ITEM 7 – Information
September 19, 2012

Briefing on the Metropolitan Washington Council of Governments (COG) Report: “Economy Forward - COG’s Call to Action for a More Competitive Metropolitan Washington”

Staff Recommendation: Receive briefing on the COG report which presents the region’s competitive advantages, priorities for growth and proposed action plan.

Issues: None

Background: The COG Board of Directors approved this report on September 12, 2012. It identifies five priorities for growth, including transportation investment, that the region needs to focus on to help drive local economic growth and competitiveness.

ECONOMY FORWARD

COG's call to action for a more competitive metropolitan Washington

Metropolitan Washington Council of Governments
September 2012

ECONOMY FORWARD

COG's call to action for a more competitive metropolitan Washington

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THE METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS (COG) is an independent, nonprofit organization comprised of elected officials from 22 local governments, members of the Maryland and Virginia legislatures, and members of the U.S. Congress. For over 50 years, COG has helped develop solutions to issues of regional importance.

Region Forward is COG's vision for a more accessible, sustainable, prosperous and livable metropolitan Washington. This report, Economy Forward, is an offshoot of the vision that focuses on the region's key economic needs and specific actions to strengthen economic competitiveness and spur and sustain job growth.

EXECUTIVE SUMMARY

A fundamental shift is underway in metropolitan Washington's economy requiring urgent action to maintain and improve the region's competitiveness and create a prosperous future for all area residents.

Recent data shows slow job growth. The region ranked 13th of 15 in terms of growth among major metro areas from December 2010 to December 2011. And while federal government spending was once the driving force of the region's economy, today the combination of decreased federal spending, automatic spending cuts of $1.2 trillion (sequestration), and ongoing budget uncertainty is pushing metropolitan Washington dangerously close to a fiscal cliff.

In this time of change and uncertainty, leaders on the Metropolitan Washington Council of Governments (COG) Board of Directors are concerned about the region's readiness for this shift. They know the region's competitors, other metro areas throughout the country and world, are examining and implementing a variety of strategies to spur economic growth. To maintain global economic competitiveness, this region must act or risk being outperformed.

"The federal government has provided a solid foundation for decades and will undoubtedly continue to play a major role in the region's economy. However, a plan for economic growth and competitiveness will help put the region on even more solid footing, and COG is leading the way in its development."

- Frank Principi, COG Board Chair

For these reasons, the COG Board of Directors launched an economic growth and competitiveness initiative in February 2012. The Board convened public, private, nonprofit and academic leaders to discuss what more could be done regionally to enhance the economy and COG's role in making it happen. Many included area economic development directors and officials from some of the region's expanding industries, such as biotech, hospitality, information technology, shipping/cargo, cybersecurity and professional services.

Findings

The region must further develop its private sector by building on its competitive advantages, including an educated workforce, entrepreneurial climate, international connections, vibrant, transit-oriented Activity Centers, and access to the federal government. In addition, metropolitan Washington has significant challenges where greater regional collaboration is required. The region needs:

- Improved coordination with the federal government
- Strong Activity Centers with the right mix of housing, jobs and transit
- A workforce that is more prepared for jobs in high growth industries
- A new image that better reflects its assets
- Greater investment in transportation infrastructure

While other regions have created new organizations and separate initiatives to spur their economies, regional officials believe COG has the capacity and relationships to effectively lead this effort. The following actions will address the region's urgent economic needs and help meet several of its Region Forward goals. The report recommends that area leaders at COG:

(1) Work with senior Administration officials to identify an official to serve as a federal-regional liaison to improve partnership.

While the region has benefited from a close relationship with the Congressional delegation, COG needs to build a strong and ongoing relationship with presidential Administrations that has simply not existed in the past. Such a partnership would help regional leaders better understand and mitigate the impact of federal cuts and plan future federal investments when opportunities present themselves.

(2) Implement a plan that will guide more efficient investments in the region's Activity Centers so that more of them have the right mix of housing, jobs and access to transit.

The Region Forward vision recommends focusing the majority of metropolitan Washington's growth in Activity Centers, but the region is falling short of its targets. In 2010, Activity Centers only captured 46 percent of new commercial construction and 31 percent of household growth. However, as the traditional suburban office park becomes an outdated location for economic development, mixed-use Activity Centers can increasingly help attract and retain businesses and workers. COG's Region Forward Coalition will develop an investment plan for use by local governments, developers, transit agencies, philanthropists, and other groups to guide their planning and investment decisions in the region's Activity Centers.

(3) Undertake an industry and labor market analysis to ensure that workforce development programs are training people for current and future growth sectors. & (4) Use this data to inform the development of a new brand that promotes the region's economic diversity.

As the region continues to redefine itself in light of the significant growth in the private sector, an analysis of those trends, the location and types of jobs and skill sets required, is needed. This report calls for the Region Forward Coalition to lead the data collection for the purpose of better aligning workforce and economic development efforts and beginning the process of creating a new regional image or brand that moves metropolitan Washington beyond being considered just a "government town."

(5) Implement a transportation priorities plan to garner broad-based public support and produce sustainable funding strategies.

