

PHED Committee #1
March 31, 2014
Worksession

MEMORANDUM

March 26, 2014

TO: Planning, Housing and Economic Development Committee
FROM: Jacob Sesker, Senior Legislative Analyst 
SUBJECT: **Worksession:** ER 7-13 (FY14-FY15 Economic Development Strategic Plan)

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

In the summer of 2013, the Department of Economic Development transmitted a strategic plan for economic development. On November 14, 2013 the Executive submitted Executive Regulation 7-13 which, in accordance with the law, put the strategic planning document in the form of a regulation. DED presented the draft to the Planning, Housing, and Economic Development Committee on November 18, 2013.¹ **The regulation was submitted under Method 1, meaning that the Council can approve, reject, or take no action on the regulation.**

DED Director Silverman confirmed that this “interim” strategic plan is essentially a strategic plan for the activities of DED through the end of FY15. The FY16-19 strategic plan—to be produced in FY15—will address a broader set of economic development issues (e.g., infrastructure, tax structure, development review process, neighborhood redevelopment). The PHED Committee discussed this broader scope in November and was both supportive and mindful of the challenges.

In order to address a broader set of issues in the FY16-FY19 plan, DED will need to convene and manage a discussion involving stakeholders from other executive branch departments (General Services, Housing and Community Affairs, etc.) and from other economic development organizations (Montgomery Business Development Corporation, BioHealth Innovation, chambers of commerce, etc.). In addition, the already challenging task of drafting a document that includes performance measures (outputs and outcomes) for a set of activities that are programmed based on expected inputs/resources will be even more challenging when the planning process involves other departments and economic development organizations.

¹ The 11/18/13 packet contained Council Staff’s comments on the strategic plan document prepared by DED rather than ER 7-13 because the executive regulation had not been transmitted in time for Council Staff review. This packet, in contrast, deals exclusively with ER 7-13. Some issues raised by Staff in the first packet were resolved when the plan was translated into a regulation.

Recommendation

The Committee's options include recommending action to the full Council (approve or reject ER 7-13) or postponing action in order to resolve outstanding issues.

Assuming that the Committee would like to take action on ER 7-13, Staff recommends approval with modifications. If the Committee agrees with this recommendation, Staff will work with DED to ensure that a final draft of ER 7-13 (reflecting the changes outlined below) is transmitted prior to Council action.

Issues: FY14-15 strategic plan

Staff identified several issues that should be addressed before the Council approves the regulation. DED's responses to Staff's recommendations appear in italics. If the PHED Committee recommends approval of the regulation, DED will transmit a final version of ER 7-13 reflecting any changes prior to Council action.

1. COMCOR 20.73.01.04 and 20.73.01.05 (Economic Development Fund criteria and award process) should also be modified.

There is nothing in ER 7-13 that amends the existing regulation regarding the economic development award criteria and award process (COMCOR 20.73.01.03 and 20.73.01.04—see © 28-29). For example, there is nothing in the award criteria stating that the award must be consistent with a strategic plan.

DED agrees that the economic development fund regulation should be amended to reflect EDF's relationship to the strategic plan, and we are currently drafting an amendment. The amendment to the EDF regulation will be ready for publication in the County Register in the next 2-3 months.

ER 7-13 includes only two references to the Economic Development Fund.

- a) Section 4 (B)(2): Increase the activities of the EDF's existing Small Business Revolving Loan Fund.
- b) Section 4 (B)(3): Implementing DED's newly approved equity investing program.

Until the EDF regulation is amended and the full FY16-19 strategic plan is done, we are satisfied with these 2 references for the purposes of this interim strategy.

2. In the case of new initiatives and discreet/finite projects, ER 7-13 should be more specific about which organizations have primary responsibility, which resources will be used, and should establish deadlines and timelines.

