

**MEMORANDUM**

January 31, 2019

TO: Planning, Housing, and Economic Development (PHED) Committee

FROM: Gene Smith, Legislative Analyst 

SUBJECT: Briefing/Discussion – Small-scale Manufacturing<sup>1</sup>

PURPOSE: Briefing followed by open discussion

**Those expected for this briefing and discussion:**

Ilana Preuss, Founder and CEO, Recast City, LLC

Tina Benjamin, Special Projects Manager, Office of the County Executive (CEX)

Judy Stephenson, Small Business Navigator, CEX

Chris Anderson, Community Development Division Chief, Dept. of Housing and Community Affairs

Sarah Miller, Vice President of Strategy, Montgomery County Economic Development Corporation

Laura Shipman, Senior Planner, Montgomery County Planning Department (Planning)

Rick Liu, Economic and Development Specialist, Planning

The PHED Committee will receive a briefing from Ms. Preuss of Recast City on a memorandum about small-scale manufacturing in the County (see ©1-13). **The information was produced at the request of then-Council President Riemer to understand better the small-scale manufacturing sector and its needs in the County.** Following the briefing, the committee will have open discussion with Ms. Preuss and staff from multiple agencies about ways to cultivate this sector's growth.

The following questions were formulated by the listed attendees as ones that the committee could explore during today's discussion:

- The Recast City memorandum lists several challenges for small-scale manufacturers in the County. Are there additional barriers or challenges that the committee should consider, and do these barriers or challenges differ based on the types of small-scale manufacturers?
- What type of assistance or services to small-scale manufactures most often require?

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<sup>1</sup> Key Words: #SmallManufacturing, economic development, entrepreneurship, makerspace

- Land use or lease costs is a major factor for where a small-scale manufacturing business can operate. What areas in the County are ideal for locating this type of business?
- What areas of the County already see small-scale manufacturers growing and succeeding? How does the County support and enhance these successes?

Related to land use decisions, Planning staff provided the following information to Council staff as background for this discussion:

*The Planning Department Research & Special Projects Division completed two Countywide studies in recent years pertinent to small-scale manufacturing: the Industrial Land Use Study (2013), and the County Retail Strategy (2017).<sup>2</sup> These studies highlighted the importance of maintaining our industrial assets and noted the increasing blurring of lines between industrial and retail uses, which could signal a promising future for entertainment uses, artisans, and small scale business production. The Planning Department kept these principles in mind during two recently completed Sector Plans that included sizeable, distinctive industrial areas. Both areas are home to a rich tapestry of light industrial uses, including several activities that would be considered small-scale manufacturing.*

- 1) ***The Greater Lyttonsville Sector Plan***, completed in 2017, examined ways to leverage two future Purple Line stations, as well as address needs and enhance amenities in a West Silver Spring community. The Plan area includes a vibrant, active industrial district along Brookville Road and Linden Lane. The Planning Department understood this area to be an economic asset and preserved most of the industrial zoning as well as “encourage[ed] Artisan Manufacturing on-site and provide for small business incubator spaces.” (page 89).
- 2) ***The White Flint II Sector Plan***, adopted and approved in 2018, included a large industrial presence in the Parklawn South district (properties adjacent to the CSX rail tracks). Its 90 acres of industrial land also offer cost effective, smaller industrial spaces, near an active commercial business district with excellent transit and highway access. Overall, the plan preserved most of the industrial zoning, while recommending an overlay zone on a portion that would permit new development so long as its existing industrial space is retained or replaced.

*The Planning Department recognizes the value of industrial areas in general, which is reflected in our Sector Plans. We consistently strive to achieve the right balance between preservation and renewal, recognizing the scarcity of commercially zoned land and opportunities brought about by being near transit infrastructure.*

This packet contains:

Recast City Memorandum to Mr. Riemer

Circle #

1

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<sup>2</sup> [http://www.montgomeryplanning.org/research/documents/industrial\\_land\\_use\\_trends\\_final\\_10-18-13.pdf](http://www.montgomeryplanning.org/research/documents/industrial_land_use_trends_final_10-18-13.pdf) & [https://montgomeryplanning.org/wp-content/uploads/2017/10/Retail\\_Trends\\_Study\\_Final10.12.17.pdf](https://montgomeryplanning.org/wp-content/uploads/2017/10/Retail_Trends_Study_Final10.12.17.pdf)

