

24th Annual Economic Conference
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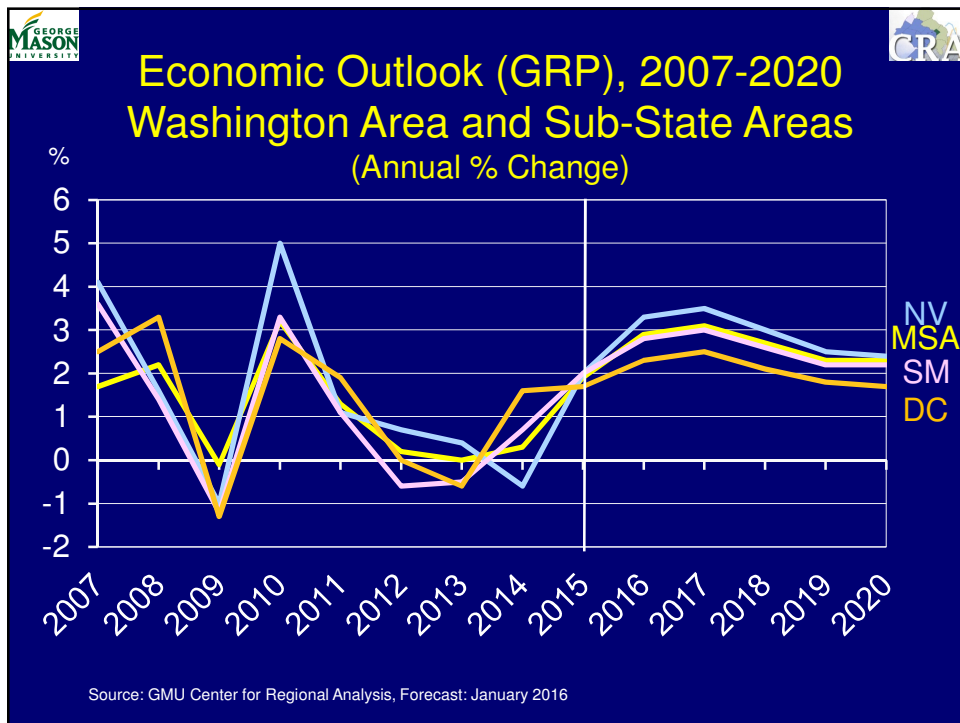
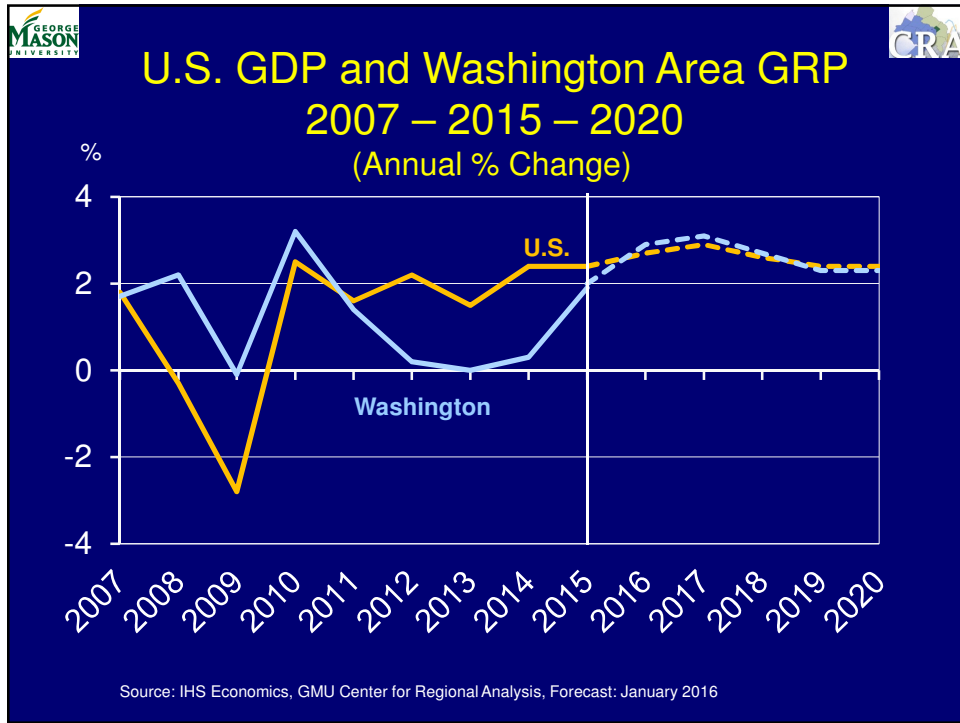
*The Roadmap for the Washington
Region's Future Economy*

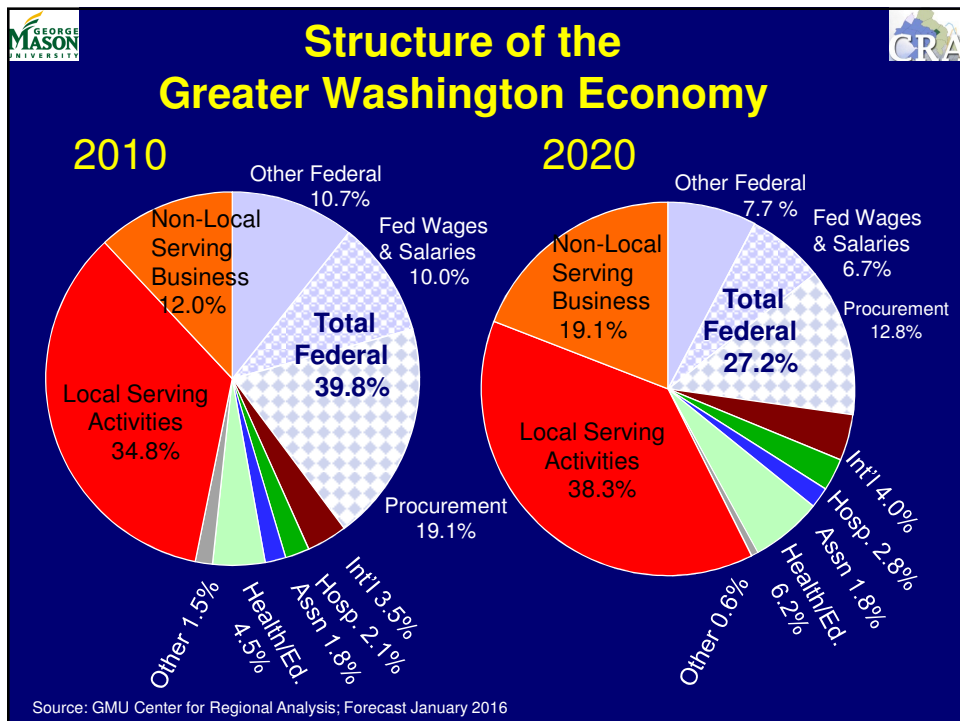
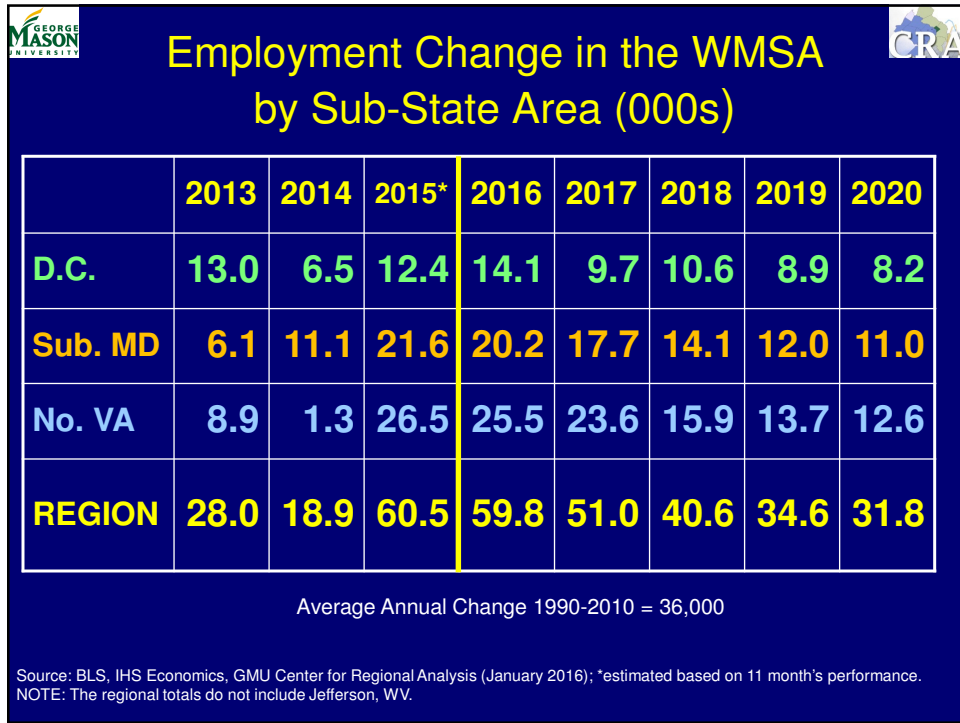
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**The Washington Region's
Standard Economic Forecast**







