M E M O R A N D U M

March 15, 2019

TO: County Council

FROM: Gene Smith, Legislative Analyst

SUBJECT: Discussion – Leveraging the County's economic assets for business growth[1]

PURPOSE: Discussion with Montgomery County Economic Development Corporation

Those expected for this discussion:
David Petr, CEO and President, Montgomery County Economic Development Corporation (MCEDC)
Bill Tompkins, COO, MCEDC
Stacey Hardy, Vice President of Operations, MCEDC
Sarah Miller, Vice President of Strategy, MCEDC

The Council President requested that Council staff work with MCEDC to provide an update about the County's economic assets and leveraging those assets to grow the County's economy. Today's discussion will focus on MCEDC's efforts to leverage the County's assets as the County's Economic Development Corporation.

Summary of proposed discussion topics

The Council should discuss with MCEDC how it will continue its prospecting pipeline and about its results from attending SXSW, including how many project leads were generated. See page 8 for details.

The Council should discuss with MCEDC how it leverages the County's investments in specific areas, like Wheaton, to grow the County's businesses. See page 9 for details.

The Council should discuss with MCEDC how to leverage the County's assets to assist small businesses, whether MCEDC provides those opportunities or not. See page 9 for details.

The Council should discuss with MCEDC how it identifies special projects and how it plans to support additional ones. See page 9 for details.

The Council should discuss with MCEDC how it is continues to address these challenges and balance the input from a diverse set of stakeholders. See page 9 for details.

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[1] Key Words: #EconomicDevelopment; MCEDC; economy; growing businesses

I. Background

A. The County's economy

There are numerous metrics to define or measure the County's economy. The table below provides a series of common economic data points for the County and for other local jurisdictions. Following that table is a comparison of the covered jobs for: 1) 2008, the pre-recession high; 2) 2010, the post-recession low, generally; and 3) 2018 current employment. In addition, the table details the changes in jobs from 2018 to 2010 (low) and 2018 to 2008 (high).

Common Economic Data Points for 2018

County	Resident Jobs	Covered Jobs	Unemployment Rate	GDP (2015 $)	Office Vacancy[†]
Arlington, VA	148,689	177,708	2.0%	38,277,598	17.4%
Baltimore Co.	436,400	376,390	4.2%	49,403,216	Unavailable
D.C.	382,140	769,916	5.6%	125,434,630	11.2%
Fairfax, VA	622,667	610,840	2.5%	100,218,990	15.8%
Howard	178,244	171,153	3.2%	23,643,566	Unavailable
Montgomery	543,410	469,907	3.2%	91,701,930	11.9%
Prince George's	487,710	318,716	4.3%	38,782,144	14.0%

Source: Bureau of Economic Analysis (BEA), Bureau of Labor Statistics (BLS), and CoStar; Resident Jobs is employment by location of residence; Covered Jobs is at-place employment.
† The County's CoStar license does not include the Baltimore region; vacancy rate is current (March 2019).

Changes to Covered Jobs Before and After Recession

County	2008	2010	2018	2010-2018	% Dif.	2008-2018	% Dif.
Arlington, VA	156,333	162,679	177,708	15,029	9.2%	21,375	13.7%
Baltimore Co.	375,321	360,873	376,390	15,517	4.3%	1,069	2.8%
D.C.	685,069	693,274	769,916	76,642	11.1%	84,847	12.4%
Fairfax, VA	585,727	573,551	610,840	37,289	6.5%	25,113	4.3%
Howard	148,289	146,125	171,153	25,028	17.1%	22,864	15.4%
Montgomery	457,736	441,887	469,907	28,020	6.3%	12,171	2.7%
Prince George's	313,443	299,093	318,716	19,623	6.6%	5,273	1.7%

Source: BLS, covered jobs.

The next series of tables focus on the County and the makeup of its economy. The first table on the following page details covered employment based on ownership type (i.e., public or private). For the County, the private sector experienced the greatest decrease in covered jobs during the recession. **Though the private sector has regained all the lost jobs from the recession, the overall increase is a modest 0.7% when compared to the pre-recession jobs in 2008.**

The County's Covered Jobs by Ownership Type

Type	2008	2010	2018	2010-2018	% Dif.	2008-2018	% Dif.
Federal	41,542	45,071	47,679	2,608	5.8%	6,137	14.8%
State	1,079	1,199	1,257	58	4.8%	178	16.5%
Local	37,966	37,139	41,056	3,917	10.5%	3,090	8.1%
Private	377,149	358,479	379,915	21,436	6.0%	2,766	0.7%

Source: BLS, covered jobs by ownership type.

The table below details the County's private-sector economy by the economic sectors of the North American Industry Classification System (NAICS).[2] The current BLS data series is 2017 for these economic sectors, not 2018 like the tables above. The sectors that experienced the largest growth following the recession were Health Care, Food Services, and Professional Services based on the pre-recession total jobs. The sectors that experienced the greatest decline were Construction, Finance, and Information.