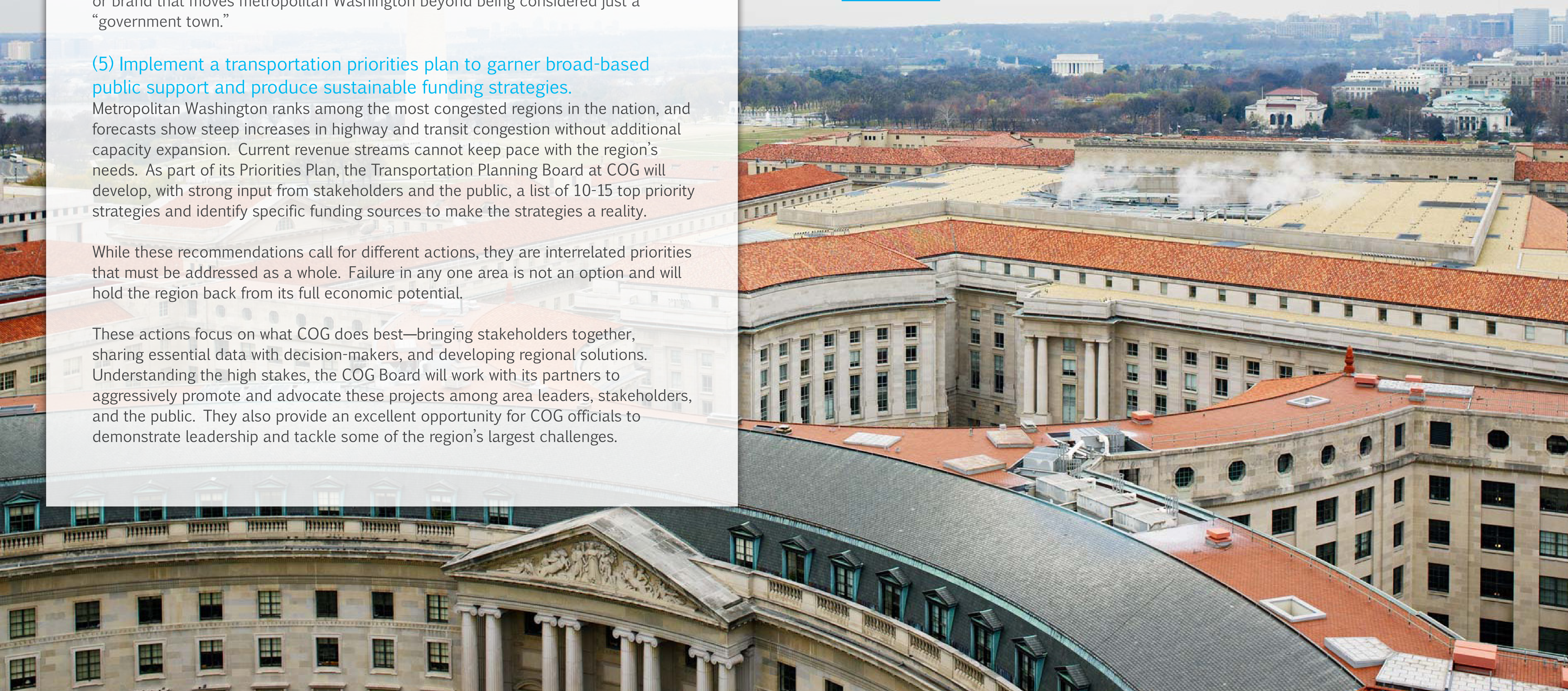
Metropolitan Washington ranks among the most congested regions in the nation, and forecasts show steep increases in highway and transit congestion without additional capacity expansion. Current revenue streams cannot keep pace with the region's needs. As part of its Priorities Plan, the Transportation Planning Board at COG will develop, with strong input from stakeholders and the public, a list of 10-15 top priority strategies and identify specific funding sources to make the strategies a reality.

While these recommendations call for different actions, they are interrelated priorities that must be addressed as a whole. Failure in any one area is not an option and will hold the region back from its full economic potential.

These actions focus on what COG does best—bringing stakeholders together, sharing essential data with decision-makers, and developing regional solutions. Understanding the high stakes, the COG Board will work with its partners to aggressively promote and advocate these projects among area leaders, stakeholders, and the public. They also provide an excellent opportunity for COG officials to demonstrate leadership and tackle some of the region's largest challenges.

METROPOLITAN WASHINGTON

Population: 5.2 million
Seventh largest in the U.S.
Gross Regional Product: $445 billion
Fifth largest in the U.S.
Unemployment rate: 5.3%
National: 7.9%
Employment: 3.2 million
Regional share of total federal spending: 9%
Regional share of national population: 1.7%
Percentage of population with a Bachelor's Degree: 47%, Advanced Degree: 23%
Third highest transit ridership in the U.S.



OVERVIEW

THE ISSUE

The federal government has been the driving force behind metropolitan Washington's economy for decades. Most recently, it insulated the region from some of the more severe impacts of the Great Recession. But major changes appear to be on the horizon. Recent Bureau of Labor Statistics data shows job growth in the region falling behind many other major metro areas, and the combination of political gridlock and anticipated cuts to federal government spending and employment could slow its economy even further. Given this new reality, there is growing concern that the region is not ready for the economic changes that may result from a significant decrease in federal spending.

THE OPPORTUNITY

In this time of uncertainty, leaders who serve on the Metropolitan Washington Council of Governments Board of Directors saw a need to bring together area officials and stakeholders to think about ways to enhance the region's economic growth and competitiveness. It was also an opportunity to advance Region Forward, the long-range vision plan for metropolitan Washington, because long-term economic success is closely tied to the region's quality of life and other goals.

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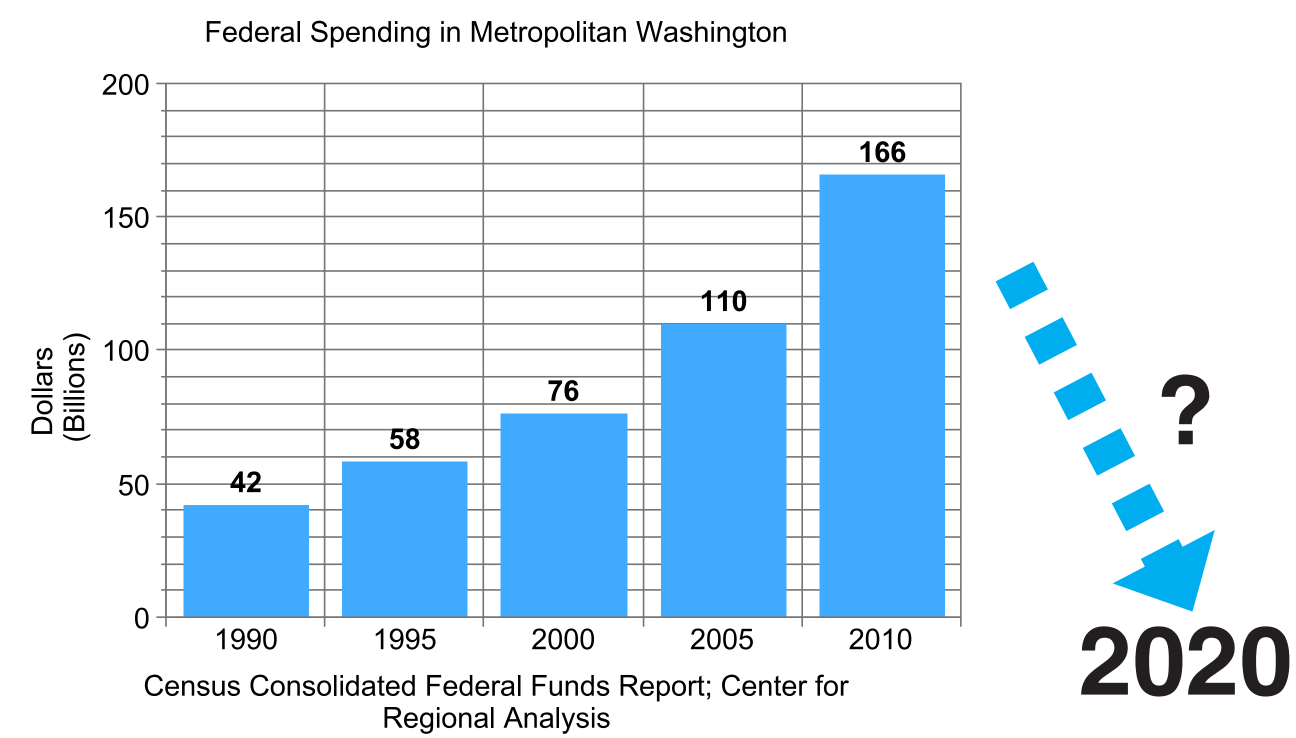
Metropolitan Washington ranked 13th of 15 in terms of job growth among major metro areas from December 2010 to December 2011.