What Will Drive Growth In the Washington Area Going Forward?



Objectives of the Roadmap

- Re-position the economy away from Federal markets to national and global markets;
- Build on the region's competitive advantages;
- Focus on export-based, high-value added, high-growth potential businesses;
- Identify what these types of businesses need—their requirements—to grow in the Washington area;
- Formulate a call-to-action to address the region's "requirements" for future growth.



Roadmap Research Sponsors

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Greater Washington Board of Trade
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Roadmap Research Team

Center for Regional Analysis,
George Mason University

Inforum,
University of Maryland

Metropolitan Policy Center
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The Consequences of the Region's Economic Dependency on Federal Spending

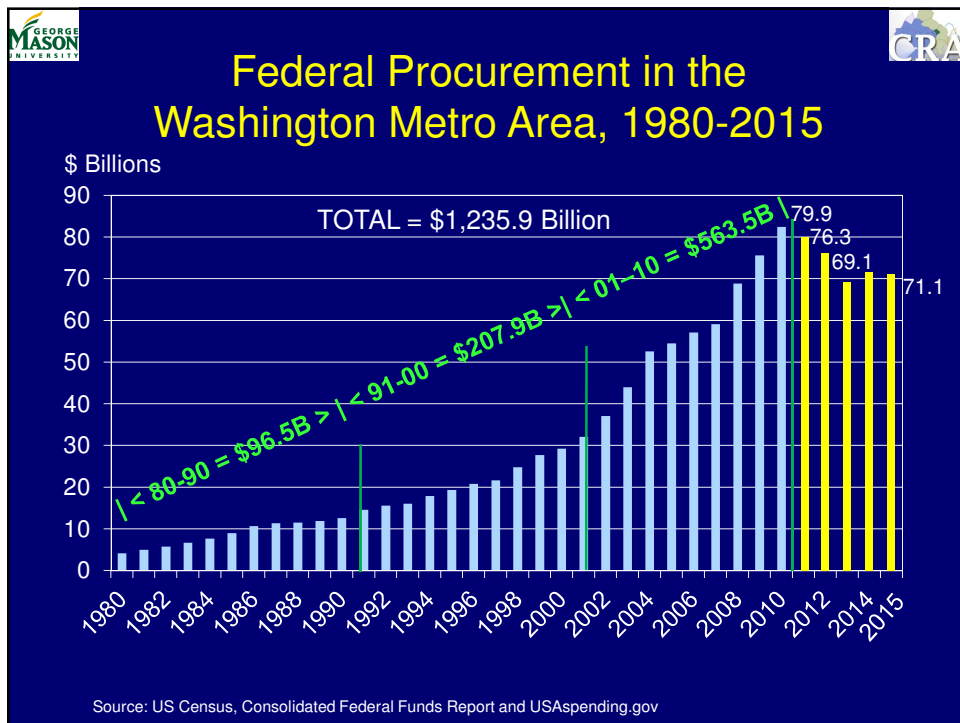
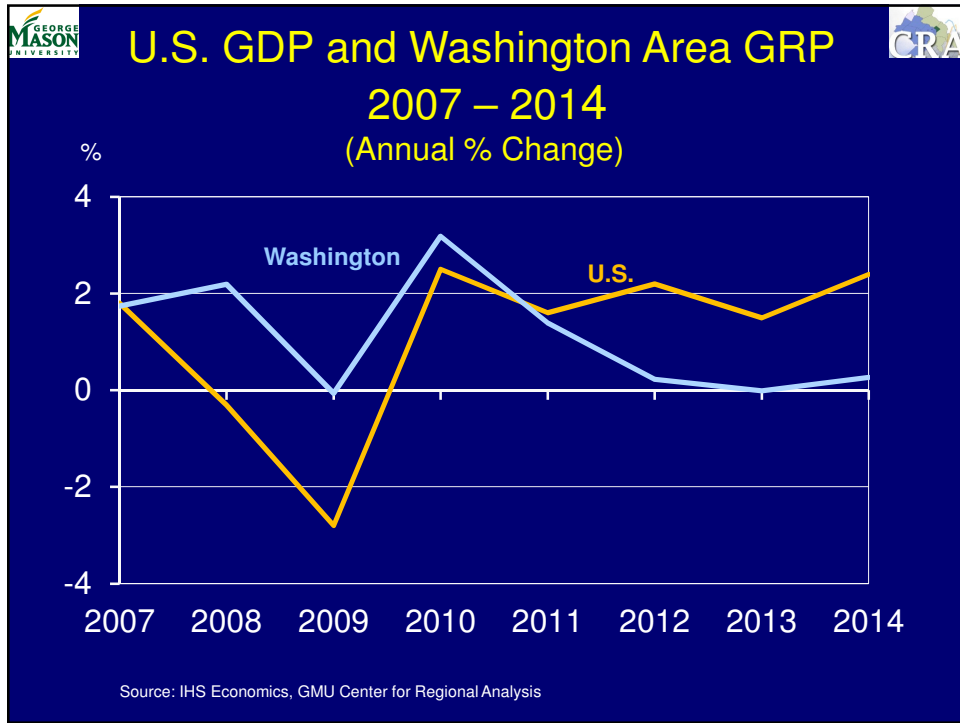