A strategic plan should achieve a balance between flexibility and specificity. On the one hand, the strategic plan should be a flexible document that can adapt to changing circumstances and resources. On the other hand, the strategic plan should set specific and actionable expectations regarding the roles and responsibilities of players, identify resources for new initiatives, and establish deadlines or timelines for some deliverables.

New initiatives and discreet/finite projects that are not measurable over time should be more specific in terms of ‘who,’ ‘how’ and/or ‘when.’ Below are three examples that may need additional details:

- a) Section 4 (C)(1): Completing at least seven strategic industry profiles and action plans about Lifesciences, Cybersecurity, Health IT, Federal Contracting, General IT, Green/Clean Technology and Agriculture.² *DED will complete the strategic industry profiles and action plans by the end of 2Q of FY15. The industry action plans will connect to the broader strategic plan. For example, information gathered during our strategic account visits, CEO Roundtables, etc. will be fed into our industry profiles and plans. This continuous updating will make the FY16-19 Strategic Plan more relevant, it will help us use our resources more efficiently throughout the fiscal year and it will help us anticipate and plan for changes in our support services as our industries grow.*
- b) Section 4 (E)(8): Identifying a partner and funding for a national life sciences start-up competition. *Upon further consideration, and recognizing resource constraints, unless an opportunistic partner approaches DED during the next year, DED would like to remove this provision of the regulation and consider its inclusion in the full FY16-19 strategic plan.*
- c) Section 4 (F)(8): Developing and implementing a social media strategy by DED staff. *During 4Q of FY14, MBD will initiate the social media strategy that will be implemented during the 1Q of FY15. DED is currently reviewing proposals from consultants to assist with the strategy that will provide value to our followers, start conversations, initiate campaigns and tell the Montgomery County story in real-time.*

3. ER 7-13 should be specific about ‘who, how, and when’ (see above) but should not be specific about ‘why’.

- a) Section 4 (C)(2): Supporting the development of the County’s technology parks (e.g. Life Sciences Center, Montgomery College-Germantown), including advocating for the White Oak Science Gateway Master Plan that will speed the development of LifeSci Village in the East County (Site II).

This provision could be shortened without compromising any of the meaning if it just said: “Supporting the development of the County’s existing and planned technology parks.”

DED agrees with this change.

² Note: DED should consider enhancing the strategic industry profiles by analyzing cluster networks and supply chains, and should connect the strategic industry profiles to other specific tactics or strategies in the strategic plan (e.g., intelligence gathered from strategic account visits should be incorporated in the strategic industry profiles), but also should inform the next stage of the strategic planning process (e.g., development of the FY16-FY19 Strategic Plan, development of strategic plans for DED divisions, development of cluster/industry specific action plans).

4. ER 7-13 should be more specific about how DED intends to expand the LSBRP program to meet the procurement needs of local large businesses.

Since local large businesses would participate in the LSBRP program voluntarily, the strategic plan should specify the incentives/tools DED intends to utilize (for example, awards or other recognition for local large businesses that procure the most goods and services from local small businesses).

- a) Section 4 (D)(4): Increasing local business participation in the Local Small Business Reserve Program, increasing the value of procurements awarded through the program annually, and expanding the program to include MCPS, Montgomery College and local large business procurement needs.

DED believes that facilitating relationships between large buyers and local sellers is what is necessary to unlock the market's potential for small businesses' growth.

On the demand side, we have several large companies with local sourcing programs; however, their procurements generally favor physical products. We hear complaints from small professional services companies that it is nearly impossible to get contracts with large entities. With such a high concentration of professional services firms in the County, DED is committed to working with the large businesses to help facilitate their relationships with our high-quality professional service providers.

On the supply side, DED continues to market and outreach to non-registered LSBRP firms. As the markets open up through continued conversations and networking with the large companies and governmental entities, those success stories will lead to more participation in the program.