While economic development is not a traditional topic at the Council of Governments, COG deals with a number of issues—land use, transportation and housing—related directly to economic growth and competitiveness. For example, creating more activity centers with housing, jobs, and transit nearby is a major component of the Region Forward vision and a focus of area leaders on COG's Region Forward Coalition. COG has also brought stakeholders together on specific economic topics, such as a workforce development effort in 2010.

Metropolitan Washington is not alone in considering ways to improve its future competitiveness. Other regions throughout the country are examining or have implemented a variety of economic strategies—from reinventing themselves through metropolitan business plans to promoting their regional assets through public-private marketing campaigns to making new investments in infrastructure to reduce traffic congestion.

In February 2012, the COG Board voted to make economic growth and competitiveness its principal focus for the year. From March through July, the Board held five learning sessions at its monthly public meetings, inviting input from public, private, nonprofit and academic leaders. It also held a webinar with local economic development directors as well as a session at COG's annual leadership retreat.

'Can we do more regionally on economic development?' was a key question asked of all participants throughout this initiative. The Board also used the sessions to turn the mirror on itself and ask how COG's work can enhance the economy and move the region closer to meeting the goals in Region Forward. During the sessions, participants discussed the region's economic outlook, competitive advantages, barriers to success, and opportunities for future growth—all of which informed this Call to Action Report.



NEW REALITY

SCALED BACK UNCLE SAM

The Region Forward plan envisions a diversified, stable and competitive economy for metropolitan Washington. For decades, the federal government provided the region's economic stability. Over the past 30 years, increases in spending totaled over $120 billion, and federal procurements totaled over $850 billion. From 2000 to 2010, federal spending more than doubled. In 2010, Virginia, Maryland, and Washington D.C., were first, fourth and fifth among all states in receiving federal procurements. But big changes are coming.

Metropolitan Washington's
Fiscal Cliff:

- *Slowing federal spending*
- *Sequestration of $1.2 trillion*
- *Ongoing budget uncertainty*

Today, the combination of slowing federal spending, automatic spending cuts of $1.2 trillion (sequestration), and ongoing budget uncertainty is pushing metropolitan Washington dangerously close to a fiscal cliff. With Bush era tax cuts set to expire and new programs like the Affordable Care Act just beginning, lawmakers on Capitol Hill continue to disagree on the federal budget. As of the writing of this report, sequestration will occur if a budget agreement is not reached. For a region with such a high level of federal investment, these cuts would have an enormous ripple effect throughout the entire economy.

Federal spending has also begun to slow down and experts foresee a smaller role for the federal government in the coming years. In 2011, for example, federal employment declined for 8 months. Between 2010 and 2015, the share of metropolitan Washington's gross regional product derived from federal government spending is forecast to decline by 3.5 percent—which would greatly impact the federal workforce, federal contractors, and area businesses that work with the government.

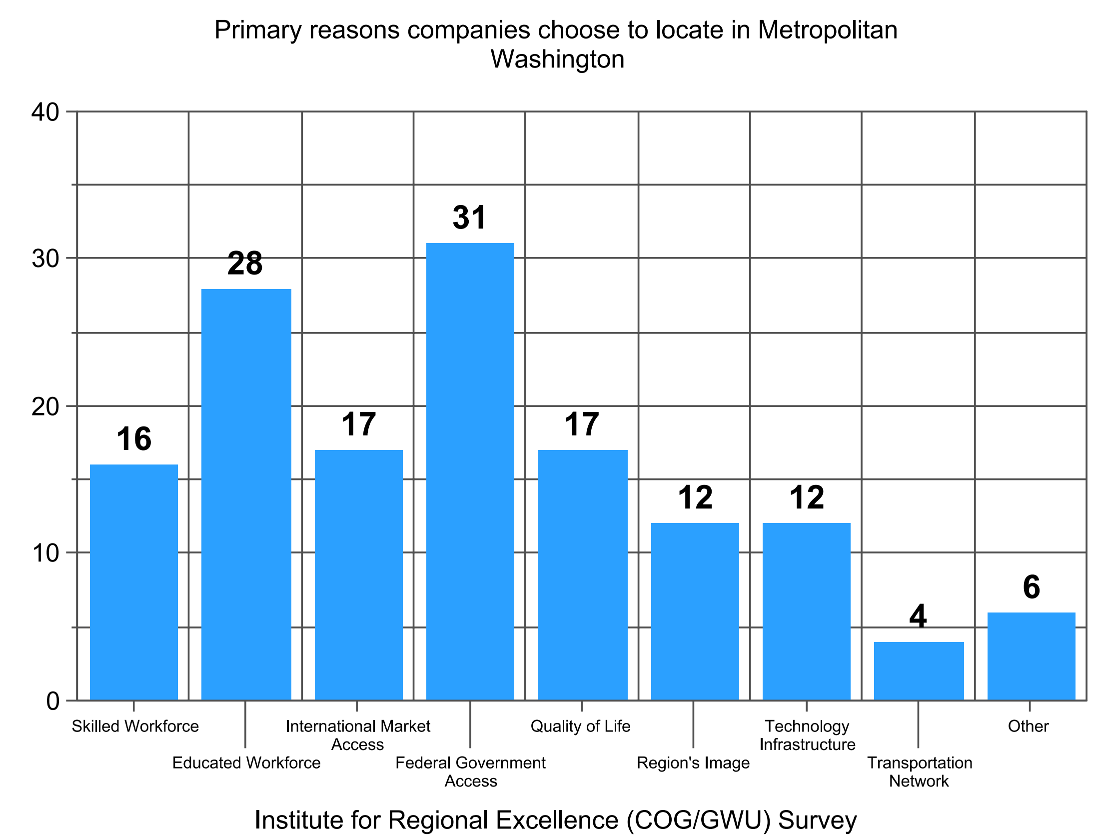
This daunting forecast was relayed to the COG Board by Dr. Stephen Fuller of the Center for Regional Analysis at George Mason University during the kickoff meeting of the economic growth and competitiveness initiative. Metropolitan Washington no longer leads, but follows the national economy, ranking 13th out of 15 major metropolitan areas in terms of job growth from December 2010 to December 2011.

