



# Racial Equity in Economic Development in Montgomery County

Considerations, Disparities and Best Practices

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## About the Fellow



Hi, my name is Tatiana.

I am a first-generation immigrant born in Medellin, Colombia. Although my roots are in Colombia, I have lived the majority of my life outside of my home country.

Currently, I am entering the third year of my Doctoral studies at Cornell University. As a Policy Analysis and Management Doctoral student, my work explores the intersectionality of minority experiences and the socioeconomic consequences of U.S. migration and immigration policy.

Prior to my graduate studies, I earned my Bachelor of Science in Public Policy with Distinction from the O'Neal School of Public Policy at Indiana University (IU). During my time at IU, two experiences in particular sparked my passion for addressing inequality in the United States.

First, I served as a legal intern at the U.S. Committee for Refugees and Immigrants. In this role I worked closely with unaccompanied children, serving as a Spanish translator during immigration proceedings and connecting them with pro-bono legal resources. Previous to this opportunity, I served as an AmeriCorps Vista at a food resource center, Mother Hubbard's Cupboard, that provides food and nutrition education to low opportunity-rural communities in Indiana.

## Acknowledgements

Thank you to the Montgomery County Council and the Office of Legislative Oversight for hosting the Summer Fellows program. This report would not be possible without the expert guidance of Dr. Bonner-Tompkins and critical support from Jacob Sesker, former Senior Legislative Analyst for Montgomery County government.

## EXECUTIVE SUMMARY

### Key Findings:

- **Unemployment** among Black residents of Montgomery County (7.5%) is **more than twice the unemployment** rate of White residents (3.3%) (See page 11).
- Latinx residents of Montgomery County are 30 percentage points **less likely to attain a high school degree** (68.4%) compared to White residents (97.3%) (See page 13).
- Black owned businesses are **50% more likely to occur losses** than White owned businesses; 32% of Black owned firms occur losses compared to 19% of White owned firms (See page 16).

### A Racial Equity Lens in Economic Development asks:

1. Who is excluded from the economy?
2. Why are they excluded?
3. What is the cost of the exclusiveness?
4. What is the role of the business community to include those excluded<sup>1</sup>?

### Summary of Recommendations:

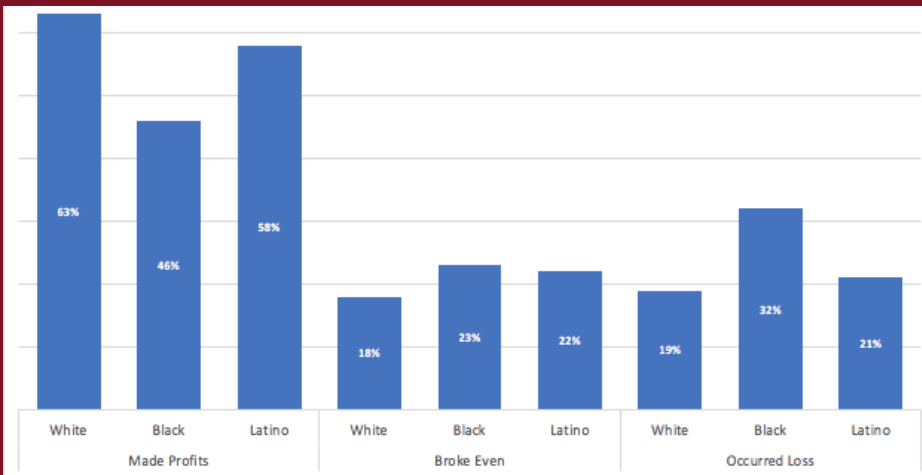
- **Build from community strengths by rewarding businesses that search for talent locally, bring underutilized community **assets** into fuller participation, and prioritize locally owned and reinvested wealth.**
- **Create critical partnerships by meaningfully including communities of color in change efforts and empowering minority-serving organizations to coordinate their efforts.**
- **Understand the breadth of economic development and advocate for an economic development strategy where places, people and programs work together in balance.**

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<sup>1</sup> "Inclusive Recovery in US Cities" *Urban.org*. N. p., 2019. Web. 27 June 2019.