While large local businesses and entities are not subject to legal requirements to comply with a locally-sourced program, there are things that DED can do to make it easier to do business with local companies. In FY14/15 DED will:

- *Publicize the companies that have a locally-sourced program and find several examples of partners that are willing to step forward as examples of why this works.*
- *Work with large businesses to 1) identify the top barriers to local sourcing; 2) work with them to ameliorate those issues*
- *Explore technology-based approaches to helping streamline matching vendors with demand*
- *Each month the communications team will spotlight small businesses that have been awarded contracts through the LSBRP.*

5. ER 7-13 should include brokers and site selection professionals in the list of marketing targets.

- a) Section 4 (F)(4): Developing marketing materials relevant to DED's various clients, e.g. farmers markets, start-ups, developers, attraction prospects, global trade interests, etc.

This list of examples should include commercial real estate brokers and site selection professionals, both important target audiences for marketing materials.³

DED agrees with this change.

6. ER 7-13 should establish a timeline for identifying partners with whom to pilot a gift or loyalty card program.

Gift card/loyalty card programs can be effective complements to local marketing efforts related to local table food, crafts, and general retail. Identifying potential partners and planning a pilot program by the end of FY15 should be among the ways the County seeks to strengthen its marketing campaign.

With respect to non-agricultural gift and loyalty card programs, DED provided the following response:

Regarding non-agricultural gift card/loyalty programs: 1) please refer to the LSBRP question in terms of making a systemic change in how we buy things in our communities; and 2) while local governments don't generally initiate loyalty programs, we have partners who most definitely could. Chambers, BIDS and other grass-roots organizations are well-suited to initiate this type of program in their neighborhoods/business districts. DED is happy to discuss a micro-buy local initiative with any interested partners, and we would consider ways to assist their efforts in lieu of the government administering the program.

With respect to agricultural gift and loyalty card programs, DED provided the following response:

DED appreciates the gift card/loyalty program recommendation, but, when we consider the business models for many of our farmers growing table crops, we think there are some other ways to support our agricultural entrepreneurs.

The key to growing our farms is to open up new, large market channels for local table crops and farm products. By large markets we mean anchor institutions like hospitals, businesses, schools, etc. This is the reason we look forward to pursuing a public/private food hub, which, among other things, would aggregate and distribute products from small and mid-sized farmers to larger institutions. Until the food hub develops more fully, however, there are things that we can accomplish on a smaller scale. For example, during this year's Buy Local campaign, which occurs the last week of July, we will be working on two-tracks 1) healthier families and 2) healthier businesses. The first piece is getting families/individuals matched with local produce - either on farms, at farmer's markets, through CSAs, etc. But, the really exciting and transformative (and challenging) piece is the business side, in which we will have at least three institutions matched with local farmers who will provide at least a week's worth of products to the kitchens at these facilities. It may seem small, but it is a huge undertaking. We believe that by cultivating the relationships between the institutions and the farmers, institutions will not only begin to demand local food from their food service vendors and suppliers, but they

³ Note: DED should also consider a site selection audit by a reputable commercial broker or site selection professional as a way to identify marketing and attraction strategies.

will also negotiate more flexible contracts that will allow purchasing and supplying from our Ag Reserve. DED will announce more information during the next 4-6 weeks.

	<u>Circle #</u>
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Appendix 1: Background-Bill 14-12

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

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

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

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

Prior to the FY2014-2015 Strategic Plan (developed in response to Bill 14-12) the most recent strategic economic development plan was completed in 2008.⁴ An effective strategic planning process must be continuous and include frequent updating to reflect current needs and resources and to have the support of the organizations that must implement the plan. *For additional details about the recent history of economic development strategic planning in Montgomery County, see ©24-27 (from OLO Report 2013-2).*

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

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

Appendix 2: Strategic planning for economic development

1. Summary

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

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

A strategic plan may include more than one specific strategy, and the strategies included in the strategic plan might or might not be well-aligned with current programs or policies. A strategic plan draws upon research to identify the appropriate mix of strategies or tactics. Strategies selected should be those that are likely to be most effective in the specific community given that community's social and economic profile, rather than being merely best practices from other communities with different economic profiles or legal structures and fiscal constraints.

