

Montgomery County and Growth

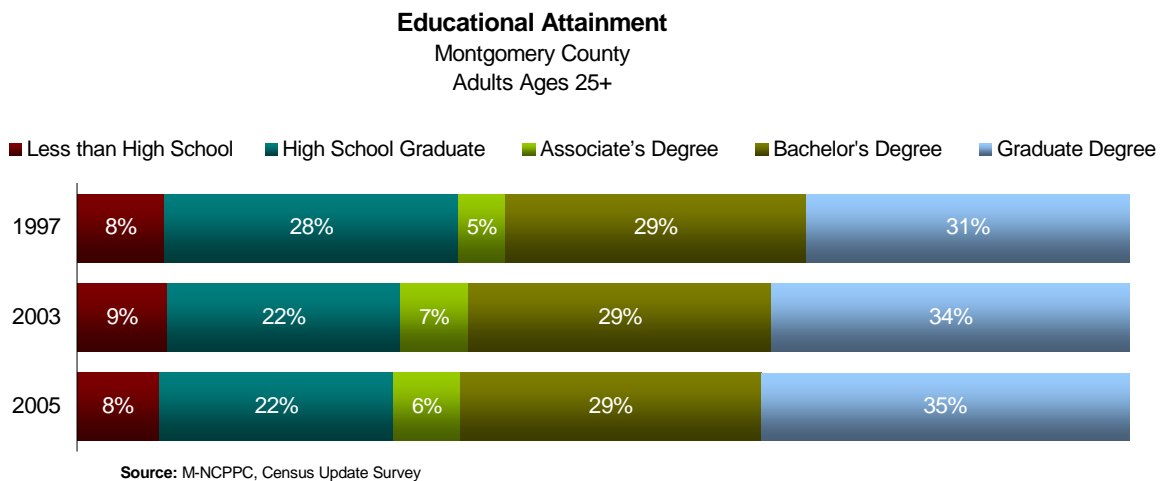
Today

Ranked 45th in population, Montgomery County is among the most affluent and well-educated counties in the nation.

The County's 2004 median household income of \$83,830 is among the highest in the United States; roughly 41 percent of County households have incomes of \$100,000 or more. In the latest American Community Survey rankings, Montgomery County placed first among large counties¹ for the percentage of residents with graduate degrees, and third for college-educated residents. The unemployment rate has remained below state and national levels over the past decade, ranging from a low of 1.9 percent in 1999 to a high of 3.5 percent in 2000, standing at 2.9 percent in 2006.

More striking is the fact that, to date, Montgomery County has sustained these very high levels of income, education and employment through an extended period of dynamic growth and change that has dramatically reshaped its demographic, economic and physical environment. Its ability to continue doing so, however, will depend on how well Montgomery County absorbs and manages the long run impacts of this ongoing growth and change.

Housing, educating, protecting, employing and transporting a larger—and far more diverse—population are among the critical challenges that Montgomery County faces now and in the future. The purpose of this report is to outline some of the key trends and underlying forces that are shaping this future.



¹ Counties with populations of 200,000 or more.

Rapid expansion followed by sustained, slower growth

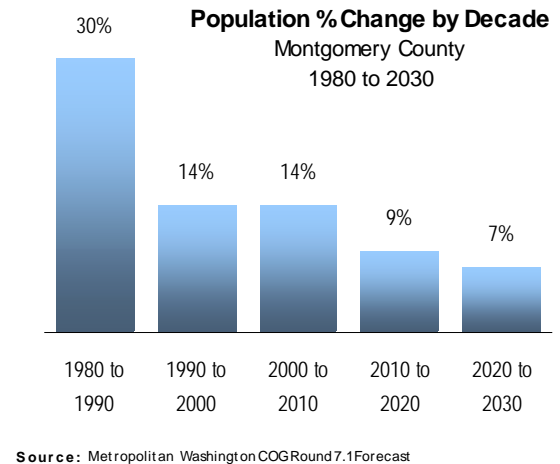
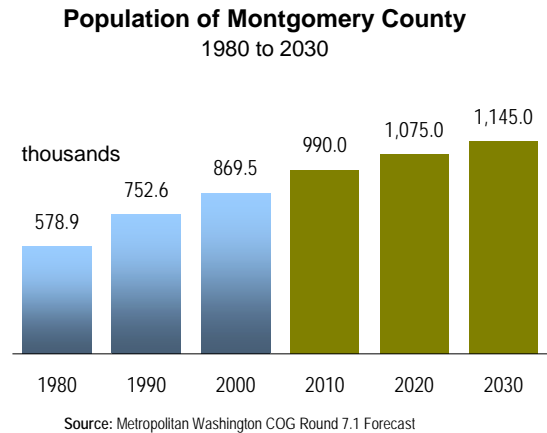
Population growth peaked in the 1980s, then surged again in the late 1990s. During the first half of this decade, the County added roughly 69,000 people—an 8 percent increase in just five years. A combination of record birth levels and an influx of new residents drove the most recent population boom.

