

The Rockville Summit  
Road Map for the Future

**The City of Rockville, Maryland  
Current Economic Conditions and Future Directions**

Prepared for

The City of Rockville

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October 18, 2011

# **The City of Rockville, Maryland**

## **Current Economic Conditions and Future Directions**

### **Executive Summary**

The City of Rockville's future economic vitality will reflect a convergence between its residentially supported market base and its non-local serving business functions that together can support a diversified and interdependent economy. This combined economic base offers important synergies that will increase its potential capacity for growth. And, as this dual economy expands and diversifies going forward, it is capable of employing a greater number of workers residing within the city, generating a broader and better balanced local tax base, and achieving a development pattern that builds on the city's multi-modal transportation advantages while protecting the qualities of its existing residential communities.

The bases for this future economy already exist but the end result is not guaranteed. The city's competitive advantages will need to be further strengthened to maintain and advance its relative position within Montgomery County and the Washington region. Additionally, the preconditions required to attract private investment to the city to realize its potentials will need to be carefully cultivated and enhanced. Rockville's elected officials will need to provide the leadership, in partnership with business leaders and residents, to achieve the city's full development potential consistent with its assets and liabilities, values and history as well as the realities of the region's future economic trends and opportunities.

Building on the city's current and evolving position within the region's dynamic economy will require forward-looking strategies. The status quo cannot be maintained. The city is in constant flux as residents move in and out, as improvements and additions are made to the existing housing stock, and as its economic structure evolves, jobs are added and as the work associated with these jobs changes. Rockville has experienced significant change over the past several decades that point to its future. This future is not inevitable although it can be shaped to the benefit of the city's current and future residents and business owners.

The following analyses document the major trends that have brought the city to its present position and will provide the foundation for its future. Designing that future, formulating the strategies to achieve this future, and implementing these strategies will determine whether the city—its residents and employers—will be positioned to achieve the preferred outcomes or something less and possibly unsatisfactory to all parties. The analyses reported here set the stage for a discussion of what the City of Rockville will become within a surrounding region that is growing and changing. The place to start this discussion is with understanding the city's current conditions followed by an examination of the economic projections from which the city can select and compete for its future economic outcomes.

## **Rockville's Current Economic Base**

The City of Rockville's economy consists of two interdependent markets—residentially based demand for goods and services and business activities and government services whose markets extend beyond the city limits. The combination of these economies offers Rockville the capacity to be broader and deeper in its mix of businesses and supporting public and non-government activities than the economies found typically in the suburbs or central cities that reflect only one of these primary market segments.

Rockville's residentially based economy has grown in number and sales potential during the past decade and represents a growing market for city-based retail and consumer service establishments. These same residentially based business establishments can serve the businesses that have located in Rockville attracted by its competitive assets—access to a large labor market accessible to the city center by multi-modal transportation facilities, its state and local government functions, and proximity to federal employment centers. These same retail and consumer services, in combination with the city's business base are also attractive to the city's business and leisure visitors comprising its growing hospitality sector. The city's educational and health services and cultural amenities round out this interdependent mix of local and non-local serving businesses and government activities that comprise the city's economic base and distinguish it from its competitors.

The key metrics of this unique economic base are as follows:

- Rockville's demographic trends over the past twenty years show its population to have experienced significant changes in number, income, age and ethnic composition. The city's population increased by 16,374 residents (36.5%) between 1990 and 2010, and its household base increased by 8,026 new households (51.3%). This pace of growth exceeded that in Montgomery County and the Washington metropolitan area.
- An analysis of the households moving in and moving out of Rockville during the past decade shows a significant shift in household income structure. Between 2000 and 2010, 14,283 new households moved into the city accounting for 60 percent of the city's total households in 2010. The average household income of Rockville's new residents in 2010 was \$99,551 while the average household income of the city's residents who had moved into the city prior to 2000 and were still in residence in 2010 was \$85,213. This \$14,338 household income differential has important economic and fiscal implications.
- As a result of its household growth, in combination with the influx of new households with higher average incomes than the departing households they

replaced, Rockville’s total gross household income rose from \$1.174 billion to \$2.223 billion for a gain of 89 percent, a growth rate more than double the city’s population gain over this period (36.5%). In 2010, households moving into the city since 2000 accounted for 64 percent of its household income.

- The city has an employment base of 67,894, twice as large as the city’s resident workforce. However, only 22.8 percent of the city’s resident workers work within the city and these workers account for just 10.8 percent of the jobs located in the city.
- The quality and distribution of the resident workforce—with 55 percent working in the professional and business services, education and health services and government sectors—represent an attractive resource to potential businesses considering Rockville as a location for their businesses and thereby constitute an important asset in support of the city’s future role as an employment center.
- A comparison of Rockville’s employment base with that of Montgomery County’s employment base further defines the city’s dominant sectors with professional and business services representing the greatest relative concentration of jobs in the city. Other employment concentrations within the city’s economy are found in education and health and financial services and government. These comprise Rockville’s core sectors.

#### Rockville’s Economic Profile: Key Metrics

Indicator	Percent
Household Growth, 1990-2010	51.3
Median Household Income Change, 1990-2010	80.2
Percent Residents with Bachelor’s Degree or more	58.2
Percent Resident Workers Working in the City	22.8
Resident Workers as a Percentage of All City Jobs	10.8
Core Sectors in the City, Percent of City Employment	
Professional and Business Services	27.3
Education and Health Services	19.3
Government	10.5
Financial Services	9.4
Retail Trade	6.6
Leisure and Hospitality	5.6
Projected Employment Growth in Rockville, 2010-2020	
Maintaining Competitive Position in County	11,047
Increasing Share, Improving Competitive Position	12,443

## **Rockville's Economic Outlook**

Economic forecasts for Montgomery County provide the framework for Rockville's economic growth going forward over the next two decades as these countywide forecasts are inclusive of the city's future employment base. Montgomery County's projected job growth is concentrated in two sectors—professional and business services, inclusive of administrative services, and health services. These sectors currently account for 33.8 percent of the jobs located in the county but are projected to generate 50.5 percent of all new jobs over the 2010-2020 period. Five other sectors—retail trade, financial services, education services, leisure and hospitality, and government—are projected to add 22,406 additional new jobs and in combination with professional and business services and health services will account for 75 percent of Montgomery County's projected job growth during the decade.

