"Federation Corner" column
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County is economic developmentally challenged
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This past Monday, in the inaugural speech kicking off his second term in office, President Barack Obama proclaimed "we're all in this together." With any luck this signaled the end of the era in which Wall Street titans and executives at major corporations operated under the premise that greed is good, and that wealth trickling down from the privileged 1 percent should be sufficient to sustain the other 99 percent of Americans.

Montgomery County has experienced its own version of failed trickle down economics. The members of the 1 percent have preferred to "suck up" as much wealth and privilege as they could, allowing as little as possible to "trickle down" to the other residents.

In response to Maryland's tax hike on the wealthy, nearly one-third of millionaires have disappeared from the state tax rolls, as reported in the Wall Street Journal. The county experienced a noticeable decrease in personal income tax revenue not because a number of our millionaire residents moved, but because they now claim vacation or second homes located elsewhere as their principal residences. This allows them to avoid paying personal income tax here. As a result, the county imposed several new taxes to help make up the revenue shortfall, such as the cell phone tax and an increased energy tax.

Corporations have also sucked wealth from the county, albeit for meeting what officials consider a worthwhile goal. The census found that Montgomery County lost some 5,000 jobs between 2000 and 2010. The decrease in employment opportunities in the county started long before the international financial crisis struck in the fall of 2008. The loss of jobs means that there will be less tax revenue to pay for the services we want, or taxes will have to be increased.

As noted in the 2012 Economic Development Fund Annual Report, released by the county Department of Economic Development (DED), 109 of 162 corporations participating in the Economic Development Fund Grant/Loan Program paid no real property or personal property tax in 2010 and 2011--a financial gift received in exchange for agreeing to adhere to job creation or retention goals. The list of corporations paying no county real or personal property taxes in '10 and '11 includes Whole Foods, Sodexho Marriott, Choice Hotels International Inc., and Eakin/Youngentob, a successful real estate development company.

How many of these 109 companies would have created or retained the same number of jobs without the financial gift they received from the county?

According to DED data, in December 2012 the county had about a 4 percent vacancy rate for retail space (1.5 million square feet), and the vacancy rates for office space stood at just over 14 percent for Class A office space, just under 14 percent for Class B office space, and at 9.5 percent for Class C office space (a total of around 9 million square feet of vacant office space in just over 1,500 buildings--enough to create 36.000 jobs, at an industry standard of 250 square feet per office worker). Remember that these numbers are countywide averages, so areas where Class A and B space experience few or no vacancies are balanced by areas in which the vacancy rate is much higher than 14 percent.

During the program on economic development at the January 14 Civic Federation meeting, one of the speakers asserted that some of the 9 million square feet of vacant office space in the county remains empty because the owners have decided it is more cost beneficial to receive the reduction in the assessed value of the property (resulting in lower property tax due), based on percentage of space vacant for 3 years, rather than spend the money needed to rehabilitate the space and attract new corporate tenants.

Is it true that commercial property owners can benefit more financially from leaving office space vacant and receiving lower property assessment than they could from renting that property following an initial monetary outlay for upgrading the space?

A related concern is that the new mixed use zoning, which will be applied to all formerly commercial-only properties in the county as part of the zoning code rewrite project, will allow owners to respond to market pressure. So owners can demolish existing office buildings and replace them with multi-family residential buildings if the market for commercial space is weak. And with the current 14 percent vacancy rate for Class A and B office space, the overwhelming majority of new development in the county is residential space. If the trend is left unchecked, the county could become a collection of high density suburban bedroom communities with an insufficient number of jobs to meet residents' needs. This would put more workers on the road commuting to jobs elsewhere, exacerbating the county's already monumentally bad traffic congestion.

There was one clear and disturbing take away from the Federation's January 14 program. As economically vital as the DED website (choosemontgomerymd.com) would have us believe the county is, Economic Development Department Director Steve Silverman and Council member Nancy Floreen admitted Montgomery has never before experienced the level of job loss and prolonged failure to attract new companies and jobs to the county than it is at present. And they have no clue what the solution to the problem might be.

Montgomery County is truly economic developmentally challenged at present. And it is of little solace to realize that we are no worse off than most comparable counties in the United States, and probably better off than many.

The views expressed in this column do not necessarily reflect formal positions adopted by the Federation. To submit an 800-1000 word column for consideration, send as an email attachment to montgomerycivic@yahoo.com