The County's Covered Private Jobs by Economic Sector

Econ. Sector	2008	2010	2017	2010-2017	% Dif.	2008-2017	% Dif.
Admin. Serv.	31,290	30,451	32,305	1,854	6.10%	1,015	3.20%
Agriculture	496	429	267	-162	-37.80%	-229	-46.20%
Arts/Entertainment	7,256	6,780	8,370	1,590	23.50%	1,114	15.40%
Construction	28,540	22,212	23,496	1,284	5.80%	-5,044	-17.70%
Educational Serv.	9,121	8,762	10,352	1,590	18.10%	1,231	13.50%
Finance	21,949	19,996	17,216	-2,780	-13.90%	-4,733	-21.60%
Food Serv.	30,941	30,107	35,545	5,438	18.10%	4,604	14.90%
Health Care	51,323	54,482	63,237	8,755	16.10%	11,914	23.20%
Information	14,335	12,819	11,086	-1,733	-13.50%	-3,249	-22.70%
Manufacturing	14,456	12,392	12,641	249	2.00%	-1,815	-12.60%
Mgt. of Corp.	7,872	7,387	7,101	-286	-3.90%	-771	-9.80%
Mining	375	365	54	-311	-85.20%	-321	-85.60%
Other Serv.	21,910	21,647	22,515	868	4.00%	605	2.80%
Professional Serv.	63,304	62,332	65,823	3,491	5.60%	2,519	4.00%
Real Estate	12,374	10,826	11,369	543	5.00%	-1,005	-8.10%
Retail Trade	46,659	44,080	45,139	1,059	2.40%	-1,520	-3.30%
Transportation	3,640	3,784	3,793	9	0.20%	153	4.20%
Utilities	731	465	607	142	30.50%	-124	-17.00%
Wholesale Trade	9,989	9,166	7,308	-1,858	-20.30%	-2,681	-26.80%

Source: BLS, covered private jobs by NAICS sector.

The table below complements the previous table by detailing the changes in average annual wages by economic sector from before and after the recession. **Coupled with the table above, it is telling that the County's sectors experiencing the greatest growth, Health Care and Food Services, are also the sectors that with lower average annual salaries.**

The County's Annual Average Salary by Economic Sector

Econ. Sector	2008 ($)	2017 ($)	2008-2017 ($)	% Dif.
Admin. Serv.	36,392	51,006	14,614	40.20%
Agriculture	24,258	31,315	7,057	29.10%
Arts/Entertainment	23,114	27,612	4,498	19.50%
Construction	57,556	70,753	13,197	22.90%
Educational Serv.	38,515	48,866	10,351	26.90%
Finance	95,920	130,131	34,211	35.70%
Food Ser.	20,552	25,254	4,702	22.90%
Health Care	47,681	54,629	6,948	14.60%
Information	82,407	106,056	23,649	28.70%

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[2] https://www.census.gov/cgi-bin/sssd/naics/naicsrch?chart=2017.

Econ. Sector	2008 ($)	2017 ($)	2008-2017 ($)	% Dif.
Manufacturing	98,379	126,649	28,270	28.70%
Mgt. of Corp.	102,975	157,399	54,424	52.90%
Mining	52,894	74,265	21,371	40.40%
Other Serv.	35,178	50,647	15,469	44.00%
Professional Serv.	84,679	106,497	21,818	25.80%
Real Estate	65,954	85,945	19,991	30.30%
Retail Trade	30,785	34,615	3,830	12.40%
Transportation	46,454	44,457	-1,997	-4.30%
Utilities	75,264	146,250	70,986	94.30%
Wholesale Trade	84,030	107,220	23,190	27.60%

Source: BLS, covered private jobs.

The final table provides a breakdown of the County's private sector by size of establishment. More than 83% of the establishments in the County employ 50 or fewer jobs. **These establishments, which are most of the County's small businesses, account for approximately 45% of the County's private-sector covered jobs.**

The County's Private Sector by Establishment Size

Establishment Size	Number of Establishments	Number of Jobs
50 jobs or less	27,115	171,451
51 – 100 jobs	788	55,657
More than 100 jobs	614	152,762

Source: DLLR, Department of Finance

B. Marketing and business development before privatization

The County privatized certain economic development functions in 2015 from the County Department of Economic Development (DED). Prior to privatization, the Marketing and Business Development Division ("MBD") was one of several divisions of DED. This division was responsible for promoting the County to businesses within and outside of the region and for assisting with business development projects (e.g., attraction, expansion, retention, etc.).

The table below details the approved appropriations and full-time equivalent positions (FTEs) for FY13-16 for the MBD. During these fiscal years, the County also supported the Montgomery County Business Development Corporation (MBDC) with appropriation through this division. That amount is also displayed, but that funding was not directly utilized by the MBD for its mission. Also, in FY14, DED reorganized its internal structure and assigned additional FTEs to the MBD; these additional FTEs were not new positions for service delivery.

DED's Marketing and Business Development Division

	FY13	FY14	FY15	FY16
General Fund Appropriation	$1,771,869	$2,153,896	$2,164,781	$2,211,660
MBDC Appropriation	$500,000	$500,000	$540,000	$500,000
Total for DED MBD	**$1,271,869**	**$1,653,896**	**$1,624,781**	**$1,711,660**
FTEs	6.00	13.00	12.00	12.00

Source: Office of Management and Budget (OMB) operating budget publications

C. Transferring marketing and business development function to a public-private partnership

The Council adopted legislation in 2015 that allowed the County to transfer the implementation of the County's economic development strategy to a non-profit organization. This transfer also included the MBD functions of DED. This decision was made because it was believed that a private organization would be positioned better to respond to changes in the local economy and respond more quickly to the needs of businesses.