If the city continued to experience job growth proportionally to the county, based on its 2009 job distribution across its core sectors and the county's job forecast to 2020, the city's job base would grow by 16.3 percent or add 11,047 net new jobs over the decade. An alternative forecast is offered reflecting an increasing share of county job growth being located within Rockville for those specific core sectors benefitting from the growth of residential demand and increased centralization of non-local serving business activities in the city. The results of this alternative projection show Rockville with a total gain of 12,443 jobs for an 18.4 percent growth rate over the decade.

These forecasts illustrate the potential economic benefits that can flow to the Rockville's economy as a result of the continuation of household growth in the city that further strengthens its residentially based retail and consumer services markets and that at the same time provides supporting services to the leisure and hospitality and professional and business services sectors. These job forecasts also illustrate the scale of growth that could be channeled to the city's business centers (Rockville Town Center, Twinbrook Metro station area, Research Boulevard, King Farm and Rockville Pike) to benefit from the co-location of city and county government functions, judicial services, multi-modal transportation, arts and cultural amenities and a growing residential base.

## **The Framework for Discussion**

The City of Rockville has been shown to have a dual economy that is both interdependent and reinforcing. This combination of residential market capacity and non-local serving business base has positioned Rockville as an attractive location for new and expanding businesses serving local and non-local markets. These market synergies are reflected in the city's core sectors that accounted for 75 percent of its job base.

The local government sector provides the third dimension of the city's economy. In combination with residentially based retail and consumer services and the city's core business sectors largely serving non-local markets and encompassing professional and business services, financial services education and health services, leisure and hospitality and retail trade, the economic structure for the future of Rockville is defined. Consequently, the reinforcing and interdependent nature of the city's economy, combining the residential base and business, government and supporting functions, must be reflected in any policies or actions designed to guide the city's future growth and development. The city's economic development strategies need to reflect a balance among these parallel but interdependent market dynamics and resolve conflicts that could undermine the city's future economic vitality and weaken its tax base.

The research reported herein has shown that residential growth is fully consistent with maintaining and increasing the city's economic vitality and viability. Further population and income growth is critical to achieving the threshold market capacity to increase the city's retail and consumer services base that in turn will be an important attraction for employers and investors to the city's business centers providing more jobs for city residents and further strengthening the city's tax base.

The principal constraint to future economic growth in Rockville and elsewhere in the region will be the availability of qualified workforce. Rockville exports three-quarters of its labor resources to employers located outside of the city. While this generates household income and market capacity to support local businesses, it also illustrates the lost economic potential that utilizing these resident workers locally represents. In the future, the presence of a large and well-educated workforce will be a highly valued asset that the city can utilize in its efforts to attract business investment to the city.

The city has other weaknesses that will impact its future economic performance and challenge its competitiveness as a good place to live and in which to do business. Some of these weaknesses are inherent and the city cannot fundamentally alter them. However, there are limits and liabilities that will constrain future growth that the city can correct or ameliorate thereby further enhancing the value of its assets that would have been otherwise diminished as a result of these liabilities.

Perhaps the most critical factor discouraging business investment in the city is its relatively high cost of doing business. These costs include taxes and fees, regulation, labor and other conditions that translate into higher operating costs. Many of these costs of doing business are common throughout the state while some are imposed by Montgomery County. Those that are exclusive to the City of Rockville should be examined to determine if there are corresponding values in return for the extra cost burden. Rockville's qualities will off-set some of these higher operating costs but these costs need to be aligned closely with benefits or they will drive business investment to other locations having more favorable benefit-cost ratios.

In summary, the key issues confronting the City of Rockville going forward that should frame the discussion concerning future choices, directions, strategies, and commitments include the following:

- growth of the city's population, its increasing diversity and age, and its economic characteristics;
- growth of the city's housing stock to accommodate changing demand for a wider range of housing unit sizes, styles, densities, prices and tenure choices;
- increased density and mix of land uses within the city's business centers to accommodate sufficient market scale and diversity of services, and achieve synergy among public and private sector activities; and,
- growth policies and strategies that: (a) reflect the principles of smart growth and energy conservation, (b) encourage workers in the city's business centers also to reside within the city to reduce inter-jurisdictional transportation demand as the city grows, and (c) reduce the fiscal burdens on local residents of future investment in infrastructure and public amenities and services by achieving a fiscally favorable non-residential land use mix within the city.

# **The City of Rockville, Maryland**

## **Current Economic Conditions and Future Directions**

### **Introduction**

The City of Rockville has retained many of its historic economic assets and functions that characterized its early role in the Montgomery County and Washington area economies. It is an employment and business center with a large local government presence, it is a transportation center with multi-modal service connecting it to its local region as well as to major employment centers in the metropolitan area, it is a residential community with supporting commercial and public services, and it is an educational and cultural center for a population larger than its residential base.

These were the functions that defined Rockville's economy one hundred years ago and they continue to define it today. While the mix and scale of these economic and related functions have changed over the years, the underlying conditions supporting these interdependent functions are what have distinguished Rockville from the remainder of Montgomery County and the broader region throughout the city's long history. These conditions comprise Rockville's competitive advantages (or disadvantages) and will shape its future position in the Montgomery County and the regional economies going forward.

Understanding these inherent conditions that will govern the city's future economic vitality and growth in the coming years is important to managing its future such that Rockville achieves its potentials, is prepared to accommodate growth and the changes that growth will generate, and can protect itself from growth forces and outcomes that may undermine the assets and qualities that have distinguished it from other cities and competing economic centers. This understanding will provide elected officials, business leaders and local residents the basis for an informed discussion regarding the city's economic future. Understanding the city's economic choices should be the first step in shaping the public policies to guide future public investments and actions designed to assure Rockville's competitive position in the region's future economy.

