

# Economic Impact Statement

Office of Legislative Oversight

## BILL 10-21

## Economic Development – Economic Development Strategic Plan – Economic Development Corporation – Duties

### SUMMARY

The Office of Legislative Oversight (OLO) anticipates that by shifting responsibility for drafting the Economic Development Strategic Plan from the County Executive to the Montgomery County Economic Development Corporation (MCEDC), Bill 10-21 will have a positive, long-term impact on economic conditions in the County. However, this impact depends on the implementation of future Plans by County and private partners.

### BACKGROUND

#### *Bill Description*

Currently, the Executive is responsible for drafting the County’s Economic Development Strategic Plan (hereinafter “the Plan”), and the Montgomery County Economic Development Corporation (MCEDC) is responsible for its implementation. The goal of Bill 10-21 is to consolidate the drafting and implementation of the Plan within MCEDC. To this end, the bill would make the following changes to the process for developing the Plan:

- MCEDC must submit a draft of the Plan to the Executive and Council, beginning no later than July 1, 2021 and each fourth year thereafter;
- the Executive must submit to Council any recommended revisions to the draft Plan beginning no later than September 1, 2021; and
- the Council must hold a public hearing on the draft Plan and adopt the Plan by resolution beginning on December 1, 2021 and each fourth year thereafter.

In addition to these process-level changes, Bill 10-21 would also establish several content requirements for the Economic Development Strategic Plan. First, the plan “should include ... input from partner agencies and organizations, such as the Planning Board and the County’s Workforce Development Organization.” Second, the Plan “should be consistent with the Council’s Economic Development Platform approved by Resolution No. 19-300.” See **Table 1** below. Third, the plan “must include metrics to assess the County and its partners’ ability to address relevant economic development measures including:

- (1) creation of jobs;
- (2) growing wages;
- (3) identifying and supporting strategic industries;
- (4) retention and attraction of new companies and employers;
- (5) growing the tax base;
- (6) supporting and increasing entrepreneurial activity; and
- (7) other actions necessary to promote economic development in the County.”

Moreover, Bill 10-21 would require MCEDC to provide two-year updates to the Economic Development Strategic Plan. MCEDC must submit amendments to the approved Plan based on new information since the plan’s adoption by Council,

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beginning no later than July 1, 2021 and every fourth year thereafter. According to the bill, “[t]he Executive may comment and the Council may approve, after holding a public hearing, an amended Economic Development Strategic Plan.”<sup>1</sup>

**Table 1: Economic Development Platform for Montgomery County**

<b>Desired Outcomes</b>	<ol style="list-style-type: none"> <li>1. thriving and diversified economy</li> <li>2. racial equity and social justice</li> <li>3. greater innovation</li> <li>4. environmental sustainability</li> </ol>	
<b>Economic Development Pillars</b>	<p><b>HOUSING:</b> The Council will strive to meet the housing targets recommended by the Metropolitan Washington Council of Governments, with emphasis on construction of housing that is affordable in the County's activity centers.</p>	<p><b>TRANSPORTATION:</b> The Council will prioritize funding to 1) increase ridership in non-automobile transportation modes; 2) activate the County's economic centers; and 3) enhance current road systems to decrease commute times.</p>
	<p><b>WORKFORCE DEVELOPMENT:</b> The Council will expand the workforce development delivery structure to meet the needs of the County's businesses and residents across the entire workforce development continuum.</p>	<p><b>BUSINESS DEVELOPMENT:</b> The Council will invest in opportunities to 1) decrease the cost of doing business in the County; 2) promote the County's businesses and business climate; 3) facilitate the attraction and retention of strategic industries; and 4) expand entrepreneurial programs and services to create new businesses.</p>

Source: Resolution 19-300, Economic Development Platform for Montgomery County, Adopted on November 19, 2019.

### Peer Jurisdictions

For context on the role played by Economic Development Corporations (EDCs) in the development of economic strategic plans, OLO examined the processes in the District of Columbia and in Arlington and Fairfax Counties in Virginia. (Prince George’s County and other surrounding jurisdictions were excluded due to time constraints.)

Like the District of Columbia, Montgomery County currently has an executive-led process for developing the economic strategic plan. Consistent with their local government structures,<sup>2</sup> Arlington and Fairfax Counties have a legislature-led approach. In both Virginia counties, a Commission appointed by the Board of Supervisors leads the process for developing the plan.