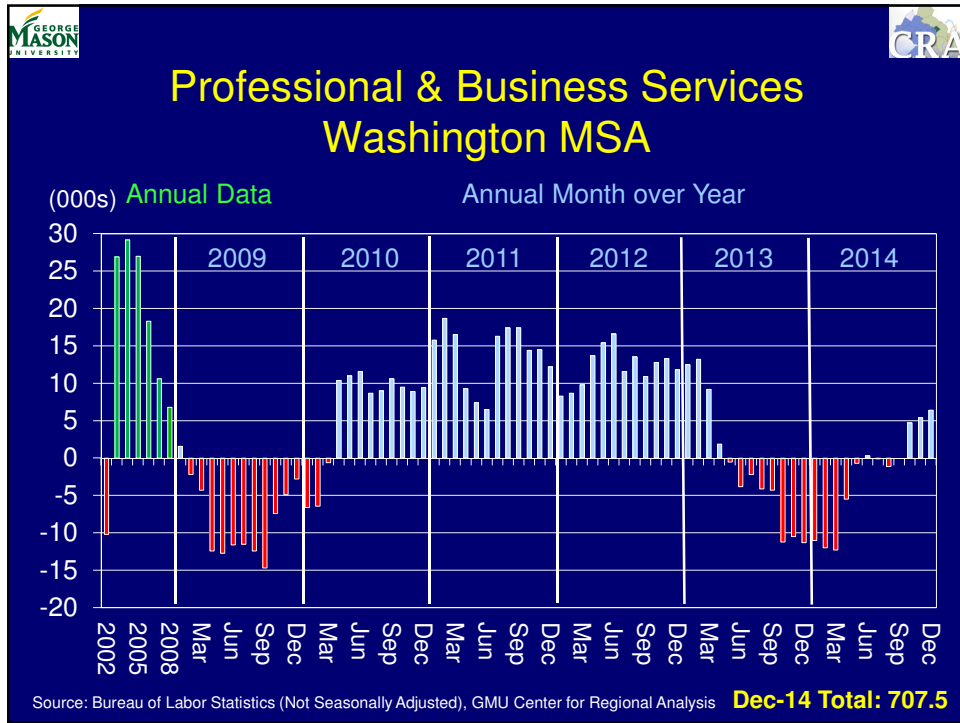
State and Metro Growth Rates and Rankings 2010-2014

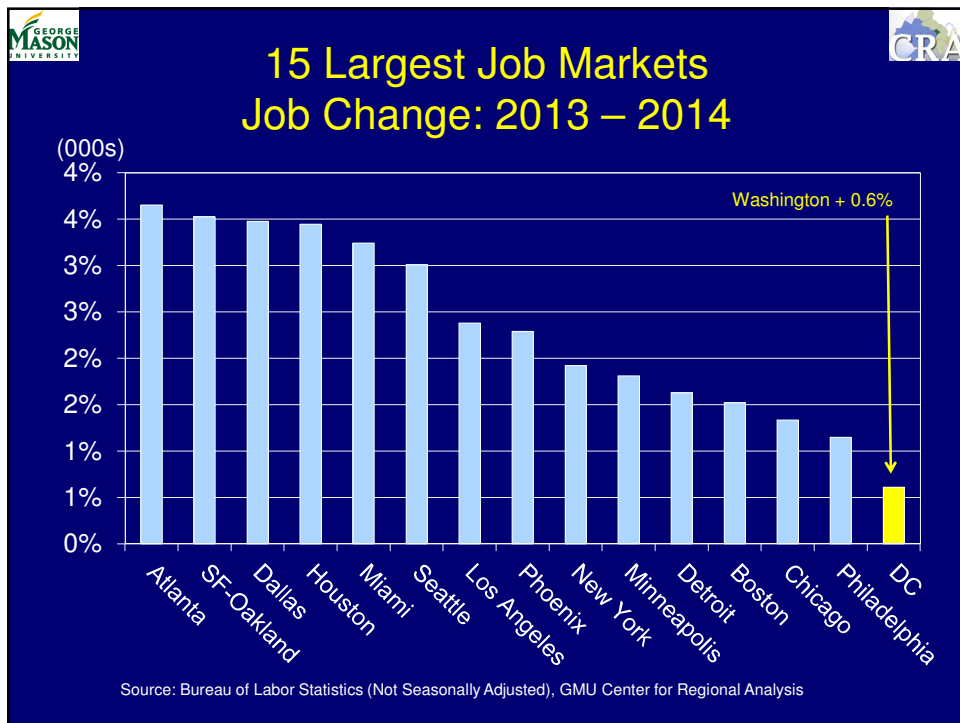
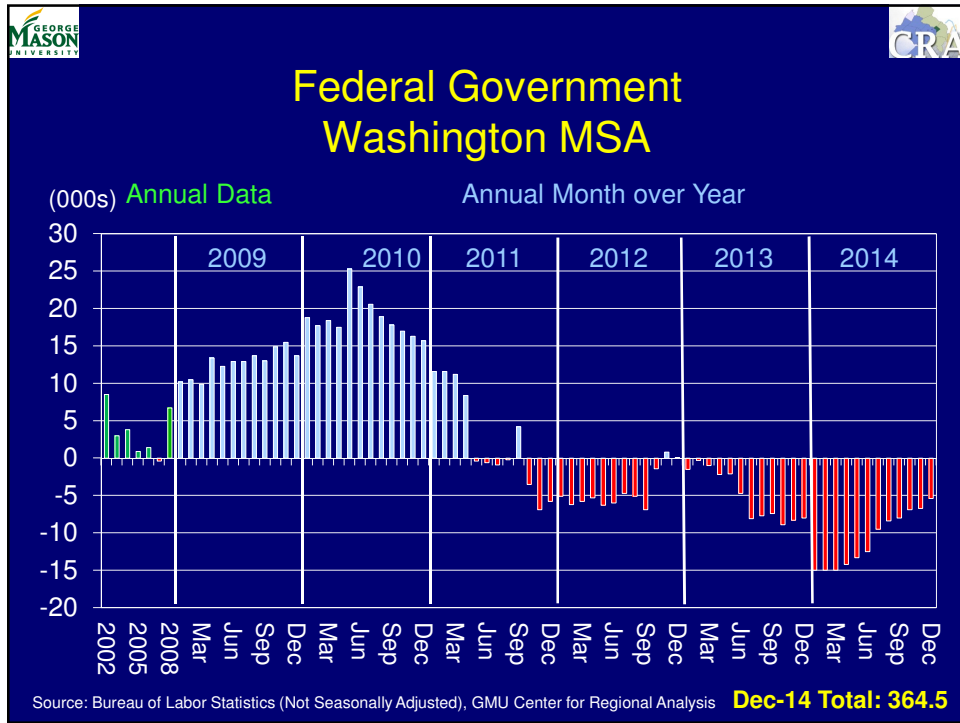
(annual percent change)



<u>Year</u>	<u>U.S.</u>	<u>Maryland</u>	<u>DC</u>	<u>Virginia</u>	<u>WMSA</u>
2010	2.5	2.5	2.8	2.4	3.2
2011	1.6	1.3	1.9	0.6	1.4
2012	2.2	0.4	0.0	0.7	0.2
2013	1.5	0.7	- 0.6	0.4	0.0
Ranking		40 th	47 th	43 rd	
2014	2.4	0.8	1.6	0.0	0.3
Ranking		37 th	25 th	49 th	

Source: U.S. Department of Commerce











Diversifying the Region's Economy: What Does This Mean?



Washington Region's Knowledge-Based Economy

Built on the creation and dissemination of knowledge: the sources of information, the analysis of information, the transmission of information, policy formulation, advanced education and research, the advancement of ideas and application of new technologies to the solution of global problems.

Future growth opportunities will be found in building out the region's knowledge- and information-based platforms to extend their business-to-business transactions into national and global markets.