### **Rockville: Tale of Two Cities**

Any discussion of the Rockville's economy must reflect its separate but related functions as a residential center and a business center. The city's residential base—its households—constitutes an important and growing market. The economy supported by and dependent on residential spending is an important component of the city's overall economy. This retail and consumer services base, while deriving a significant portion of its annual revenues from sales to local residents, also can serve non-local residents, the regular day-time population composed of residents and non-residents who work in the city, and business and leisure visitors to the city. This combination of interdependent markets provides a market scale that



distinguishes the city's retail and consumer services from those that would be found in suburban communities.

Rockville's location at the transportation cross roads of Montgomery County with multi-modal service has strengthened its historic function as a market, business and government center serving county-wide and regional requirements of employers. The city's role as a government center for both administrative and judicial functions has solidified its position as a business center for central functions that seek co-location with government functions, require a central location from which to serve their markets and customers, and desire high-capacity connectivity with their potential workforce, customers or business partners. The business centers that define Rockville reflects these assets and interdependences that has made the city a destination for a large daytime population that supports a broad base of businesses activities that further contribute to the diversity and resilience of the city's economy.

Rockville's business centers benefit from a reinforcing mix of complementary and interdependent markets. Beside the professional and business services and government functions that dominate its activities, education and health services also are major components of the city's employment base that further define and distinguish it from other cities within the Washington region. An important characteristic of these educational and health services is the local and non-local markets they serve. This convergence of local-serving (that is, the customer base is composed of city residents) and non-local serving establishments that attract spending potential to the city that otherwise would not have been captured locally further enlarges Rockville's economy and strengthens its competitive position.

These two economies—the residentially supported economy and the business center supported economy—are distinct in important ways but mutually benefit from shared markets and supporting services. These primary functions, their interdependencies and their opportunities for achieving scale and resulting synergies and agglomeration benefits are what will define the Rockville's competitive position in Montgomery County's and the Washington area's future economies.

### **Rockville's Residentially Based Economy**

Rockville's residentially based economy is largely a function of the number of residents living in the city, their incomes, and their consumer spending patterns—how much they spend for goods and services within the local economy and what is purchased. Rockville's demographic trends over the past twenty years show its population to have experienced significant changes in number, income and composition. The city's population increased by 16,374 residents (36.5%) between 1990 and 2010, and added 8,026 new households (51.3%). This pace of growth exceeded that in Montgomery County and the Washington metropolitan area. And, as the City's population grew it also changed, becoming older and more ethnically diverse. Additionally, its average household sizes declined from 2.9 persons per

units to 2.6 persons per unit. This demographic change has resulted in gains in its household income profile with median household income growth in the city outpacing gains in Montgomery County. These trends and comparisons are presented below in Tables 1 and 2 and Figure 1 in the Appendix. Comparable data for 2000 and changes over the 2000-2010 period are included in Appendix Table 1 and Table 2.

Table 1

Comparative Demographic Patterns:  
Rockville and Montgomery County, 1990-2010

Location and Characteristic	1990	2010	% Change
Rockville - Population	44,835	61,209	36.5
Households	15,660	23,686	51.3
Median Age	34.6	38.7	11.8
Average HH Size	2.86	2.58	
Median HH Income*	\$52,073	\$93,859	80.2
Montgomery County			
Population	757,027	971,777	28.4
Households	282,228	357,086	26.5
Median Age	34.6	38.5	11.3
Average HH Size	2.68	2.72	
Median HH Income*	\$54,089	\$93,199	72.3

Source: U.S. Census. \*income is for 1990-2009 period.

Table 2

Rockville's Changing Population: Race and Ethnicity, 1990-2010

Race and Ethnicity	1990	2010	% Change
White	35,491	36,973	4.2
African American	3,699	5,858	58.4
Asian	4,394*	12,582	186.3
Hispanic or Latino	3,863	8,781	127.3

Source: U.S. Census. Notes: Hispanic or Latino population is not excluded from other categories, not all categories shown. \*includes Native Hawaiian and Other Pacific Islanders.

Rockville’s population can be described in other ways that may provide further information helpful to understanding the city’s current economic performance and future outlook. The quality of the local workforce has long been recognized and promoted as a comparative advantage over other locations within the Washington metropolitan area and elsewhere across the nation.

Data reported in the Annual Community Survey for the 2005-2009 period confirm that Rockville’s adult population, twenty-five years old and older, have attained higher educational levels than the residents of Montgomery County and the Washington metropolitan area. With 58.2 percent of its adult population holding a bachelor or post-bachelor’s degree, Rockville’s workforce potential clearly represents a comparative advantage for businesses seeking highly educated workers.

This workforce also reflects an occupational mix characterized by above-average earnings potential that would be attractive to retailers and other business seeking higher income market locations. Nationally, only 30 percent of adults in this age grouping have attained a comparable level of education. This comparative educational attainment profile is presented in Table 3 and Figure 2 in the Appendix.

Table 3

Educational Attainment in Rockville, Montgomery County and the Washington Metropolitan Area, 2005-2009  
(percent of population 25years old and older)

Educational Attainment	City of Rockville	Montgomery County	WMSA*
High School or less	22.6	23.6	30.6
Some College or AA	19.2	20.2	22.8
Bachelor’s degree	25.4	26.9	24.8
Post-bachelor’s degree	32.8	29.2	21.9
Bachelor’s degree or higher	58.2	56.1	46.7

Source: Annual Community Survey, 2005-2009

The results of these and other demographic changes in Rockville over the past twenty years have important economic implications. While it is clear that Rockville’s households have experienced significant income growth over the past twenty years, the sources of this increase in resident income—income that could support the city’s economy—are not as clear.