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

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

2. Theoretical Framework for Economic Development Strategic Planning

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

Economic development and its goals

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

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

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

Theories of economic development

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

- *Central place theory*: Central place theory attempts to explain the hierarchy of places, and addresses problems such as why larger population centers offer a larger variety of goods and services than do smaller population centers. In larger population centers, the economy is more specialized, and also produces goods and services more efficiently (due to the advantages of agglomeration and urbanization). Under central place theory, all small towns would have a convenience or grocery store, and some small towns would also have a barber or a veterinarian. However, most small towns do not have an estate lawyer or hobby shop. The larger the population center, the greater the variety. Central place theory can be a useful construct for identifying the economic/functional differences between central places and smaller places, and for understanding and explaining the economic hierarchy in a metro area or region in a way that can be understood (e.g., like a solar system).

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

Dominant models of economic development

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

- *Attraction model:* Attraction models of economic development practice tend to focus on incentives or subsidies to attract firms and outside investment, or subsidies or amenities to attract residents in certain socio-economic groups, e.g., “the creative class,” SINKs and DINKs (single-income no kids, double income no kids), etc. Attraction models are often criticized for transferring wealth from all taxpayers/residents to a small class of affluent individuals, landowners, developers, or industrialists.⁵
- *Community economic development model:* As an answer to the attraction model, community economic development tends to focus both on the process (more participatory and “small d” democratic) and on the results that increase the benefits to the community by leveraging the efforts of civic leaders, activist citizens and non-profits, as well as local philanthropies and the business community. In general, community economic development is more focused on poverty reduction and neighborhood self-sufficiency, and less focused on firm attraction.⁶
- *New markets model:* In the new markets model, economic development efforts should focus on areas that have experienced disinvestment that is out of proportion to the assets or location attributes of the community. Under this theory, communities should invest in areas that are economically depressed, but which could be dramatically changed by a catalytic investment by the public sector (think Silver Spring). While this model can be used to create significant social benefits in some redevelopments, the distinction between that gentrification and revitalization is often in the eyes of the beholder.⁷
- *Social capital building model:* Economic development can be facilitated when linkages between firms, individuals, and organizations improve local productivity. The linkages promote the flow of information and resources necessary to facilitate economic growth. However, the growth that results from applying the social capital building model results from more efficient utilization of internal inputs (building better, more productive relationships), rather than by attracting external inputs (outside investment, etc.).

Strategies for achieving economic development goals

Economic development organizations do not pick one strategy and stick with it—generally, a community that is planning and acting strategically will mix and match strategies to solve specific problems at specific times. The mix of strategies selected for implementation should

⁵ Attraction models are related to the following theories of economic development: location theory and growth pole theory.

⁶ Community economic development is heterodox, and is not a model associated with any of the economic development theories described above.

⁷ New markets models are related to the following theories of economic development: neoclassical economic theory, cumulative causation theory, and central place theory.

depend upon the socioeconomic base and development capacity of the specific community. Edward Blakely and Nancy Green Leigh (*Planning Local Economic Development: Theory and Practice*) suggest that economic development goals can be accomplished using four basic strategic options.

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

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

Resources:

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

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

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

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

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

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

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



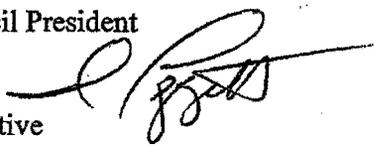
OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

November 14, 2013

TO: Nancy Navarro
County Council President

FROM: Isiah Leggett 
County Executive

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

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

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

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

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

Nancy Navarro, Council President
November 14, 2013
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Executive Regulation 7-13 proposes several additional performance measures, which will help to paint a clearer picture of where our economic development resources are focused, and, if necessary, how they should be reprogrammed or enhanced. The FY14-FY15 performance measures will be used as the basis for future analyses in FY16-FY19.