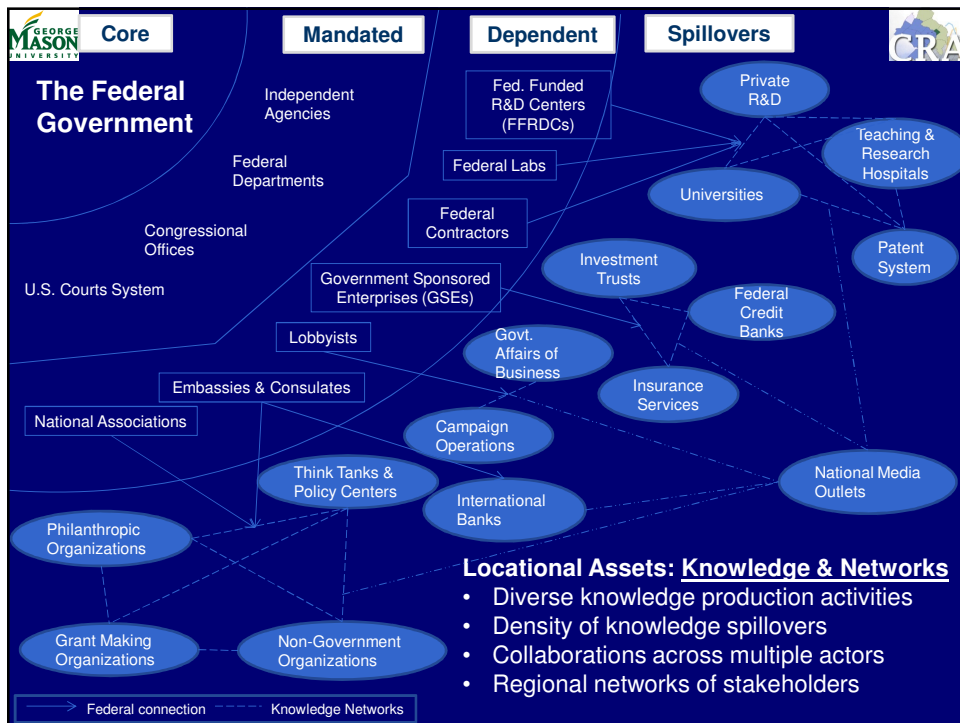
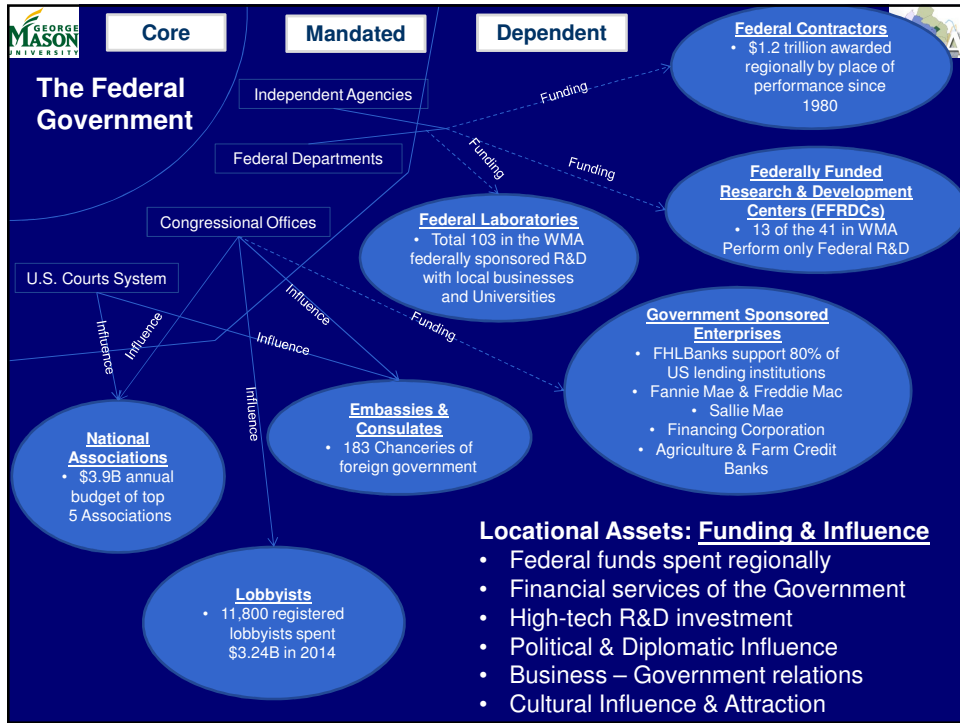


The Washington Region's Competitive Advantages



Washington Region's Competitive Advantages

- Capital City/Federal Government Center
- International Governments and Institutions
- Connectivity to the World
- Concentration of Government and Business Leaders
- High Quality-of-Life
- Diverse Population
- Breadth of Higher Educational Services
- Educated Work Force
- High Level of Labor Force Participation
- Advanced Occupational Specializations





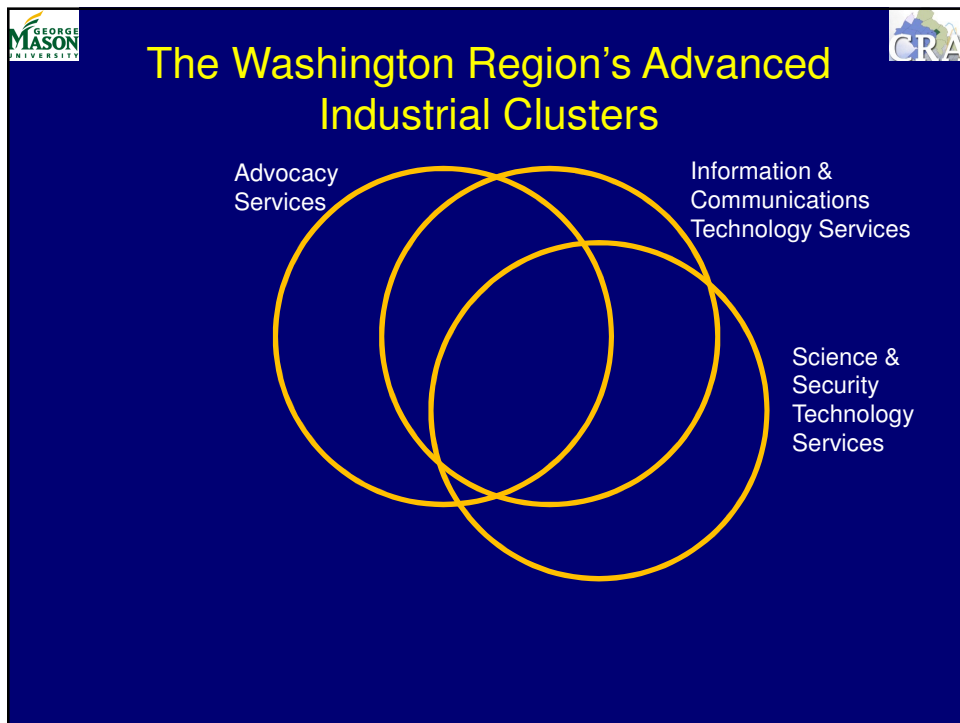
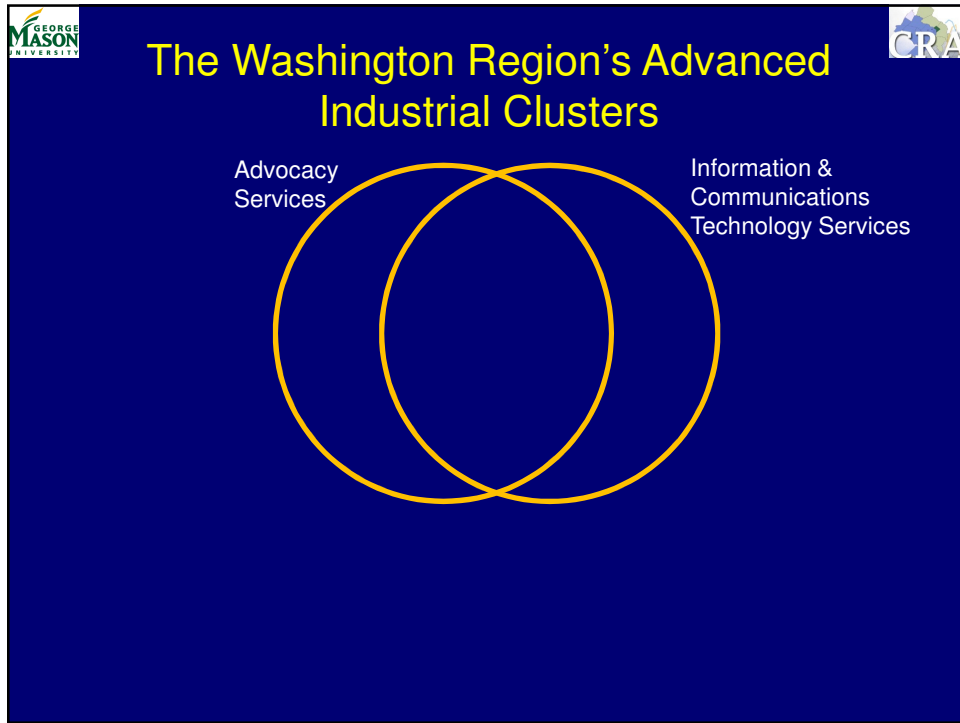
Defining the Washington Region's Advanced Industrial Clusters