Most new residents (60%) come from outside the Washington area. Montgomery County serves as a “gateway” to both Maryland and the United States – when people move to Maryland, more of them move to Montgomery County than to any other county, by a wide margin.

Between 2000 and 2005, births exceeded deaths by 38,000 individuals. Over the same period, nearly 25,000 more people moved into the County than moved out; foreign immigration accounted for nearly 90 percent of this net population gain. By 2005, one in five residents—181,000 people—was new to Montgomery County, having moved in within the past five years.

The immigration of new residents is replacing out migrating residents. Between April 2000 and July 2006, the County saw an increase in population of 62,627 from foreign immigration while 50,872 residents moved from Montgomery County to other places in the United States. Within Maryland, the most frequent location to which Montgomery County residents move is Frederick County, followed by Howard County.

The past high rates of growth probably will not be seen again. Montgomery County has entered a phase of slower growth typical of larger, more developed counties and the supply of undeveloped land has dwindled. The County is approaching *buildout* – especially for



Components of Population Change Montgomery County, Maryland April, 2000 to July, 2006

Natural Increase	49,076
Births	83,692
Deaths	-34,616
Net Migration	11,755
Net international migration	62,627
Net internal migration	-50,872
Residual Change	-2,865
Total Population Change	57,966

Source: U.S. Census Bureau

single family suburban houses, 72% of our future housing will be multi-family units, many of which will be infill in developed areas.

Population growth began tapering off in the middle of this decade, and is expected to slow to about 7 percent per decade—about half the pace of recent years.

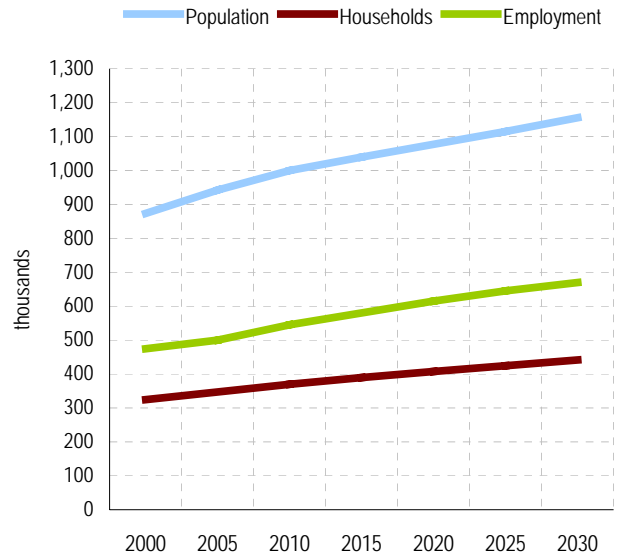
With an estimated 2007 population of 958,000, Montgomery County will reach the 1-million residents mark around 2010. As of January, 2007, there were an estimated 355,700 housing units and 518,000 jobs in the County. Though the rate of growth will naturally moderate, the County retains significant planned additional job, housing and population capacity through 2030.

The latest Washington Council of Governments (COG) Cooperative Forecast envisions that between 2005 and 2030, Montgomery County will add 207,000 people, 94,300 households, and 170,000 jobs—roughly 23 new people, 10 new households, and 19 new jobs per day for 25 years.