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

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

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

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

IL/pb

Attachments



MONTGOMERY COUNTY EXECUTIVE REGULATION

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

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

Montgomery County Regulation on:

FY14-FY15 Economic Development Strategic Plan

Department of Economic Development
Issued By: County Executive
Regulation Number: 7-13
COMCOR No. 20.76.01

Authority: Montgomery County Code, Section 20.76.01.01
Council Review: Method I Under Code Section 2A-15
Register Vol.30, Issue 10

Sunset Date: June 30, 2015
Effective Date:

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

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

STAFF CONTACT: Peter B. Bang
(240) 777-2008

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



MONTGOMERY COUNTY EXECUTIVE REGULATION

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

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

Section 1. AUTHORITY.

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

Section 2. DEFINITIONS.

BIN: Business Innovation Network

DED: Department of Economic Development

EDF: Economic Development Fund

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

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

LSBRP: Local Small Business Reserve Program

MCPS: Montgomery County Public Schools

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

SBTDC: Maryland Small Business & Technology Development Center

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

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

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



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

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

(A) THE COUNTY WILL RETAIN EXISTING BUSINESSES BY:

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

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

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



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

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

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



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

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

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



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- the County's small businesses, and increase the number of submissions by 25%, and the number of attendees by 20% from the FY13 levels of 62 nominations and 317 attendees.
- 7) Reaching out to the small business community through participation at local tradeshows, conferences, and other business events
 - 8) Resolving or identifying solutions for 75% of small business' issues brought to the Small Business Navigator within 30 days
 - 9) Increasing the number of people reached through DED and partner technical assistance events and training sessions
 - 10) Participating annually in 24 tradeshows, conferences, etc. with a DED booth on available services; add 500 names to the mailing list each year

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

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



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

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

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



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

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

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

Marketing & Business Development, Special Projects & Minority Business Empowerment

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

Business Innovation Network



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

Workforce

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

Agricultural Services

- Acres of land under easements inspected

Finance

- Number of EDF Transactions

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

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



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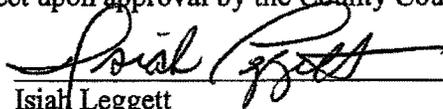
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- Number of companies based on licenses from local labs
- Number of unique visitors to the website each year

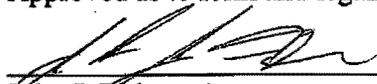
Section 6. EFFECTIVE DATE.

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



 Isiah Leggett
 County Executive

Approved as to form and legality:



 John J. Fisher
 Associate County Attorney

11/13/13

 Date

Fiscal Impact Statement

Executive Regulation 7-13

1. Legislative Summary.

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

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

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

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

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

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

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

Not applicable at this time.

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

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

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

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

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

Not applicable

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

Not available at this time.

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

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

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

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

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

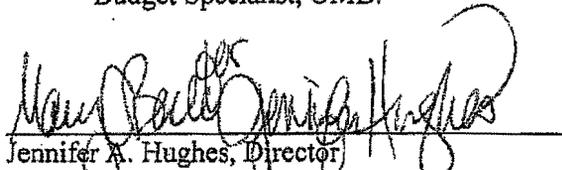
Not applicable

12. Other fiscal impacts or comments.

None at this time.

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

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



Jennifer A. Hughes, Director
Office of Management and Budget

9/23/13
Date

Department of Economic Development FY13 Dashboard

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

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

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

B. Economic Development Strategy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

²⁴ Ibid, p. 2.

²⁵ Ibid, p. 2-10

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

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

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

javascript:void(0)**20.73.02.02 Definition**

Private Employer - A for-profit corporation or a non-profit corporation or a firm engaged in a technology business or a building owner providing laboratory and/or research and development facility to a technology business.