The County commissioned a report (the "2012 Report"), like it did for workforce development, to understand different structures (e.g., public, private, etc.) for implementing economic development and the benefits and challenges for each type of structure. The report was released in July 2012 and discussed by the Planning, Housing, and Economic Development (PHED) Committee that same month.[3] The report discussed several issues related to the County's model for the lead economic development organization (EDO) compared to other jurisdictions; below is a selection of those items discussed.

1) Success of an EDO is based on leadership, not structure. The report found that EDOs could operate effectively as a public, public-private, or private organization. The more important elements for success were strong leadership, clear, well-communicated mission, and the appropriate resources to carry out that mission.
2) Most EDOs have a formal strategic planning process that connects performance measures to that plan. The report discussed the importance of a strategic plan with clearly defined performance measures, including the challenges with identifying appropriate performance measures. EDOs should be evaluated on elements within its control, as opposed to outcomes (e.g., jobs) that are more related to the business cycle than the EDO's efforts.
3) Marketing and business recruitment tend to be led by the private sector. The County, at the time, was an outlier by performing these functions within County Government. The report did note, however, that the business retention and expansion function tended to be more commonly included within the government.
4) Appearance is important. The report found that a website that is user-friendly, includes ample research and data, and provides valuable links sends a pro-business message.

MCEDC became operational early-2016, and the Council designated it as the County's Economic Development Corporation in March 2016. The County's funding began July 2016 during the FY17 budget. Even with the creation of MCEDC, the Council continues to support other economic development initiatives through the Small Business Navigator and Special Projects Manager in the Office of the County Executive, economic development incentives and incubator programs in the Department of Finance, and targeted programs through the community grants process.

II. The County's Economic Development Corporation

A. Funding

The table below details the County approved appropriation for MCEDC from FY17-FY19. MCEDC's budget is almost 3.5 times greater than the appropriation for the same functions performed in

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[3] http://www.montgomerycountymd.gov/COUNCIL/Resources/Files/agenda/cm/2012/120723/IEDC.pdf.

DED. As a private organization, it is governed by a board that hires leadership and approves a budget and performance measurements for the organization. The Council reviews and considers an annual appropriation each year, but it does not establish an operational budget for the organization.

MCEDC Approved Appropriation

	FY17	FY18	FY19
County funding	$4,180,750	$5,007,750	$5,007,750
Direct private funding	$0	$0	$200,000
Total	**$4,180,750**	**$5,007,750**	**$5,207,750**

Source: OMB budget publications and MCEDC proposed budget. The direct private funding excludes in-kind contributions and in FY19 is the budgeted amount from the organization, not actual.

B. Outcomes for leveraging the County's economic assets for business growth

1. *Analyzing the County's economic assets*

MCEDC states that it studied several data reports to learn and determine the County's assets. Those reports included: 1) Public Opinion Assessment by Eureka Facts, LLC; 2) the County's Comprehensive Economic Plan; and 3) insights from MCEDC's board. This information was gathered during the organization's early years. **MCEDC continues to assess the County's economic assets through external reports issued by the State and other government entities.** For example, MCEDC and Montgomery County Planning have partnered to collect and analyze the certain economic indicators for the County on a quarterly basis (see ©1-4). In addition, the organization gathers data about the County when a project requires it (e.g., Amazon HQ2).

2. *Developing a strategic plan based on the County's economic assets*

MCEDC developed a strategic plan based on its review of the County's assets and input from the business community. See MCEDC's Strategic Plan of Action (the "Plan") on ©5-8. **The Plan includes four goals, and each goal includes objectives and metrics to measure the organization's effort.** The four goals are:

1) Grow and Diversify the Local Economy;
2) Engage the Business Community to Establish Montgomery County as A Top 5 County to Work and Live in the U.S.;
3) Cultivate A Local Ecosystem of Entrepreneurship & Innovation; and
4) Grow and Sustain Increasing Levels of Revenue to Support the MCEDC's Long-term Mission.

Council staff notes that Goals 1 and 3 are typical for EDOs – recruiting businesses to the County and growing local businesses and entrepreneurs. Goal 2 is not typically a focus of EDOs and beyond the organization's control. Goal 4 will enable the organization to expand capabilities beyond the County's funding.

Each goal has objectives to achieve that goal as well as metrics that MCEDC will use to evaluate its performance. See MCEDC's FY19 Metrics as of December 2018 on ©9. Goal 1 and 3 metrics are generally aligned with work that MCEDC can control and impact, though based on the current rate,

MCEDC is lagging in pipeline generation. This provides the County a reasonable benchmark to measure MCEDC's performance and addresses one of the items discussed in the 2012 Report.

The County has an additional economic strategic plan, known as the Comprehensive Economic Strategy (CES).[4] This plan is required by §20-76 of the County Code and may be updated by the Executive every four years. October 2019 is the next opportunity for the Executive to amend the current plan. The current plan was drafted by the previous administration in 2016 and was intended to be a blueprint for the County's overall economic strategy. It was not intended to be a work plan for MCEDC or other economic development matters in the County, but it was used by MCEDC when the organization drafted its Plan.