## DATA HIGHLIGHTS

Profitability of Firms with Paid Employees in the United States, 2014



**32%**  
of Black owned  
businesses occur  
a financial loss

**1/2**  
of minority owned  
businesses fail to  
make profits

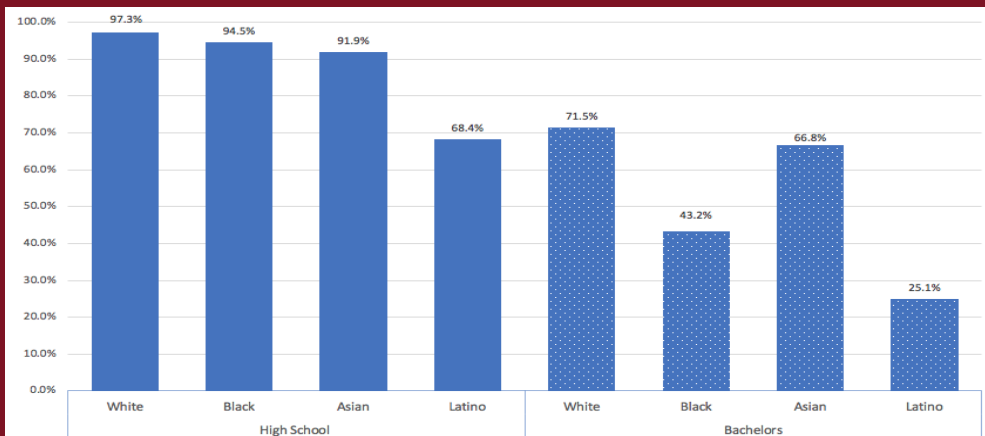
### Key Statistics:

**72.3%**  
of children in Montgomery  
County Public School system  
are children of color

**1/4**  
of Montgomery County's Latinx  
residents attained a 4-year  
degree

**7.5%**  
is the unemployment rate  
among Black residents of  
Montgomery County

Educational Attainment in Montgomery County, 2017

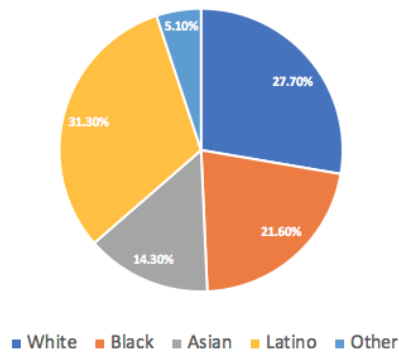


## INTRODUCTION: PROSPERITY IN MONTGOMERY COUNTY

Two trends often emerge when describing Montgomery County: diversity and wealth.

When discussing diversity, the point at which minority populations become the majority of the population is a key demographic indicator that encompasses migration, fertility and life expectancy. The Census projects that the United States will become minority white in 2045<sup>2</sup>; Montgomery County became majority minority in 2010. Nowadays, Montgomery County's population is 45% White, 18% Black, 19% Hispanic and 18% other races and ethnicities<sup>3</sup>. Additionally, more than two-thirds of the children in the Montgomery County Public School system are children of color<sup>4</sup>.

**Montgomery County Public School Student Demographics, 2017<sup>5</sup>**



The County's wealth is described by low unemployment, high household income levels and growing economic sectors. The most recent available unemployment data from the Bureau of Labor Statistics reveals that Montgomery County's unemployment rate is 3.2%. A level of unemployment that fairs better than the District of Columbia, Prince George's County, and the United States.

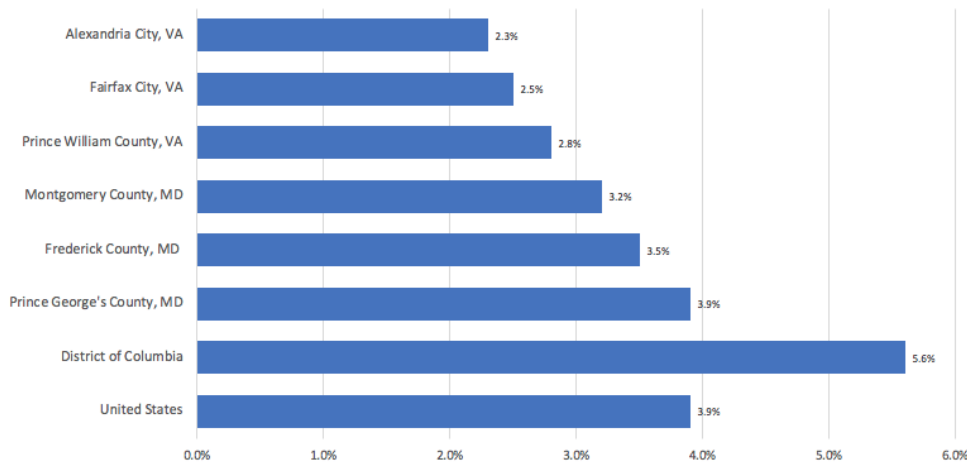
<sup>2</sup> Frey, William. "The US Will Become 'Minority White' In 2045, Census Projects." Brookings. N. p., 2018.