Recast City

# The Benefits of Small-Scale Manufacturing

Montgomery County, MD

February 2018





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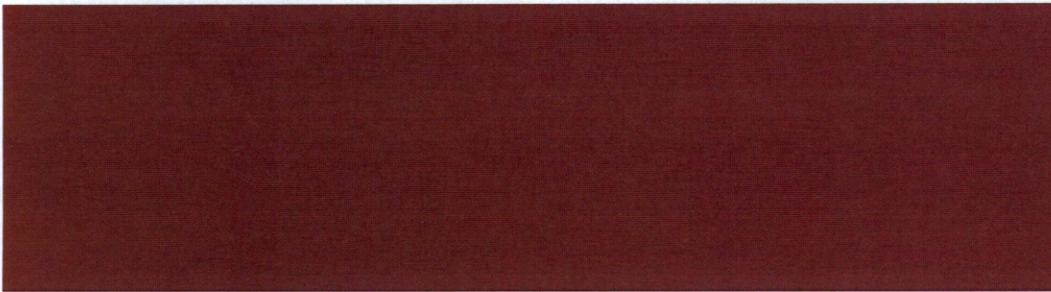
## MEMORANDUM

To: Council President Hans Riemer  
Montgomery County, MD

From: Ilana Preuss  
Recast City LLC

Re: Benefits of Small-Scale Manufacturing in Montgomery County, MD

Date: February 7, 2018



## INTRODUCTION

The Montgomery County Council and Council President Hans Riemer requested that Recast City, LLC conduct a select set of interviews with local small-scale manufacturers, county staff and community leaders to begin to understand the small-scale production business sector and its needs. This memo is a summary of those interviews, and a list of initial steps for the county to consider in its efforts to build a strong and diverse local economy.

*Recast City is a national consulting firm that works with real estate developers, city/county and other civic leaders to integrate manufacturing space for small-scale producers into redevelopment projects and place-based economic development. Recast City works with business leaders to understand the local small-scale manufacturing sector, discover the potential to enhance real estate development and tap into state and federal resources for support. The firm works with real estate developers to integrate small-scale manufacturing businesses into new and rehab products to increase a project's value and draw people to the target neighborhood. The firm works with local elected officials and municipal leaders to identify key assets in the local community, build goals and implement tactics to create vibrant and sustainable economic growth.*

The goals of the project include:

- Define small-scale manufacturing in Montgomery County and articulate a typology of businesses,
- Outline the economic benefits of small-scale manufacturing,
- Begin to understand the challenges these businesses face in our county and the existing assets available to them, and,
- Identify some actions that the county can take to support this sector.

Recast City conducted one-on-one interviews in order to gain detailed insights from each person engaged in the process—both county leaders and business owners. The interviews were conducted between October 2017 and January 2018. Recast City met with the following elected officials, county staff and community leaders:



- Councilmember George Leventhal,
- Councilmember Nancy Floreen,
- Clarence Snuggs and Chris Anderson, Department of Housing and Community Affairs,
- Casey Anderson, Caroline McCarthy and Miti Figueredo, Montgomery County Park and Planning Commission,
- Sarah Miller and Christy Blake, Montgomery County Economic Development Corporation,
- Judy Stephenson, Montgomery County Office of the County Executive,
- Keith Miller, Montgomery County Revenue Authority,
- Oswaldo Acosta, Latino Economic Development Corporation, and
- Sarah Bodley, Empower Women International.

Recast City also conducted a series of interviews with small-scale manufacturing businesses in the county, ranging from single person businesses to those with over 100 employees.

The intent of the interviews is to provide the Montgomery County Council with an initial sense of the sector. These interviews are by no means a comprehensive look at these types of businesses and their needs, but should serve as a guide to start a discussion about how to retain, recruit and champion these small businesses in our county.

## ECONOMIC BENEFITS TO MONTGOMERY COUNTY

Small-scale manufacturing exists in Montgomery County, but it sustains itself mostly under the radar of county agency support and elected officials. These local businesses are a great opportunity to brand the county as a home for entrepreneurs. They also serve a key role as an accessible way for households to build personal wealth—whether the county resident has been here for generations or is new to the country.

### Small-scale production businesses:

This refers to all types of small businesses producing tangible goods. This includes businesses producing goods in textile, hardware, wood, metal, electronics, and 3D printing. This also includes consumer product design and prototyping, film production, breweries, distilleries, & food production.