3. *Marketing the County's assets to grow businesses*

MCEDC's marketing efforts includes utilization of both outside consultants and an internal team. The organization has produced several marketing campaigns to promote businesses and the County within the region. **Much of MCEDC's marketing is on its website**. MCEDC lists the following as the strengths of the County: 1) talent; 2) connectivity; 3) innovation; 4) diversity; 5) access to capital; 6) infrastructure; 7) top schools; and 8) sustainability.[5] The website also includes high-level information about the County's demographics.

MCEDC also creates literature for specific projects and specific places within the County. Currently, MCEDC has brochures for eleven districts in the County. These districts include the major economic hubs of the County, like Bethesda, Gaithersburg, Rockville, and Silver Spring. The list also includes areas that the County has targeted development through its policies, such as Wheaton, White Flint, and White Oak.

MCEDC's ability to showcase specific sites in the County is limited. Most businesses looking to relocate or expand in the County already have selected a market, if not a specific building or site. These decisions are based on several factors including proximity to workforce, transportation infrastructure, and capital that are outside of MCEDC's control. The table below details the MCEDC assisted-projects closed in FY18 by location. For comparison, the Fairfax County Economic Development Authority assisted more than 104 businesses in relocating or expanding in Fairfax County in 2018.

FY18 Close Projects by Location	
Location	**Number of Projects**
Gaithersburg/Germantown	12
Rockville	16
Bethesda/Chevy Chase	10
Silver Spring	5
Total	**43**

Source: MCEDC

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[4] COMCOR 20.76.01
[5] https://thinkmoco.com/edge

4. *Establishing a project pipeline to grow the County's economy*

MCEDC, like many EDOs, is a connector and facilitator for businesses. EDOs rarely perform all elements of economic development matters for jurisdictions because of local decision-making and funding. For example, the County Department of Finance evaluates and recommends to the Executive whether business incentives are appropriate for an economic development project in the County, not MCEDC. As a clearinghouse for economic development projects, EDOs need to have a robust network of connections to ensure businesses are efficiently connected to the necessary resources.

Two of MCEDC's metrics for FY19 are increasing the project pipeline for recruitment projects and for retention/expansion projects. MCEDC shares that it uses a three-prong approach to identify project leads for recruiting business: 1) direct contact; 2) professional advisory network; and 3) digital marketing and social media. See ©10 for MCEDC's current closed projects and its pipeline in FY19. Below is a breakdown of how MCEDC initially connected with these businesses.

MCEDC's FY19 Project Pipeline

Source of Project	Number of Projects
Business Visit	8
Direct	15
Events	2
Partner Referrals	25
Site Selector	16
Trade Shows	4
Other Referrals	6
Total	76

Source: MCEDC as of December 2018

III. Discussion Topics

Recruitment. One of MCEDC's performance metrics is increasing the recruitment pipeline by 25%. Attracting new businesses is an important role of an EDO. It is important to increase the number of prospects in the pipeline because it is unlikely that every contact will lead to a project in the County. To succeed, it is important that MCEDC have a robust program to generate project leads. Most of MCEDC's current pipeline is generated by referrals or site selectors (per above table). MCEDC is also expanding its presence at trade shows and other national events like South by Southwest (SXSW). These types of events can provide additional leads but also represent additional costs to the organization. It will be important to identify cost-effective ways to increase the pipeline.

The Council should discuss with MCEDC about its results from attending SXSW, including how many project leads were generated.

The Council should discuss with MCEDC how it will continue to expand its prospects pipeline.

Site-specific economic development. The Council has acted in recent years to develop or redevelop certain sectors of the County, including Wheaton, White Flint, and White Oak. As discussed previously, MCEDC does market certain sectors of the County. The organization also coordinated an Opportunity Zone Workshop which included marketing many of these sectors to developers and investors. **MCEDC has limited control on the location decisions of businesses, but it can play a role as a facilitator**. For example, the County is investing approximately $180 million in a new office building in Wheaton. This investment is a great opportunity to leverage additional business development in Wheaton.

The Council should discuss with MCEDC how it leverages the County's investments in specific areas, like Wheaton, to grow the County's businesses.

Leveraging the County's assets for small businesses. The Council discussed with MCEDC where small businesses should seek assistance after the transition from DED. The Council was particularly concerned about small businesses that were not technology-based or focused. The Council created a Business Solutions Group within the County Government to assist small businesses. Since then, the County has a create a Business Portal that provides links to the numerous resources that are available to businesses. MCEDC also has the same information on its website as the Business Portal.

The Council should discuss with MCEDC how to leverage the County's assets to assist small businesses, whether MCEDC provides those opportunities or not.

Special Projects. MCEDC is working on several projects that are not focused on a specific business relocating or expanding in the County. Some examples of these projects include: 1) the expansion of wet lab space in the County; 2) working with small-scale manufacturers; and 3) working with the food industry (e.g., co-packing facility). These projects tend to have greater economic benefit to the business community and the County because they provide benefits beyond one business.

The Council should discuss with MCEDC how it identifies special projects and how it plans to support additional ones.

Overcoming Challenges. MCEDC provided the PHED Committee in January with a list of challenges identified by businesses and elected officials and activities that MCEDC is undertaking to address these challenges (see ©11-12).

The Council should discuss with MCEDC how it is continues to address these challenges and balance the input from a diverse set of stakeholders.

