

**MEMORANDUM**

May 7, 2021

TO: Planning, Housing and Economic Development Committee

FROM: Robert H. Drummer, Senior Legislative Attorney

SUBJECT: Bill 10-21, Economic Development – Economic Development Strategic Plan – Economic Development Corporation - Duties

PURPOSE: Worksession – Committee to make recommendations on bill

Bill 10-21, Economic Development – Economic Development Strategic Plan – Economic Development Corporation - Duties, sponsored by Lead Sponsor Councilmember Friedson and Co-Sponsors Councilmembers Riemer, Navarro, Council Vice President Albornoz and Councilmember Katz, was introduced on March 2, 2021. A public hearing was held on March 23 at which three speakers testified on the bill.<sup>1</sup>

Bill 10-21 would:

- transfer the drafting of the County’s Economic Development Strategic Plan from the Executive to the County’s Economic Development Corporation;
- require the Executive to provide comments to the Council on each draft Plan by a date certain; and
- require the Council to adopt the Plan by a date certain.

**Background**

Bill 25-15, Economic Development – Reorganization – Montgomery County Economic Development Corporation, enacted on June 30, 2015 and signed into law on July 7, 2015, eliminated the Department of Economic Development as a principal department of the Executive Branch and transferred most of the duties to a non-profit corporation. The Council subsequently designated the Montgomery County Economic Development Corporation (MCEDC) to serve as the non-profit corporation responsible for implementing the County’s Economic Development Strategic Plan (Plan) prepared by the Executive.

Bill 10-21 would transfer the duty to draft the County’s Economic Development Strategic Plan to MCEDC. On or before July 1, 2021, MCEDC would be required to submit a draft Plan to the

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<sup>1</sup>#economicstrategy

Executive and the Council. The Executive would be required to submit comments on the Plan to the Council on or about September 1, 2021, and the Council would be required to adopt the Plan on or before December 1, 2021. The process would repeat each 4<sup>th</sup> year thereafter with a possible update after the 2<sup>nd</sup> year of the Plan. The Bill also includes a transition clause that would delay the beginning of the first cycle to start on December 1, 2021 and conclude with Council adoption on or before April 15, 2022.

The Bill would require the Strategic Plan to be consistent with the Council's Economic Development Platform approved by Resolution No. 19-300 (©7-8). 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.

### **Public Hearing**

All 3 speakers supported the Bill. Assistant Chief Administrative Officer Jerome Fletcher, representing the Executive, supported the Bill with amendments (©23). Mr. Fletcher pointed out that the stated metrics for the Plan does not spell out racial equity and climate change. Jane Lyons, representing the Coalition for Smarter Growth, supported the Bill and requested that MCEDC be required to consider racial equity and social justice when formulating the Plan (©24). Marilyn Balcombe, representing the Joint Chambers of Commerce also supported the Bill.

### **Issues**

#### **1. What is the fiscal and economic impact of the Bill?**

OMB concluded that the Bill would not require additional staffing or resources in the Executive Branch (©17-18). The Bill would transfer responsibility for producing the Strategic Plan from the Executive to the MCEDC. OMB did not estimate any additional costs for MCEDC to produce the Plan. OLO concluded that shifting responsibility for drafting the Economic Development Strategic Plan to the MCEDC is likely to have a positive, long-term impact on economic conditions in the County due to the subject matter expertise and business engagement of the MCEDC (©9-16).

#### **2. Should the Bill be amended to require MCEDC to consider racial equity and climate change?**

OLO concluded that the Bill is likely to have a negligible impact on racial equity and social justice in the County, but it could have a positive impact if MCEDC was required to include equity focused goals and metrics into the Plan (©19-22). Both Jerome Fletcher and Jane Lyons suggested similar amendments at the public hearing.

It must be noted that the Bill already requires the Plan to be consistent with the Council's Economic Development Platform approved in Resolution No. 19-300 at lines 23-25 of the Bill at ©2. The Council's Economic Development Platform includes the following action paragraph:

The County Council for Montgomery County, Maryland approves a four-pillar economic development platform that is business-friendly and leverages our assets through continued investments. The desired outcomes of this platform are: 1) a thriving and diversified economy; **2) racial equity and social justice**; 3) greater innovation; and **4) environmental sustainability**.

Although racial equity and social justice is not listed as a metric in the Bill, it is included by reference to the Council's Economic Development Platform adopted in Resolution No. 19-300. This reference would require MCEDC to consider racial equity and social justice in formulating the Plan.

