, and best practices that support business growth and expansion.
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.

There is legislation pending with the County Council to establish and maintain a formal two-year strategic planning process. The bill “would require the Executive to propose and update an economic development plan, subject to approval by the Council.”⁶ It requires an evaluation of peer jurisdictions and specifies ten performance metrics to measure the plan’s success.

Performance Evaluation Metrics and Methodology

DED has internally generated performance measures and supports the County Stat. The County Stat is a county initiative to promote data-driven performance and transparency and accountability. For DED, the results focus on countywide economic outputs such as job growth, capital investment, occupied commercial space, training and TA program satisfaction, and incubator company investment, occupancy, graduation rates and graduate jobs. DED is also revising and expanding its internal performance measures to include inputs and additional outcomes.

Organization Strengths & Weaknesses

Strengths

As a public agency, DED has unique strengths and weaknesses. As a department of county government, DED staff has very good access to other county staff. Therefore, staff members can effectively represent businesses with colleagues in resolving regulatory issues. Staff also has good access to knowledge about government programs and therefore, can promote them effectively. As a government department, DED can rely on other branches of government to administer very cost-effective health insurance and retirement plans.

Weaknesses

A government department has limitations. The bureaucratic nature of government often makes procurement and the hiring and firing of staff difficult and time consuming. In fiscally stringent times, the county’s “last in first out” rule may lead to arbitrary cutting of personnel with mission-critical skills. The department’s leadership is politically appointed. While the close relationship that appointees have with the County executive branch can make them more effective, their terms are tied to the election cycle. Therefore, there is no management continuity. Furthermore, there is no assurance that the political appointees will have expertise in economic development. Finally, the government compensation system is less flexible than those in the private sector. While Montgomery County can afford to compensate staff well, it is not configured to make incentive payments such as bonuses.

Supporting Economic Development Organizations

While there are numerous chambers and other businesses participants, they lack a clear and unified voice in economic development issues. DED staff reports that Montgomery County lacks the business engagement experienced in many other counties. It notes that as a mature county, buffered by federal

⁶ Memo to County Council, Bill 14-12, Economic Development Fund – Amendments, March 16, 2012

agencies and with a culture focused on government solutions, there is limited business involvement in economic development. Although there are a number of chambers of commerce, they are small and focused on the common chamber activities such as networking, education, and advocacy.

In 2010, the County Council created the Montgomery County Business Development Corporation (MBDC) to “study, evaluate, enhance and supplement the county’s economic development programs and activities.”⁷ The CBDC board is limited to 11 voting members from the private sector plus ex-officio nonvoting leaders from DED, Montgomery College, public schools, and county planning. The MBDC is determining how it should carry out its mission.

Other key organizations include the Maryland Technology Development Corporation (TEDCO) and the Maryland Biotechnology Center. TEDCO is a state-chartered corporation that provides seed funding to startups. Located in Columbia, MD, TEDCO has led the nation with the largest number of investments in start-up/seed or early-stage companies for five consecutive years.⁸ It has 13 staff. The Biotechnology Center, part of the MD state Department of Business and Economic Development (DBED), works to “create new bioscience enterprises, sustain the growth of successful enterprises and leverage Maryland’s unique life sciences assets in the academic and federal sectors.” Created in 2009, it has a staff of eight in offices in Rockville and Baltimore.

County Delivery System Strengths & Weaknesses

Unlike most municipalities where economic development is delivered through multiple public and private agencies, in Montgomery County, it is one organization: DED. As mentioned above, there are a number of strengths and weaknesses to a government department EDO. These factors are more critical in Montgomery County because the government provides most economic development functions. Therefore, if global economic circumstances call for the county to shift economic development priorities, DED, as a full service department, should be able to do so efficiently. However, if government requirements and oversight prevent or delay a needed shift, then the county delivery system is less effective. A more detailed discussion of economic development and public and private sector roles is provided in the summary section of this report.

⁷ Resolution to designate the Montgomery Business Development Corporation as the County’s Business Development Corporation, October 5, 2010

⁸ As ranked by *Entrepreneur Magazine*

Fairfax County, VA Economic Development Authority

Overview of Economic Development Delivery System

County Economy

Fairfax County, home to 1,081,726 residents and covered employment of 573,551, is the most populous County in Virginia and in the Washington, DC metropolitan area. With a median household income of \$103,010, it is one of the wealthiest counties in the U.S. The population is well educated with 56.1% of adults holding at least a bachelor's degree. The county's January 2012 unemployment rate of 4.1% is well below the national average.