GROWING THE PRIVATE SECTOR

Despite expectations that federal spending will decrease, it will remain an important part of the region's economy. But for metropolitan Washington to advance its economic goals in Region Forward and combat the projections of slower growth, the region must build on its strengths and further develop its private sector.

While the region continues to be widely known as the nation's capital and a "government town," it is also home to a wide variety of expanding industries, including biotech and life sciences, information technology, professional services, and hospitality. To understand why businesses choose this region, a major part of COG's initiative focused on the region's many competitive advantages.

Participants at the COG sessions identified the region's educated workforce, entrepreneurial climate, international connections, and vibrant, transit oriented centers as some of its key competitive advantages. Several of these advantages were supported through a survey of area economic development officials and other stakeholders undertaken as part of the initiative by COG's Institute for Regional Excellence. In addition to the educated workforce, access to international markets, and quality of life, the survey emphasized that access to the federal government is another primary reason companies choose to locate in metropolitan Washington.



**IRE is an executive management program by COG and GWU that trains local government managers to advance regional cooperation and increases their exposure to innovation*

As a sign of its attractiveness to businesses, the region has recently captured a third of all major corporate headquarter relocations in the country, according to Jim Dinegar of the Board of Trade.

COMPETITIVE ADVANTAGES

Metropolitan Washington enjoys several existing competitive advantages that make it a desirable place for companies to locate, including:

EDUCATED WORKFORCE

The region continues to produce and attract the most educated workforce in the country, with six of the top ten most-educated counties in the nation. Roughly 22% of the region's workforce has a graduate or professional degree, 47% has a bachelor's degree, placing the region first among the top twelve major metropolitan areas in the nation.

ENTREPRENEURIAL CLIMATE

Metropolitan Washington is home to over 500 fast-growing private new businesses, more than any region in the country, and research and development spending at colleges and universities exceeded $3 billion in 2010.

INTERNATIONAL CONNECTIONS

Metropolitan Washington is one of the only regions in the US with three world-class airports: Washington Dulles International Airport, Baltimore/Washington International Thurgood Marshall Airport, and Ronald Reagan Washington National Airport. The region's diverse population—one in five residents born outside of the U.S.—also provides an opportunity for businesses to connect with foreign markets.

VIBRANT, TRANSIT-ORIENTED ACTIVITY CENTERS

The region boasts some of the nation's best examples of transit-oriented developments where residents have access to housing, jobs and transportation choices as well as cultural and recreational activities. The quality of life in these vibrant activity centers help the region attract and retain businesses and workers. And transit expansions, such as the Silver Line to Tysons Corner and Dulles Airport, will connect more transit riders with key job centers.

FEDERAL GOVERNMENT ACCESS

Access to the federal government is a primary reason companies and organizations choose to locate in metropolitan Washington, according to a survey of area economic development officials and other stakeholders.

SOURCES: COG, Greater Washington Initiative, Institute for Regional Excellence (COG/GWU Survey)

EXPANDING INDUSTRIES

In the face of reduced federal spending, there are several expanding industries that have great potential to spur new job growth in metropolitan Washington. The COG Board invited leaders from several of these sectors to share their input and inform the economic growth and competitiveness initiative.

BIOTECH

Michael Knapp of Orion BioStrategies highlighted the region's assets specific to his industry: billions annually invested in federal research, the most educated regional workforce in the U.S., and the home of some of the world's largest private equity and venture capital firms. Knapp, George Vradenburg of the Chesapeake Crescent, and several area economic development directors also stressed the tremendous opportunity to better commercialize the research coming out of area universities and federal research facilities.

HOSPITALITY

The hospitality industry is the second largest regional employer accounting for over 76,000 jobs in restaurants, hotels, and other tourism-related merchants according to Bruce Gudenberg of Destination DC. In 2011, D.C. welcomed 17.9 million tourists, which topped the pre 9/11 record number. The share of international tourists, who stay longer and spend more money than domestic ones, has been increasing and now make up 10% of all tourists.

CYBERSECURITY

Metropolitan Washington continues to be an industry leader in cybersecurity and related fields. Fort Meade, for example, is known as the nation's "cyber command center" and a major innovation cluster in this sector. The region is also home to the top five aerospace, defense, security and intelligence companies in the U.S. and ranks first nationwide in concentration of positions for computer and math sciences, with over 60,000 computer software engineers, 33,000 computer systems analysts, and 27,000 engineers.

NATIONAL SECURITY AGENCY
Fort Meade, MD

SHIPPING/CARGO

The shipping and cargo industry has been gaining a significant foothold in Greater Washington's economy. The Port of Baltimore, for instance, one of the nation's top ports for total cargo tonnage and overall dollar value of cargo, is able to carry megaships that other ports like Philadelphia and New York cannot. Regional manufacturing firms also use Reagan National, Dulles International, and BWI-Marshall airports to export their products domestically and overseas. Dulles is the only airport on the East Coast that is undergoing major expansion which will increase the region's ability to compete in the global marketplace.

INFORMATION TECHNOLOGY

Metropolitan Washington ranks first in the nation in the number of high tech establishments, with over 31,000 businesses, organizations, and entities in the industry, and the industry provides a total payroll of $45.1 million. The region also offers the nation's highest concentration of computer and mathematical scientists, including computer software engineers and network systems and data communications analysts. It ranks first in the nation for the number of high tech firms, a $45.1 million in economic activity. According to Tom Flynn of Loudoun County, 50 percent of Internet traffic in the US runs through the region, and the largest aggregation of telecommunications providers in North America is located near the Dulles corridor in Virginia.

PROFESSIONAL SERVICES

Professional and business services comprise 23% of jobs in the region's economy. Over the past decade, metropolitan Washington managed to create more jobs in this sector than any other major metropolitan region in the U.S. In 2010, the region also ranked first throughout the U.S. in percent of workforce in business and financial occupations, computer and mathematical operations, legal occupations, and management occupations.