The reference to "environmental sustainability" would also require MCEDC to consider climate change when formulating the Plan.

If the Committee wants to list both racial equity and social justice and climate change directly in the Bill, it could be done with the following amendment:

*Amend lines 28-35 of the Bill as follows:*

- (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) racial equity and social justice;
- (8) environmental sustainability, including climate change; and
- (9) other actions necessary to promote economic development in the County.

This packet contains:	<u>Circle #</u>
Bill 10-21	1
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Bill No. 10-21  
Concerning: Economic Development –  
Economic Development Strategic  
Plan – Economic Development  
Corporation - Duties  
Revised: 2-25-21 Draft No. 10  
Introduced: March 2, 2021  
Expires: September 2, 2022  
Enacted: \_\_\_\_\_  
Executive: \_\_\_\_\_  
Effective: \_\_\_\_\_  
Sunset Date: None  
Ch. \_\_\_\_\_, Laws of Mont. Co. \_\_\_\_\_

## COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

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Lead Sponsor: Councilmember Friedson  
Co-Sponsors: Councilmembers Riemer, Navarro, Council Vice President Alborno and  
Councilmember Katz

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**AN ACT** to:

- (1) transfer the drafting of the County’s Economic Development Strategic Plan from the Executive to the County’s Economic Development Corporation;
- (2) require the Executive to provide comments to the Council on each draft Plan by a date certain;
- (3) require the Council to adopt the Plan by a date certain; and
- (4) generally amend the law governing the County’s economic development.

By adding

Montgomery County Code  
Chapter 15A, Economic Development  
Section 15A-4A

By amending

Montgomery County Code  
Chapter 15A, Economic Development  
Section 15A-5

Chapter 20, Finance  
Sections 20-75 and 20-76

<b>Boldface</b>	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

*The County Council for Montgomery County, Maryland approves the following Act:*

1           **Sec. 1. Section 15A-4A is added and Sections 15A-5, 20-75 and 20-76 are**  
2 **amended as follows:**

3 **15A-4A. Economic Development Strategic Plan.**

4           (a) *Duties of the Montgomery County Economic Development Corporation.*  
5           Beginning no later than July 1, 2021 and each fourth year thereafter, the  
6           Montgomery County Economic Development Corporation (Corporation)  
7           must submit a draft Economic Development Strategic Plan to the  
8           Executive and the Council. The draft Economic Development Strategic  
9           Plan should include relevant economic development measures and input  
10           from partner agencies and organizations, such as the Planning Board and  
11           the County's Workforce Development Organization.

12           (b) *Duties of the Executive.* Beginning no later than September 1, 2021 and  
13           each fourth year thereafter, the Executive must submit to the Council any  
14           recommended revisions to the draft Economic Development Strategic  
15           Plan submitted by the Corporation.

16           (c) *Duties of the Council.*

17           (1) After receiving the draft Economic Development Strategic Plan  
18           from the Corporation, the Council must hold a public hearing on  
19           the draft Plan.

20           (2) Beginning on December 1, 2021 and each fourth year thereafter,  
21           the Council must adopt, by resolution, an Economic Development  
22           Strategic Plan.

23           (d) *Contents of the Plan.* The Economic Development Strategic Plan should  
24           be consistent with the Council's Economic Development Platform  
25           approved by Resolution No. 19-300 and must include metrics to assess  
26           the County and its partners' ability to address relevant economic  
27           development measures including:

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

36 (e) Two-year Update. Beginning no later than July 1, 2023 and every fourth  
 37 year thereafter, the Corporation may submit amendments to the approved  
 38 Economic Development Strategic Plan based on new information since  
 39 the Council adoption of the previous Plan. The Executive may comment  
 40 and the Council may approve, after holding a public hearing, an amended  
 41 Economic Development Strategic Plan.

42 **15A-5. Economic development program.**

43 (a) The [Board of Directors] Montgomery County Economic Development  
 44 Corporation must recommend economic development programs and  
 45 associated performance measures to the Executive and Council each year  
 46 to advance the policy objectives and perform the activities listed in  
 47 Section 15A-1], including revisions to the County’s strategic plan for  
 48 economic development established by Section 20-76(a)].

49 (b) In its economic development programs, the Corporation should  
 50 collaborate with the Montgomery County Workforce Development  
 51 Board to advance the County’s economic development strategic plan  
 52 adopted under Section [20-76] 15A-4A.