<sup>3</sup> "Montgomery County Is Much More Diverse Than Rest Of U.S.," Bethesda Magazine. N. p., 2017.

<sup>4</sup> "About Us - Montgomery County Public Schools, Rockville, MD ." Montgomeryschoolsmd.org. N. p., 2019.

<sup>5</sup> "About Us - Montgomery County Public Schools, Rockville, MD ." Montgomeryschoolsmd.org. N. p., 2019.

### Unemployment for Montgomery County and surrounding Counties, March 2019 (not seasonally adjusted)



Source: US Bureau of Labor Statistics

In 2017, households in Montgomery County have a median annual income of \$103,235, which is more than the median annual income of \$60,336 across the entire United States<sup>6</sup>. Additionally, the economy of Montgomery County employed 569k people—a 2.05% growth from the previous year. The largest industries in Montgomery County are Professional, Scientific, & Technical Services (97,222 people), Health Care & Social Assistance (67,283 people), and Public Administration (62,976 people)<sup>7</sup>.

## Table of Contents

**Chapter II** Exposes the racial disparities across several measure of economic well-being.

**Chapter III** Explains the traditional economic development framework and, providing important contrasts, introduces a racial equity lens to economic development.

**Chapter IV** Provides recommendations of best practices of economic development through places, people and programs. Additionally, this chapter highlights the steps Montgomery County has taken towards racially equitable economic development.

<sup>6</sup> "Montgomery County, MD | Data USA." Datausa.io. N. p., 2019.

<sup>7</sup> "Montgomery County, MD | Data USA." Datausa.io. N. p., 2019.

## II. PROSPERITY FOR WHO? DISPARITIES BY RACE/ETHNICITY IN MONTGOMERY COUNTY

When discussed in the aggregate, metrics such as high diversity, high household income and low unemployment suggest economic prosperity for Montgomery County. However, stark economic disparities become evident when the data is disaggregating by race and ethnicity. The following section reviews racial disparities across 5 metrics commonly used to quantify economic prosperity. The following section explores the disparities of household income, unemployment rate, educational attainment, minority owned businesses and firm size.

### Disparities in Household Economic Well-Being

There are three major indicators of economic well-being by which we commonly measure racial economic inequality—median hourly wage, median household income, and median family net worth or wealth<sup>8</sup>. Although not a complete picture of racial economic inequality, this section will discuss median household income in Montgomery county.

**Consequences of Racial Disparities:** On the individual level, racial disparities of household income exasperate the unique challenges of low-income households. Low income households are more reliant on subsidized and affordable public transportation, housing options and childcare. Due to economic instability, low income households are at higher risk of experiencing foreclosure and defaulting on loans. In the long term, the environment of low-income households aggregates physiological and psychological effects that worsen health outcomes, isolation and loss of efficacy within the governmental system. Intergenerationally, low household income is associated with less opportunities for income mobility for children. Federal Reserve Bank economists, Dionissi Aliprantis and Daniel Carroll, argue that racial differences in income drive the wealth gap more than any other factor, including differences in financial savings practices, rates of return on investments, or even intergenerational transfers of wealth.

### Benefits Forgone in the Absence of Racially Equitable Economic Development:

Racially equitable economic development would improve economic stability among the most vulnerable communities in Montgomery County. Improving the situation of households would