<sup>1</sup> Montgomery County Council, Bill 10-21, Economic Development – Economic Development Strategic Plan – Economic Development Corporation – Duties, Introduced on March 2, 2021, Montgomery County, Maryland. See Introduction Staff Report, [https://apps.montgomerycountymd.gov/ccllms/DownloadFilePage?FileName=2701\\_1\\_14253\\_Bill\\_10-2021\\_Introduction\\_20210302.pdf](https://apps.montgomerycountymd.gov/ccllms/DownloadFilePage?FileName=2701_1_14253_Bill_10-2021_Introduction_20210302.pdf).

<sup>2</sup> Unlike Montgomery County, Fairfax and Arlington Counties do not have elected executives. Instead, their Boards of Supervisors appoint a County Manager to perform executive functions.

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**Table 2. Peer Jurisdiction Comparison of Economic Strategic Plans**

Jurisdiction	Strategic Plan	Lead Organization	EDC	EDC Role	Progress Updates
Arlington	<a href="#">Framework for Prosperity 2.0</a> (2018)	Economic Development Commission (appointed by Board of Supervisors)	None	N/A	Annual progress updates reported to the County Board by the Economic Development Commission and to the County Manager by the Department of Economic Development
DC	<a href="#">DC's Economic Strategy</a> (2017)	Office of the Deputy Mayor for Planning and Economic Development	Washington DC Economic Partnership	<ul style="list-style-type: none"> <li>Stakeholder in developing plan</li> <li>Part of core strategy team</li> <li>Responsible for implementing specific initiatives</li> </ul>	Progress updates reported on <a href="http://DCEconomicstrategy.com">DCEconomicstrategy.com</a>
Fairfax	<a href="#">Strategic Plan for Economic Success</a> (2015)	Economic Advisory Commission (appointed by Board of Supervisors)	Fairfax County Economic Development Authority	<ul style="list-style-type: none"> <li>Stakeholder in developing plan</li> <li>Responsible for implementing specific goals</li> </ul>	Annual progress updates by Department of Economic Initiatives published on <a href="http://Fairfaxcounty.gov">Fairfaxcounty.gov</a>
Montgomery	<a href="#">Countywide Economic Strategy</a> (2016)	Office of the County Executive	MCEDC	<ul style="list-style-type: none"> <li>Responsible for implementing specific goals</li> </ul>	None

Sources: Interviews with personnel in peer jurisdictions; and peer jurisdictions' strategic plans and other sources available on County/District websites.

Enacting Bill 10-21 would differentiate Montgomery County from its peers by assigning its EDC as the lead in the development of the Plan. As shown in **Table 2**, the role of the EDCs in the District of Columbia and Fairfax County is best described as a stakeholder, among many stakeholders, in the development of their respective economic strategic plans and in the implementation of specific goals/initiatives. (Arlington County does not have an EDC.) In the case of the District of Columbia, the Washington DC Economic Partnership (WDCEP) was also a member of the core strategy team established by the Office of the Deputy Mayor for Planning and Economic Development. This team was responsible for creating economic strategies and identifying key priorities.<sup>3</sup>

<sup>3</sup> See Appendix A: Methodology in *DC's Economic Strategy*, 93, [http://dceconomicstrategy.com/wp-content/uploads/2017/03/Econ-Strategy\\_Full-Report-for-Distribution\\_03.07.17-1-1.pdf](http://dceconomicstrategy.com/wp-content/uploads/2017/03/Econ-Strategy_Full-Report-for-Distribution_03.07.17-1-1.pdf).

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While shifting lead responsibility for drafting the Plan to MCEDC would make Montgomery County different from its peer jurisdictions, accountability in the drafting process would function similarly to Northern Virginia jurisdictions. Entities whose Board of Directors are appointed and confirmed by elected officials are responsible for leading the drafting of the economic strategy plans, and formal adoption of the plan lies with legislatures.<sup>4</sup>

It is also worth noting two additional differences between Montgomery County and its peer jurisdictions.