53 \* \* \*

54 **20-75. Use of Fund.**

55 (a) The Director may spend or allocate funds from this Fund consistent with  
 56 the economic development strategic plan approved under Section [20-76  
 57 in a Regulation adopted under method (1)] 15A-4A, including the  
 58 following criteria:

- 59 (1) the proposed assistance will materially improve the County’s  
 60 economy and advance County economic development objectives  
 61 and strategies; or
- 62 (2) the assistance is necessary to:
  - 63 (A) bring a significant number of new jobs to the County;
  - 64 (B) add a significant number of new jobs to an existing  
 65 operation in the County;
  - 66 (C) retain a significant number of jobs at an existing operation  
 67 in the County; or
  - 68 (D) respond to other economic development objectives.

69 \* \* \*

70 **20-76. Economic Development [Strategic Plan,] Fund Administration.**

71 (a) [The Executive must submit, by method 1 regulation, an economic  
 72 development strategic plan for the County to the Council for approval on  
 73 or before October 1, 2015. Beginning no later than October 1, 2019 and  
 74 each fourth year thereafter, the Executive may amend the strategic plan,  
 75 by Method 1 regulation, to be consistent with the strategic plan adopted  
 76 by the Montgomery County Economic Development Corporation. The  
 77 success or progress of the strategic plan must be measurable and the plan  
 78 must include measures to address:

- 79 (1) job creation;
- 80 (2) private sector compensation and benefits;
- 81 (3) target industries;

- 82 (4) target geographic areas;
- 83 (5) workforce education and training;
- 84 (6) growth in tax base;
- 85 (7) economic opportunity for residents;
- 86 (8) encouragement of entrepreneurs and small business;
- 87 (9) land use; and
- 88 (10) other actions necessary to promote economic development in the
- 89 County.

90 (b)] The Executive may adopt Regulations under method (1) to administer  
 91 [this] the Economic Development Fund.

92 [(c)] (b) The Executive must report by March 15 each year on the status and  
 93 use of the Fund. This report can be included in the Executive’s proposed  
 94 operating budget. The annual report must:

- 95 (1) describe the success of each award of financial assistance in
- 96 satisfying the economic development goals supporting the
- 97 assistance;
- 98 (2) identify any assistance agreement where the recipient did not
- 99 satisfy the performance criteria in the agreement; and
- 100 (3) track the progress of the Fund in satisfying the overall goals of the
- 101 approved economic development strategic plan.

102 **Section 2. Transition.**

103 The Corporation must submit the first draft Economic Development Strategic  
 104 Plan to the Executive on or before December 1, 2021. The County Executive must  
 105 submit comments to the first draft Plan to the Council on or before January 15, 2022,  
 106 and the Council must adopt, by resolution, a first Economic Development Strategic  
 107 Plan on or before April 15, 2022.



## LEGISLATIVE REQUEST REPORT

Bill 10-21

*Economic Development – Economic Development Strategic Plan – Economic Development Corporation – Duties*

<b>DESCRIPTION:</b>	Bill 10-21 would: <ul style="list-style-type: none"><li>• transfer the drafting of the County’s Economic Development Strategic Plan from the Executive to the County’s Economic Development Corporation;</li><li>• require the Executive to provide comments to the Council on each draft Plan by a date certain; and</li><li>• require the Council to adopt the Plan by a date certain.</li></ul>
<b>PROBLEM:</b>	MCEDC is responsible for implementing the County’s Economic Development Strategic Plan but the Executive remains responsible for drafting the Plan.
<b>GOALS AND OBJECTIVES:</b>	Consolidation of drafting and implementing the Plan with the MCEDC.
<b>COORDINATION:</b>	County Executive, Finance.
<b>FISCAL IMPACT:</b>	To be provided
<b>ECONOMIC IMPACT:</b>	To be provided
<b>RACIAL EQUITY AND SOCIAL JUSTICE IMPACT:</b>	To be provided
<b>EVALUATION:</b>	To be provided
<b>EXPERIENCE ELSEWHERE:</b>	Unknown
<b>SOURCE OF INFORMATION:</b>	Robert H. Drummer, Senior Legislative Attorney
<b>APPLICATION WITHIN MUNICIPALITIES:</b>	N/A
<b>PENALTIES:</b>	N/A

