

MEMORANDUM

May 19, 2015

TO: County Council

FROM: Robert H. Drummer, Senior Legislative Attorney



SUBJECT: **Action:** Expedited Bill 16-15, Economic Development Fund – Strategic Plan - Amendments

Expedited Bill 16-15, Economic Development Fund – Strategic Plan – Amendments. The Lead Sponsor is Councilmember Leventhal, and was introduced on April 14, 2015. A public hearing was held on May 5.

Background

Bill 16-15 would change the due date for the County Executive's strategic plan for economic development from July 1, 2015 to October 1, 2015. The change would allow for additional stakeholder input and coordination with other current Executive Branch initiatives. The County Executive recently announced a proposal to privatize some of the functions currently performed by the Department of Economic Development. This announcement followed a separate initiative to consider a reorganization of the County's workforce development service delivery system. Delaying the due date for the strategic plan would create an opportunity for strategic plan participants (representing community and business interests) to review any implementing legislation to be proposed by the Executive related to the privatization or reorganization of economic development functions currently performed by County government. Delaying the due date also provides opportunity for the County Executive to coordinate the three efforts prior to transmittal of the strategic plan to the County Council.

Public Hearing

Nicola Whiteman, speaking on behalf of the Apartment and Office Building Association of Metropolitan Washington, supported the Bill to give the Executive more time to submit an economic development strategic plan that includes reducing the fuel-energy tax. ©9-12.

Discussion

The Executive recently proposed to privatize some of the work performed by the Department of Economic Development. It is reasonable to delay the submission of a strategic plan for economic development to permit the consideration of the Executive's proposal. **Council staff recommendation:** approve the Bill as introduced.

Since this Bill did not go to Committee, it would require a motion at Council for action.

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Expedited Bill No. 16-15
Concerning: Economic Development
Fund – Strategic Plan - Amendments
Revised: [date] Draft No. [#]
Introduced: April 14, 2015
Expires: October 14, 2016
Enacted: [date]
Executive: [date signed]
Effective: [date takes effect]
Sunset Date: None
Ch. [#], Laws of Mont. Co. [year]

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Councilmember Leventhal

AN EXPEDITED ACT to:

- (1) extend the time for the Executive to submit an economic development strategic plan for the County to the Council;
- (2) generally amend the law governing the economic development strategic plan.

By amending

Montgomery County Code
Chapter 20, Finance
Section 20-76

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:

LEGISLATIVE REQUEST REPORT

Expedited Bill 16-15

Economic Development Fund – Strategic Plan - Amendments

DESCRIPTION:	Bill 16-15 would change the due date for the County Executive's strategic plan for economic development from July 1, 2015 to October 1, 2015.
PROBLEM:	The change would allow for additional stakeholder input and coordination with other current Executive Branch initiatives. The County Executive announced this spring that he is considering privatization of all or some of the functions currently performed by the Department of Economic Development. This announcement followed a separate initiative to consider a reorganization of the County's workforce development service delivery system. Delaying the due date for the strategic plan would create an opportunity for strategic plan participants (representing community and business interests) to review any implementing legislation to be proposed by the Executive related to the privatization or reorganization of economic development functions currently performed by County government. Delaying the due date also provides opportunity for the County Executive to coordinate the three efforts prior to transmittal of the strategic plan to the County Council.
GOALS AND OBJECTIVES:	Create a better strategic plan for economic development.
COORDINATION:	DED, CAO
FISCAL IMPACT:	To be provided
ECONOMIC IMPACT:	To be provided
EVALUATION:	n/a
EXPERIENCE ELSEWHERE:	n/a
SOURCE OF INFORMATION:	Jacob Sesker, Senior Legislative Analyst, Robert H. Drummer, Senior Legislative Attorney
APPLICATION WITHIN MUNICIPALITIES:	n/a
PENALTIES:	n/a



ROCKVILLE, MARYLAND

MEMORANDUM

May 4, 2015

TO: George Leventhal, President, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget *JAH*
Joseph F. Beach, Director, Department of Finance *JFB*

SUBJECT: FEIS for Bill 16-15, Economic Development Fund - Strategic Plan --
Amendments

Please find attached the fiscal and economic impact statements for the above-referenced legislation.