Emergence as a major job center

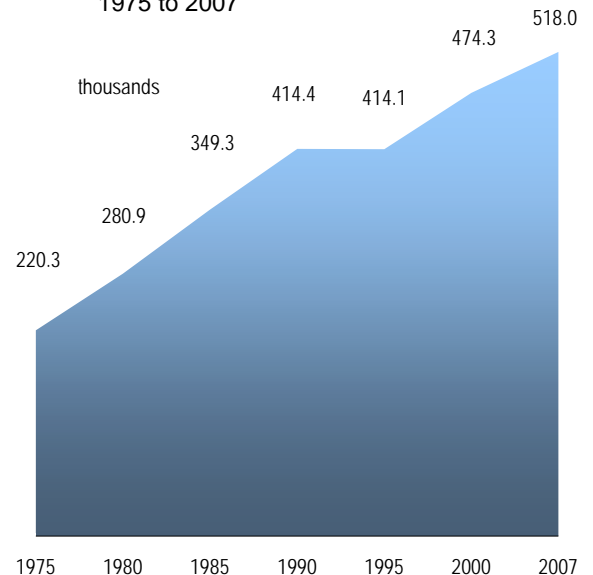
By any measure, Montgomery County's economy has been very healthy for the past three decades, adding nearly 300,000 jobs since 1975. As a regional employment center in the Washington, D.C. area, Montgomery County provides jobs to the majority of its residents with 60 percent of the employed residents living and working here in 2005. The labor force increasingly reflects the County's changing demographic profile, becoming significantly more diverse in terms of age, ethnicity, educational attainment and earning power.

Projected Growth
2000 to 2030



Source: Metropolitan Washington COG Round 7.1 Forecast

At-Place Employment Growth
Montgomery County
1975 to 2007



Source: Metropolitan Washington COG Round 7.1 Forecast

Maintaining a relative balance in job and housing growth is a key objective. When jobs exceed housing capacity, an area must import workers, leading to an increase in the number and length of in-commutes and pushing housing prices up. Too few jobs can create unemployment and undermine fiscal stability. The county’s current ratio of jobs to housing is about 1.4—just shy of the optimal 1.5 to 1.6 ratios. Employment and housing forecasts predict Montgomery County’s ratio will balance above 1.5 by 2030.

Economic diversification

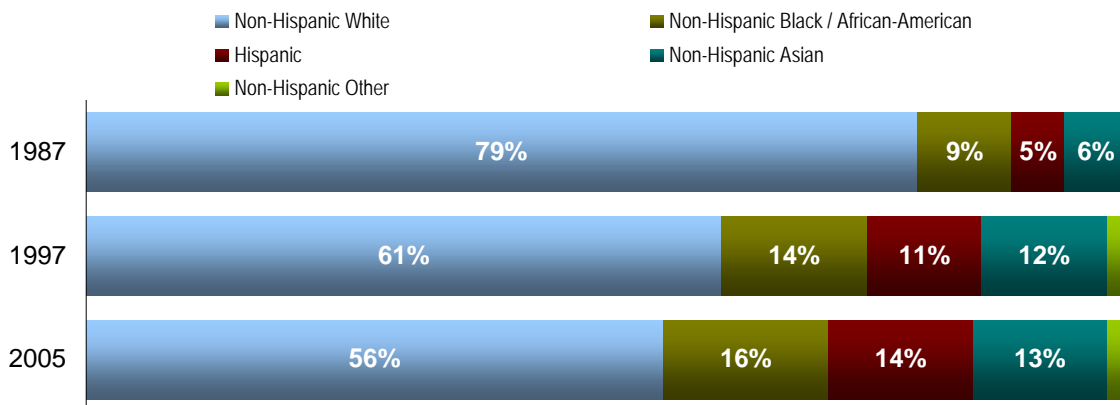
The federal government remains an important source of employment in Montgomery County, though there has been a shift away from direct government employment to private employment with federal contractors. Proximity to federal technology buyers and research labs has led to the emergence of important technology clusters—especially biotechnology. The most robust private sector growth has occurred in high-wage professional, scientific and technical services sector jobs, and other white-collar jobs. New residents reflect the white-collar economic forces attracting them to Montgomery County: among adult in-movers, 29 percent have bachelor’s degrees and another 46 percent have an advanced degree.

Growth forecasts envision that a growing proportion of new jobs through 2030 will be based in offices. Rapid job and economic growth has boosted demand in health, business, residential, retail and hospitality service sectors.

An increasingly complex demographic base

Montgomery County’s demographic profile has changed dramatically since the 1980s, becoming more diverse at a variety of levels. Part of this change can be attributed to wide-scale demographic trends, such as the aging of the existing population and a surge in foreign immigration. Other trends reflect the unique mix of economic, housing, quality of life and other factors that draw people to the County and the Washington, D.C.