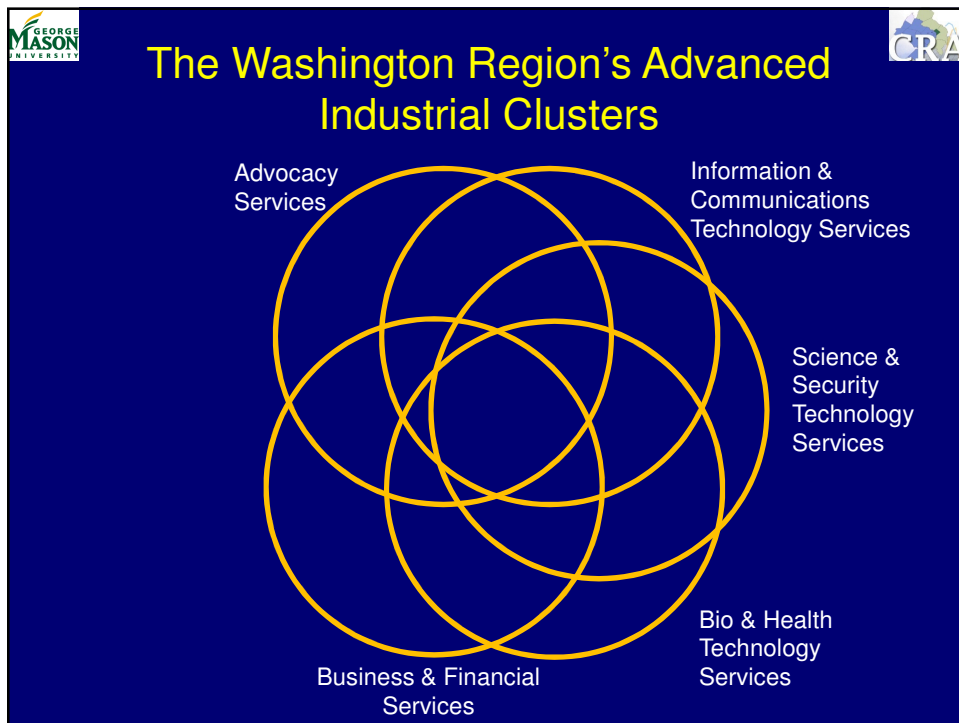
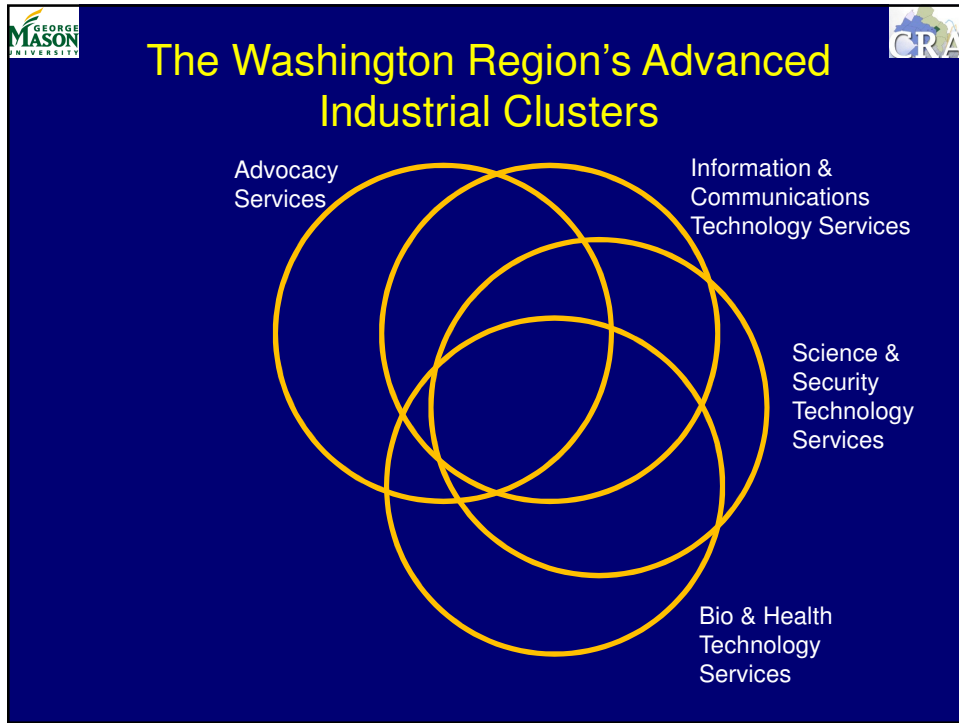