Fairfax County's largest employers are Booz Allen Hamilton, Inova Health System, Freddie Mac, Lockheed Martin, Northrop Grumman and Science Applications International Corporation (SAIC). The County is home to nine Fortune 500 company headquarters, 26 of Inc. magazine's 500 fastest-growing private companies, 24 of the Washington Business Journal's (WBJ) top 50 largest technology employers in the Washington, D.C. region and 13 of the WBJ's 25 largest telecommunications employers in the Washington area.⁹

The Fairfax County Economic Development Authority (FCEDA) is the county's lead economic development organization. It leads the county's marketing and business recruitment and business retention and expansion (BRE) efforts as shown in Table C-1. Technology-led development is provided by the Center for Innovative Technology (CIT) and Northern Virginia Tech Council (NVTC). Small and minority, women, and/or disadvantaged (MWD) business development and finance is conducted by George Mason University's Mason Enterprise Center. The County Office of Community Revitalization and Investment leads real estate development while the Northern Virginia Workforce Investment Board leads workforce development as shown in Table C-2.

⁹ FCEDA website based on Fortune and Inc. magazines and the Washington Business Journal

Incentives & Financial Supports

Tax Incentives

Tax Incentives are available to new and existing companies that meet the criteria of the incentive.

Montgomery County Tax Incentives

- **New Jobs Tax Credit.** Combined state and county tax credits to businesses that hire 25 or more permanent, full-time employees and occupy 5,000 square foot of new and previously unoccupied space
- **Enhanced New Jobs Tax Credit.** Combined state and county tax credits to businesses that create at least 500 or 1,250 new permanent and full-time positions, increase its space by at least 250,000 square feet, and pay all these employees at least 150% of the federal minimum wage
- **Local Biotech Investment Tax Credit Program:** Modeled after and working in collaboration with Maryland's Biotech Investment Tax Credit Program, the county's program allows investors receiving state tax credits to also receive a supplemental payment from the county based on their investments in local biotech companies.

State of Maryland tax incentives

- **Job Creation Tax Credit.** \$1,000 tax credit to businesses that create new jobs to encourage businesses expanding or relocating to Maryland
- **Job Creation and Recovery Tax Credit.** Tax credits to businesses that hire Maryland residents who have been unemployed for the previous 12 months
- **Enterprise Zone Tax Credit.** Income tax and real property tax credits to businesses locating in a Maryland Enterprise Zone in return for job creation and investments
- **Research and Development Tax Credit.** Tax credits to businesses with qualified research and development expenses in Maryland if eligible and certified by the Maryland Department of Business and Economic Development
- **Biotechnology Investment Tax Credit.** Income tax credits to individuals or any entities who invest at least \$25,000 in a Qualified Maryland Biotechnology Company
- **Brownfields Revitalization Incentive Program:** Financial incentives in the form of grants or low interest loans for the redevelopment of certain properties that are contaminated by hazardous materials or oil
- **Cellulosic Ethanol Technology R&D Tax Credit.**

State income tax credit for businesses that incur qualified cellulosic ethanol technology research and development expenses in Maryland

- **Community Investment Tax Credit.**

Allocations of State tax credits to 501(c)(3) nonprofit organizations for use as incentives to attract contributions from individuals and businesses to benefit local projects and services

mBOC

- **Maryland Heritage Structure Rehabilitation Tax Credit:** Maryland income tax credits equal to 20% of the qualified capital costs expended in the rehabilitation of a "certified heritage structure"

FINANCING PROGRAMS

Montgomery County financing programs

- **Economic Development Fund Grant/Loan Program:** Private employers who retain and create jobs in Montgomery County, especially high technology and manufacturing companies
- **MOVE Program:** Eligible businesses will receive a one-time grant to offset relocation costs upon signing their first commercial lease within the county
- **Small Business Revolving Loan Program:** Small businesses with annual revenues of less than \$5 million and fewer than 75 employees

State of Maryland financing programs

- **Maryland Economic Development Assistance Authority and Fund:** Assistance to the business community and political jurisdictions with five financing capabilities
- **Maryland Economic Adjustment Fund:** Financial assistance to business entities in the state with modernization of manufacturing operations, development of commercial applications for technology, and exploring and entering new markets.
- **Maryland Small Business Development Financing Authority:** Financing for small businesses that are not able to qualify for financing from private lending institutions or owned by socially and economically disadvantaged persons
- **Maryland Industrial Development Financing Authority:** Private activity revenue bonds and credit insurance in the form of a deficiency guaranty to reduce lender's risk
- **Maryland Venture Fund:** Direct investments in technology and life science companies and indirect investments in venture capital funds
- **Community Development Block Grant Program:** Funds dispersed to a local jurisdiction in the form of a conditional grant and then used for public improvements or loaned to a business
- **Maryland Capital Access Program:** Credit enhancement program for small businesses that enables private lenders to establish a loan loss reserve fund from fees paid by lenders, borrowers, and the State of Maryland

For additional information on Incentives and Financing Options, please contact Holly Sears Sullivan.