**Difficult to Find Online Access:** On October 18, 2016, the Council approved the Executive’s Countywide Economic Strategy (CES) in Executive-Regulation 10-16.<sup>5</sup> The CES “condenses the key components” of the longer and more detailed report, *A Plan for Economic Prosperity*.<sup>6</sup> The CES is available in the Montgomery County Code, Section 20-76.<sup>7</sup> OLO could only find an online copy of the full report enclosed in a Planning, Housing, Economic Development (PHED) Committee worksession report.<sup>8</sup> In contrast to Montgomery County, the economic strategic plans for peer jurisdictions are much more easily accessible. The District of Columbia has a separate, detailed, and user-friendly website dedicated for its strategic plan and Fairfax County has a page on Fairfaxcounty.gov devoted to the Economic Success Plan.

**Absence of Progress Updates:** In addition to the four economic development goals, the full report identified a total of thirty-three implementation strategies, along with action items and metrics, intended to advance and measure progress on these overarching goals. The time horizon for implementation of the CES was set for three to five years—2019 to 2021. OLO learned that there have been no formal updates on the County’s progress in fulfilling the CES strategies or action items outlined to achieve the overarching goals. The closest analog to a formal update appears to be the *Economic Indicators for Montgomery County and Surrounding Jurisdictions* reports that OLO has been required to produce annually as an analysis of the impact of the County minimum wage.<sup>9</sup>

In contrast to Montgomery County, the peer jurisdictions reviewed here include formal progress updates into their economic strategic plan processes. Fairfax County’s progress annual updates are noteworthy. They include an “Action Tracker” that highlights County activities for each action item in the economic strategic plan and designates a status to each goal and action. The status designations for actions range from:

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<sup>4</sup> According to Montgomery County Code, Sec. 15A-3. Board of Directions, “To qualify as the Montgomery County Economic Development Corporation, the Corporation’s Board of Directors must have 11 voting members appointed by the County Executive and confirmed by the County Council. The County Executive should appoint a member of the Workforce Development Board as one of the members of the Corporation’s Board of Directors. The Corporation’s Board of Directors must also include one officio non-voting member appointed by the County Executive; and one non-voting member appointed by the County Council; and should have one non-voting member appointed by the Maryland Secretary of Commerce.” See link [https://codelibrary.amlegal.com/codes/montgomerycounty/latest/montgomeryco\\_md/0-0-0-109092](https://codelibrary.amlegal.com/codes/montgomerycounty/latest/montgomeryco_md/0-0-0-109092).

<sup>5</sup> Montgomery County Council, Approval of Executive Regulation I 0-16, Montgomery County Comprehensive Economic Strategy, Introduced and Adopted on October 18, 2016, [https://apps.montgomerycountymd.gov/ccllms/DownloadFilePage?FileName=8380\\_1\\_5185\\_Resolution\\_18-625\\_Adopted\\_20161018.pdf](https://apps.montgomerycountymd.gov/ccllms/DownloadFilePage?FileName=8380_1_5185_Resolution_18-625_Adopted_20161018.pdf).

<sup>6</sup> Howard, Craig to Planning, Housing, and Economic Development Committee, Memorandum, October 6, 2016, “Worksession - Executive Regulation 10-16, Comprehensive Economic Strategy,” [https://www.montgomerycountymd.gov/council/Resources/Files/agenda/cm/2016/161010/20161010\\_PHED1.pdf](https://www.montgomerycountymd.gov/council/Resources/Files/agenda/cm/2016/161010/20161010_PHED1.pdf).

<sup>7</sup> See link [https://codelibrary.amlegal.com/codes/montgomerycounty/latest/montgomeryco\\_md/0-0-0-9350](https://codelibrary.amlegal.com/codes/montgomerycounty/latest/montgomeryco_md/0-0-0-9350).

<sup>8</sup> Howard, Craig to Planning, Housing, and Economic Development Committee, Memorandum.

<sup>9</sup> Richards, Sue and Victoria Hall, *Economic Indicators for Montgomery County and Surrounding Jurisdictions*, January 15 2019, Office of Legislative Oversight, <https://www.montgomerycountymd.gov/OLO/Resources/Files/2019%20Reports/OLOReport2019-1.pdf>; and Montgomery County Council, Bill 28-17, Human Rights and Civil Liberties - County Minimum Wage - Amount - Annual Adjustment, Effective July 1, 2018, Montgomery County, Maryland, [https://apps.montgomerycountymd.gov/ccllms/DownloadFilePage?FileName=1454\\_1\\_612\\_Bill\\_28-17\\_Signed\\_20171115.pdf](https://apps.montgomerycountymd.gov/ccllms/DownloadFilePage?FileName=1454_1_612_Bill_28-17_Signed_20171115.pdf).