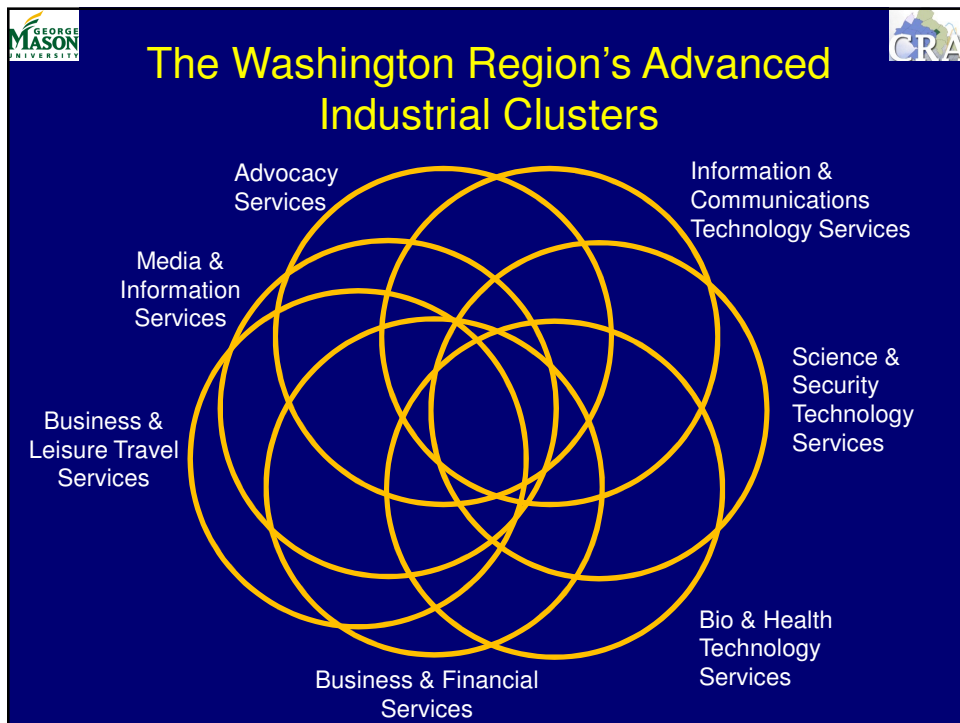
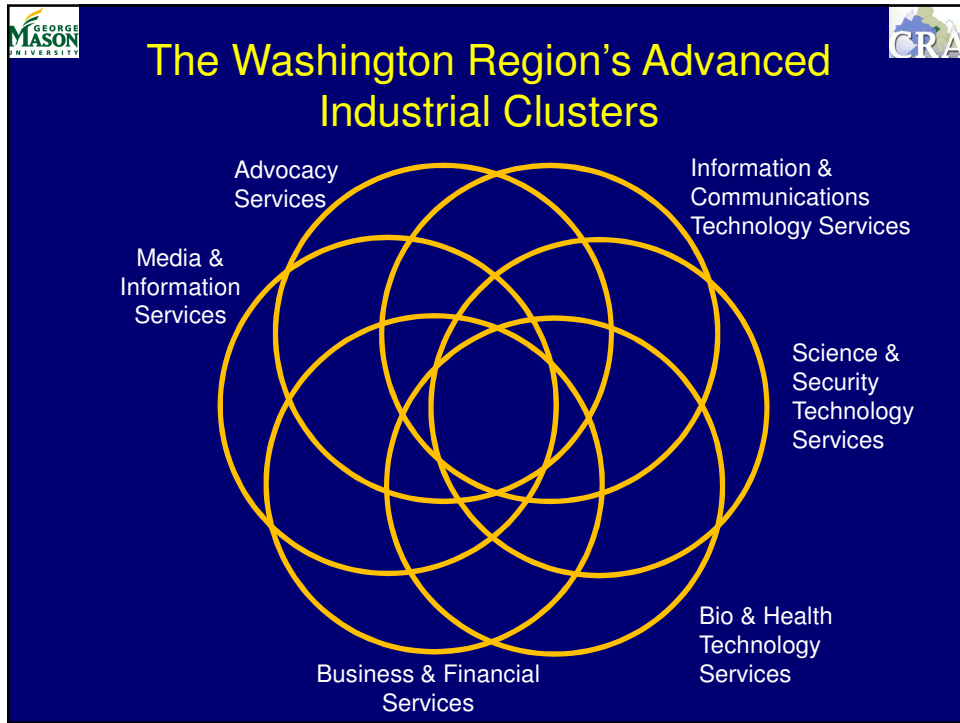
The Washington Region's Advanced Industrial Clusters