There are two major sources that could explain the substantial gain in the city's resident income base: the changing mix of occupations of the city's residents or the changing mix of the city's residents. This may seem like one and the same source but it is not. The question is: have the residents moving into Rockville in recent years had higher incomes than the residents moving out and/or has there been a change in the types of work (and therefore incomes) of the city's employed residents? The answer is, of course, both of these trends are occurring and will continue to occur but the former trend has occurred more rapidly than the latter. The exchange of households resulting from in- and out-migration has increased the city's resident income base more quickly than the more normal evolution of its resident workforce due to continuing education and upskilling, shifts in the types of work done, or through incremental increases in salaries and wages.

An analysis of the households moving in and moving out of Rockville during the past decade shows a significant shift in household income structure. Between 2000 and 2010, 14,283 new households moved into the city joining 9,403 households who had moved into Rockville in the years before 2000. 7,844 Rockville residents who were residing in the city in 2000, moved out during the ensuing decade. The average household income of Rockville's new residents in 2010 was \$99,551 while the average household income of the city's residents who had moved into the city prior to 2000 and were still in residence in 2010 was \$85,213. This \$14,338 household income differential has important economic and fiscal implications.

As a result of the city's household growth, in combination with the influx of new households with higher average incomes than the departing households they replaced between 2000 and 2010, Rockville's total gross household income rose from \$1.174 billion to \$2.223 billion for a gain of 89 percent, a growth rate more than double the rate of population gain over this period (36.5%). The households moving in since 2000 accounted for \$1.422 billion of the city's gross household income in 2010, or 64 percent of the total. This combination of household growth and turnover (new households replacing departing households) has had a significantly positive impact of the city's tax base as well as has enlarged the consumer spending potential of the residents in support of local retail and consumer services establishments (e.g., businesses that provide services to their customers such as physical fitness centers, lawn care, barber shops and beauty parlors, tax accountants, financial planners, dry cleaners).

### **Rockville's Resident Workforce**

Rockville's residents have been shown to be a major source of potential economic activity within the city with more than half (60%) of the city's current households having moved into the city within the past ten years. The city has also been shown to have a highly educated adult population with more than 58 percent of its residents 25 years old or older having a bachelor's or higher degree. What kinds of work the city's resident workers engage in and where they work geographically will provide important insight regarding the structure and competitive position of the

city's resident labor resources as well as its ability to benefit from the presence of a growing and highly educated resident workforce.

The most recent information on the city's resident workforce reflects the 2007-2009 period and was developed from the U.S. Census' Annual Community Survey. Rockville's resident workforce compares favorably with Montgomery County's and that of the Washington metropolitan area in terms of participation rates with its slightly lower levels being explained by the differences in the local population's age profile (slightly older). What stands out in these comparisons is the significantly lower unemployment rate and higher employment rate of the workers residing in the city compared to Montgomery County or the region.

This higher percentage of employment of Rockville residents may be explained by their employability: their high educational levels, high-value added sectors of employment, and non-local places of work. Less than one-quarter (22.8%) of Rockville's employed residents work within the city. Of the residents working outside of the city, most (42.8%) work in jobs located within Montgomery County, although a significant number of workers (27.8%) commute to places of work outside of the State of Maryland (Virginia or DC). The remainder (6.6%) worked elsewhere within the State of Maryland.

The distribution of the city's resident workers, both those working within the city and those commuting out, is presented on Table 4. Three sectors—professional and business services, educational and health services, and government—accounted for 55 percent of all working city residents with the remaining workers distributed across the full breadth of the employment base. Other strong sectors of employment included: retail trade, financial services, leisure and hospitality and other services. These three sectors accounted for 29.3 percent of the resident workers. This sectoral distribution of the city's resident workers differs slightly from the city's employment base with these differences reflecting the mix of business activities that prefer the advantages offered by a central city location in comparison to suburban or more geographically distributed locations.

The city had an employment base of 67,894 in 2009. However, only 22.8 percent of the city's resident workers worked within the city and these workers accounted for just 10.8 percent of these jobs. Still, the quality and sectoral distribution of the resident workforce represents an attractive resource to potential businesses considering Rockville as a location for their businesses and therefore continues to represent an important asset in support of the city's future role as a business and employment center.

### **Rockville As A Business and Employment Center**

The types of businesses and related job concentrations found in the Rockville economy are a reflection of its competitive advantages and the specialized functions that distinguish it from alternative locations. Jobs reported by place of employment

are shown in Table 4, along with the sectoral distribution of jobs held by city residents as discussed above.

A comparison of these two distributions shows that the city’s business base is slightly more specialized than the resident workforce in several key sectors. Professional and business services and financial services are the largest sectors exhibiting disproportional concentrations of jobs (greater percentages than found in Montgomery County) in the city while several smaller sectors also revealed employment concentrations—manufacturing, construction, and transportation, warehousing and utilities.

Table 4

Jobs in Rockville and Jobs Held By Rockville Residents, By Sector, 2009

Sectors	Jobs in Rockville	Percent	Jobs Held by City Residents	Percent
Other	25	0.1	59	0.2
Construction	4,831	7.1	2,025	6.2
Manufacturing	2,162	3.2	886	2.7
Wholesale Trade	753	1.1	343	1.1
Retail Trade	4,478	6.6	2,334	7.1
Transportation, Warehousing and Utilities	1,627	2.4	700	2.1
Information Services	1,855	2.7	1,124	3.4
Financial Services	6,390	9.4	2,582	7.9
Professional and Business Services	18,463	27.3	7,646	23.3
Education and Health Services	13,044	19.3	6,643	20.2
Leisure and Hospitality	3,824	5.6	2,602	7.9
Other Services	3,164	4.7	2,115	6.4
Government	7,077	10.5	3,761	11.5
Totals	67,693	100.0	32,820	100.0

Source: ACS 2005-2009

Several business functions typically found in urban employment centers did not show up as strongly concentrated or specialized in the city although still represented important sources of economic activity and employment. These included: education and health services, other services, leisure and hospitality and retail.