Resolution No.: 19-300  
Introduced: November 12, 2019  
Adopted: November 19, 2019

**COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND**

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Lead Sponsor: Council President Navarro  
Co-Sponsors: Councilmember Riemer, Katz, Albornoz, Friedson, Glass, Huckler, Jawando, and Rice

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**SUBJECT:** Economic Development Platform for Montgomery County

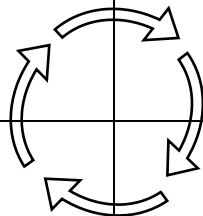
**Background**

1. A growing and thriving economy is necessary to provide abundant amenities, jobs with sustainable wages, and high-quality services for all residents of the County.
2. Montgomery County is rich in assets for businesses of all sizes to start, expand, and thrive.
3. We are home to diverse communities with more than one million residents that come from all parts of the world. Our median household income is 171.1% of the national average in 2018.
4. We offer an unmatched quality of life with access to numerous cultural, natural and recreational amenities. The County includes 93,000 acres of an Agricultural Reserve and 422 parks across 36,991 acres.
5. We support an excellent education system that prepares and trains the workforce of tomorrow. Our public-school system includes more than 165,000 students in K-12, and we boast several post-secondary institutions with Montgomery College, a consortium from the University of Maryland at the Universities at Shady Grove, and Johns Hopkins University.
6. Our workforce is highly entrepreneurial and talented. More than 59% of our residents have a bachelor's degree or higher, and our unemployment continues to trend below the national average with the 2019 average at 3.0%.
7. We are home to eighteen major federal agency headquarters that deliver important research. The U.S. Government invests more than \$15 billion in internal federal lab research and development in the D.C. region.
8. Our businesses drive innovative discoveries, life-saving medicines, and deliver critical services to our community, region, and the world. We are home to 22 of the 25 largest bioscience businesses in the D.C. region, and 41 businesses made the Inc. 5000 "Fastest-Growing" list in 2019.

**Action**

The County Council for Montgomery County, Maryland approves a four-pillar economic development platform that is business-friendly and leverages our assets through continued investments. The desired outcomes of this platform are: 1) a thriving and diversified economy; 2) racial equity and social justice; 3) greater innovation; and 4) environmental sustainability.

<p style="text-align: center;"><b>Housing</b></p> <p>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 style="text-align: center;"><b>Transportation</b></p> <p>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 style="text-align: center;"><b>Workforce Development</b></p> <p>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 style="text-align: center;"><b>Business Development</b></p> <p>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>



The Council’s committees will report to the Council an action plan for each pillar by February 11, 2020.

This is a correct copy of Council action.

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Mary Anne Paradise  
Acting Clerk of the Council

# 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,

# Economic Impact Statement

## Office of Legislative Oversight

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**

<p><b>Desired Outcomes</b></p>	<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>	
<p><b>Economic Development Pillars</b></p>	<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/ccllims/DownloadFilePage?FileName=2701\\_1\\_14253\\_Bill\\_10-2021\\_Introduction\\_20210302.pdf](https://apps.montgomerycountymd.gov/ccllims/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.

# Economic Impact Statement

## Office of Legislative Oversight

**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).

# Economic Impact Statement

## Office of Legislative Oversight

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).

# Economic Impact Statement

## Office of Legislative Oversight

- **“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>.



# Economic Impact Statement

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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 constraints; 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).

# Economic Impact Statement

## Office of Legislative Oversight

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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*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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## Office of Legislative Oversight

Montgomery County Council. Approval of Executive Regulation 10-16, Montgomery County Comprehensive Economic Strategy. Introduced and Adopted on October 18, 2016.

Montgomery County Council. Bill 10-21, Economic Development – Economic Development Strategic Plan – Economic Development Corporation – Duties. Introduced on March 2, 2021. Montgomery County, Maryland.

Montgomery County Council. Bill 28-17, Human Rights and Civil Liberties - County Minimum Wage - Amount - Annual Adjustment. Effective on July 1, 2018. Montgomery County, Maryland.

Pfeffer, Jeffrey and Robert I. Sutton. *Hard Facts, Dangerous Half-Truths & Total Nonsense: Profiting from Evidence-Based Management* (Harvard Bus. School Press 2006).

Richards, Sue and Victoria Hall. *Economic Indicators for Montgomery County and Surrounding Jurisdictions*. January 15 2019. Office of Legislative Oversight.