Greater Racial and Ethnic Diversity



Source: M-NCPPC, 2005 Census Update Survey

metropolitan region. New residents provide some of the most striking clues about the key forces and directions of demographic change in Montgomery County.

In general, the County attracts highly educated new residents. Of new adult in-movers, 29 percent have bachelor's degrees and another 46 percent have obtained an advanced degree. Because education and income levels tend to be strongly correlated, this trend could reinforce and even accelerate Montgomery County's comparative affluence. At the same time, the rapid in-flux of residents—especially foreign-born—introduces an array of new and different challenges to Montgomery County.

While it is difficult to predict how these demographic forces will shape the County over the long term, it is possible to identify a range of potential near-term impacts.

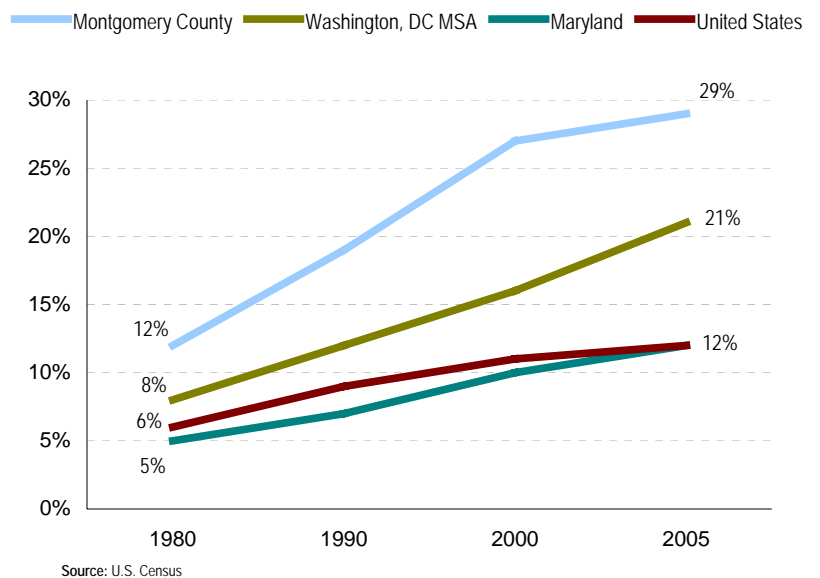
Ethnic and cultural diversification

Between 2000 and 2005, Montgomery County added 53,000 new residents. Over this same period, the minority population grew by 60,000 people—a reflection of higher birth and in-migration rates in this group compared to the existing population. Foreign-born immigrants accounted for most of the county's robust minority population growth. Forty-six percent of new residents live in a household with a foreign-born head or spouse compared to 35 percent for the County overall.

Many positive attributes are associated with immigration, including an enriched cultural environment and an infusion of labor and talent. Offsetting these assets are the challenges of integrating so many new residents from so many different cultural, linguistic, ethnic, educational and other backgrounds.

Forty-four percent of new residents are more likely to speak a language other than English. The Montgomery County Public Schools systems reports that more than 140 languages are spoken among students in its schools. Teaching and reaching out to the parents of such an extraordinarily complex student body is likely to be a continuing challenge for public schools. Adults with limited English proficiency face significant barriers to economic and cultural

Foreign-born Share of Population



integration, and create demand for language interpretation and English language training services.

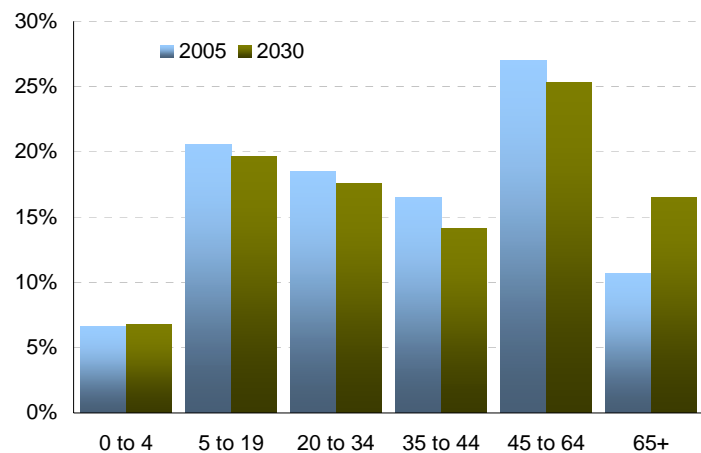
While many foreign-born residents come from elite educational and economic backgrounds, others lack a high school education and struggle with limited opportunities. Undocumented immigrants face an especially daunting environment; often relegated to low wage and unstable employment, many also avoid interacting with government out of fear of being deported—a factor that can greatly complicate community health, education, housing, law enforcement and other public functions.