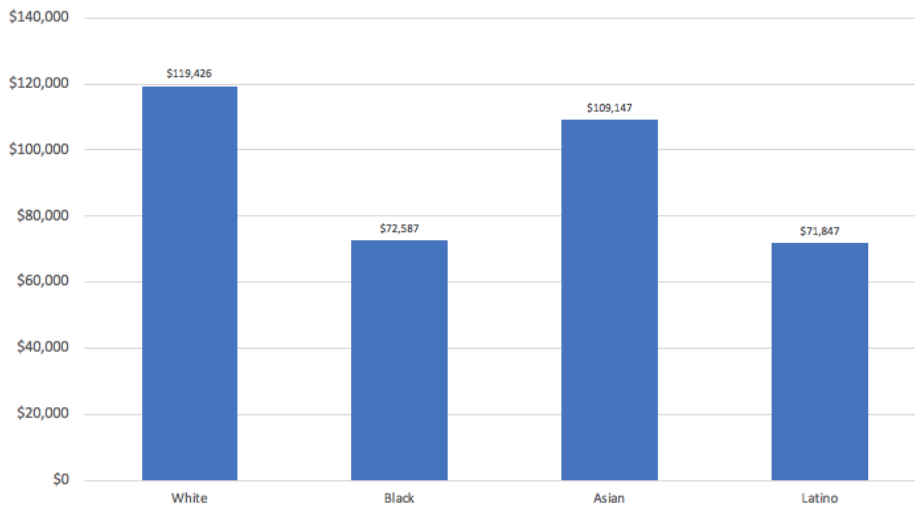
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<sup>8</sup> "Racial Inequalities In Wages, Income, And Wealth Show That MLK'S Work Remains Unfinished." *Economic Policy Institute*. N. p., 2019.



lessen the need for a public safety net, ultimately reducing program costs for County government. Additionally, reducing the household income gap would reduce the number of children living in poverty and improve intergenerational opportunity.

### Median Household Income in Montgomery County, 2017



**Definition:** Household income includes the income of the householder and all other individuals 15 years old and over in the household, whether they are related to the householder or not. Although the household income covers the past 12 months, the characteristics of individuals and the composition of households refer to the time of interview. The composition of most households was the same during the past 12 months as at the time of interview.

**Data Source:** 2017 American Community Survey 1 Year- Estimates.

Every year, the U.S. Census Bureau randomly samples over 3.5 million households in every state, the District of Columbia, and Puerto Rico to participate in the American Community Survey. The ACS provides vital information about our nation and its people. Information from the survey generates data that help determine how more than \$675 billion in federal and state funds are distributed each year<sup>9</sup>.

<sup>9</sup> Bureau, US. "Top Questions About The Survey." *Census.gov*. N. p., 2019.

**Categorization:** Non-hispanic White, Non-hispanic Black, Non-hispanic Asian, Latino or Hispanic individuals of any race

## Disparities in Employment Opportunities

**Consequences of Racial Disparities:** The consequences associated with the precarities of low income, remain applicable to situations of unemployment. On the individual level, racial disparities in unemployment immediately result in loss of work benefits, possibly including healthcare and childcare. For communities of color, cost of healthcare and childcare bars their access to expensive private market options. Reliance on benefits from employment is especially critical to undocumented communities that, due to their documentation status, are ineligible to receive public assistance. Additionally, because communities of color have lower levels of accumulated wealth to fall back on, racial disparities in unemployment result in racially disparate risk of homelessness and disconnectedness.

Unemployment is an important indicator of a community's economic prosperity and development efforts. At the community level, racial disparities in the unemployment rate result in an underutilized workforce and potential criminal activity motivated by economic instability. While the unemployment rate remains a key indicator, at the community level it is important to consider three trends that can impact it.