Sesker, Jacob to Planning, Housing and Economic Development Committee. Memorandum. March 26, 2014. “Worksession: ER 7-13 (FY14-FY15 Economic Development Strategic Plan).”

*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.

**Fiscal Impact Statement**  
**Bill 10-21, Economic Development – Economic Development Strategic Plan – Economic Development Corporation - Duties**

**1. Legislative Summary**

Bill 10-21 would transfer the drafting of the County’s Economic Development Strategic Plan from the Executive to the County’s Economic Development Corporation; require the Executive to provide comments to the Council on each draft Plan by a date certain; and require the Council to adopt the Plan by a date certain.

**2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.**

No changes in County expenditures or revenues are anticipated due to this regulation. Bill 10-21 would simply transfer the responsibility for the drafting of the County’s Economic Development Strategic Plan from the Office of the County Executive (CEX) to the Montgomery County Economic Development Corporation (MCEDC).

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

No changes in County expenditures or revenues are anticipated over the next six fiscal years due to this bill.

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

Not applicable.

**5. An estimate of expenditures related to County’s information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.**

Not applicable.

**6. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.**

Not applicable.

**7. An estimate of the staff time needed to implement the bill.**

It is estimated that a number of Executive staff would review the draft Economic Development Strategic Plan submitted by MCEDC and provide input and feedback. Depending on the number of staff involved, this effort may take a total of 20-25 hours. This effort would be absorbed within existing resources. NOTE: It is anticipated that

County staff will also be providing input to MCEDC and working with them as the plan is developed so it is likely that the plan's contents will be known to County staff before drafts are published.

**8. An explanation of how the addition of new staff responsibilities would affect other duties.**

It is expected that these new duties can be managed with current staffing.

**9. An estimate of costs when an additional appropriation is needed.**

Not applicable.

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

Not applicable.

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

Not applicable.

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

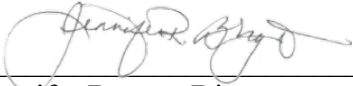
Bill 10-21 would simply transfer the responsibility for the drafting of the County's Economic Development Strategic Plan from CEX to the MCEDC. Since this is the focus of MCEDC's mission, it seems reasonable that they would be able to undertake this task, focusing on the economic development metrics and measures that are incorporated in their policy objectives and performance criteria, with no fiscal impact to the County.

**13. Other fiscal impacts or comments.**

Not applicable.

**14. The following contributed to and concurred with this analysis:**

Laurie Boyer, Economic Development Manager, Office of the County Executive  
Pofen Salem, Office of Management and Budget

  
\_\_\_\_\_  
Jennifer Bryant, Director  
Office of Management and Budget

3/23/21

\_\_\_\_\_  
Date

# Racial Equity and Social Justice (RESJ) 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) expects that Bill 10-21 will have a negligible impact on racial equity and social justice (RESJ) in the County. OLO posits, however, that Bill 10-21 could favorably impact RESJ if it incorporates amendments that required the inclusion of RESJ goals in the development of future economic development plans.

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### **BACKGROUND**

On March 2, 2021, the Council introduced Bill 10-21 to consolidate the County's economic development work. The bill would grant the Montgomery County Economic Development Corporation (MCEDC) the authority to develop the County's economic strategic plan. Towards this end, Bill 10-21 seeks to:

- Transfer the drafting of the County's Economic Development Strategic Plan from the Executive to the County's Economic Development Corporation;
- Require the Executive to provide comments to the Council on each draft Plan by a certain date;
- Require the Council to adopt the Plan by a date certain; and
- Generally amend County law governing the County's economic development.<sup>1</sup>

The MCEDC is a private, non-profit corporation that connects current and potential business owners in Montgomery County to "resources, site selection, funding incentives, permitting, and more."<sup>2</sup> It is a County-funded entity and was established after the Council enacted Bill 25-15, which eliminated the Department of Economic Development as a principal department of the Executive Branch.<sup>3</sup> MCEDC's mission is to "accelerate business growth and retention in Montgomery County." MCEDC currently provides the following services:

- Provides information on incentives, tax credits and programs;
- Helps to conduct business entity searches;
- Finds business support or loans for specialized minority-owned, women-owned or veteran-owned businesses; and
- Functions as a resource that connects the local workforce to companies in Montgomery County.<sup>4</sup>