This packet contains:	Circle #
MCEDC and Planning Quarterly Economic Indicator Update	1
MCEDC Strategic Plan	5
MCEDC FY19 Metrics	9
MCEDC FY18 close projects and FY19 pipeline	10
MCEDC identified challenges	11

MONTGOMERY COUNTY
ECONOMIC INDICATORS BRIEFING

2018 | Q3

Montgomery Planning

MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT
CORPORATION MARYLAND

ECONOMIC INDICATORS BRIEFING 2018 Q3

EMPLOYMENT

RESIDENT LABOR FORCE[1]

	Sept. 2018	Sept. Year over Year Change (YOY)
Labor Force	561,546	-177
Unemployment Rate	3.2%	0.0%

EMPLOYMENT IN MONTGOMERY COUNTY[2]

	Q1 2018	Q1 YOY
Employment	467,029	+2,622
Establishments	32,750	-227

TOP 3 INDUSTRIES BY EMPLOYMENT Q1 2018[2]

	Employment	Avg. Annual Wage
Professional & Technical Services	66,187	$119,652
Healthcare & Social Assistance	64,649	$53,040
Retail Trade	43,630	$34,528

TOP 3 PRIVATE EMPLOYERS[2]

Holy Cross Hospital
Marriott
GEICO

EMPLOYMENT FAQS

What is Resident Labor Force and Unemployment?
Resident Labor Force refers to County residents who are employed or actively seeking employment regardless of the location of their employment. This number differs from the County's population, as children, retirees and other residents who are neither employed nor seeking employment are excluded from the labor force. The Unemployment Rate refers to the percentage of people in the labor force who do not have employment but are actively seeking it.

These numbers are important to understanding economic conditions for County residents. A growing labor force with consistent unemployment could indicate that more people are moving to the County and finding jobs, either in the County or elsewhere. Additional analysis can examine resident labor force trends within specific geographies and demographics, as well as employment trends in specific industries over time.

What is Employment?
Employment, often known as at-place employment, refers to the number of jobs located in Montgomery County, regardless of where the job holder lives. These numbers are important to understanding trends for employers. Increasing employment indicates that companies in the County are hiring new workers. Employment data is based on unemployment insurance reporting, and excludes some groups, such as people who are self employed.

What is an Establishment?
An establishment is a single economic unit, such as an office or a store. Businesses may consist of multiple establishments. Though establishment is often used as a proxy for business growth, this dataset has limitations in telling this story.

Establishment data is captured through unemployment insurance reporting to states. Changes in accounting practices can alter the number of establishments reported even if there was no change to the number of economic units. Additionally, businesses not covered by unemployment insurance are not captured, such as people who are self employed. MCEDC is working with state and County partners to determine how to use tax data to better understand business growth in the County.

What do the Top 3 Industries for Employment indicate?
The Top 3 Industries for employment make up more than 45 percent of private sector employment in the County in Q1 2018. Industry classifications reference the type of company rather than the type of job. For example, an accountant at a cybersecurity start-up would be counted under "Professional & Technical Services," whereas an accountant at a hospital would be counted under "Healthcare & Social Assistance." Industry analysis can reveal trends in the types of businesses expanding or contracting.

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1 US Bureau of Labor Statistics, Local Area Unemployment Statistics

2 Maryland DLLR, Quarterly Census of Employment and Wages

ECONOMIC INDICATORS BRIEFING 2018 Q3

REAL ESTATE AND DEVELOPMENT

COMMERCIAL REAL ESTATE PRICES[3]

Office Gross	Q3 2018	Q3 YOY Change
Gross Rent per sq. ft.	$28.86	+$0.87
Vacancy	12.5%	-0.5%

RETAIL[3]

	Q3 2018	Q3 YOY Change
Triple Net Rent per sq. ft.	$31.10	+$0.60
Vacancy	5.0%	+0.3%

HOME SALES[4]

	Sept. 2018	Sept. YOY Change
Median Sales Price	$420,000	+$10,000
Average Days on Market	40	-6

MULTI-FAMILY RENTALS[3]

	Q3 2018	Q3 YOY Change
Effective Gross Rent per Unit	$1,771	+$48
Vacancy	5.7%	-0.8%

BUILDING PERMITS ISSUED[5]

	Q3 2018	Q3 YOY Change
Residential Unit Permits Issued	567	+83
Commercial Building Permits Issued	14	-7
Commercial Building Permits sq. ft.	33,805	-98,629

REAL ESTATE AND DEVELOPMENT FAQS

What is Vacancy?
Vacancy includes space directly for rent from landlords and space available for rent by sublease from tenants.

In recent years, there has been a national decline in utilization of office space. Montgomery County's office vacancy rate is comparable and, in some cases, lower than its neighbors' rates. Vacancy and rents data can be analyzed at a sub-County level to better understand variations in office markets, which can inform land use policy. Vacancy rates tend to be lower and rents higher near Metro stations (e.g., Silver Spring, Bethesda) than areas farther from Metro.

What is triple net rent?
Triple net rent is the rental rate for leases in which the tenant is responsible for paying the building's property taxes, insurance, maintenance and other costs that might be included in a standard lease agreement. In full service rent, the landlord pays all costs.

Retail vacancy rates in Montgomery County are relatively low, both nationally and regionally. Montgomery Planning's Retail Market Study (montgomeryplanning.org/tools/research/special-studies/retail-market-strategy-study/) details the retail market health and future trends at a sub-County level.