These businesses provide a number of economic benefits to the county, including:

1. **Fill vacant storefronts.** Some older commercial areas of the county are struggling with retail vacancies and need to diversify the types of tenants in neighborhood retail centers. Small-scale producers can be the first businesses to move into a retail area with significant vacancies because their revenues are diversified from online sales. These businesses also help to attract foot traffic as pedestrians want to come and see items made through the storefront window.
2. **Attract more entrepreneurs to the county.** One of the county's top objectives for economic development is to attract more entrepreneurs. Small producers are entrepreneurs and help to create a brand of creative opportunity in the county that draws other business creators to the area. These businesses can showcase a local culture that welcomes new business owners and creative enterprises, and populate target locations with a "cool factor" that attracts more investment.
3. **Build an inclusive business owner community.** Montgomery County's population is 55 percent people of color or other non-white populations, and 33 percent foreign-born. Small-scale manufacturing businesses can help to build a diverse community of business owners and help more county households build their personal wealth. For instance, Etsy's recent seller survey shows that most of their business owners are women who are bringing in revenue as a second or third income for their household.
4. **Keep good paying jobs within the neighborhoods.** People are more likely to be employed when good jobs are close by. Small production businesses can locate within neighborhood commercial areas and retain local jobs for the residents. Additionally, these jobs pay 50 to 100 percent more than service or retail jobs. This factor is key so that more households can earn enough to afford housing in the county.
5. **Create a resilient small business community.** Montgomery County's small business community is heavily dependent on retail and service businesses. Small-scale manufacturing businesses add a key third local business type that draws revenue from outside of the region, and often internationally, through online sales. These businesses can help to build a more resilient local economy.

## TYOLOGY OF SMALL-SCALE MANUFACTURING

The businesses interviewed for the initial analysis represent a cross-section of small-scale manufacturing based in the county.

### Artisan/Maker Business

Businesses with one to five employees that predominantly make a product by hand or using small tools. Creates minimal noise and serves as a key option for retail space.



### Scaling Production Business

Businesses with five to twenty employees with capacity and interest to scale. These businesses may use larger tools and more technology in their production process. They may sell to other businesses or directly to consumers. They may also serve as a key option to diversify retail tenants, pending their product and process, or as a buffer between residential and heavier industrial uses.



### Distributed Production Businesses

Businesses from five to fifty employees that produce prototypes onsite, and may conduct or contract small-batch production offsite. This business may own multiple production sites in the region or may work with a distributed network of contract small producers throughout the region or country.

Recast City interviewed Montgomery County businesses of each type to provide an illustration of their work. All of these businesses are full-time and are all interested in staying in Montgomery County and growing.

## ARTISAN / MAKER BUSINESSES



Chez Kevito

**Chez Kevito** is a sole proprietor clothing business that both designs and produces clothing using African textiles. The business sells the products at an artisan shop in Takoma Park and online through Etsy.

**Felicette** is a sole proprietor business that creates custom stamps for individuals and corporations. The business designs and produces the stamps using design software and a laser cutter. Sales are predominantly at holiday markets throughout the East Coast and on Etsy.

## SCALING PRODUCER

**Jumbie Industries** is a scaling business with five employees that uses an industrial laser cutter and a metal and wood shop to produce items for other businesses. Their products include items like branded etched products for a corporation and large-scale wood and metal build-outs for local restaurants. They predominantly provide services to businesses within the region but are increasingly pulling in clients nationally.

**Vacarro's Desserts** is a fourth generation packaged food producer with six employees that supplies cannoli and cream filling throughout the East Coast. This business is pioneering new ways to package and distribute their product and is interested in expanding their dessert line.



Jumbie Industries

## DISTRIBUTED PRODUCTION MODEL



Xometry

**Daphne Olive Jewelry** is a local jewelry designer who contracts nationally for production services. This production business is also the co-owner of two local retail stores, Tabletop. The jewelry business predominantly sells wholesale to other stores and distributes nationally.

**Xometry** is a local 3D printing, metal tooling and laser cut business that is also a technology company. This business has scaled rapidly to 100 employees—half in production and half in software. The technology portion creates an online system for on-demand manufacturing and sub-contracts out most of the production to a distributed network of businesses throughout the country.

## **SMALL-SCALE MANUFACTURING TODAY IN THE COUNTY**

Individuals interviewed reflected on the county assets and challenges for this business type. The following summarizes their feedback.

### **COUNTY ASSETS**

- A number of organizations provide entrepreneurial training to help residents launch new businesses. This includes, but is not limited to, Montgomery College, Latino Economic Development Corporation (LEDC), Empower Women International (EWI) and the Crossroads Community Food Network Micro-enterprise training.
- The County has a Small Business Portal that connects business owners quickly to key county resources and the Maryland Small Business Development Center.
- Some businesses are building off of existing technical skills in the region. For instance, Xometry bought equipment and hired skilled labor from a local business that closed right when they launched.
- The county is home to a significant number of wealthy residents who buy luxury items with higher profit margins for producers of consumer goods.
- The region hosts many holiday markets to connect local artisans directly with consumers.
- Artisan manufacturing land use is defined and allowed in the CRT zone.
- As of a 2013 study, most industrial businesses had 5-18 employees. This is a great growth opportunity for the county.
- The county has a high quality of life and attracts many people to the area.