Advocacy
Services





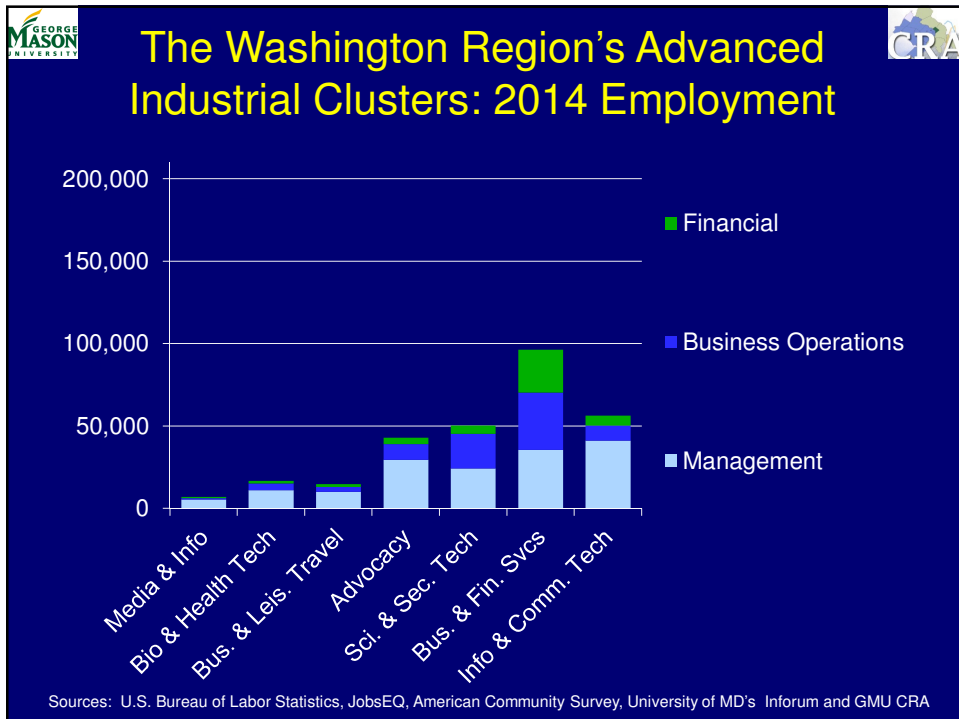


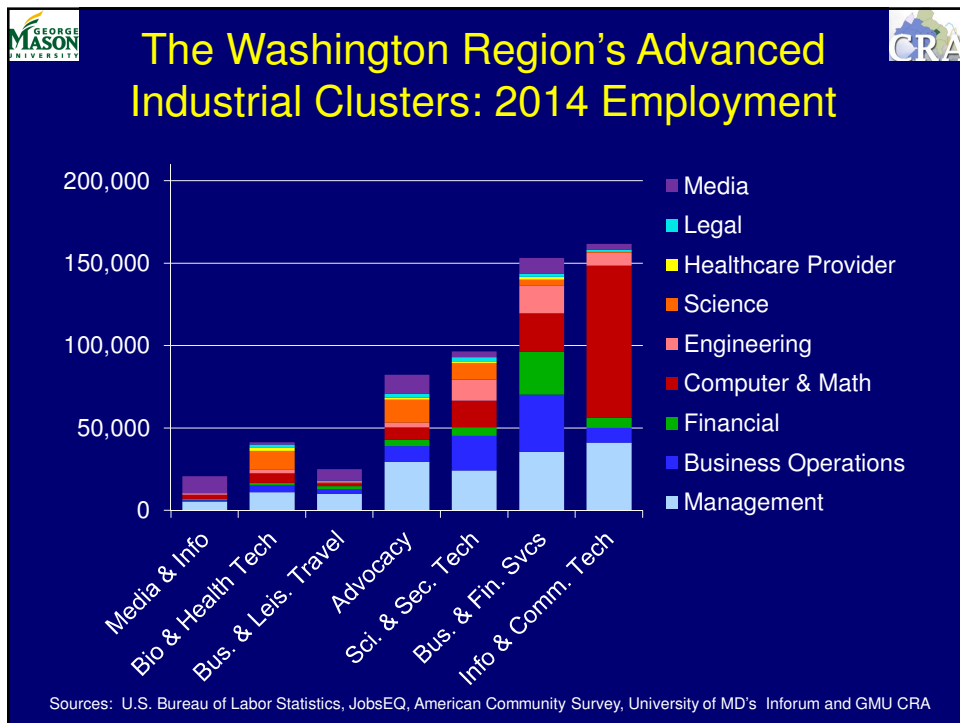
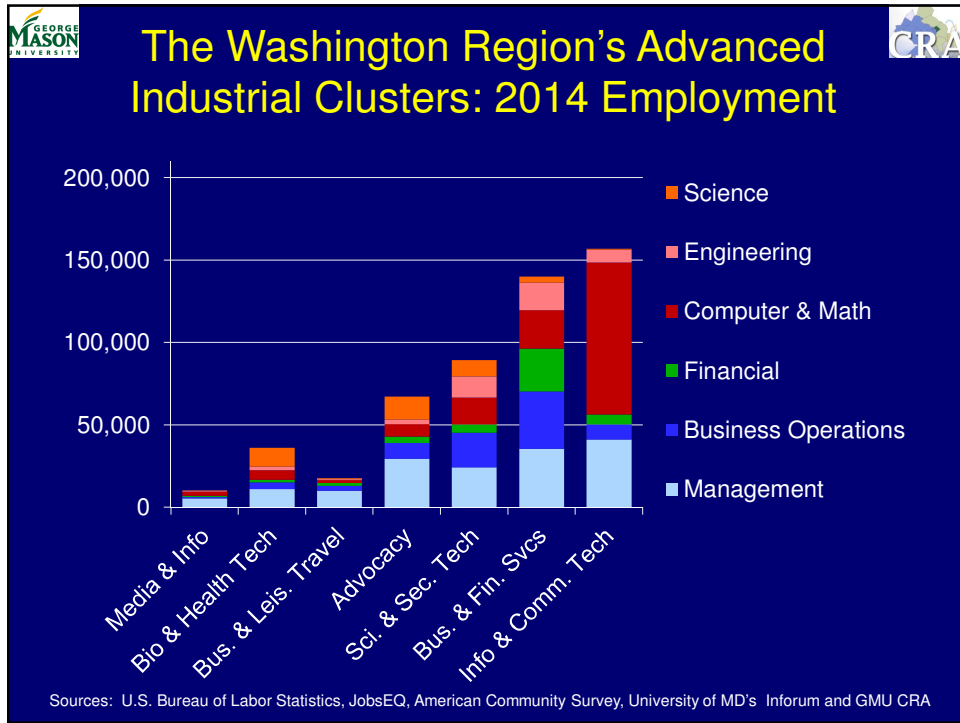


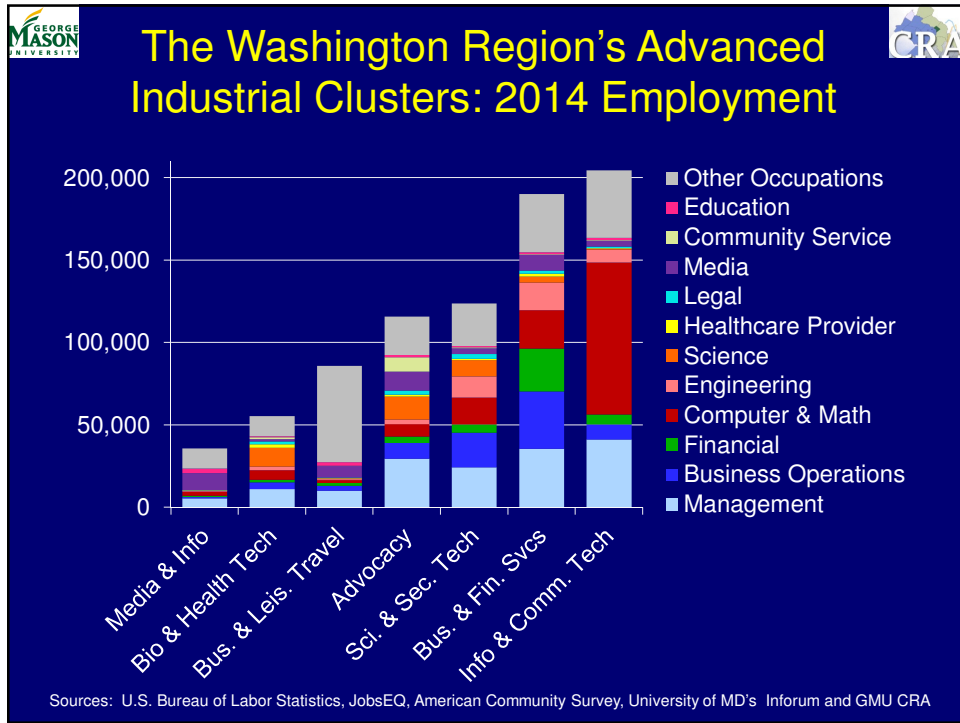
The Washington Region's Advanced Industrial Clusters: 2014 Employment

Cluster	Jobs	%Change ¹	LQ ²	Wage ³
Advocacy Services	115,731	19.0	3.5	1.7
Info & Comm. Tech	204,489	5.5	2.7	1.4
Sci & Security Tech	123,785	18.6	1.8	1.6
Bio & Health Tech	55,396	25.1	2.0	1.6
Business & Fin. Serv.	190,128	38.9	1.8	1.6
Media & Info Services	35,745	- 20.1	1.5	1.7
Business & Leisure T.	85,919	- 1.3	1.1	1.3
All Clusters	811,193	14.5*	2.0	1.6

Sources: U.S. Bureau of Labor Statistics, JobsEQ, University of MD's Inforum
¹2003-2014 Percent Change; ²percentage of local employment in a cluster divided by its respective percentage nationally; ³WMSA/US wage ratio; *total job change for WMSA, 9.3%;









The Washington Region's Advanced Industrial Clusters: Job Growth Forecast

Cluster	2014-2025 Job Forecast			
	Low	%	High	%
Advocacy Services	122,303	5.7	138,868	20.0
Info & Comm. Tech	213,621	4.5	224,872	10.0
Sci & Security Tech	135,707	9.6	147,104	18.8
Bio & Health Tech	58,388	5.4	67,929	22.6
Business & Fin. Serv.	218,851	15.1	269,053	41.5
Media & Info Services	36,292	1.5	41,667	16.6
Business & Leisure T.	87,807	2.2	91,512	6.5
All Clusters	872,969	7.6	981,005	20.9
All Jobs in WMA	3,092,270	4.0	3,402,570	14.4

The Washington Region's Advanced Industrial Clusters: Job Growth Forecasts (percent change over the period indicated)

	<u>2003-2014</u>	<u>2014-2025</u>	
		<u>Low</u> ¹	<u>High</u> ²
Sum of Clusters	14.6%	7.6%	20.9%
Total Metro Job Growth	9.3%	4.0%	14.4%
US. Job Growth	5.1%	9.5%	9.5%

¹continuation of 2011-2014 trends.
²reflecting historic growth patterns plus reversals based on national forecasts for declining clusters.
Source: Inforum, University of Maryland, December 2015




Requirements for and Constraints to Future Economic Growth




Requirements for Future Economic Growth: Major Themes

- Talent development, attraction and retention;
- The region's quality-of-life;
- Transportation flexibility and adaptability;
- Access to capital;
- Regional branding and national and global marketing;
- Entrepreneurial culture;
- Competition among local jurisdictions; and,
- Public costs and disincentives.