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### **RACIAL EQUITY AND SOCIAL JUSTICE IN ECONOMIC DEVELOPMENT**

Nationally, African Americans and Latinos represent 28 percent of the population compared to 8 percent of the business owners with employees.<sup>5</sup> If people of color owned businesses at the same rate as White Americans, it would possibly add thousands of businesses and millions of jobs to the economy.<sup>6</sup>

Researchers have found that existing disparities do not reflect differences in desire or talents among entrepreneurs of color, but instead reflect the systems that they navigate.<sup>7</sup> Systemic factors that adversely impact people of color as they launch businesses include disparities in educational attainment, personal wealth, access to capital, and exposure to entrepreneurship in family and social networks.<sup>8</sup>

(19)

# RESJ Impact Statement

## Bill 10-21

The ultimate goal of Bill 10-21 is to advance economic development in the County. Increasingly researchers recognize that advancing local economic development depends, in great part, on increasing the number and productivity of businesses owned by people of color. Economic development initiatives that remove the barriers that disproportionately impact entrepreneurs of color enhance business “dynamism and productivity,” improving the economy and help narrow the racial wealth gap.<sup>9</sup> Toward this end, some jurisdictions are pursuing a dual mandate with the goal of creating a more *prosperous* and *equitable* economy.

Fairfax County’s Strategic Plan for Economic Success is an example of a jurisdiction that seeks to create a more prosperous and equitable economy. Advancing equity serves as one of six over-arching goals that inform Fairfax’s economic development plan. More specifically, Fairfax’s plan sets “achieving economic success through education and social equity” as a specific County goal parallel to diversifying its economy, improving its development review process, and creating spaces where people want to be. In advancing the goal of equity, Fairfax County tracks data on the following performance goals:

- Expand access to quality early childcare and Pre-K education for all;
- Ensure adequate resources for Fairfax County Public Schools Career and Technical Education programs;
- Expand opportunities for students with financial need to pursue post-secondary training and education;
- Expand STEM and STEAM training and preparation;
- Explore policy opportunities, strategies or frameworks to address the issue of social equity within the context of economic success;
- Promote and explore creative housing solutions in all county-sponsored projects; and
- Identify a recurring, sustainable funding source which can be reinvested into projects which preserve housing affordability and produce new affordable housing units.<sup>10</sup>

Alternatively, as currently structured and proposed under Bill 10-21, Montgomery County’s economic plan does not require the inclusion of equity goals or metrics. As stated under Section 15A-4A (d), Bill 10-21 would require the assessment of metrics to measure the progress on the following measures:

- Creation of jobs;
- Growing wages;
- Identifying and supporting strategic industries;
- Retention and attraction of new companies and employers;
- Growing the tax base;
- Supporting increased entrepreneurial activity; and
- Other actions necessary to promote economic development in the County

A focus on expanding economic development without a parallel focus on narrowing racial and social disparities in entrepreneurship and wealth are unlikely to foster equitable development that narrows economic inequality. Of note, research conducted by the Brookings Institute finds that despite the billions of dollars that have been invested into economic development over the past 25 years, economic disparities between White people, people of color and low-income residents have persisted.<sup>11</sup> As such, Brookings researchers state that economic development “strategies should be attached to clear, achievable outcomes that prioritize racial equity and are visible to residents within a reasonable timeframe.”<sup>12</sup> This reinforces the notion that it is important to develop and include equity-focused goals and metrics in local economic development plans.

# RESJ Impact Statement

## Bill 10-21

### LOCAL DEMOGRAPHIC DATA

Understanding the impact of Bill 10-21 on racial equity and social justice also requires reviewing and analyzing available data disaggregated by race and ethnicity describing business owners in the County. Available data on local business owners show that:

- Black, Latinx, Asian, and Other person-owned firms accounted for about half of all Montgomery County businesses in 2012, but only accounted for about 8% of the County's total sales.<sup>13</sup>
- In terms of self-employment, Black and Latinx persons each accounted for 19-20% of Montgomery County residents, but only 11-15% of self-employed residents with incorporated businesses in 2018.
- While representing about 29% of all firms in Montgomery County, Black and Latinx firms combined (1.7% and 1.5% respectively) accounted for less than four percent of the revenue generated by local firms in 2018.