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- **“FAIRFAX FUNDAMENTAL:** This action is fully incorporated in county business
- **CLEAR PATH FORWARD:** Action is underway and there is forward movement for full incorporation
- **MODERATE PROGRESS:** There have been some impediments to full forward movement due to regulatory, resource, time, or other issues
- **LIMITED ACTION:** Outside forces or resource constraints have made movement challenging.”

According to the 2019 update, twenty-seven percent of Fairfax County’s economic strategic plan actions have been fully incorporated into County business.<sup>10</sup>

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## METHODOLOGIES, ASSUMPTIONS, AND UNCERTAINTIES

Shifting responsibility for drafting the County’s Economic Development Strategic Plan from the County Executive to MCEDC will not directly impact economic conditions in the County. However, doing so has the potential to have indirect and long-term economic impacts. These impacts depend on the *implementation* of the Plan by County and private partners, as manifest in changes to partner programming, County budget and policy decisions, private investment, and other behavioral outcomes. Put differently, Bill 10-21’s economic impacts would be mediated through partner actions.

It is important to stress the importance of implementation. An impact evaluation of the County’s 2016 CES was beyond the scope of this analysis.<sup>11</sup> Nevertheless, OLO encountered no documented evidence of robust implementation (i.e., partner actions that would not have occurred in the absence of developing and codifying the CES) because current law does not require periodic assessments. In this way, Montgomery County appears to stand apart from the District of Columbia and Fairfax and Arlington Counties. In addition to reviewing formal progress updates, OLO spoke with personnel in these jurisdictions who attested to the meaningful implementation of the respective economic strategic plans.

The primary analytical challenge in forecasting the indirect impacts of enacting Bill 10-21 is determining the conditions that affect the likelihood of partner implementation of future Plans, as well as the quality of the Plans. For information on this issue, OLO relied on the following sources:

- interviews with personnel involved in the development and/or implementation of economic strategic plans in the District of Columbia and Arlington and Fairfax Counties;
- interviews with Montgomery County personnel;
- economic strategic plans and progress updates (see Table 2 above); and
- PHED committee worksession reports on the CES.

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<sup>10</sup> Department of Economic Initiatives, *Fairfax County Economic Success Strategic Plan: 2019 Update*, <https://www.fairfaxcounty.gov/economic-success/sites/economic-success/files/assets/documents/pdf/economic-success-2019-report.pdf>.

<sup>11</sup> For a description of impact evaluations, see American.edu, “What is Impact Evaluation?,” <https://programs.online.american.edu/online-graduate-certificates/project-monitoring/resources/what-is-impact-evaluation>.

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### VARIABLES

Based on these information sources, several factors were identified as important for content quality and implementation of future County Economic Development Strategic Plans. These factors constitute the variables that would likely affect the indirect and long-term impacts of enacting Bill 10-21:

- broad and deep engagement of stakeholders in the process of developing the Plan;
- collective ownership of the Plan by key partners, particularly the Executive, Council, and business partners;
- public legitimacy (i.e., popular acceptance of the Plan's potential to satisfy community needs);
- goals, strategies, and tactics that both reflect and would be effective given local socio-economic conditions and levels of current/expected resources;<sup>12</sup>
- formal assessments of progress implementation; and
- ability to adapt the content and implementation of the Plan in response to current/expected challenges.

As discussed below, enacting Bill 10-21 would also have *direct* impacts on MCEDC. The following variables would affect these impacts:

- personnel and financial resources required to complete the Plan given current time and fiscal constrains; and
- number of tasks outsourced by MCEDC.

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### IMPACTS

WORKFORCE ▪ TAXATION POLICY ▪ PROPERTY VALUES ▪ INCOMES ▪ OPERATING COSTS ▪ PRIVATE SECTOR CAPITAL INVESTMENT ▪ ECONOMIC DEVELOPMENT ▪ COMPETITIVENESS

#### Businesses, Non-Profits, Other Private Organization

##### *Indirect Impacts*

OLO believes that enacting Bill 10-21 would result in a high-quality Plan, with a potentially higher likelihood of meaningful implementation than the 2016 CES. This judgement is based on the following reasons:

- **Subject-Matter Expertise:** MCEDC personnel should have the subject-matter expertise on economic development and knowledge of local socio-economic conditions to identify effective strategies and tactics. MCEDC's knowledge assets should also ensure that the Plan adapts to unfolding economic conditions.
- **Business Engagement:** Given its portfolio of programs and initiatives, MCEDC will be well positioned to engage a broad spectrum of private organizations operating in the County in the development of the Plan. However, it should be emphasized that the personnel from other jurisdictions OLO interviewed all emphasized the importance of engaging stakeholders outside of industry to ensure that the Plan will have sufficient public legitimacy to forestall implementation barriers.