Why include residential information as an economic indicator?
Home sale, rental and other residential real estate data serve as an indicator of appetite for people relocating to and investing in the County. Overall, the County has had a steady, strong housing market for several years, especially relative to national trends.

Residential data can be further analyzed to understand how different housing needs are being served in different parts of the County. Montgomery Planning's recent Rental Housing Study (http://montgomeryplanning.org/tools/research/special-studies/rental-housing-study/), as an example, revealed a large, unmet demand for rental housing for both lower and higher income households.
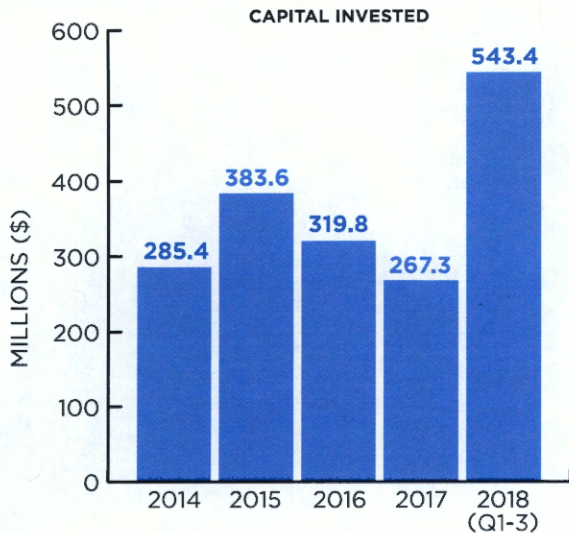
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3 Costar

4 MRIS

5 Department of Permitting Services, as obtained by Montgomery Planning

ECONOMIC INDICATORS BRIEFING 2018 Q3

INVESTMENT
VENTURE CAPITAL[6]

CAPITAL INVESTED

Chart showing Millions ($) on the y-axis (0 to 600) by year:
- 2014: 285.4
- 2015: 383.6
- 2016: 319.8
- 2017: 267.3
- 2018 (Q1-3): 543.4

TOP 3 VC DEALS IN 2018[6]

Viela Bio, $282M in Series A, BioHealth
Sirnaomics, $85M in Series C (2 deals), BioHealth
Neuraly, $36M in Series A, Biohealth

TOP 3 INDUSTRIES FOR VC IN 2018[6]

BioHealth: $414.8M
Application Software: $48.3M
Advanced Manufacturing: $25.0M

INVESTMENT FAQS

What is Venture Capital? Why track it?

Venture Capital (VC) is a category of equity investments that are made in new or expanding businesses. VC investments can be higher risk than other types of investment as they occur in the earliest stages of a business—often pre-revenue. Given the investor risk, however, raising VC can be challenging for new and expanding businesses, even for the most experienced serial entrepreneurs.

VC can be used as a proxy to explore start-up growth in the County and how it compares to other markets regionally and nationally. VC investments in BioHealth companies headquartered in the County, especially in 2018, significantly exceed those made in neighboring jurisdictions. VC data can also be dissected to examine trends, including where investments originate, pre- and post-investment company valuations, and gender disparities in fundraising.

What is BioHealth?

BioHealth refers to a cluster of industries focused on life sciences research, including biotechnology and pharmaceuticals. It is one of Montgomery County's key growth industries. Local employment in the industry grew 27 percent between 2006 and 2015. Average annual wages grew to $148,000 in 2015—a 32 percent increase since 2011. Industry growth has been linked to the presence of strong anchor institutions including NIH, FDA, Johns Hopkins University and University of Maryland.

ABOUT THIS DOCUMENT

This is the first edition of a new quarterly joint-publication between Montgomery Planning and the Montgomery County Economic Development Corporation. In addition to reporting economic indicators, this briefing document provides context to help readers better understand the data presented. Future reports will continue to track these metrics and explore new topics related to the County's economy.

ABOUT MONTGOMERY PLANNING

Montgomery Planning helps to improve quality of life by conserving and enhancing the natural and built environments for current and future generations. The Planning Department creates great communities by developing master plans, reviewing applications for development and analyzing various types of information to help public officials plan for Montgomery County's future. Each community within Montgomery County has a master plan that creates a comprehensive view of land use trends and future development.

ABOUT MCEDC

The Montgomery County Economic Development Corporation (MCEDC) is a nonprofit organization created in 2016 to help promote economic development in Montgomery County. A public/private partnership, MCEDC helps to accelerate business growth and retention in Montgomery County. The team connects business decisionmakers to market intelligence, promotes the County as a prime business location for companies of all sizes to thrive and identifies available incentives and top talent.

6 Pitchbook Data, Inc, January 7, 2019

STRATEGIC PLAN OF ACTION

GOAL 1: GROW AND DIVERSIFY THE LOCAL ECONOMY

ASSUMPTIONS

- Metric baselines will be established as of June 30, 2018.