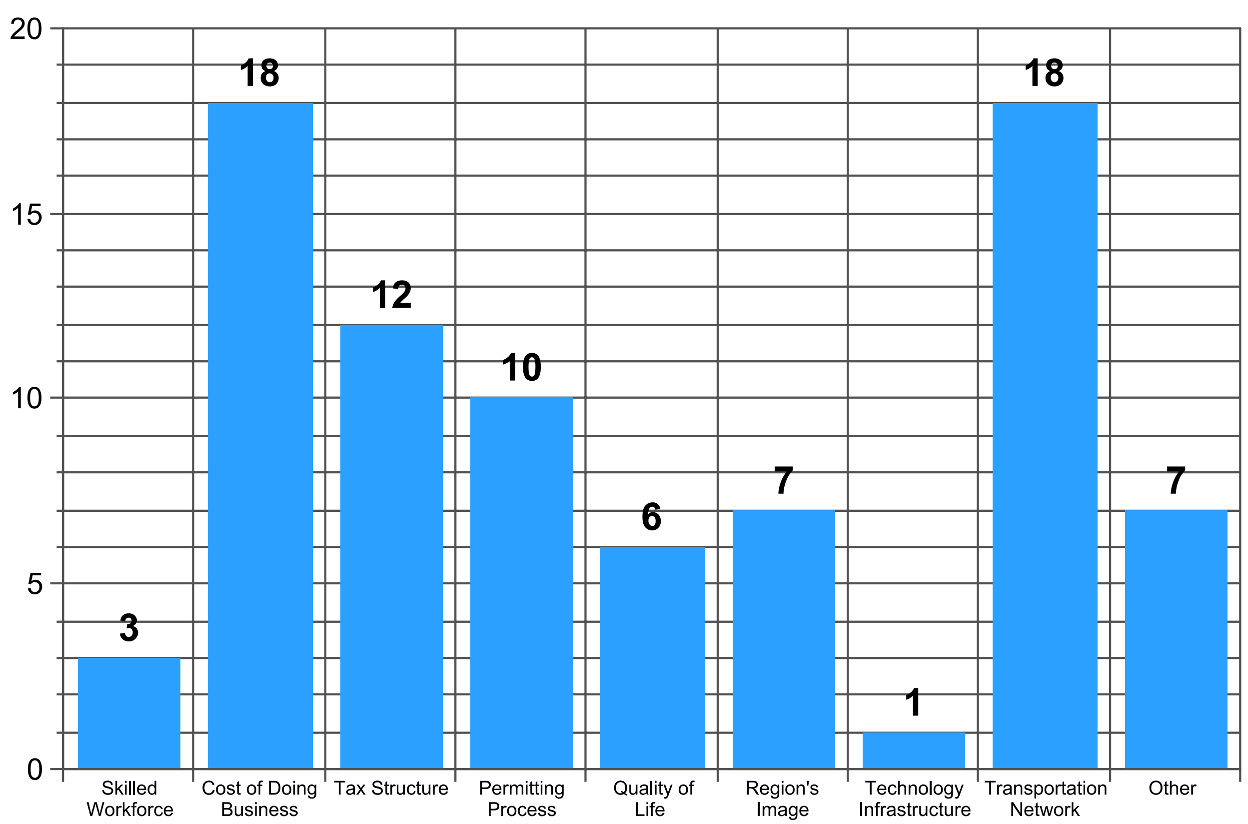
SOURCES: COG, Greater Washington Initiative, Metropolitan Washington Airports Authority

PRIORITIES FOR GROWTH

A better understanding of the challenges facing employers is necessary to ensure the vitality of the region's economy. Participants in COG's initiative were specifically asked to address their most significant obstacles and whether greater regional collaboration on these issues would help spur economic growth and development.

Perspectives varied with some focused on one specific industry or jurisdiction; like the need to better commercialize the research coming out of area universities and federal research facilities or the desire for a more streamlined business permitting process. Nevertheless, there was wide agreement by participants on several issues that would be best addressed through a comprehensive, regional approach: improved coordination with the federal government, strong centers with the right mix of housing, jobs and transit, a workforce that is prepared for jobs in high growth industries, a new image for the region that better reflects its assets, and greater investment in transportation infrastructure.

Greatest Challenges in Recruiting New Businesses to Metropolitan Washington



Institute for Regional Excellence (COG/GWU) Survey

These areas in need of improvement have been consistently called out in a variety of recent reports and forums. Transportation, the economy, and education ranked as the region's most important long-term issues in a survey conducted for the 2010 Region Forward vision. And in Region Forward's first progress report, released in June 2012, transportation funding and development in activity centers, are again highlighted as metropolitan Washington's major challenges.

Given the new economic outlook of decreased federal spending, there is now an even greater urgency to address these challenges so the region's expanding industries can reach their full potential.

Federal-Regional Partnership: As federal procurement and employment in the region declines, a stronger relationship between federal and regional officials is critical

The region can no longer count on the federal government to be the primary driver of its economy. Changes in federal spending underscore the need to diversify the economy, but also to strengthen partnerships with the federal government to better target investments in the region.

While the federal government has equal responsibility to each of the regions across the nation, it has a unique responsibility to metropolitan Washington as the region's single largest employer. There are no grant programs for the economic dislocation created by a retraction of federal procurement and employment as there are for other regions that lose large employers. As federal spending continues to decline, the region must have a strong foundation in place, and an indentified metropolitan Washington liaison to help navigate the changes ahead.

The federal government has a vested interest in improving the region's transportation system and increasing the supply of affordable housing.

During the COG session, several stakeholders, including George Vradenburg of the Chesapeake Crescent Initiative reinforced this need and noted that as the region's anchor tenant, the federal government has a vested interest in improving the region's transportation system and increasing the supply of affordable housing.

PRIORITIES FOR GROWTH

Strong Centers: Metropolitan Washington needs Activity Centers with the right mix of housing, jobs, and access to transit

COG forecasts over 1.6 million more people for metropolitan Washington by 2040, the equivalent of adding the city of Philadelphia to its population. Accommodating this growth and development will be a major challenge impacting where people live, their commutes, the environment as well as the region's economic competitiveness.

The traditional suburban office park has become an outdated location for economic development. Instead, businesses—and the young professionals they need to employ—increasingly want to locate in mixed-use places that COG calls Activity Centers.

To meet economic and growth needs, the region must focus more development in Activity Centers, such as Potomac Town Center in Prince William County.

The Region Forward vision recommends focusing the majority of metropolitan Washington's growth in these Activity Centers—75 percent of new commercial construction and 50 percent of new households. However, the Region Forward Baseline Progress Report recently showed new growth had fallen short of the region's targets in 2010. Activity Centers only captured 46 percent of new commercial construction and 31 percent of household growth.

In addition to not meeting its target for housing in Activity Centers, the region's overall housing stock is not keeping pace with projected workforce needs. According to *Housing the Region's Workforce*, a report by the Center for Regional Analysis at George Mason University, to secure its economic growth potential, the region needs to "meet the labor force requirements of the new economy as well as the other critical supporting requirements, including transportation services, water and sewage capacity, and the other amenities that have made the region attractive to workers moving here from other regions in the U.S. and world. Most importantly, the region will need to be able to meet the housing requirements of a new workforce." The report stresses that the region needs 38,000 units per year but currently averages only 28,600 units.