Review Of Montgomery County's Economic Development

Incentive Programs (PDF)

- See more at: <http://montgomerybusiness.org/relocation-expansion/incentives-and-financial-supports/#sthash.yTxKYCYt.dpuf>

**GOOD
JOBS
FIRST**

1616 P Street, NW Suite 210
Washington, DC 20036
[202] 232-1616
www.goodjobsfirst.org

June 12, 2015

Montgomery County Council
Clerk of the Council
Office of Legislative Information Services
100 Maryland Avenue, 5th Floor
Rockville, MD 20850

Dear Members of the Montgomery County Council:

I write in firm opposition to the proposal now before the Council to privatize the Department of Economic Development. I am a 15-year Montgomery County resident and 13-year homeowner residing at 4832 Park Avenue, Bethesda, 20816.

I am also the 1998 founder and executive director of Good Jobs First, a non-profit, non-partisan research organization based in Washington DC. We are a national resource center for public officials and grassroots stakeholders seeking to make economic development deals and programs more transparent, accountable, and effective. I have been training, consulting and publishing (including two books and many dozens of studies) on economic development for more than 30 years for organizations such as the International Economic Development Council, Local Government Commission/New Partners for Smart Growth, National League of Cities, Rail~Volution, state-based associations of local public officials and many scores of academic, non-profit and constituency-based organizations.

On its face, the idea that a county of Montgomery County's stature and resources would even consider privatizing its economic development functions is disgraceful, and an admission of management failure. As a Montgomery County taxpayer and economic development expert, I am insulted to learn such a proposal has even gained consideration.

Here is how an economic development professional would size up Montgomery County:

- Wealthiest county in the highest per capita-income state in the nation;
- Home to economic development jewels such as the National Institutes of Health, National Oceanic and Atmospheric Administration, Nuclear Regulatory Commission (NRC), U.S. Department of Energy (DOE), the National Institute of Standards and Technology, and the U.S. Consumer Product Safety Commission.
- Top-tier “clusters” in biomedical research, hospitality, entertainment, consulting, finance, and federal agency employment;
- Disproportionate share of major corporate headquarters including Discovery Communications, Coventry Health Care, Lockheed Martin, Marriott International, Host Hotels & Resorts, RLJ Companies, Choice Hotels, MedImmune, TV One, Hughes and GEICO;
- One of the nation’s longest-standing and most successful inclusionary zoning laws;
- Sophisticated history of land use and transportation planning, with large swaths of preserved farmland, well-established transit oriented development, and growing bus rapid transit and light rail planned;
- A greater share of residents over age 25 with post-graduate degrees than any other U.S. county; and
- Better than national rates of racial and ethnic diversity and a substantial immigrant presence.

A county with assets such as these could—and should—conduct a national search for an economic development director and expect to attract talent akin to the kind of national top-tier candidates Montgomery County Public Schools attracts. Anything less would be inexplicable and indefensible.

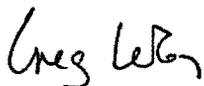
From our perspective as national watchdogs on economic development practices, we see privatization as a repeatedly discredited reflection of how politicized jobs have become in the nation’s long recovery from the Great Recession. Indeed, it is closely associated with conservative state administrations that have also advocated so-called “right to work” and other wage-suppression policies such as Wisconsin, Ohio, and Indiana. In two studies published in 2011 and 2013, for example, we documented exaggerated job-creation claims, apparent conflicts of interest and/or insider dealing, favoritism to campaign contributors, a loss of transparency, resistance to basic oversight or auditing, and excessive executive compensation.