Business Requirements for Growth

- Talent Development, Attraction and Retention
Provide the region's current and future workers with educational and training resources required to succeed in a competitive knowledge-based economy. Strong public school systems and educational institutions that foster continued skills and professional development are needed to advance the region as a desirable place to live with excellent career pathways at all levels and stages of employment.





Business Requirements for Growth

- The Region's Quality of Life

Talent is attracted and retained by the region's quality of life and the vibrancy of its residential communities.

Competitive qualities include:
cost-of-living especially housing affordability, quality of public services including public schools and public safety, availability of multi-modal transportation services, attractive neighborhoods and quality of public spaces and cultural facilities, and ethnic mix and diversity of life styles.



Business Requirements for Growth

- Transportation Flexibility and Adaptability

Transportation is a fundamental building block of a competitive economy. The cost of moving goods and services as well as workday mobility for business and personal purposes are intrinsically linked to the overall cost of doing business in the region and its quality of life.



Business Requirements for Growth

- Access to Capital

Venture capital (early-stage seed and second-stage) and a strong commercial banking system are essential to generating a vibrant entrepreneurial ecosystem.



Establishing a strong cadre of local entrepreneurs, experienced managerial talent and venture capitalists is necessary to realize the region's inherent business potentials.



Constraints to Business Growth

- Regional Branding

The Washington region lacks a favorable brand to promote its business base in national and global markets. Federal functions overshadow the region's competitive advantages for non-federally dependent businesses and media coverage consistently fails to recognize the region as a major business center with significant concentrations of technology-intensive, scientific and professional services.



Constraints to Business Growth

- Entrepreneurial Culture



The region's roots and traditions as a Federal City have produced a culture described as bureaucratic and better suited to administration and management of programs and regulations than as a culture perceived as entrepreneurial and fertile for innovation and business creation.



Constraints to Business Growth

- Competition Among Local Jurisdictions



The Washington region, as defined by the U.S. Census consists of three state-level governments, six independent cities, and 16 counties. With its federal overlay, the region presents a complex structure that negatively impacts business development by creating costly obstacles, inconsistencies, and jurisdictional competition across political boundaries. While competition may have some benefits (lower taxes), infighting, distrust and poaching undermine the region's business attractiveness.





Constraints to Business Growth

- Public Costs and Disincentives

Business thought-leaders cited high publicly imposed fees and costly regulatory processes as barriers to doing business in the Washington area. These added costs associated with land use and business development contribute to higher costs of living and provide business owners and investors reasons for choosing more business-cost friendly locations elsewhere in the U.S.





The Roadmap for the Washington Region's Future Economy: Call-to-Action



Call-to-Action

- The development, attraction and retention of the talent required to support the workforce of the future, spanning entry level, continuing upskilling, advancement, and extending the work life of older workers, is a foundational requirement for growing a knowledge-based economy.
- The area's public school systems and local business organizations need to collaborate regionally to increase the quality of program curricula, invest in teacher development, and create internships and job-relevant educational experiences to ensure public school graduates have the necessary capabilities to pursue careers requiring advanced education and skills training.



Call-to-Action

- The Consortium of Universities of the Washington Metropolitan Area needs to expand its mission and membership, and establish a region-wide university/business partnership to provide the talent required for the full career path of the region's future workforce.
- The quality of the region's living environment is critical to its ability to attract and retain the talent it needs to support growth of an advanced economy.
- There are two key requirements for achieving and maintaining the region's QOL that necessitate regional solution: (1) housing affordability and (2) a transportation system that works.

Call-to-Action

- Local governments need to initiate the region-wide analysis of the supply constraints and related costs that have resulted in the region's high housing costs and large number of non-resident commuters who have been forced to seek affordable housing beyond the region's boundaries. This analysis should consider (a) publicly imposed costs impacting new residential construction that contribute no real value to the finished product, (b) housing production goals should be considered at the jurisdictional level, and (c) policies affecting land-use mix, densities and redevelopment areas need to be considered. Non-profit organizations and private residential developers should collaborate to develop and adopt solutions to increase the supply of and protect the existing stock of affordable housing in all jurisdictions.



Call-to-Action

- The region's transportation system is failing. The combination of disinvestment in the system's maintenance, failure to invest in system-wide capacity expansion in anticipation of future growth and failure to design and institute a regional management organization with financial authority have precipitated the system's current status, one that must be corrected if the Washington region is to remain competitive.
- In the short term, DC, Virginia and Maryland need to formulate and adopt a dedicated funding source for WMATA.
- In the longer term, the region should consider establishing a tri-state transportation authority to plan, finance, construct and operate the region's multi-modal transportation system designed to fulfill the region's mobility requirements of the 21st Century.






Call-to-Action

- The reputation of the Washington region as a good place to do non-federal business is weak; the region's business image is overshadowed by its image as the seat of the Federal government. The development of a business brand for the region needs to be initiated by the private sector as the public sector is too fragmented and competitive to come to consensus on a singular regional brand.
- The region's chambers of commerce and business and professional organizations, coming together in a transparent and collaborative process, can succeed in designing and implementing an impactful brand for the region as a global business center. Marketing the region's business brand to national and international media and business organizations will require long-term financial commitment to this process.



Call-to-Action

- Establishing a culture of collaboration among local jurisdictions should be given high priority as non-collaboration has high costs. MWCOC provides the region's principal collaborative platform for local governments and should to provide the leadership to foster collaborative solutions to regional problems.
- An important initiative would be to institute region wide collaboration on economic development efforts to present the Washington region as an interdependent economy to non-local business investors as they undertake their initial location analyses.
- Elected officials could play a role in seeking cost savings and improved service quality by teaming in the delivery of public services across jurisdictional boundaries.

Call-to-Action

- The Washington region is an expensive place in which to live and to operate a business. Additionally, there are cost differentials within the region that disadvantage some jurisdictions and favor others. Unless these higher costs can be rationalized, it is in the interest of higher-cost jurisdictions to assess their regulatory and administrative fees and charges to determine whether these are business-location neutral within the region. The existence of these local cost differentials adds complexity and reinforces external investors' and business leaders' negative opinions about locating and/or doing business in the Washington market.
- Reducing counter productive fees and administrative costs imposed by the region's local governments will enhance its attractiveness for business investment. Each jurisdiction should assess its fees and charges to identify opportunities for lowering its costs of doing business.

This Call-to-Action Must Be Regional

- None of these actions can be more effectively achieved at the individual organizational or jurisdictional level than at the regional scale.
- All of these actions have real as well as implied economies of scale.
- The region's interdependencies will require proactive collaboration among the public and private sectors and strong leadership across multiple local organizations and governments.



Thank You & Questions

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