- Targeted industries are defined as Biohealth, IT/Cybersecurity, Financial Services, Advanced Manufacturing and Corporate/Regional HQ

OBJECTIVE 1
CREATE AN ENVIRONMENT THAT SUPPORTS THE EXPANSION AND RETENTION OF EXISTING TARGETED INDUSTRIES

Strategies:

- Facilitate the development of industry-specific space and infrastructure (e.g. wet lab space) necessary for growth in Montgomery County

- Develop the local supply chain through B2B purchasing

- Link existing businesses with tech transfer/commercialization opportunities within federal research facilities and universities

- Increase access to capital sources for existing businesses to grow and diversify

Metrics:

- Increase the creation of wet lab space by 75,000SF

- Facilitate the creation of three (3) Cooperative Research and Development Agreements (CRADAs) and/or licenses with federal technologies

- Increase the number of targeted industry expansion projects in the pipeline by 25%

- Increase the number of closed/won targeted industry expansion projects by 10%

OBJECTIVE 2
PROMOTE MONTGOMERY COUNTY AND MONTGOMERY COUNTY BUSINESSES OUTSIDE OF THE REGION

Strategies:

- Deploy a national/international marketing campaign for targeted industries

- Leverage Visit Montgomery and Worksource Montgomery to enhance business development efforts

Metrics:

- Increase the number, type and location of placements in non-county markets by 20%

- Increase unique hits to thinkmoco.com from visitors in non-county placement areas by 20%

- Increase the length of visits to thinkmoco.com by 15%

OBJECTIVE 3
RECRUIT TARGETED INDUSTRY BUSINESSES TO MONTGOMERY COUNTY

Strategies:

- Deploy a value proposition strategy to attract regional companies

- Develop relationships with top performing regional/national brokers and site selectors

- Collaborate with key Federal institutions to capture new recruitment prospects from tech transfer and regulatory interactions

Metric:

- Increase the number of attraction projects in the pipeline by 25%

STRATEGIC PLAN OF ACTION

GOAL 2: ENGAGE THE BUSINESS COMMUNITY TO ESTABLISH MONTGOMERY COUNTY AS A TOP 5 COUNTY TO WORK AND LIVE IN THE U.S.

OBJECTIVE 1

PARTNER WITH COMPANIES TO PROMOTE INNOVATIVE SOLUTIONS THAT INCREASE WORKFORCE HOUSING NEAR EMPLOYMENT HUBS

Strategies:

- MCEDC will facilitate a public/private workgroup to develop solutions for the housing challenges faced by targeted industry employers/employees

- Facilitate the growth of middle-income jobs that will benefit a cross-section of Montgomery County residents

- Amplify economic development efforts in designated communities (Enterprise Zones, Arts & Entertainment Districts, Business Improvement Districts, Opportunity Zones, etc.)

Metric:

- MCEDC will convene a public/private workgroup to address the workforce housing needs of targeted industries

OBJECTIVE 2

SUPPORT SUSTAINABLE ECONOMIC GROWTH BY ADDRESSING LAND USE, TRANSPORTATION, AND INFRASTRUCTURE CHALLENGES

Strategies:

- Engage the business community in relevant master plan and zoning processes that affect major employment hubs or emerging markets in the County

- Engage the business community in relevant legislative processes related to increased transportation solutions (autonomous vehicles, Purple Line, METRO, BRT/CCT)

Metric:

- Number of CEOs who are newly engaged in the legislative or policy process related to targeted industries

Pike District

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GOAL 3: CULTIVATE A LOCAL ECOSYSTEM OF ENTREPRENEURSHIP & INNOVATION

OBJECTIVE 1
INCREASE THE AMOUNT OF INVESTMENTS IN MONTGOMERY COUNTY START-UPS

Strategies:

- Facilitate company connections, particularly female and minority founders, to capital sources
- Facilitate successful matches/introductions between companies and customers
- Connect companies to incubator space and infrastructure
- Market Montgomery County as an innovation destination

Metric:

- Increase the amount of investments in Montgomery County start-ups by 10%

OBJECTIVE 2
INCREASE THE NUMBER OF ENTREPRENEURS COMMERCIALIZING FEDERAL IP/TECHNOLOGIES

Strategies:

- Link entrepreneurs with federal and academic tech transfer offices
- Connect investors with federal and academic tech transfer offices

Metric:

- Facilitate two (2) CRADAs licenses, or other commercialization of federal IP/technologies by entrepreneurs

Montgomery College Germantown

GOAL 4: GROW AND SUSTAIN INCREASING LEVELS OF REVENUE TO SUPPORT THE MCEDC'S LONG-TERM MISSION

OBJECTIVE 1

DIVERSIFY AND GENERATE ALTERNATIVE REVENUE SOURCES BY SOLICITING PRIVATE INVESTMENTS TO SUPPORT THE ORGANIZATION'S PROGRAMMATIC EFFORTS

Strategies:

- Develop a long-term resource development plan that reflects diversified funding sources (e.g. federal government, state and local; corporate; foundations; individuals; investment income)

- Secure an alternative funding source and/or generate funding from earned income activities to support strategic initiatives or operational needs

- Establish and maintain a reserve fund equivalent to three (3) months of recurring operating expenses to be used for unanticipated business development or operational needs

Metric:

- Increase the percentage of the MCEDC budget supported by non-county government sources to 3.5%