While Metropolitan Washington has received national recognition for revitalizing its urban core and creating several vibrant, transit-oriented centers throughout its inner and outer suburbs, many of its centers do not have the right mix of housing and jobs and access to transit. This unbalanced growth is illustrated by Metro stations that lack development in Prince George's County and job centers like Tysons Corner with a large undersupply of housing.

In order to build on its success and stay ahead of its competitors, the region needs to use Activity Centers as a planning tool and guide more strategic investments based on a center's unique needs. The region will then be in a stronger position to attract workers and businesses looking for housing and transportation choices, cultural activities and recreational opportunities that metropolitan Washington's Activity Centers can provide.

Workforce Development: There is a mismatch between available jobs and skilled workforce that is forcing employers to look outside of the region for new employees

Metropolitan Washington has the highest percentage of advanced degrees (post-Bachelor's degree) in the country. At the same time, it is also a net importer of talent, according to Fuller, because of the mismatch between jobs and workers. The mismatch issue was also recently highlighted in *Education, Job Openings, and Unemployment in Metropolitan America*, a report by Brookings. The region has not found an effective tool for supplying workers with the right skills to meet industry demands.

While the educated workforce has attracted growth industries like IT and biotechnology, the Board heard from several industry leaders that they have to recruit from outside the region to fill new openings; and not just for high-skill positions. For example, multiple technicians are needed to support the work of every scientist or engineer. A better understanding of emerging, high growth industry trends as well as a way to link that data to K-12 schools, colleges, and universities will make metropolitan Washington more competitive.

During the COG sessions, Sarah Oldmixon of the Community Foundation for the National Capital Region said workforce development systems throughout metropolitan Washington would benefit from greater regional coordination and consistency. There are pockets of successful partnerships between businesses and higher education—such as the Northern Virginia Community College (NOVA) Pathway to the Baccalaureate Program that have improved college access, success and completion for at-risk students—but they are the exception. Robert Templin of NOVA said area community colleges are focusing more on working with their K-12 counterparts as well as area businesses, who are investing in the development of their own future, highly-skilled workforce. While industry leaders all identified a mismatch between jobs and skilled workforce, the survey of economic development directors and government officials focused primarily on the lack of industry data, specifically the need for regional data that charts high-growth industries, emerging industries, and the skills for these jobs.

In January 2010, COG began looking into the issue of workforce development by bringing together leaders from education, economic development, philanthropy, business and labor, and government to discuss workforce development needs in metropolitan Washington. The group's final report, *Closing the Gaps to Build the Future,* supports the ideas and recommendations presented in this Call to Action and the establishment of a regional effort to improve workforce development. After two years and a sustained call for greater integration of workforce and economic development strategies, area leaders are poised to act but need a regional program or group to launch the effort.

A New Image: Further economic growth requires moving beyond the image of being a "government town"

For people that live, work, and play in metropolitan Washington, the region's assets are clear. But are they as well known to outsiders? Anchored by the federal government, professional services firms and defense based contractors have flocked to the region, and with good reason given the historic level of federal spending over the last decade.

LIVINGSOCIAL
Washington, D.C.

BRANDING: Metropolitan Washington needs an image that better reflects its position as a leader in innovation, science, and technology.

NATIONAL INSTITUTES OF HEALTH, PORTER NEUROSCIENCE RESEARCH CENTER
Maryland

CENTER FOR INNOVATIVE TECHNOLOGY
Virginia

PRIORITIES FOR GROWTH

However, as noted by most participants, despite all the changes in metropolitan Washington in the past decade, it's still largely thought of as a government town and does not equate to innovation in many peoples' minds.

While federal jobs will continue to be a part of the regional economy, projected growth in industry clusters like cybersecurity in Maryland, information technology in Virginia, and venture capitalism in DC provides a tremendous opportunity for the region to redefine itself. In addition, the region can highlight competitive advantages like its vibrant, transit-oriented centers and international connections to promote itself as the premier place to do business.

How metropolitan Washington tells its story to the rest of the world will dictate how competitive it will be with other regions. The same analysis required for greater workforce preparation is needed to inform a new regional brand.

Transportation: Greater investment in transportation infrastructure is essential to the region's economic competitiveness

Metropolitan Washington ranks among the most congested regions in the nation. And in the next 30 years, the region's population growth is forecast to increase rush hour congestion by roughly 38 percent.

Over the same time span, five of six Metrorail lines will also be congested (100-200 people per car) or highly congested (over 120 people) without additional capacity expansion. Presently, only one line, the Orange line, carries more than 100 people per car. Metro will be unable to handle projected ridership growth.

In a globalized world, falling behind on infrastructure means falling behind economically.

Moreover, current revenue streams cannot keep pace with the region's operations and preservation needs. Metro dedicated funding, which provides an extra $3 billion from the federal government for Metro's maintenance, is set to expire by 2020, and there is currently no legislation to extend the measure nor is there a commitment by the states to match. The gas tax is also becoming increasingly insufficient as the fuel efficiency of cars increases.

During the COG sessions, a wide range of participants from economic development directors to industry experts, stressed that a high performing transportation system is critical to the region's competitiveness. The corresponding survey on page 13 ranked the transportation system as one of the top challenges to recruiting and retaining businesses in the area. Mark Treadway of the Metropolitan Washington Airports Authority also emphasized the importance of transit and roadway access to the region's airports.

Without a funding strategy that invests in the region's transportation priorities, the failure of transit systems, roadways, bridges, and bike lanes/trails to run at full capacity threatens the region's economic viability and could lead businesses to relocate. This concern about the viability of the region's transportation system is consistent with other recent COG studies, such as the *Region Forward Progress Report,* which identified transportation funding as a major regional challenge. In a globalized world, falling behind on infrastructure means falling behind economically.

Without adequate funding, Metro and the region's highways will become even more congested, which will hurt the region's productivity and economic growth potential.