## COUNTY CHALLENGES

- The county has limited workforce availability of skilled laborers who know how to use technology. For instance, Xometry has master machinists who cannot be replaced. There is no clear information about the size of this gap across the sector.
- Industrial property lease rates are rising for locations close to DC and transit, and space is very limited in supply. A number of businesses mentioned that they do not know where they will grow because of the increase in cost.
- There is no clear program in county services or partner organizations to support businesses that want to scale.
- The existing business development services and entrepreneurial programs are not widely known.
- Small-scale production businesses do not have any message from the county that they are wanted. They feel like they are “going it alone” and do not have any explicit support, unless they are a technology business.
- There is no clear path for food entrepreneurs who want to scale. The county does not promote or provide any detailed information about commercial shared kitchens.
- There are limited finance and loan options for micro-enterprises who want to scale. LEDC provides micro-loans from \$500-\$500,000, but no other small business loan source was identified during this initial analysis.
- Housing costs are high.



## POTENTIAL NEXT STEPS

Based on the interviews, research conducted using existing county studies and best practices from other communities, a number of next steps should be considered. These recommendations are a starting point and should not be considered a comprehensive strategy for small producer business development in the county.



## PROPERTY AND LAND USE

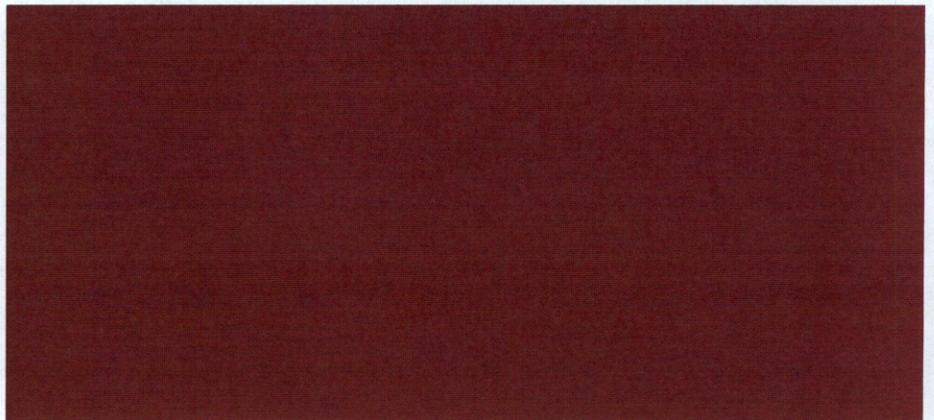
- Preserve existing industrial land use and structures with a specific focus on properties closer to transit and all industrial properties inside the Beltway. This includes the need to prevent non-industrial uses from locating in industrial areas, such as hotel, office and retail, unless they are an accessory use.
- Approve artisan manufacturing and production as a limited use in the General and Neighborhood Retail Zones, per the county retail study recommendation. Areas such as Indianapolis, IN, and Nashville, TN adopted similar uses into their commercial zones. Somerville, MA adopted a [Fabrication District](#) that allows both artisan manufacturing and a mix of residential and light industrial uses within the designated neighborhood.
- Consider establishing Industrial Districts with coordinating capacity like the existing Urban Districts in the county. This can be based on the [National Main Street](#) model that organizes property owners and businesses to invest in economic vitality and diversity, building and streetscape design, neighborhood promotion, and organization.
- Match small-scale production entrepreneurs with leasable space - both retail and industrial. SFMade matches businesses and property owners through their [Place to Make program](#). Consider incentives to provide funding for some portion of the lease when small-scale manufacturing businesses expand in commercial or industrial areas and add middle-income jobs.
- Target maker/artisan businesses to locate in Urban Districts and neighborhood centers with vacancies. Direct appropriate small-scale producers to locations that help to buffer residential uses from louder industrial uses.