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### ANTICIPATED RESJ IMPACTS

Understanding how transferring of governance to MCEDC for drafting the County's economic development plan might impact racial equity and social justice under Bill 10-21 hinges on the components of the Plan itself. As currently constructed, there are no metrics in the Plan that explicitly address racial equity and social justice related disparities. As such, Bill 10-21 is unlikely to enhance racial equity or social justice in the County. Moreover, it is possible that the economic development plan required under Bill 10-21 disproportionately benefits White business owners in the County because there are so few businesses of color with significant market share and revenue in the County. If this occurs, Bill 10-21 could widen racial and ethnic disparities among business owners.

If Bill 10-21 required the MCEDC plan to incorporate goals and metrics that focus on racial equity and social justice by improving opportunities for businesses owned by People of Color, it could improve RESJ in the County. Without an amendment requiring the County's economic development plan to include specific racial equity and social justice goals, OLO anticipates that Bill 10-21 will have a negligible impact on racial equity and social justice in the County.

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### METHODOLOGIES, ASSUMPTIONS AND UNCERTAINTIES

This RESJ impact statement and OLO's analysis relies on several sources of information. They include:

- Racial Equity Profile, Montgomery County, Office of Legislative Oversight
- Montgomery County Economic Development Corporation
- Community-Rooted Economic Inclusion, Brookings Institution
- Economic Success Plan, Fairfax County

OLO also spoke with staff from the PHED Committee, MCEDC and the Fairfax County Economic Success Department for information.<sup>14</sup>

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### RECOMMENDED AMENDMENTS

The County's Racial Equity and Social Justice Act requires OLO to consider whether recommended amendments to bills aimed at narrowing racial and social inequities are warranted in developing RESJ impact statements. As suggested by



# RESJ Impact Statement

## Bill 10-21

researchers, this RESJ impact statement recommends the amending of Bill 10-21 to require MCEDC to include equity-focused goals and metrics into the County's Economic Development Plan.

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### CAVEATS

Two caveats to this statement should be noted. First, estimating the impact of legislation on racial and social inequities in Montgomery County is a challenging, analytical endeavor due to data limitations, uncertainty, and other factors. Second, this RESJ statement is intended to inform the legislative process rather than to 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

OLO staffer Dr. Theo Holt, RESJ Performance Management and Data Analyst, drafted this RESJ impact statement with assistance from Dr. Elaine Bonner-Tompkins, Senior Legislative Analyst.

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<sup>1</sup> Montgomery County Council, Bill 10-21, Economic Development-Economic Development Strategic Plan-Economic Development Corporation-Duties, Introduced March 2, 2021, Montgomery County, Maryland.

[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> Montgomery County Economic Development Corporation Maryland (MCEDC), Website. <https://thinkmoco.com/how-we-help>

<sup>3</sup> Montgomery County Council, Bill 25-15, Economic Development-Reorganization-Montgomery County Economic Development Corporation, Enacted June 30, 2015, Montgomery County, Maryland. [MCEDC is a public-private corporation organized as a 501\(c\)\(3\)](#)

<sup>4</sup> Ibid

<sup>5</sup> Brookings analysis of U.S. Annual Survey of Business data cited in Joseph Parilla and Darin Redus, How a Minority Business Accelerator grant program can close the racial entrepreneurship gap. Brookings Institution, December 9, 2020

<sup>6</sup> Ibid

<sup>7</sup> Jonathan Rothwell, "No recovery: An analysis of long-term US productivity decline" Washington: Gallop, 2016

<sup>8</sup> Joyce Klein, "Bridging the Divide: How Business Ownership Can Help Close the Racial Wealth Gap" Washington: The Aspen Institute 2017; Robert Fairlie and Alicia Robb, "Why Are Black-Owned Businesses Less Successful than White-Owned Businesses? The Role of Families, Inheritance, and Business Human Capital," Journal of Labor Economics 25(2) 2017; "Kaufmann Compilation: Research on Race and Entrepreneurship," Kaufmann Foundation, December 2016

<sup>9</sup> Parilla and Redus

<sup>10</sup> Fairfax County, Economic Success Plan <https://www.fairfaxcounty.gov/economic-success/economic-success-plan>

<sup>11</sup> Hanna Love, Jennifer S. Vey, William Taft, and Elizabeth Demetriou, Community-Rooted Economic Inclusion, March 16, 2021, The Brookings Institution. <https://www.brookings.edu/essay/community-rooted-economic-inclusion-a-strategic-action-playbook/>

<sup>12</sup> Ibid

<sup>13</sup> Jupiter Independent Research Group, Racial Equity Profile Montgomery County, June 15, 2019, Silver Spring, Maryland. <https://www.montgomerycountymd.gov/OLO/Resources/Files/2019%20Reports/RevisedOLO2019-7.pdf>

<sup>14</sup> OLO spoke with County Central Council Analyst, the Assistant Chief Administrative Officer for Economic Development from MCEDC, and Staff from the Department of Economic Initiatives for Fairfax County.