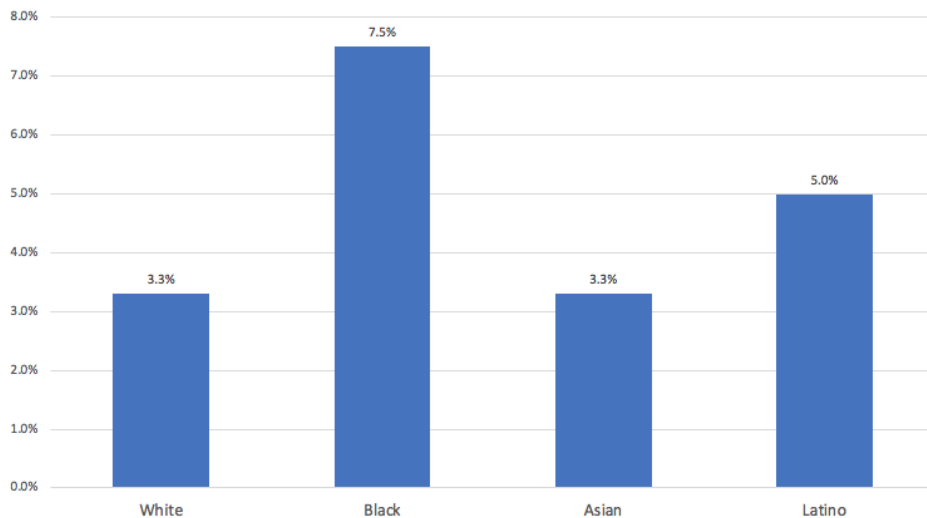
- Part time jobs: while an increase in part-time jobs decreases the unemployment rate, said jobs may not be the ideal financial situation for an employee.
- Bad jobs: Many “middle class,” medium-wage jobs have been downsized, automated or have gone off shore. Growth in the economy is becoming increasingly bifurcated, featuring high-tech, high-wage jobs on one hand and low-wage jobs in the service sector on the other<sup>10</sup>.
- Shrinking Labor Force: to be considered unemployed, a person must be actively searching for a job in the month preceding the survey. During times of economic hardship and lengthy periods of unemployment, persons may choose to go back to school, become a stay at home guardian or volunteer. In each case, the unemployment rate will undercount persons that would prefer to be working but have chosen one of these alternatives.

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<sup>10</sup> “Creating Quality Jobs: Transforming the Economic Development Landscape” ledconline.org. N. p., March 2010.

**Benefits Forgone in the Absence of Racially Equitable Economic Development:** Racially equitable economic development could help mitigate the difficult effects of unemployment in Montgomery County. Lessening the odds of falling into unemployment and mitigating the negative effects of unemployment would alleviate the burden experienced by vulnerable communities. Reducing unemployment also lessens the public's enrollment in government assistance programs. Additionally, for each adult that does not fall into unemployment, benefits are transferred to the children living within the household.

#### Rate of Unemployment in Montgomery County, 2017 (not seasonally adjusted)



**Definition:** The unemployment rate is the ratio of unemployed persons to the civilian labor force, expressed as a percent. The Census Bureau classifies persons ages 16 and older as unemployed if they are jobless, are actively looking for work in the past month *and* are currently available for work. Temporarily laid off persons are also included as unemployed<sup>11</sup>.

**Data Source:** 2017 American Community Survey 1 Year- Estimates.

Every year, the U.S. Census Bureau randomly samples over 3.5 million households in every state, the District of Columbia, and Puerto Rico to participate in the American Community Survey. The ACS provides vital information about our nation and its people. Information from

<sup>11</sup> "Economic Indicators for Montgomery County and surrounding Jurisdiction" Montgomerycountymd.gov. N. p., January 2019.

the survey generates data that help determine how more than \$675 billion in federal and state funds are distributed each year<sup>12</sup>.

**Categorization:** Non-hispanic White, Non-hispanic Black, Non-hispanic Asian, Latino or Hispanic individuals of any race

### Disparities in Workforce Training

**Consequences of Racial Disparities:** On the individual level, it is hard to identify an aspect of everyday life on which educational attainment does not have implications. Educational attainment is strongly associated with income, life satisfaction, health outcomes, home ownership, financial readiness, etc. By far, one of the most notorious effects of educational attainment are improved marriage markets, forgoing childbearing until later years and intergenerational improvement of child socioeconomic, health and cognitive outcomes.

On the community level, racial disparities in educational attainment continue to perpetuate and undermine efforts to address the racial wealth gap. Racial disparities in educational attainment results in a segmented workforce that segregates individuals into industries and jobs with low economic growth. This is especially true as our society moves towards standardizing accreditation, where degrees and licensing are becoming more commonly requirement for entry level opportunities.