JAH:fz

cc: Bonnie Kirkland, Assistant Chief Administrative Officer
Lisa Austin, Offices of the County Executive
Joy Nurmí, Special Assistant to the County Executive
Patrick Lacefield, Director, Public Information Office
Joseph F. Beach, Director, Department of Finance
Uma Ahluwalia, Director, Department of Human Health Service
David Platt, Department of Finance
Pofen Salem, Office of Management and Budget
Alex Espinosa, Office of Management and Budget
Naeem Mia, Office of Management and Budget

Fiscal Impact Statement
Bill 16-15,
Economic Development Fund - Strategic Plan Amendments

1. Legislative Summary

Bill 16-15 would amend the Bill 14-12, signed into a law on 12/20/2012, and change the due date for the County Executive's strategic plan for economic development from July 1, 2015 to on or before October 1, 2015.

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 changes to the due date of the strategic plan do not have a fiscal impact on revenues or expenditures.

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

See #2 above.

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

Not applicable.

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

Not applicable. The bill does not require future spending.

6. An estimate of the staff time needed to implement the regulation.

There would be no impact on staff time by extending the strategic plan due date from July 1 to October 1.

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 applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable. The bill only changes the required due date of the original Bill 14-12.

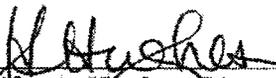
12. Other fiscal impacts or comments.

None.

13. The following contributed to and concurred with this analysis (enter name and dept.)

Peter Bang, Chief Operating Officer, Department of Economic Development

Pofen Salem, Management and Budget Specialist, OMB



Jennifer A. Hughes, Director
Office of Management and Budget

5/4/15
Date

Economic Impact Statement
Bill 16-15, Economic Development Fund – Strategic Plan – Amendments

Background:

This legislation would change the due date for the County Executive's strategic plan for economic development from July 1, 2015 to October 1, 2015. The change would allow for additional stakeholder input and coordination with other current Executive Branch initiatives. The County Executive announced this spring that he is considering privatization of all or some of the functions currently performed by the Department of Economic Development. This announcement followed a separate initiative to consider a reorganization of the County's workforce development service delivery system. Delaying the due date for the strategic plan would create an opportunity for strategic plan participants (representing community and business interests) to review any implementing legislation to be proposed by the Executive related to the privatization or reorganization of economic development functions currently performed by County government. Delaying the due date also provides opportunity for the County Executive to coordinate the three efforts prior to transmittal of the strategic plan to the County Council.

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

Assumptions are as follows:

- 1) The time delay for the submission of the strategic plan is a three-month delay from July 1, 2015 to October 1, 2015 and the time will be used to enhance the proposal coming from the County Executive for the operations and management structure of the Montgomery County economic development function.
- 2) The existing Department of Economic Development staff and associated funded programs will continue during this three-month delay time period to promote economic development for Montgomery County.

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

Uncertainty about the future economic development opportunities available within the County does impact business decisions about locating and/or expanding within the County. However, as this three-month delay is intended to help improve the business attraction and retention climate within the County, it is anticipated that new and existing businesses will still make decisions to locate or expand within the County without regard to this uncertainty.

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

It is anticipated that reorganization and/or privatization of all or some of the functions currently performed by the Department of Economic Development will enhance economic development efforts in Montgomery County. However, as existing economic development efforts will continue in place until changes are implemented, the County is not expected to suffer any negative effects on employment, spending, savings, investment, incomes, and property values from the minor three-month delay in release of

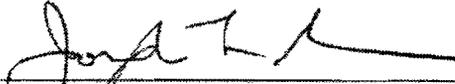
Economic Impact Statement
Bill 16-15, Economic Development Fund – Strategic Plan – Amendments

the new strategic plan. In fact, by obtaining input from the community and business interests, it is expected that the final strategic plan will provide more effective recommendations for the future path of economic development efforts in the County.

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

See response number 3.

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



Joseph F. Beach, Director
Department of Finance

4-30-15

Date



TESTIMONY ON

“RESOLUTION TO AMEND FUEL/ENERGY TAX RATES”

BILL 16-15 “ECONOMIC DEVELOPMENT FUND-STRATEGIC PLAN - AMENDMENTS”

AND

BILL 8-15, “TAXATION - DEVELOPMENT IMPACT TAX - EXEMPTIONS”

**Nicola Y Whiteman, Esq.
Senior Vice President of Government Affairs
Apartment and Office Building Association of
Metropolitan Washington**

May 5, 2015

Good afternoon President Leventhal and members of the Council. I am Nicola Whiteman, Senior Vice President of Government Affairs for the Apartment and Office Building Association of Metropolitan Washington (AOBA), a non-profit trade association whose members are owners and managers of more than 112,000 apartment units and over 33 million square feet of office space in suburban Maryland, including over 24 million square feet of office space and more than 57,000 apartment units in Montgomery County.