Education and health is a principal core industry within the city's economy representing 19.2 percent of the employment base. However, in comparison to the concentration of jobs held by city residents and the concentration of jobs within Montgomery County, it would appear that the education and health sector may have the potential to be more dominant in the city's economy than it currently is.

The same would be true for retail, other services and leisure and hospitality. These sectors are well represented within the city's economy and typically have a preference for centers of business activity however they all appear to offer further potentials for expansion based on these comparisons.

The occupational distribution of the city's resident workers and its employment base (Table 5) provides further insight to the differences between the city's residentially based economy and its business center-based economy. These occupational differences also help to explain the salary differences that characterize these two employment groups, as reported in Table 6.

Table 5

Jobs in Rockville and Jobs Held By Rockville Residents, By Occupation, 2009

Occupations	Jobs in Rockville	Percent	Jobs Held By City Residents	Percent
Management and Professional	36,213	53.4	19,455	59.3
Administrative Services	8,962	13.2	4,334	13.1
Sales and Office	14,647	21.6	6,127	18.7
Construction, Repair & Maintenance	4,823	7.1	1,758	5.4
Production and Transportation	3,158	4.7	1,146	3.5
Totals	67,803	100.0	32,820	100.0

Source: ACS 2005-2009

The occupational profile of Rockville resident workers consists of a substantially higher percentage of management, professional and related occupations than found in the city's business base with a corresponding smaller percentage of occupations related to supporting services and trades and retailing. This occupational distribution is characterized by higher levels of educational attainment (Table 3) and higher incomes and salaries (Tables 1 and 6).

These data and sectoral comparisons provide further evidence of the substantial capacity and market potential of Rockville's residentially supported economy.

Similarly, they reveal employment sectors within the city’s business base that appear to be less specialized than in surrounding economies thereby offering potentials for further expansion and concentration of job growth in its core sectors. These findings suggest several directions for future development that may further strengthen and enlarge the city’s residential serving and business-based economies.

Table 6

Incomes of Workers: Jobs in Rockville and  
Jobs Held By Rockville Residents 2009

Income Range	Jobs in Rockville	Percent	Jobs Held By City Residents	Percent
Less than \$50,000	35,594	52.4	15,612	48.5
\$50,000-\$74,999	12,918	19.0	6,127	19.0
\$75,000 or more	19,374	28.6	10,447	32.5
Totals	67,886	100.0	32,186	100.0

Source: ACS 2005-2009

**Future Growth Opportunities and Directions  
For the City of Rockville**

Economic forecasts for Montgomery County provide the framework for Rockville’s economic growth going forward over the next two decades as these countywide forecasts are inclusive of the city’s future employment base. Consequently, an analysis of future trends at the county level will identify the choices of sectors in which the city can anticipate growth opportunities as well as the competitive challenges in shaping its growth policies and strategies.

Overall, the economic prospects for the Washington metropolitan area appear good as well as challenging over both the 2010-2020 and 2020-2030 periods. In total, the Washington metropolitan area economy is projected to have the potential to grow 82.3 percent, increasing its gross regional product from \$425 billion to \$774.8 billion (in 2010 \$s) and generating 1.05 million net new jobs over this twenty-year period. Additionally, another 1.8 million workers will be required to backfill jobs vacated by retirements and normal turnover. This combination of job openings—net new and replacement—represents a total demand for 2.85 million new workers to fill the jobs that the Washington area economy has the potential to generate between 2010 and 2030. These new workers will come from: (a) the population not yet of workforce age but already present in the region, many already in the public school systems; (b) young people moving to the Washington area to enroll in its



many colleges and universities and staying to take advantage of its favorable jobs base; (c) residents not now employed for a variety of reasons who choose to reenter the labor force; and (d) adults moving to the Washington area to join the labor force.

All of these new jobholders will eventually require housing within the Washington area or within commuting distance to become a permanent member of the local labor market. This direct linkage between the resident job base and the labor demand of the area's future economy will become a more critical determinant of economic growth performance going forward than it has been over the past fifty years. Consequently, Rockville's future economic vitality will be dependent on its ability to attract a qualified workforce—by its capacity to house a greater percentage of its employment base (today Rockville residents account for 10.8 percent of the city's job base) and by its multi-modal transportation advantages and excellent connectivity to a large regional workforce.

The initial questions to be answered are: how many jobs potentially could be added in the future, what kinds of jobs could be added, and to what extent would the employers generating these net new jobs be already located in or opting to locate in the City of Rockville? Rockville's mix of competitive advantages and disadvantages relative to alternative locations in Montgomery County (and possibly elsewhere within the Washington metropolitan area) will govern its ability to capture the future economic activity that will be considering Montgomery County as a good place in which to locate or expand.

The city's assets can be enhanced and its liabilities ameliorated through strategic public policy decisions and actions. But before these policies and actions can be determined and implemented, it is necessary to consider what the economic projections are suggesting. These are presented for Montgomery County in Table 7.

Montgomery County's projected job growth over the current decade is concentrated in two sectors—professional and business services and health services. These two sectors currently account for 27.3 percent of the jobs located in the county but are projected to generate 40.8 percent of all new jobs over the 2010-2020 period.

Although not a fast growing sector, administrative services are directly linked to professional and business services in terms of function and location and, by adding the projected new jobs in this sector to the two fastest growing, brings their combined total to 50.5 percent of all net new jobs. Five other sectors—retail trade, financial services, education services, leisure and hospitality, and government—are projected to add 22,406 additional new jobs to the 46,717 new jobs generated by professional and business services inclusive of administrative services and health services combining to account for 75 percent of Montgomery County's projected job growth this decade.