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<sup>12</sup> That is, the goals, strategies and tactics should not merely copy "practices from other communities with different economic profiles or legal structures and fiscal constraints." Sesker, Jacob to Planning, Housing and Economic Development Committee, Memorandum, March 26, 2014, "Worksession: ER 7-13 (FY14-FY15 Economic Development Strategic Plan)," [https://www.montgomerycountymd.gov/council/resources/files/agenda/cm/2014/140331/20140331\\_PHED1.pdf](https://www.montgomerycountymd.gov/council/resources/files/agenda/cm/2014/140331/20140331_PHED1.pdf). For more on poor benchmarking practices, see Jeffrey Pfeffer and Robert I. Sutton, *Hard Facts, Dangerous Half-Truths & Total Nonsense: Profiting from Evidence-Based Management* (Harvard Bus. School Press 2006).

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If the Plan drafted by the MCEDC is meaningfully implemented, the Bill 10-21 would likely have positive, yet indirect, impacts on economic development, competitiveness, and other indicators prioritized by Council.<sup>13</sup> However, it is impossible for OLO to determine the likelihood or magnitude of these indirect effects.

### **Direct Impacts**

Enacting Bill 10-21 will directly impact MCEDC. Developing economic strategic plans are extensive endeavors due to stakeholder engagement, analysis of local conditions, drafting, and other required tasks. Importantly, these tasks would be ongoing for MCEDC, as it would be responsible for drafting a Plan or update every two years. Assigning drafting duties to MCEDC would have budgetary impacts (e.g., holding stakeholder events, outsourcing certain tasks to third-party vendors, hiring staff). It should be noted that these budgetary impacts are not accounted for in Bill 10-21.

### **Residents**

OLO believes that Bill 10-21 would have no direct economic impacts on County residents in terms of the Council's priority indicators. However, for reasons previously discussed, the bill may result in indirect (and incalculable) impacts on residents in terms of some of these indicators.

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## **DISCUSSION ITEMS**

(1) Based on peer jurisdiction practices, Councilmembers may want to consider whether there should be routine assessments of the implementation of the County's Economic Development Strategy Plan and, if so, what agency/partner should be responsible for performing the assessment.

(2) Given the time-consuming nature of drafting economic strategic plans, Councilmembers may also want to consider whether the July 1, 2021 deadline for the draft Plan provides MCEDC with enough time to produce a high-quality document that, both, reflects best practices and currently changing public health and economic conditions.

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## **WORKS CITED**

American.edu. "What is Impact Evaluation?"

*Arlington's Framework for Prosperity 2.0: Advancing a Dynamic Economic*. November 2017.

*DC's Economic Strategy*. Strategy Report. March 2017.

Howard, Craig to Planning, Housing, and Economic Development Committee. Memorandum. October 6, 2016. "Worksession - Executive Regulation 10-16, Comprehensive Economic Strategy."

Department of Economic Initiatives. *Fairfax County Economic Success Strategic Plan: 2019 Update*.

Montgomery County Code, Sec. 2-81B. Economic Impact Statements.

Montgomery County Code. Sec. 15A-3. Board of Directions.

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<sup>13</sup> For the Council's priority indicators, see Montgomery County Code, Sec. 2-81B. Economic Impact Statements, [https://codelibrary.amlegal.com/codes/montgomerycounty/latest/montgomeryco\\_md/0-0-0-80894](https://codelibrary.amlegal.com/codes/montgomerycounty/latest/montgomeryco_md/0-0-0-80894).

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*The Fairfax County Board of Supervisors’ Strategic Plan to Facilitate the Economic Success of Fairfax County*. 2016.

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## CAVEATS

Two caveats to the economic analysis performed here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to *inform* the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO’s endorsement of, or objection to, the bill under consideration.

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## CONTRIBUTIONS

Stephen Roblin (OLO) prepared this report.