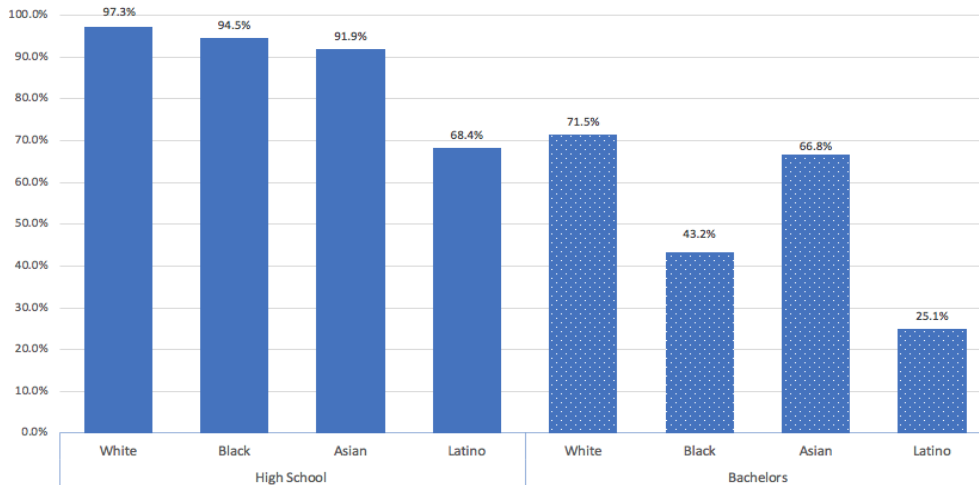
**Benefits Forgone in the Absence of Racially Equitable Economic Development:** In terms of economic development for Montgomery County, policies that improve educational disparities will better maximize the workforce, generate intergenerational opportunity and generate community efficacy. Ultimately, increasing educational access and attainment in vulnerable communities would lessen enrollment in government assistance programs, lowering program costs. Racially equitable economic development needs to promote policies that narrow the racial educational gap and help realize the promise that education is the great social equalizer.

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<sup>12</sup> Bureau, US. "Top Questions About The Survey." *Census.gov*. N. p., 2019.

### Educational Attainment in Montgomery County, 2017



**Definition:** Educational attainment refers to the highest level of education that an individual has completed. This is distinct from the level of schooling that an individual is attending<sup>13</sup>. Attaining a high school degree includes persons that completed a traditional high school diploma, GED or alternative high school credential. Similarly, attaining a Bachelor's degree includes any accredited 4-year degree (for example: BA, BS)<sup>14</sup>.

**Data Source:** 2017 American Community Survey 1 Year- Estimates.

Every year, the U.S. Census Bureau randomly samples over 3.5 million households in every state, the District of Columbia, and Puerto Rico to participate in the American Community Survey. The ACS provides vital information about our nation and its people. Information from the survey generates data that help determine how more than \$675 billion in federal and state funds are distributed each year<sup>15</sup>.

**Definitions:** Non-hispanic White, Non-hispanic Black, Non-hispanic Asian, Latino or Hispanic individuals of any race.

### Disparities in Business Ownership

<sup>13</sup> Bureau, US. "Educational Attainment." *Census.gov*. N. p., 2019.

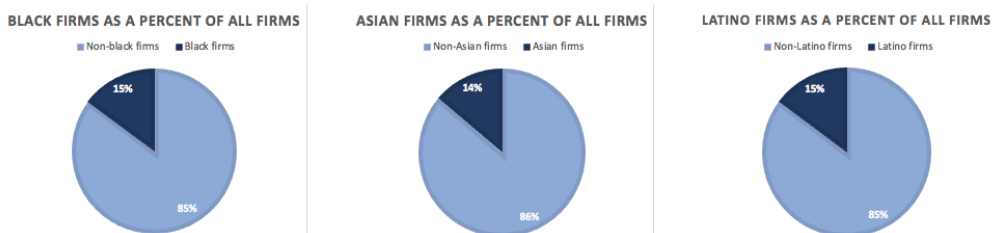
<sup>14</sup> Bureau, US. "About, Educational Attainment" *Census.gov*. N. p., 2019.

<sup>15</sup> Bureau, US. "Top Questions About The Survey." *Census.gov*. N. p., 2019.

**Consequences of Racial Disparities:** In a capitalist economy, business ownership is a critical route to wealth creation. Low levels of business wealth among minorities— particularly among Latinos and African Americans — is in large part the result of lower rates of business ownership<sup>16</sup>. On the individual level, wealth has implications on personal satisfaction, health outcomes and employment mobility. Economic Policy Institute explains that, “wealth provides a degree of economic stability against the uncertainties of job loss, major illness or death. Wealth is more robust against economic shocks, unlike employment and household income. Additionally, wealth affords access to any number of mobility-enhancing opportunities, such as ownership of property or other kinds of appreciating capital assets, debt-free higher education, or building a secure retirement”<sup>17</sup>. On the community level, disparities in wealth perpetuate intergenerational inequalities in access to education, community resources and household economic stability. Inheritance, transfers wealth from one generation to the next which further expands these racial gaps over time<sup>18</sup>.