Table 7

## Job Forecasts for Montgomery County, 2010-2020

Sectors	2010	2020	Increase	Percent
Construction*	24,806	39,737	14,931	60.2
Manufacturing	12,585	13,186	601	4.8
Transportation and Utilities	6,554	7,235	681	10.4
Wholesale Trade	10,314	11,386	1,072	10.4
Retail Trade	42,786	47,231	4,445	10.4
Information Services	14,685	16,684	1,999	13.6
Financial Services	32,623	36,440	3,817	11.7
Professional Services	78,315	101,149	22,834	29.2
Administrative Services	30,720	39,677	8,957	16.1
Education Services	12,353	15,976	3,623	29.3
Health Services	50,897	65,823	14,926	29.3
Leisure & Hospitality	37,591	41,909	4,318	11.5
Other Services	25,434	27,140	1,706	6.7
Government	86,299	92,836	6,537	7.6
Federal	45,011	45,346	335	0.7
State & Local	41,287	47,490	6,203	15.0
Totals	472,619	565,133	92,514	19.6

Sources: IHS Global Insight, GMU Center for Regional Analysis

\*percent gain reflects below normal base in 2010, a consequence of this sector's retrenchment during the 2008-2009 recession.

While all sectors are projected to grow, the fastest growing and largest sectors—professional and business services and health services—reflect the county's competitive advantages while the other important sectors (retail trade, financial services, education services, leisure and hospitality, state and local government) are scaled more closely to its population base and projected household growth rate (9.3%) over this period. The slightly faster growth rates of jobs in these sectors compared to projected household growth in Montgomery County suggests that each of these locally supporting sectors also serves non-local demand. These market interdependencies provides further evidence of the positive synergy that exists between the economy's residentially based and export-based sectors.

The county-level forecasts suggest the following: (1) Montgomery County's economy is expected to grow—gross county product is projected to increase 35.2% in ten years—more rapidly than its job base suggesting that job growth will favor high-value jobs; (2) there is a projected potential for 92,514 net new jobs in

Montgomery County so there will be a large future job base that could be attracted to a city location; (3) the county's core sectors—professional and business services and health services—will account for the largest numbers of new jobs (37,760); and (4) the sectors for which Rockville has a demonstrated competitive advantage—professional and business services inclusive of administrative services, financial services, state and local government, education and health services, leisure and hospitality and retail trade currently accounting for 78.8 percent of the city's job base—are projected to add 69,123 net new jobs and account for 74.7 percent of all new jobs in Montgomery County between 2010 and 2020.

Overlaying Rockville's competitive advantages and sectoral specialization on the Montgomery County job forecast provides a measure of the city's growth prospects. As noted earlier, the city's economy is clearly dominated by professional and business services and financial services. It also has a higher proportion of jobs in the manufacturing sector than in Montgomery County but this is an antecedent of the city's economic history and not an emerging sector. Rockville has a strong local government base although its representation of state and federal government employment is weak compared to Montgomery County. However, large federal employment centers are located in proximity to the city's boundaries. Still, the county forecasts show that its federal government job base is not expected to grow over the decade while state and local employment is, thereby favoring and further reinforcing the city's central employment area.

While there are no city-specific forecasts of job growth by sector, the magnitude of potential city job growth can be estimated based on several metrics. If the city continued to experience job growth proportionally to the county, based on its 2009 job distribution across its six core sectors, the city's job base would grow by 16.3 percent over the decade or add 11,047 net new jobs. This assumption holds the city's competitive position constant relative to the county. Table 8 presents the distribution of this projected job growth across the city's core sectors.

An alternative forecast can be constructed that reflects an increasing share of county job growth being located within Rockville for those specific core sectors reflecting the growth of residential demand (combining household growth and rising incomes) and increased centralization of non-local serving business activities in the city to take advantage of its market synergies, multi-modal transportation services, and interdependent supporting business services. The results of these calculations show Rockville increasing its capture rate of the projected growth in county jobs from 16.0 percent to 18.0 percent for these specific sectors, as shown below in Table 8.

While these two alternatives represent only a moderate overall increase in the city's job growth rate over the decade, 16.3 percent (11,047 jobs) compared to 18.4 percent (12,443 jobs), this projection illustrates the potential economic benefits that can flow to the Rockville's economy as a result of the continuation of population growth in the city that has strengthened its residentially based retail and consumer

services markets that at the same time provide supporting services to the leisure and hospitality and professional and business services sectors. These job forecasts also illustrate the number of jobs that could be channeled to the Rockville Town Center to benefit from the co-location of city and county government functions, judicial services, multi-modal transportation, arts and cultural amenities and a growing residential base.

Table 8

Job Forecasts for Rockville by, Core Sector: 2010-2020

Sectors	Current Share (1)	Increased Share (2)
Retail Trade	491	573
Financial Services	661	716
Professional Services*	5,805	6,390
Education Services	501	584
Health Services	2,064	2,406
Leisure & Hospitality	455	506
State & Local Gov't	1,070	1,248
Totals	11,047	12,433

Sources: GMU Center for Regional Analysis. \*includes business and administrative services. (1) city sectors maintain current share of county growth by sector; (2) city sectors increase their share of growth in those sectors in which it has a competitive advantage reflecting its faster population growth, higher rate of household income growth, growing proportion of residents working within the city and trend towards centralization of non-resident serving activities due to rising transportation costs.

**Conclusions and Public Policy Implications**

The City of Rockville has been shown to have a dual economy that is both interdependent and reinforcing. Its competitive advantages are both historic—transportation, market center and seat of government—and emerging in that its residential market base has continued to expand in both number and market potential—household incomes have risen faster than the growth of households. This combination of residential market capacity and professional and business services and local government activities has positioned Rockville to provide attractive locations for new and expanding businesses serving local and non-local markets either exclusively or in combination. In 2009, the city’s core sectors accounted for 75 percent of the city’s job base reflecting this combination and

intermingling of activities with retail trade, financial services, professional and business services inclusive of administrative services, education and health services, leisure and hospitality services and local government.