I. Resolution to Amend Fuel/Energy Tax Rates

AOBA is pleased to testify in support of the resolution to amend the County's energy tax rates. It is an important first step towards remedying a tax disproportionately placed on the County's businesses by virtue of rates that have the commercial/nonresidential sector paying 68% of the total revenue take. Understanding the effect of this tax on the County necessitates a better understanding of who bears the burden of this tax. So who does ultimately pay this exorbitant tax? Residents in apartment communities and commercial tenants. Notably, commercial tenants paying the tax include restaurants, retail stores, medical offices, dry cleaners and other local, large and small businesses which contribute to the vibrancy of the County's neighborhoods and economy and the diversification of the tax and revenue base. Commercial office tenants can pay \$8,000 to \$15,000 a month. For multifamily properties, the energy tax results in rent pressures for those building where utilities are included in the rent.

The disparity in the amount paid by the nonresidential sector is unsustainable yet the energy tax is one which the county has increasingly turned to an unseemly degree to as a revenue source, allowing it to become its third largest tax source. AOBA cautions that the County's otherwise robust business attraction and retention efforts continue to be undermined by forcing

businesses to shoulder the County's staggering energy tax.¹ Forcing the very businesses that are the engine of economic activity and growth and source of a diverse commercial tax base to bear a disproportionate share of the costs associated with the tax also does nothing to dispel the "perception of Montgomery County as business-unfriendly."

AOBA commends the Council for its leadership in proposing to amend the energy tax rates. However, it is important to note that the County's five-year FY 2015-2020 plan proposes no change whatsoever to the energy tax.² Thus, it is necessary that the Council question the purported rationale for the energy tax as a "broad-based revenue source that includes federal institutions based in the County who otherwise pay no taxes in exchange for County services." AOBA urges the Council to require an audit of energy tax revenues to determine who in fact is paying in order to make an informed decision as to whether the pain being inflicted on businesses and adverse impact of maintaining the energy tax on economic development is worth the unspecified revenues obtained from federal institutions.

II. Bill 16-15 Economic Development Fund - Strategic Plan – Amendments

While the Code does not reference the energy tax specifically, the additional time for the Executive to submit his economic development strategic plan provides an opportunity to discuss remedying a tax policy clearly at odds with the County's stated economic and business development goals. Given the current economic climate, it is important that the County develop

¹Notably, the County Executive proposed a sunset provision in 2010 because the proposed increase would have "*significant impact ... on County residents and businesses.*" April 14, 2014 Memorandum from Council Administrator Farber to the Council.

²The County's FY15-20 fiscal plan assumes the energy tax "will continue for the entire ... period and will not be unsettled or reduced." See Overview of FY 15 Operating Budget, page 4, Stephen Barber, Council Administrator, April 4, 2014.

cohesive policies that will enhance its competitive position in the region.³ Doing so begins with an analysis of how the County's tax structure, especially the energy tax, hinders economic development and efforts to increase and diversify the commercial tax base.

III. Bill 8-15 Taxation - Development Impact Tax – Exemptions

The legislation proposes to exempt the market-rate rental dwelling units in any development which consists of at least 25% affordable housing units from the transportation and school development impact taxes. AOBA supports this measure which will enhance the County's efforts to provide a continuum of housing that matches the diversity of choices and needs in the rental housing market. Initiatives such as B8-16 promote healthy competition in the rental market by increasing the supply of rental units, particularly affordable units and keeping prices down.

Thank you again for considering the views and interests of AOBA members.

³Note, for example, that many jurisdictions in the region, including the County, are experiencing or projected to experience double-digit vacancy rates as Federal and private sector tenants continue to significantly reduce their leasing requirements. See for example, Montgomery County's vacancy rates: (1) Class A office vacancy rate is 15%; Class B rate is 15.7%. See January 23, 2015 Memorandum re: Public Hearing-Spending Affordability Guidelines for the FY 16 Operating Budget, page 3.