An aging population

Over the next 25 years, all age groups will add population, but the fastest growth will occur among residents ages 65 and over. Currently accounting for about 112,000 people—11 percent of all County residents—this cohort will increase to 16.5 percent by 2030 with the maturing of the baby boomers.

A corollary trend is that a growing share of this population plans to age in place; a recent senior housing preference survey found that about 57 percent of residents ages 55 and older plan to retire in Montgomery County, with nearly 60 percent of these people planning to continue living in their current residence.

Age of County Residents
Percent of County Residents by Age Cohort



Source: Washington COG Round 7.0 Forecast

Offsetting this trend is the fact that people moving to Montgomery County are younger than the population as a whole. Partly, this reflects the fact that the propensity to move declines with age, and young, married couples with children are among the most likely to be attracted to the county's large job base, high quality of life and renowned public schools. In addition to these factors, foreign-born and minority residents tend to have higher birth rates than the population as a whole.

Greater income diversity

As noted above, a large proportion of Montgomery County's households are among the most affluent in the nation. Dual income households fuel lofty household incomes with high paying jobs in a variety of professional and managerial occupations that reward the well-educated resident work force.

But not every household is participating in the County’s wealthy reputation. In 2005, one out of six households reported incomes less than \$40,000. The median income of households with foreign-born head or spouse is 84 percent of the median of native-born households (\$75,235 and \$89,319 respectively). At about \$72,000, the median income of in-mover households is \$12,000 below the County’s median. The difference may be attributed to the relative youthfulness of the in-movers who have not entered the prime wage earning years of ages 45 and older.

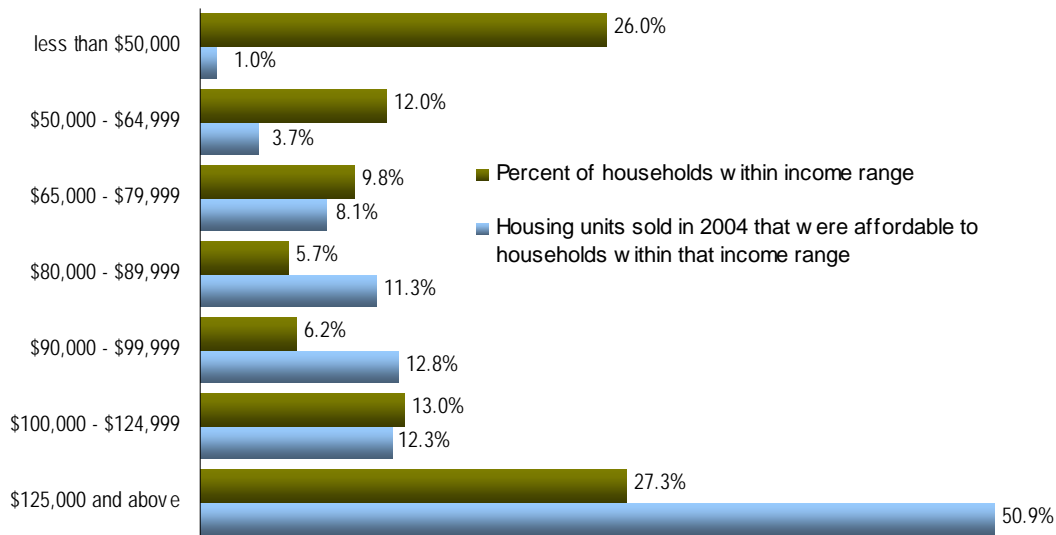
Twenty-nine percent of households (approximately 100,000 households in 2005) fall below the household income cap for Montgomery County’s Moderately Priced Dwelling Units Program (65 percent of the County’s median income).