Economic forecasts for Montgomery County, inclusive of Rockville, point to the growth in the value of goods and services produced in the county substantially outpacing the growth of jobs in the county over the 2010 to 2020 period; that is, the economy is projected to add more higher-value added jobs (and therefore salaries) than lower-value added jobs. Rockville is well positioned geographically within the regional transportation network and possesses a mix of core sectors and supporting competitive advantages to maintain its share of the county's projected economic growth. Alternatively, Rockville could increase this share of the county's job growth over the decade given: (1) its more rapidly growing residential market base and (2) that the sectors in which its business centers have specialized—professional and business services and education and health services—are projected to experience above-average growth over this period.

Furthermore, the city's other core sectors, while not projected to grow as rapidly this decade (their growth is closely tied to the growth of households and household income) appear capable of performing more strongly than they have in the past. These sectors—retail trade, financial services, and leisure and hospitality services—support both the residential and the business center-based markets. The importance of and potential for expanding these supporting business services point to a parallel economic development strategy (complementing the residential growth strategy) that focuses on the expansion of businesses that serve non-local markets (these are the core sectors of the City's business centers).

The local government sector provides the third dimension of the city's economy. In combination with residentially based retail and consumer services and the central functions encompassing professional and business services, financial services educational and health services, leisure and hospitality and retail trade, the economic structure for the future of Rockville is defined. The reinforcing and interdependent nature of the city's economy combining the residential base and business, government and their supporting business activities must be reflected in any policies or actions designed to guide the city's future growth and development. The city's economic development strategies need to reflect a balance among these parallel but interdependent market dynamics and to resolve conflicts that could undermine the city's future economic vitality and weaken its tax base.

The research reported herein shows that residential growth is fully consistent with maintaining and increasing the city's economic vitality and viability. The residents of Rockville are an important market segment and one that has become substantially stronger over the past ten years. Further population and income growth is essential to achieving the threshold market capacity to sustain the city's retail and consumer services base that in turn will be an important attractor to

employers and investors to the city's business centers providing more jobs for city residents and further strengthening the city's tax base.

The principal constraint to future economic growth in Rockville and elsewhere in the region will be the availability of qualified workforce. Rockville exports three-quarters of its labor resources to employers located outside of the city. While this generates household income and market capacity to support local businesses, it also illustrates the lost economic potential that utilizing this local workforce locally would represent. In the future, the presence of a large and well-educated workforce will be an important strategic asset that the city can utilize in its efforts to attract business investment to the city.

Rockville's future economic vitality will build on its assets with these comprising its competitive advantages relative to neighboring jurisdictions: a multi-modal transportation network that focuses a large laborshed on its business center to the benefit of potential employers; a concentration of government agencies and services with synergies to professional and business services establishments; a high quality workforce and residential community within convenient proximity; easily accessible educational and health facilities and services; developable site; and a large public and private investment in infrastructure and mixed-use development including cultural amenities that support both the city's business centers and residential communities. The city's economic development policies should focus on building the capacity to accommodate economic growth thereby enhancing its competitive position relative to each of its distinct assets.

The city also has weaknesses that will impact its future economic performance and challenge its competitiveness as a good place to live and in which to do business. Some of these weaknesses are inherent and the city cannot fundamentally alter them, such as its position within the region's transportation system, its existing land use pattern or its availability of developable sites. However, there are limits and liabilities that will constrain future growth that the city can correct or ameliorate thereby further enhancing the value of its assets that would have been otherwise diminished as a result of these liabilities.

Perhaps the most critical factor discouraging business investment in the city is its relatively high cost of doing business. These costs include taxes and fees, regulation, labor and other conditions that translate into higher operating costs. Many of these costs of doing business are common throughout the state while some are imposed by Montgomery County. Those that are exclusive to the City of Rockville should be examined to determine if there are corresponding values in return for the extra cost burden. Location and expansion decisions by businesses not tied to a defined local market are economic and this investment will be attracted to lower cost jurisdictions if the required operating conditions are equal. Rockville's assets will off-set some of these higher operating costs but these costs need to be aligned closely with benefits or they will drive business investment to other locations having more favorable benefit-cost ratios.

In order to position Rockville for future growth consistent with (1) its assets and liabilities, (2) its current economic base consisting of a residentially supported retail and consumer services and a business base built on professional, business, and financial services with supporting local government, retail, education and health, leisure and hospitality services, and (3) its attractive residential communities and qualities of cultural amenities and public infrastructure and services, the following statements should form the framework for a constructive public policy debate:

- Rockville's population will need to continue growing to achieve sufficient market scale to support the growth of high quality and diversified retail and consumer services that can also support the city's non-local serving business centers thereby achieving synergies that strengthen the city's long-term economic vitality;
- Rockville's housing stock will need to expand to accommodate a greater proportion of the city's future workforce thereby reducing its dependency on commuters with concomitant reductions in inter-jurisdictional transportation demand making the city more attractive for employers seeking locations with easy access to a well-educated workforce and a housing stock with a broad range of sizes, styles and prices;
- Rockville's future development patterns for its business centers and commercial corridors (Rockville Town Center, Twinbrook Metro station area, Research Boulevard, King Farm and the Rockville Pike) should reflect higher density mixed-use designs to achieve sufficient massing to assure market success, diversity of services and a broader consumer base, synergy among public and private sector activities, and maximum return on public and private investment consistent with smart growth principles while building a sound economic base with positive fiscal benefit for the city; and,
- The City of Rockville should formulate and adopt proactive policies and strategies designed to increase the city's economic competitiveness whereby its future land use growth and patterns of development are consistent with an economy that is diverse, reflects the principles of smart growth and energy conservation, balances the fiscal burdens of infrastructure and public amenities and services by achieving a strong non-residential land use pattern within the city, and accommodates future residential growth in multi-family structures in combination with commercial uses and places of employment that decrease the city's dependency on non-resident commuters.