**Benefits Forgone in the Absence of Racially Equitable Economic Development:** In terms of economic development for Montgomery County, policies that improve wealth disparities will help realize entrepreneurial potential. Racially equitable economic development needs to promote policies that narrow the racial wealth gap and help realize the promise that business ownership holds for addressing inequalities. Entrepreneurial success will be one valuable outcome from addressing wealth disparities faced by people of color<sup>19</sup>.

### Minority Owned Firms as a Percent of All Firms 2012



<sup>16</sup> "The Racial Gap In Business Ownership Explained In Four Charts - The Aspen Institute." *The Aspen Institute*. N. p., 2017.

<sup>17</sup> "Racial Inequalities In Wages, Income, And Wealth Show That MLK'S Work Remains Unfinished." *Economic Policy Institute*. N. p., 2019.

<sup>18</sup> "Racial Inequalities In Wages, Income, And Wealth Show That MLK'S Work Remains Unfinished." *Economic Policy Institute*. N. p., 2019.

<sup>19</sup> "The Racial Gap In Business Ownership Explained In Four Charts - The Aspen Institute." *The Aspen Institute*. N. p., 2017.

**Definition:** Minority owned firms includes business that the sole owner or the majority combination of owners report being Black, Asian or Hispanic. Businesses can be tabulated in more than one racial group if: The sole owner reports more than one race; The majority owner was reported to be of more than one race; A majority combination of owners was reported to be of more than one race<sup>20</sup>.

**Data Source:** Survey of Business Owners 2012. Survey of Business Owners and Self-Employed Persons (SBO) is conducted by the Census Bureau every five years as part of the Economic Census. SBO collects information on selected economic and demographic characteristics for businesses and business owners. Included are all nonfarm businesses filing Internal Revenue Service tax forms as individual proprietorships, partnerships, or any type of corporation, and with receipts of \$1,000 or more.

**Categorization:** Black owned firms include hispanic and non-hispanic ethnicities. Asian owned firms include hispanic and non-hispanic ethnicities. Latino or Hispanic owned firms include owners that identify with any race.

### Disparities in Business Size

**Consequences of Racial Disparities:** Business size is commonly operationalized by accounting profits, total capital, number of employees or stock value. Low levels of business wealth among people of color in part results from the fact that minority owned businesses are smaller, on average, than those owned by whites<sup>21</sup>. Racial disparities in firm profitability and number of employees has direct implications for business owners.

On the individual level, racial disparities in firm size indicates differential capacity for business growth, stability and planning. Together the effects of racial disparities increase the risk associated with a business endeavor. In addition to the unique challenges small businesses face, are the compounded challenges of being a minority business owner. For the community at large, racial disparities in size and profitability continue the historical segregation of minority business owners into types of markers and industry sectors. In the early 1970s, most minority business enterprises were service and retail establishments,

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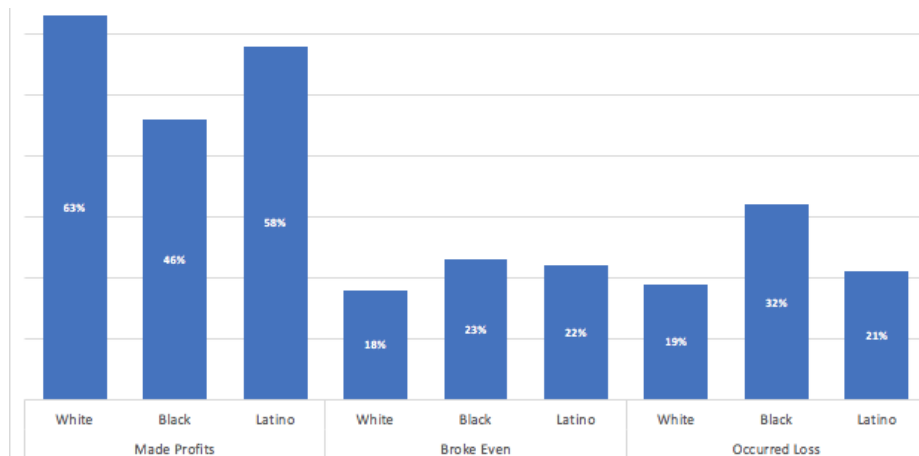
<sup>20</sup> Bureau, US. "About This Survey." *Census.gov*. N. p., 2019.