## INCUBATE AND INCENT

- Provide, and promote widely, information on commercial shared kitchens in the county, including their locations and pricing. Ensure the information is provided both online and through county partners such as LEDC.
- Invest in incubator space for small-scale producers so they can get focused support and mentorship. This may be focused on entrepreneurs launching new businesses or on those scaling production businesses. Additional research is needed to identify the target audience.
- Review existing county business incentive criteria and include addition of middle-income jobs by a business to the scoring and project review process.
- Consider creating a micro-investment fund for scaling small-scale production businesses that 1) add middle-income jobs to the county and 2) commit to staying within the county for at least five years. The [Lowell Development & Financial Corporation](#), a partnership of local banks in Lowell, MA, provides low-cost loans to businesses that commit to opening in the downtown or that receive a recommendation out of a local small business accelerator.
- Consider an investment fund that targets entrepreneurs with businesses to scale who are women, people of color and/or immigrants.

## PROMOTE AND TRAIN

- Convene a small-scale manufacturing advisory council or working group to lead outreach on developing a complete list of small-scale manufacturing businesses in the county and to get their input on existing county business policies. The mayor of Knoxville, TN launched a [Makers' Council](#) two years ago to identify and organize the local production business community. This council provides feedback to the mayor on policy and organizes outreach to the target sector, including a [website](#), newsletter and annual conference.
- Identify and promote all entrepreneurial training programs in the county. Invest to create a business scaling training program for small production businesses and other entrepreneurs. The scaling program could be based on the SBA [e200 program](#) or supported by existing business accelerator programs in the region.
- Brand and promote county small-scale producers widely on and offline and convene these business owners so they can network and partner with each other.



## APPENDIX A

### SOURCES

1. Recast City interviews October 2017 to January 2018

2. Industrial Land Use Study 2013

[http://www.montgomeryplanning.org/research/documents/industrial\\_land\\_use\\_trends\\_final\\_10-18-13.pdf](http://www.montgomeryplanning.org/research/documents/industrial_land_use_trends_final_10-18-13.pdf)

3. Montgomery County Business Portal

<http://www.montgomerycountymd.gov/Biz-Resources/index.html>

4. Montgomery County Retail Strategy Q3 2017

[http://montgomeryplanning.org/wp-content/uploads/2017/10/Retail\\_Trends\\_Study\\_Final10.12.17.pdf](http://montgomeryplanning.org/wp-content/uploads/2017/10/Retail_Trends_Study_Final10.12.17.pdf)

5. 2016 Excellence in Business Services Survey, Montgomery County, MD

6. *Discovering Your Maker Economy*, National League of Cities, 2017. <http://www.nlc.org/resource/discovering-your-citys-maker-economy>

7. *MADE in Place: Small-scale manufacturing and neighborhood revitalization*, Smart Growth America, 2017.

<https://smartgrowthamerica.org/app/uploads/2017/11/made-in-place-small-scale-manufacturing-neighborhood-revitalization.pdf>

## APPENDIX B

### RECAST CITY—WHO WE ARE

Recast City is a national consulting firm that works with real estate developers, city, county and other civic leaders, and business owners to integrate manufacturing space for small-scale producers into redevelopment projects. We build the startup community for small manufacturers and makers in the city - across industries of textiles, electronics, wood, metal and other materials.

*Recast City brings together small-scale manufacturers and community developers to strengthen our neighborhoods, build value in our real estate, and create more job opportunities for residents.*

We help landowners, developers, and city leaders understand this growing business sector and how to incorporate it into real estate products. We help maker industry entrepreneurs and small manufacturing business owners get the support and exposure they need. And we help communities create more good paying jobs for our local residents.

#### WHAT WE DO:

##### Reinvent Manufacturing

Local producers and maker industries are a young and growing asset to strengthen local economic development. **Recast City** researches the local small-scale manufacturing sector, identifies its business needs to unlock expansive growth, conducts feasibility analyses for new facilities, works with workforce development leaders to build a strong pipeline for jobs, and explores state and federal resources to support this sector.

##### Reposition Real Estate

Small-scale manufacturing and maker industries can reposition real estate for changing market demand by attracting a vibrant audience to a new product. **Recast City** works with real estate developers and other city leaders to identify market demand for small manufacturing spaces in new and rehab products, examines how to integrate this building use into larger mixed use projects, and develops a strategy to increase a project's value by drawing a new audience to the target project.

##### Revitalize Downtown

City redevelopment is key for local economic success. Land owners, developers, and other city leaders need to get ahead of the demand for dynamic places to live and work in the heart of downtown while also creating opportunities for long-time residents. **Recast City** helps cities and other civic leaders harness changing local demand with unique outreach and engagement tools to build stronger local economies that include current and new businesses.

## Make Great Places

Build communities where  
small-scale manufacturing businesses thrive