## Appendices

Table 1

Comparative Demographic Patterns:  
Rockville and Montgomery County, 2000-2010

Location and Characteristic	2000	2010	% Change
Rockville - Population	47,388	61,209	29.2
Households	17,247	23,686	37.3
Median Age	37.8	38.7	2.4
Average HH Size	2.75	2.58	
Median HH Income*	\$68,074	\$93,859	37.9
Montgomery County			
Population	873,341	971,777	11.3
Households	324,565	357,086	10.0
Median Age	36.8	38.5	6.9
Average HH Size	2.69	2.72	
Median HH Income*	\$71,551	\$93,199	30.2

Source: U.S. Census. \*income is for 1990-2009 period.

Table 2

Rockville's Changing Population: Race and Ethnicity, 2000-2010

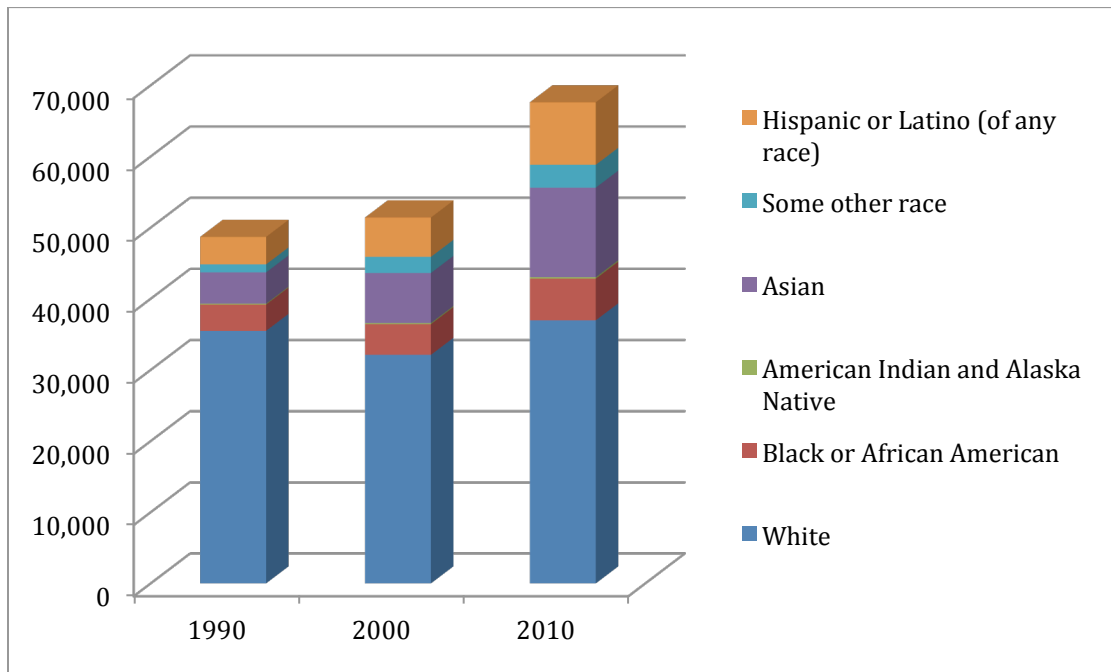
Race and Ethnicity	1990	2010	% Change
White	32,120	36,973	15.1
African American	4,317	5,858	35.7
Asian	7,030	12,582	79.0
Hispanic or Latino	5,529	8,781	58.8

Source: U.S. Census. Notes: Hispanic or Latino population is not excluded from other categories, not all categories shown.



Figure 1

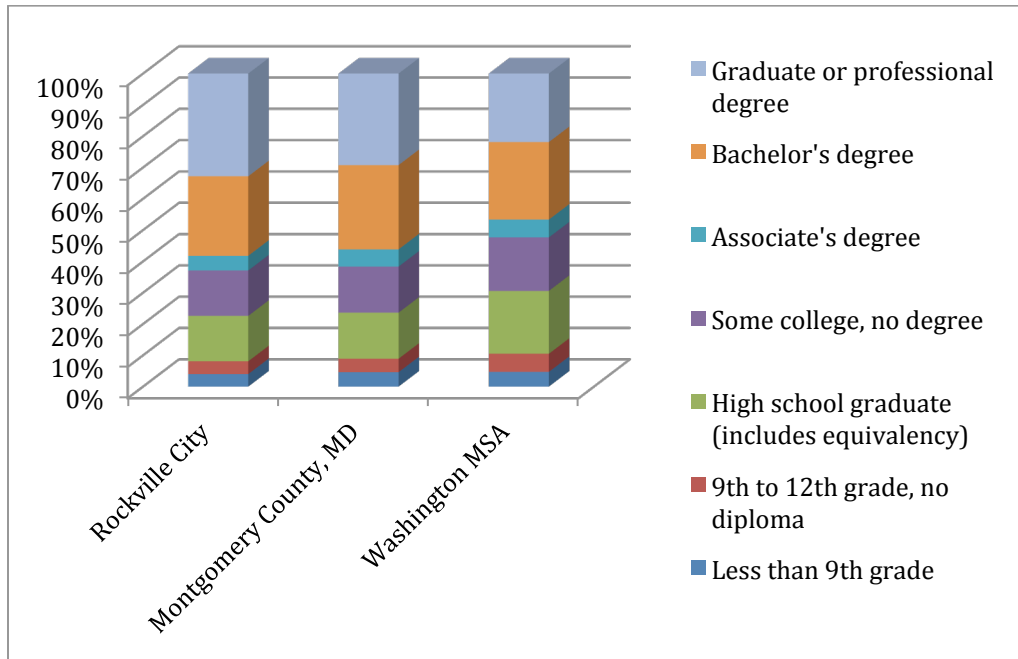
Race and Ethnicity Population Change in the Rockville Area 1990-2010



Sources: U.S. Census, GMU Center for Regional Analysis

Figure 2

Educational Attainment Composition of Rockville Residents  
in Comparison with Montgomery County and the Washington Area



Source: ACS 2005-09 5-year estimates.