Silver Spring Transportation Hub

FY19 METRICS

Metrics	Baseline 7/1/18	Goal By 6/30/19	New Activity in 12/31/18	Results FY19 to date
Increase the creation of wet lab space by 75,000 SF	0 SF	75,000 SF	0 SF	0 SF
Facilitate the creation of 3 CRADAs and/or licenses with federal technologies	0	3	0	0
Increase the average number of targeted industry retention and expansion projects in pipeline by 25%	9	12/month average	1	25
Increase number of closed/won targeted industry retention and expansion projects by 10%	9	10	0	4
Increase the number, type, and location of placements in non-County markets by 20%	5	6	0	5
Increase unique hits to thinkmoco.com from visitors in non-county placement areas by 20%	27,954	33,545	2,162	14,431
Increase the length of visits to thinkmoco.com by 15%	2:06	2:25	1:46	2:26
Increase the average number of attraction projects in the pipeline by 25%	21	26/month average	3	48
MCEDC will convene a public/private workgroup to address the workforce housing needs of targeted industries	Y/N	Y	N	N
Number of CEOs who are newly engaged in the legislative or policy process related to targeted industries	0	20	7	7
Increase the amount of investments in MoCo start-ups directly facilitated by MCEDC	0	3	0	0
Facilitate 2 CRADAs, licenses, or other commercialization of federal IP/technologies by entrepreneurs	0	2	0	0
Increase percentage of the MCEDC budget supported by non-county government sources by 3.5%	$0	$200,000	$0	$50,000

FY18/FY19 MCEDC METRICS COMPARISONS

BUSINESS DEVELOPMENT METRICS

Metrics related to jobs created and retained, and capital investment.

FY18 VS. FY19 (YTD)

	FY18	FY19
Total Capital Investment	$375,222,434	$64,600,000
Jobs retained through Retention & Expansion efforts	3,872	1,762
New jobs created as a result of all business development efforts	1,340	1,118
Commercial space leased	1,165,613 SF	568,291 SF

FY19 BUSINESS DEVELOPMENT PROSPECTING PIPELINE

76 projects current in the pipeline

**2,789 jobs** potentially retained through Retention & Expansion efforts

6,698 new jobs potentially created as a result of all business development efforts

1,358,340 SF commercial space to potentially be leased

$113,565,962 potential total capital investment

FY19 CLOSED/WON DEALS

21 projects

- Start up Projects — 2
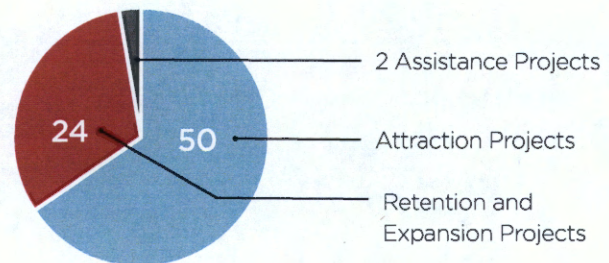- Attraction Projects — 13
- Retention and Expansion Projects — 6
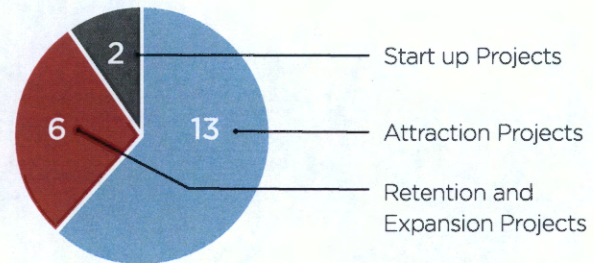
63 = average total employees (business size)

- 14 projects = 0-10 employees
- 3 projects = 11-100 employees
- 4 projects = over 100 employees

FY19 PROSPECTING PIPELINE

76 projects in "Prospecting" Stage

- 2 Assistance Projects
- Attraction Projects — 50
- Retention and Expansion Projects — 24

102 = average total employees (business size)

- 28 projects = 0-10 employees
- 15 projects = 11-100 employees
- 11 projects = 101-1,000 employees
- 2 projects = over 1,000 employees
- 20 projects = employees not determined

LIFE SCIENCES MARKET ANALYSIS

The purpose Life Sciences Market Analysis project is to gain insight into the evolution and successes of the Life Science industry in Boston and Tech industries in Boston and New York City. Through the findings, MCEDC will create strategies that will generate potential opportunities to foster business growth in Montgomery County. The Life Sciences Market Analysis project aligns with MCEDC's FY19 Strategic Plan and will help to satisfy our Goal 1 metric associated with growing and diversifying the local economy in Montgomery County.

OPPORTUNITIES TO STRENGTHEN THE LOCAL ECONOMY

CHALLENGES IDENTIFIED BY LOCAL BUSINESS OWNERS

- Scarcity of infrastructure to grow small businesses
- Difficulty building local B2B relationships
- Lack of access to capital
- Affordable workforce housing
- Engagement with legislative processes, planning, etc.
- Difficulty engaging with federal installations
- Underdeveloped innovation/entrepreneurship culture (non-BioHealth)
- Lack of public sector testbed locations
- Difficulty finding employees

CHALLENGES IDENTIFIED BY ELECTED OFFICIALS

- More national awareness of MoCo assets
- Too few businesses relocating to MoCo
- Limited number of new businesses
- Equity gaps in economic development
- Raising private funding to support MCEDC
- MoCo's competitiveness within the DMV
- Lack of clarity on MoCo's economic health

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HOW MCEDC ADDRESSES THESE CHALLENGES

Bio Lab Pilot Project	Tech transfer/ commercialization strategy development	Revised incentive strategy
Angel Resource Institute	Opportunity Zone investor workshop	Co-packer feasibility study
Legislative Boot Camp for cyber companies	Aggressive business attraction strategy	Economic indicators project with Planning

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