**TESTIMONY ON BEHALF OF COUNTY EXECUTIVE MARC ELRICH ON EXPEDITED  
BILL 10-21 THE COUNTY'S ECONOMIC DEVELOPMENT STRATEGIC PLAN**

**March 23, 2021**

**Good afternoon Council President Hucker and Councilmembers. I am ACAO Jerome Fletcher and I am testifying on behalf of County Executive Marc Elrich.**

The Executive supports the bill's purpose to transfer the drafting of the County's Economic Development Strategic Plan from the Executive to the Montgomery County Economic Development Corporation (MCEDC) given its maturity and expertise. He also supports the bill's requirement that the Strategic Plan include clear target metrics, strategies and measures for increasing business activity in the County. However, as the bill now stands, it does not incorporate fundamentally important County goals related to climate change and racial equity. Since economic development, climate change and racial equity are so closely intertwined, they must be integrated in our strategic planning efforts (as opposed to being addressed separately) to ensure complementary solutions. If they are not, we risk advancing one strategic priority at the expense of another.

It matters, for example, *what* types of jobs are being created and who has access to those jobs to ensure that we're growing our economy equitably; it matters *how* we build our economic base so that we can accelerate GHG reductions and build greater self-sufficiency and resiliency in the face of increasing climate hazards.

Given the crises of our time, which can arguably be attributed to a narrow economic development philosophy promoting growth above all else, we must think about changing the paradigm so that our economic development efforts are anchored and tied to our efforts to create a sustainable and equitable community.

For economic reasons alone Montgomery County should make clear that we are serious about proactively addressing climate change. Rating agencies are now considering the extent to which jurisdictions address climate risk. Businesses are seeking to minimize their risk by locating or expanding in jurisdictions focused on ensuring continuous commercial operations in the face of climate hazards, including supply chain disruptions and power outages.

The Executive firmly believes that the County's CAP has the potential to significantly advance our economic development efforts and the Economic Development Strategic Plan has the potential to significantly advance our climate and racial equity goals.

Therefore, we request the following:

- Bill 10-21 be amended so that the "relevant economic development measures" are expanded to include advancing the County's goals related to: 1) greenhouse gas reductions, 2) climate resiliency and adaptation, and 3) racial equity and social justice.
- MCEDC should be asked to incorporate these additional measures into the Economic Development Strategic Plan and work with the Climate Planning Team to fully integrate climate, resiliency and racial equity goals into the Strategic Plan.

Thank you for your consideration.

March 18, 2021

Montgomery County Council  
Council Office Building  
100 Maryland Ave.  
Rockville, MD 20850

**Bill 10-21, Economic Development – Economic Development Strategic Plan – Economic Development Corporation – Duties (Support)**

**Testimony for March 23, 2021**

**Jane Lyons, Maryland Advocacy Manager**

Good afternoon. Thank you, President Katz and Councilmembers, for the opportunity to provide testimony on Bill 10-21. My name is Jane Lyons and I am speaking on behalf of the Coalition for Smarter Growth, the leading organization in the D.C. region advocating for walkable, inclusive, transit-oriented communities.

Bill 10-21 would ensure that the county has an up-to-date strategic plan for economic development by requiring Montgomery County Economic Development Corporation (MCEDC) craft an economic development strategic plan with clear metrics and concrete strategies, updated every four years.

As we are all well aware, the county has not been adding jobs and growing at a desirable rate. Nevertheless, Montgomery County remains a desirable place with much to offer to new employers and residents alike. This Council has made major steps towards making the county more friendly to investment with the new Growth & Infrastructure Policy, adopting the regional housing targets, incentivizing construction on Metro stations, and more. A comprehensive economic development strategic plan will be able to marry together these policies and goals.

Since the final strategic plan would be adopted via resolution, it is our understanding that the plan would not be covered by the Racial Equity and Social Justice Act. As such, we ask that MCEDC be required to consider racial equity and social justice when creating the county's economic development strategic plan.

Thank you for your consideration.