Assistance - The commitment of money in the form of grant, loan, or loan guarantee to a private employer for the purpose of assisting the private employer's proposed venture to materialize.

20.73.02.03 Eligibility

- (a) Any private employer must be located in the County or plan to locate in the County.
- (b) A private employer's business' principal products or services must be sufficiently innovative to provide a competitive advantage in the marketplace.
- (c) A private employer must be able to show strong potential for repayment on the principal and the required interest on any County loan or loan guarantee.
- (d) A private employer must submit a comprehensive business plan that addresses the following:
 - 1) Characteristics and proprietary position of the product or services;
 - 2) Present and future markets for those products or services;
 - 3) Strategy for achieving and maintaining significant market penetration;
 - 4) Financial history (if applicable) and projections, including balance sheets, income statements and cash flow statements;
 - 5) The background, experience and financial commitment of the principal or principals and key management;
 - 6) Statement of the amount, timing and projected use of the County's assistance and any co-venture capital; and
 - 7) Statement of the projected growth in employment, or other positive economic impacts that the County's assistance will facilitate.
- (e) A private employer must enter into an agreement with the County providing for the repayment and/or performance of agreed conditions of any assistance, including interest, loaned, guaranteed, or granted to the private employer.

20.73.02.04 Funding Criteria

- (a) Priority will be given to assistance that will materially improve the County's economy and advance the County's economic development objectives and strategies.
- (b) Priority will be given to cases where the County's assistance will function as a catalyst in private employer's subsequent capitalization.
- (c) Priority will be given to cases where the private employer's expected business will create significant employment growth by creating new jobs within 3-5 years of funding.
- (d) Priority will be given to private employers whose business involves retrofitting biotech lab spaces that will directly benefit new and/or existing biotech businesses.
- (e) Priority may be given to a technology business that locates in the Maryland Technology Development Center, or receives financial assistance from the Maryland Challenge Investment Program or the Maryland Equity Investment Program.

20.73.02.05 Program Operations

- (a) Accounting
 - 1) The Director of the Department of Finance must establish a separate account in the Economic Development Fund to track all activities of the Technology Growth Program.

2) The Program account will consist of: (1) funds allocated to it by the County Council; (2) all repaid principal and interest earned from the Program's funding activities; and (3) all funds received from other public or private sources.

3) The County Executive must notify the County Council at least two working days (or five working days during a council recess) before making an offer of assistance valued at more than \$ 100,000, specifying the proposed nature of the assistance including the repayment provisions, The Council President, by notification to the County Executive, may request an additional two working days (or five working days during Council recess) for Council comments before the assistance is made to the private employer.

4) For each transaction, the Director of the Department of Economic Development and the County Attorney's Office will negotiate appropriate closing and security documents with the private employer requiring the recipient to repay the Program account along with the agreed rate of interest payment.

5) The County Executive must report to the County Council by March 15 of each year on the status and use of the Program, including the rate of return on account usage, employment growth and private capital leveraged.

(b) Administration

1) The Department of Economic Development is responsible for administering the Program including the decision to provide assistance to a private employer, determination of eligibility, analysis of the business plan, credit and background check, amount and form of assistance, structuring of the repayment terms, preparation of the necessary closing documents, and post-assistance monitoring.

2) On a case by case basis, a formal application and an application fee to recover the cost of analyzing the application/business plan will be required to receive assistance from the Program. However, the presentation of a written business plan is required before an in-depth review of the proposal can be undertaken by the Department of Economic Development.

3) The Department of Economic Development may, on a case by case basis, utilize the services of outside consultants in validating the feasibility of the business plan and the proposed technology, the cost of which may be passed onto the applicant if the request is ultimately funded.

4) The Department of Economic Development will conduct an analysis of potential economic/financial viability of applicant business.

5) The Director of the Department of Finance must, upon request from the Director of the Department of Economic Development, fund eligible projects with monies from the Economic Development Fund designated for the Program.

20.73.02.06 Clarification