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Northrop picks Virginia over Maryland as new home

Business leaders say state, county need to improve corporate climate

by Kevin James Shay and Steve Monroe | Staff Writers

Fresh from hearing Monday that Maryland lost the Northrop Grumman headquarters sweepstakes, some local business leaders say Montgomery County and state economic development officials need to redouble their efforts to land major corporations.

The Los Angeles military and aerospace giant announced that it chose Virginia over Maryland and Washington, D.C., for its new base, which is arriving with about 300 top-level jobs. The jurisdictions had been locked in a competition for the Fortune 100 business for several months, dangling incentive packages of at least \$25 million apiece and recruiting top business executives in an effort to lure Northrop.

While some blasted Maryland's corporate tax rate and other taxes for being higher than Virginia's, others said they should not rush to judgment.

"I think the state and county economic development folks need to drill down and determine exactly why we lost, instead of making assumptions on why we lost," said Georgette "Gigi" Godwin, president and CEO of the Montgomery County Chamber of Commerce.

"This is an opportunity to have a real teaching and learning moment and find out what this means for future opportunities. What we need to know is what were the actual circumstances and the factors that affected the decision, so that we can adjust our game accordingly."

One factor, several sources said, was the cost of real estate.

Steven A. Silverman, Montgomery County director of economic development, said he heard that Northrop received "aggressive" offers from two building owners in Northern Virginia.

"We were told that our incentives were more significant, but at the end of the day, state and local government can't overcome the fundamentals of the real estate market," he said.

Northrop's decision was driven by "facility considerations, proximity to our customers and overall economics," Wesley G. Bush, Northrop CEO and president, said in a statement. "Virginia, Maryland and the District put forward compelling, competitive offers."

Montgomery County Council President Nancy M. Floreen (D-At large) of Garrett Park said that while the reasons for Northrop's choice were unclear, the decision should "compel the county to increase its economic development efforts." She pointed to her proposed county Business Development Corp., a private-public body that could help attract and retain businesses.

The economic disadvantage that Maryland has versus Virginia likely played a key role, said Richard Parsons, founder of consulting company Parsons & Associates in Derwood.

"We have to look long and hard at why we couldn't get them," said Parsons, a former president of the Montgomery chamber. "We have to really look at the cost of doing business, the regulatory situation here. The cost of doing business here has not gotten better in several years, and the tax system has certainly gotten worse."

Maryland is clearly not competitive with Virginia's lower tax rates and other costs, he said.

"We have a quality school system, and we have proximity to some federal agencies that can keep us competitive, but we have to start looking at the cost of doing business to make sure we have the best business climate we can have," Parsons said.

County economic development officials worked closely with state and commercial real estate executives to locate sites in the county that would work for Northrop, County Executive Isiah Leggett (D) said.

Those included one at Redland Corporate Center on Gaither Road in Rockville, local economic development officials said. The new 208,344-square-foot building is part of a complex that includes units of fellow military contractor BAE Systems and the National Institutes of Health.

"We are clearly disappointed, but I think we made an extremely competitive offer," Leggett said. "I think we should be proud of the offer that we put on the table."

Leggett also said some factors in the company's decision may have been beyond the county's control.

"I think we should always constantly evaluate and re-evaluate the overall business climate," he said. "But I don't know whether the current regulatory or tax situation had any bearing on it."

He said the lack of direct major airport access in the county might have played a role in the decision.

Last year, Northrop ranked 69th on the Fortune 100 list. The only Maryland company ranked higher was Lockheed Martin of Bethesda, which was 54th.

Northrop was the seventh-largest private employer in Maryland last year with 10,830 employees, according to state figures.

Staff Writer Erin Cunningham contributed to this report.