RECOMMENDATIONS

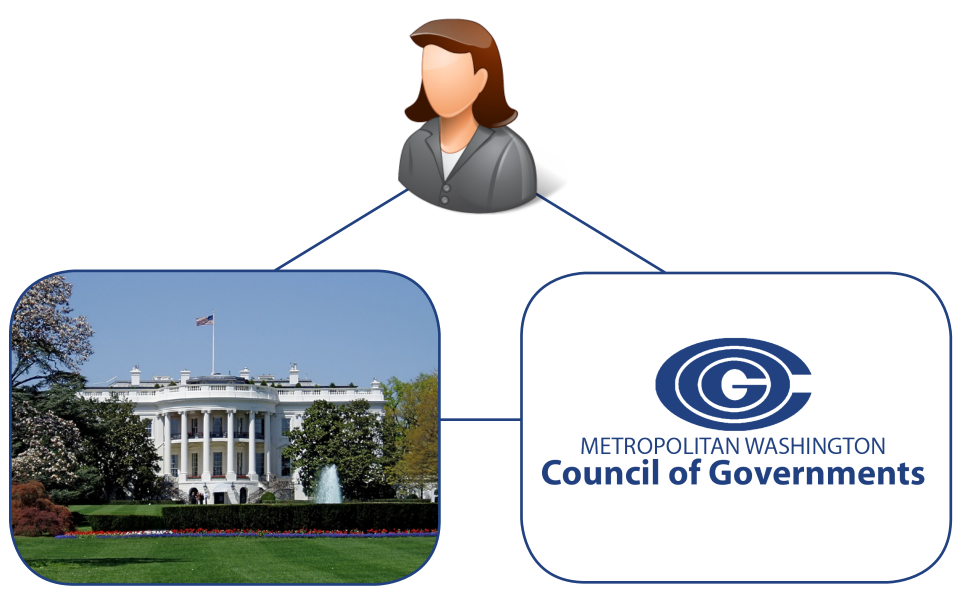
While other regions have created new organizations and separate initiatives to spur their economies, regional officials believe COG has the capacity and relationships to effectively lead this effort. The following actions will address the region's urgent economic needs and help meet several of its Region Forward goals.

A New Federal-Regional Liaison responsible for working closely with regional officials to mitigate impacts of current and proposed cuts in federal spending

Over the years, the COG Board has developed a strong partnership with the Congressional delegation members; particularly in areas like Chesapeake Bay restoration, homeland security, and dedicated funding for Metro. The region has been far less successful at sustained engagement with federal agencies and senior Administration officials on matters of importance to metropolitan Washington. Cabinet secretaries and senior Administration officials have addressed area leaders during various COG sponsored events, however no ongoing partnership has materialized because there was no sense of urgency for doing so.

Now, however, federal downsizing and fears of sequestration have created the need for a stronger relationship.

A liaison in the Administration—a single point of contact to work closely with regional officials to mitigate impacts of cuts in federal spending and employment and to address other federal-regional matters—would greatly benefit metropolitan Washington.



As the single largest regional employer and tenant, the federal government must ensure that regional officials understand and are prepared for the aftermath of such cuts. It must also be able to readily communicate the region's priority funding areas, given the new reality of diminished resources.

COG is currently working with the White House Office of Intergovernmental Affairs to identify the appropriate person, likely the director, to serve as a liaison to the National Capital Region. This liaison role would need to be formally acknowledged by COG and the Administration.

Once this relationship is confirmed, this report recommends COG convene senior Administration and regional officials to discuss current and future needs, including the potential impact of sequestration on the economy. Staff should also develop a plan for regular engagement of the Administration, including new opportunities for collaboration.

An Activity Center Investment Plan to guide efficient investment in vibrant mixed-use centers that are the engines of regional economic growth and competitiveness

As noted in this report, the region's mixed-use Activity Centers are a major competitive advantage. Through their housing and transportation choices, cultural activities, recreational opportunities, and overall vitality, these centers can increasingly help attract and retain businesses and workers. They make people want to live, work, play and learn in metropolitan Washington.

For over a decade, COG has urged governments and businesses to focus more growth in Activity Centers. This idea became a cornerstone of the Region Forward vision as well. But as the recent Region Forward Baseline Progress Report has shown, the region urgently needs to accelerate its development in Activity Centers in order to meet population, housing and job forecasts and grow more sustainably. In order to accomplish this, the Region Forward Coalition is developing tools and strategies for local governments, developers, transit agencies, philanthropists, and other groups to guide their planning and investment decisions. The Coalition is a diverse group of elected officials, business, nonprofit, and educational leaders brought together by COG to advance the regional vision.

One of its major projects has been an update of the Activity Centers Map in 2012. In the past, the centers were used by COG and its member governments for technical analysis. The new map is intended to have more uses, such as a starting point for planning and investment activities. In addition, there are Activity Centers in every member jurisdiction so every city and county can contribute to meeting the region's economic goals.

RECOMMENDATIONS

The Coalition will examine centers based on shared characteristics to determine each center's needs. With this data, the Coalition 's Activity Center Investment Plan will be able to recommend specific, strategic investments. In a time of limited funding, Activity Centers offer public and private investors an opportunity to make a greater impact.

Concentrating Development: Activity Centers Map (2012 Update)

Industry and Labor Market Analysis to ensure that workforce development programs are training for current and future growth sectors

A significant asset that contributes to metropolitan Washington's economic competitiveness is the strength of its workforce. The region has the largest percentage of degreed professionals in the country. Contradicting this success, however, is a recent trend by employers to recruit skilled workers from outside the region.

What this report, and others including COG's 2010 Closing the Gaps to Build the Future report show, is that while the region's universities and colleges continue to graduate highly skilled professionals, the skill sets are not in alignment with the needs of employers. There is a significant disconnect between the region's education and business community that, if not addressed, will result in prolonged unemployment and potential relocation of high growth industry leaders.

The region needs data and analysis that identifies current and projected workforce demands by sector, including the skill sets needed to fill those positions. It also needs a mechanism to relay this regional data to educators for curriculum implementation and economic development directors to inform local decisions. This kind of information is critically important to the prosperity of the region; specifically its ability to adapt to changes in the economy.

The Region Forward Coalition understands this need and is committed to helping the economy grow and diversify, though the integration of workforce and economic development activities has not been a major component of its work to-date. This report recommends that the Coalition expand its members to include a greater cross section of education and workforce development stakeholders who will oversee the industry and labor market data collection and analysis.

With this regional data, government officials, educators, and universities/colleges will have the information needed to better align local workforce and economic development programs resulting in a stronger more competitive region.

A Regional Brand that accurately reflects and promotes metropolitan Washington's growing economic diversity

Metropolitan Washington is the largest beneficiary of federal government employment and procurement of any region in the country. While this is a significant part of the economy, the region has much more to offer. High growth industries like biotech, cybersecurity and professional services have redefined the marketplace and are driving the region's economy.

One of the many goals of Region Forward is for Washington to be a recognized global knowledge hub for technology and innovation. Now is the time, especially as the federal government contracts, for Washington to re-brand itself. Each of the region's 22 jurisdictions have significant economic assets that would benefit greatly from a new regional image—one that accurately reflects and promotes its growing economic diversity and which can be used to help support local economic development and marketing efforts.

As this report has detailed, regional data on emerging and high growth industries is lacking; affecting not only the region's ability to produce the appropriate workforce but also its ability to sell itself as more than just a government town. This point reinforces the need for the Region Forward Coalition to take the lead in collecting and analyzing industry and labor market data. Once that work is completed, the analysis can be used to inform the creation of a new regional brand. A detailed scope of work will be developed and presented to the COG Board before a branding effort begins, since the Coalition will require additional partners and resources for the project.

