

Economic Impact Statement

Montgomery County, Maryland

Expedited Bill 26-23

Special Capital Improvements Projects – White Flint Fire Station 23

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that enacting Expedited Bill 26-23 would have a moderate to large positive impact on economic conditions in the County in terms of the Council’s priority economic indicators. By authorizing the White Flint Fire Station 23 project as a “Special Capital Improvements Project,” the Bill would authorize the construction of a new five bay Fire and Rescue Station in the Rockville/White Flint area and the purchase of associated apparatus estimated at \$38,227,000 for planning, design, and construction costs. Certain local businesses and residents would benefit from County contracts for the planning, design, and construction of the White Flint Fire Station 23 project. The magnitude of the economic impacts largely would depend on the extent to which County-based businesses and workers would be involved in the project.

OLO notes that this analysis does not account for the opportunity costs of (a) alternative uses of the funds allocated to this project in the Capital Improvement Project (CIP) should the Council reject the Bill or (b) using future tax revenues to pay the principal and interest of the G.O. bonds funding the project.

BACKGROUND AND PURPOSE OF EXPEDITED BILL 26-23

The purpose of Expedited Bill 26-23 is to authorize a capital improvement project whose locally funded cost will exceed \$24,196,000 in FY24 dollars. The Bill would allow for a new Fire and Rescue station in the Rockville/White Flint area to be built, along with the purchase of associated apparatus, such as personnel living quarters and meeting/training rooms. Space has been added to co-locate a future Police Substation at the fire station. Under County law, the County Council must authorize “Special Capital Improvements Projects” if their local costs exceed a given threshold, which is set at \$24,196,000 in FY24 dollars.¹

It is estimated that the locally funded cost of this project will total \$38,227,000 for the FY24 Capital Budget and Amended FY23-28 Capital Improvements Program for planning, design, and construction costs. Since the anticipated cost of the project exceeds the FY24 local funding threshold, the Executive needs the Council’s authorization through legislation to continue the project. The Council introduced Expedited Bill 26-23, Special Capital Improvements Projects – White Flint Fire Station 23, on behalf of the County Executive on May 25, 2023.²

¹ [Introduction Staff Report for Expedited Bill 26-23](#).

² Ibid.

INFORMATION SOURCES, METHODOLOGIES, AND ASSUMPTIONS

Per Section 2-81B of the Montgomery County Code, the purpose of this Economic Impact Statement is to assess, both, the impacts of Expedited Bill 26-23 on residents and private organizations in terms of the Council's priority economic indicators and whether the Bill would have a net positive or negative impact on overall economic conditions in the County.³

By authorizing the special appropriation for the White Flint Fire Station 23 project as part of the CIP, Expedited Bill 26-23 would authorize the County to fund the project through General Obligation (G.O.) bonds.⁴ This analysis assesses the economic impacts to County businesses and residents of the project.

Because OLO does not know how the foregone County revenues would otherwise be used in the absence of enacting the Bill, this analysis does not account for the economic impacts of alternative uses of the funds allocated to the project in the CIP should the Council reject the Bill. Nor does OLO consider the economic opportunity cost of the foregone County revenues used to pay the principal and interest of the G.O. bonds upon their maturation.

VARIABLES

The primary variable that would affect the economic impacts of enacting Expedited Bill 26-23 is the following:

- percentage of County-based businesses and workers involved in the project.

IMPACTS

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

Businesses, Non-Profits, Other Private Organizations

OLO believes that Expedited Bill 26-23 would have a positive economic impact on local businesses involved in the White Flint Fire Station 23 project.

Depending on how funds are spent in the project, the County's Local Small Business Reserve Program (LSBRP) may require the County to award 25 percent of their procurements for goods, services, and construction to registered and certified local small businesses.⁵ If LSBRP applies, local businesses could receive approximately \$9 million in contracts over the course of the project at 25 percent of total expenditures. Because most of the expenditures (approximately \$30 million or 80%) would go towards construction and planning, design, and supervision, many of these businesses likely would fall within these (sub)industry categories. Local businesses involved in the projects would likely experience income gains.

³ Montgomery County Code, [Sec. 2-81B](#).

⁴ [White Flint Fire Station 23 \(P451502\)](#).

⁵ Montgomery County Code, [Sec. 11B-66](#).

Table 1. Expenditure Schedule (\$000s)⁶

Planning, Design, and Supervision	\$6,024	16%
Land	\$2,943	8%
Site Improvements and Utilities	\$3,351	9%
Construction	\$24,113	63%
Other	\$1,796	5%
Total Expenditures	\$38,227	100%

Expenditures in these areas would generate a “multiplier effect,” that is, how changes in economic activity affect other rounds of spending, and how additional spending impacts certain economic indicators.⁷ To illustrate, constructing the new fire station would likely entail increased income to workers involved in the project. Increased income would in turn increase demand for local goods and services.

Data and time constraints prevent OLO from estimating the multiplier effect of the White Flint Fire State 23 project using the “Bill-of-Goods” method.⁸ This method requires a great deal of information unavailable to OLO—for example, knowing the specific inputs that would be used in the planning, design, and construction of the fire station and local industries involved in the supply of goods and services required to complete the project. However, it is worth noting that the magnitude of the multiplier effect would depend significantly on the extent to which County-based businesses and workers would be involved in the project.

Residents

OLO anticipates that Expedited Bill 26-23 22 would have positive impacts on certain residents in the County in terms of the Council’s priority economic indicators. The positive impacts largely depend on the extent to which the contractors rely on resident labor.

Beyond this potential impact, OLO does not expect the Bill to affect residents in terms of the Council’s other priority indicators.

Net Impact

OLO anticipates that Expedited Bill 26-23 would have a moderate to large positive impact on economic conditions in the County in terms of the Council’s priority economic indicators. As described above, certain local businesses and residents would benefit from County contracts for the planning, design, and construction of the White Flint Fire Station 23 project. The magnitude would largely depend on the extent to which County-based businesses and workers would be involved in the project.

⁶ [White Flint Fire Station 23 \(P451502\)](#).

⁷ U.S. Bureau of Economic Analysis, [RIMS II](#).

⁸ Ibid.

DISCUSSION ITEMS

Not applicable

WORKS CITED

Montgomery County Code. [Sec. 2-81B, Economic Impact Statements](#).

Montgomery County Code, [Sec. 11B-66, Local Small Business Reserve Program](#).

Montgomery County Council. [Introduction Staff Report for Expedited Bill 26-23, Special Capital Improvements Project – White Flint Fire Station 23](#). Montgomery County Council. Introduced on May 25, 2023.

U.S. Bureau of Economic Analysis. [*RIMS II: An Essential Tool for Regional Developers and Planners*](#). December 2013.
[White Flint Fire Station 23 \(P451502\)](#).

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.

AUTHOR

Stephen Roblin (OLO) prepared this report.