An acute shortage of affordable housing

With large numbers of affluent residents, along with a heated housing market in recent years, Montgomery County has the highest median owner-occupied house value and the highest monthly homeowner costs (\$466,100 and \$2,041, respectively) in Maryland. Although the market has cooled slightly, sustained population and job growth will keep housing demand—and prices—high. Regardless of its type or location, Montgomery County’s housing stock will remain expensive.

A mainstay of stable and prosperous communities, homeownership increasingly is out of reach of a significant proportion of Montgomery County residents. In 2004, only one out of every ten homes sold in the County was affordable to households earning the median income of \$80,000. Households with median incomes of \$125,000 and up

Affordability of Homes Sold in Montgomery County
by Household Income Group (2004)



Sources: M-NCPPC 2005 Census Update Survey and Maryland State Department of Assessments & Taxation, 2004 sales.

accounted for half of all home sales. Fewer than 5 percent of homes were purchased by households earning less than \$65,000

The burden of high housing costs falls most heavily on younger, less affluent and newer residents—populations that are crucial to Montgomery County’s economic future. Demand for top technology and professional talent—as well as construction, retail, support and other workers—is expected to stay robust over the next few years, buoyed by economic expansion as well as pending Baby Boomer retirements. To offset the high cost of living, local employers are paying wage and salary premiums to attract and retain workers at all skill and experience levels. Even so, recent graduates, employees with young families and workers in lower wage occupations are finding it increasingly difficult to afford to live in or near jobs in the County.

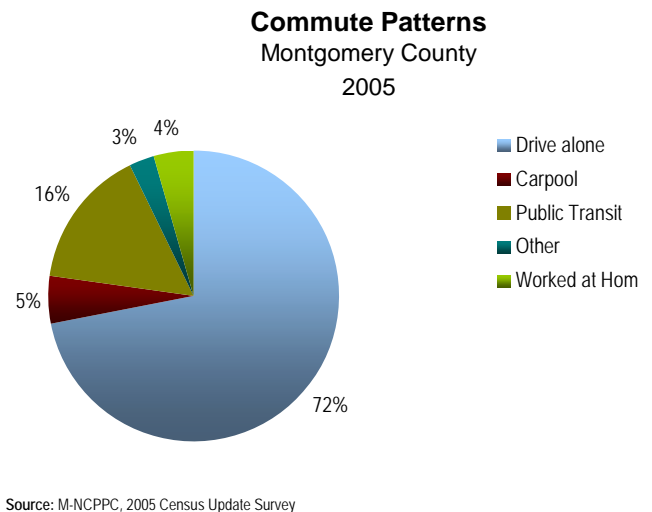
Increased density and urbanization

While maintaining significant amounts of land in agriculture and open space, Montgomery County has accommodated the growth attracted by its status as a desirable suburb of the nation’s capital. It has achieved this balance by following the general plan, *On Wedges and Corridors*, that channels most new growth along transportation corridors separated by less dense wedges.

Several factors—including sustained job and population expansion, declining supplies of greenfield space, and land use policies favoring in-fill and transit-oriented development—have reinforced this pattern of concentrated development in recent years.

Growth, density and mixed-used development are transforming former commuter suburbs into increasingly more urban-like environments. Urbanization can reinforce economic development by attracting more jobs, workers and investment to the area; a mix of urban and natural amenities and a diverse range of housing and lifestyle opportunities are strong competitive assets as well. Rising fuel prices and growing awareness of climate change also are contributing to a renewed interest in more transit-friendly and environmentally sustainable compact development.

Housing prices and traffic congestion could increase with urbanization because of demands on housing stock, public services and infrastructure. Almost eighty percent of Montgomery County’s employed residents currently commute by car, with 72 percent driving alone. Hectic schedules, dual-earner couples, convenience, shorter auto



commute times and high incomes have worked against greater use of carpooling and transit.

Diversifying, more densely-built housing stock

In the past, most housing in Montgomery County consisted of detached, single-family units built on vacant land. In keeping with the land use trends described above, new housing construction will feature more densely clustered single-family attached and multi-family units in existing developed areas. Continued growth and demographic changes are likely to spur additional variety in available housing types in new and existing developments. These may include larger units in intense multi-family developments located near transit; clusters of cottages; large single-family detached homes on smaller lots; zero lot line developments and accessibly-designed housing for seniors.