RECOMMENDATIONS

A Regional Transportation Priorities Plan that garners broad-based public support and produces sustainable funding strategies for transportation infrastructure

As growth in metropolitan Washington continues to place heavier demands on the region's transportation network, decision makers will be challenged to make critical improvements to roads, transit, and pedestrian and bicycle infrastructure. However, current funding strategies have proven ineffective to adequately support this investment in infrastructure. As noted in the report, a high performing transportation system is critical to the region's competitiveness.

The National Capital Region Transportation Planning Board (TPB), the region's metropolitan planning organization, is currently working to develop short- and long-term strategies to address regional transportation challenges.

The Regional Transportation Priorities Plan has been in development since July 2011. Development of the Priorities Plan was prompted by a suggestion from the TPB's Citizens Advisory Committee to help decision makers target infrastructure investments at the same time that funding is becoming more limited. This is not business-as-usual planning for the TPB. The Priorities Plan represents a new approach necessitated by economic conditions and political inaction.

The TPB is studying challenges confronting the region's transportation system, such as insufficient and ad-hoc funding mechanisms, limited transit coverage, and a lack of coordination in transportation and land-use planning.

To overcome these challenges, the TPB will develop a list of 10-15 top priority strategies, such as increasing Metrorail capacity and bringing highways and bridges to a state of good repair. Critically, the Priorities Plan will also identify specific funding sources to make the strategies a reality. The ultimate goal is that the funding solutions outlined in the Priorities Plan – such as an increase in the gas tax, a new sales tax to support transportation infrastructure, or a public-private infrastructure investment mechanism – will be sustainable and replicable for the region's long-term future.

The Priorities Plan is expected to be completed in mid-2013, with several additional opportunities for citizen input prior to the Plan's release. The COG Board will be tracking its progress and work closely with the TPB to promote the Plan and advance its recommendations.

Conclusion

While these recommendations call for different actions, they are interrelated priorities that must be addressed as a whole. Failure in any one area is not an option and will hold the region back from its full economic potential.

These actions focus on what COG does best—bringing stakeholders together, sharing essential data with decision-makers, and developing regional solutions. Understanding the high stakes, the COG Board will work with its partners to aggressively promote and advocate these projects among area leaders, stakeholders, and the public. They also provide an excellent opportunity for COG officials to demonstrate leadership and tackle some of the region's largest challenges.

OBSERVATION: COG must refocus its current and upcoming projects with the goal of improving regional economic growth and competitiveness.

THE REGION NEEDS	HOW COG WILL MAKE IT HAPPEN		WHAT WILL BE THE RESULT?
Federal-Regional Partnership: As federal procurement and employment in the region declines, a stronger relationship between federal and regional officials is critical	COG BOARD	The COG Board will work with the appropriate federal agency(ies) to identify a federal-regional liaison	**New Federal-Regional Liaison** responsible for working closely with regional officials to mitigate impacts of current and proposed cuts in federal spending
Strong Centers: Metropolitan Washington needs Activity Centers with the right mix of housing, jobs, and access to transit	THE REGION FORWARD COALITION	The Region Forward Coalition (RFC), an advisory group to the COG Board on regional planning and implementing the Region Forward vision, will lead the development of a plan to guide investment in Activity Centers; assess the workforce needs in the region; and conduct industry and economic research to create a new regional brand	**Activity Center Investment Plan** to guide efficient investment in vibrant mixed-use centers that are the engines of regional economic growth and competitiveness
Workforce Development: There is a mismatch between available jobs and a skilled workforce that is forcing employers to look outside of the region for new employees			**Industry and Labor Market Analysis** to ensure that workforce development programs are training for current and future growth sectors
A New Image: Further economic growth requires moving beyond the image of being a "government town"			**Regional Brand** that accurately reflects and promotes metropolitan Washington's growing economic diversity
Transportation Investment: Greater investment in transportation infrastructure is essential to the region's economic competitiveness	TPB	The TPB at COG will identify 10 to 15 top priority strategies for addressing the region's challenges, along with potential funding sources	**Regional Transportation Priorities Plan** that garners broad-based public support and produces sustainable funding strategies for transportation infrastructure

WHAT ARE OTHER REGIONS AND PLACES DOING TO MAKE THEIR ECONOMIES MORE COMPETITIVE?

NORTHEAST OHIO / CLEVELAND

In Northeast Ohio, a collaborative effort between local governments, elected officials, businesses, civic leaders, research and education institutions, engaged citizens, and over 50 regional philanthropies is ramping up levels of high-technology clusters, education, worker skill, and public-private connections in the region. The Partnership for Regional Innovation Services to Manufacturers (PRISM), for instance, will help participating firms update their business models, upgrade incumbent worker skills, and gain more access to regional innovation resources.

MINNEAPOLIS - SAINT PAUL

With its proposed Entrepreneurship Accelerator (EA), Minneapolis-Saint Paul seeks to utilize its well-educated workforce, sophisticated research and development, diverse business base, and high concentration of Fortune 500 corporations to rekindle the region's business environment. Designed to stimulate the growth of innovative companies, the EA's team of experts and prominent stakeholders will provide networking opportunities, mentor assistance, higher-quality and more timely information, and annual investments.

PUGET SOUND / SEATTLE

In Puget Sound, a coalition of over 350 business, government, nonprofit, labor, and education organizations have put together the Building Energy-Efficiency Testing and Integration Center and Demonstration Network (BETI) to maintain the region's competitive edge in clean technology and pursue new growth opportunities. By providing the means to test and integrate new technologies, BETI is helping transform the region's concentrations of software technologies and energy efficiency products into a leading export sector.

METRO ATLANTA

Even with the state capital, colleges and universities, numerous Fortune 500 headquarters, and the one of the world's busiest airports driving Metro Atlanta's economic growth, the region has also incurred economic losses from the recession, prompting stakeholders in the public, private, and non-profit sectors to put together an economic roadmap. Plan 2040 analyzes the strengths, weaknesses, and future challenges facing Metro Atlanta to help strengthen the region's economy for the future—for example, by benchmarking the region's economy against other metropolitan areas.

CHICAGO

Despite being a major center for advanced business and professional services, the City of Chicago has recovered slowly from the recession, forcing the greater Chicago region to forge an economic plan to build on its existing strengths, both for large corporations and small- and medium-sized enterprises. For instance, the region's Plan for Economic Growth and Jobs identifies reducing congestion, improving infrastructure, developing logistics parks, and supporting innovative transportation firms and industries as a key strategy to make the Chicago metropolitan area a leading transportation and logistics hub.

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