Specifically:

- The Wisconsin Economic Development Corporation (WEDC) has been racked by scandals and high-level staff instability. It was accused of spending millions of dollars in funds from the U.S. Department of Housing and Urban Development without legal authority. It failed to track past-due loans. It hired an executive who owed the state a large amount of back taxes. Two legislative audits have revealed a loose organizational culture that is failing to perform basic “watching the store” functions on outstanding loans and allowing large amounts of unapproved or unjustified staff credit-card expenses.
- JobsOhio, created in 2011 at the urging of Gov. John Kasich, assembled a board of directors whose members included some of his major campaign contributors and executives from companies that were recipients of large state development subsidies. It received a large transfer of state monies about which the legislature was not informed, mingled public and private monies, refused to name its private donors, and then won statutory exemption (advocated by Gov. Kasich) from review of its finances by the state auditor.
- The Indiana Economic Development Corporation, an entity created under then-Gov. Mitch Daniels, has faced continuing criticism over its job-creation claims. Triggered by tenacious investigative reporting by Indianapolis TV station WTHR, a state audit found that more than 40 percent of the jobs promised by companies described by IEDC as “economic successes” had never materialized. Later reporting in 2014 by WTHR revealed that IEDC, after upgrading its “transparency portal,” was actually disappearing hundreds of failed deals from its online database, then claiming a 92 percent “job realization” rate. We likened this to rating a high school by excluding the dropouts.

To outsource economic development retention, expansion and/or recruitment is to lose control over vital information, to lose the County’s finger on the pulse of local employers. Economic development is a complex, long-term process in which continuity and institutional memory count for a lot. Putting economic development on a short political leash is not a recipe for helping all employers succeed. Indeed, it is the opposite: It is a blueprint for the capture of the county’s development agency by a small group of large companies and other special interests.

Sincerely,



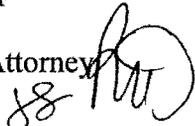
Greg LeRoy
Executive Director

PHED #1
June 18, 2015
Worksession
Addendum

MEMORANDUM

June 17, 2015

TO: Planning, Housing and Economic Development Committee

FROM: Robert H. Drummer, Senior Legislative Attorney
Jacob Sesker, Senior Legislative Analyst 

SUBJECT: **Addendum:** Bill 25-15, Economic Development – Reorganization – Montgomery County Economic Development Corporation

Councilmember Berliner circulated the attached materials after the memorandum went to print. The materials outline a proposal to create an Office of Business Services.

This packet contains:
Berliner proposal

Circle #
1



MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

ROGER BERLINER
COUNCILMEMBER
DISTRICT 1

CHAIRMAN
TRANSPORTATION, INFRASTRUCTURE
ENERGY & ENVIRONMENT COMMITTEE

June 16, 2015

MEMORANDUM

To: Chairwoman Nancy Floreen
Council President George Leventhal
Councilmember Hans Riemer

From: Councilmember Roger Berliner

Re: Proposal to Create an "Office of Business Services"

Over recent months, we have discussed in great detail the need to streamline our county's workforce development programs and improve our economic development strategy. And we have had success in galvanizing the appropriate public and private stakeholders to agree that the best approach to achieve these goals is to create a new independent entity which would implement and oversee our collective efforts.

Currently, we have legislation (Bill 25-15) before us to create that new entity which I believe, at its core, will focus on attracting, recruiting, and retaining business here in Montgomery County. And I agree with that core mission wholeheartedly. However, we need to do what we can to ensure that essential services for our existing business community are also strengthened.

As drafted, some business services that do not fall into that core mission are assigned to go to various places within county government. That would leave substantial services without a unified place to call home. In a practical sense, this could impose an undue burden on our business community who rely on timely, easily accessible information and services as they go about their daily work. Our goal should be to not only strengthen our capacity to attract and retain businesses, but to strengthen our capacity to provide high quality services to our existing businesses.

I have met with representatives of many of our chambers of commerce to discuss this issue, and there was unanimous agreement that our business climate would be enhanced through creating an *Office of Business Services*. We see this simply as a service-providing entity whose mission would neither compete nor overlap with the new economic development entity. We agreed that six core functions should be included in this new Office, which would create a "one stop" location for businesses to turn to when they interface with county government:

The six functions that are proposed for including within the scope of this new *Office of Business Services* would be:

- 1) Development Ombudsman**
- 2) Small Business Navigator**
- 3) Business Training Services, including our Minority Business Empowerment Initiative**
- 4) Small Business Revolving Loans Program**
- 5) Special Business Projects**
- 6) Regulatory Compliance/Implementation**

Along with several of my colleagues, I have been pushing for years for a significant shift to our county's economic development approach – to make government more responsive, nimble, and adaptive to the ever changing regional and global economic landscape. We only get one chance to do this right and making sure we do right by our small to mid-sized businesses ought to be a priority.

I ask for your support of this approach and thank you in advance for your consideration.

cc: Councilmembers
Jacob Sesker
Steve Farber