<sup>21</sup> "The Racial Gap In Business Ownership Explained In Four Charts - The Aspen Institute." *The Aspen Institute*. N. p., 2017.

many serving low-income and minority communities. Today that pattern remains in place<sup>22</sup>.

**Benefits Forgone in the Absence of Racially Equitable Economic Development:** The *Color of Entrepreneurship*, a 2016 report by the Center for Global Policy Solutions exposed the benefits foregone due to the existing racial gap among firms. The report read, “privately held minority businesses contributed 1.3 million jobs to the American economy. Although the number of minority-owned businesses is increasing dramatically, America is currently forgoing an estimated 1.1 million businesses owned by people of color because of past and present discrimination in American society. These missing businesses could produce an estimated 9 million more jobs and boost our national income by \$300 billion”<sup>23</sup>.

**Profitability of Firms with Paid Employees in the United States, 2014**



**Definition:** Assuming businesses aim to produce profits, every business owner undertakes risk on whether the business venture will be profitable. A firm is profitable if the earnings exceed the total costs of operation; A firm breaks even if earnings and costs are equal; a firm occurs losses when its costs exceed the earnings.

<sup>22</sup> "The Racial Gap In Business Ownership Explained In Four Charts - The Aspen Institute." *The Aspen Institute*. N. p., 2017.

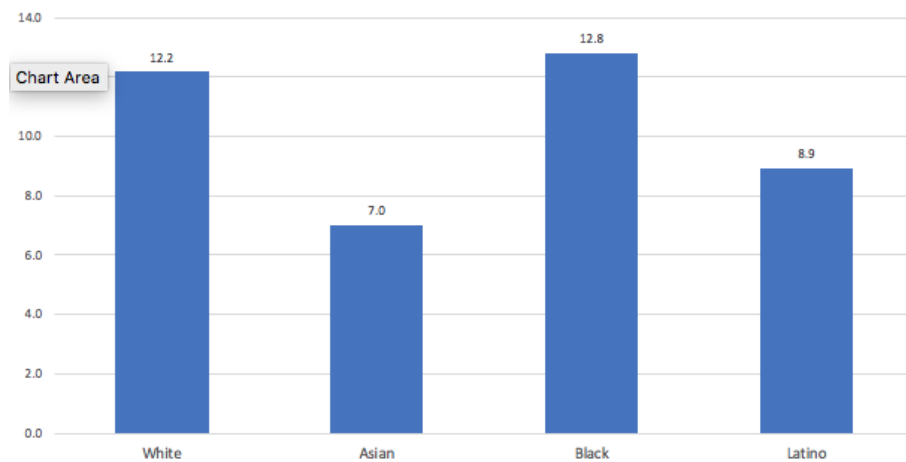
<sup>23</sup> "The Color Of Entrepreneurship: Why The Racial Gap Among Firms Costs The U.S. Billions - Center For Global Policy Solutions." *Center for Global Policy Solutions*. N. p., 2019. Web. 11 July 2019.



**Data Source:** 2014 Annual Survey of Entrepreneurs, calculation by FIELD at the Aspen Institute. The ASE is conducted on an annual basis and is the first attempt to produce annual estimates on businesses and business ownership by gender, ethnicity, race, and veteran status as a supplement to the Survey of Business Owners (SBO)<sup>24</sup>.

**Categorization:** Includes all nonfarm businesses filing Internal Revenue Service tax forms as individual proprietorships, partnerships, or any type of corporation, and with receipts of \$1,000 or more. Business ownership is defined as having 51 percent or more of the stock or equity in the business.<sup>25</sup>

**Average Number of Paid Employees in Montgomery County, 2012**



**Definition:** All firms with paid employees in Montgomery County in 2012 are accounted for in these estimations. The average firm size is calculated from the number of paid employees for the pay period ending in March 2012, over total number of firms with paid employees.

**Data Source:** Survey of Business Owners 2012. Survey of Business Owners and Self-Employed Persons (SBO) is conducted by the Census Bureau every five years as part of the Economic Census. SBO collects information on selected economic and demographic characteristics for businesses and business owners. Included are all nonfarm businesses

<sup>24</sup> Bureau, US. "About The Survey." *Census.gov*. N. p., 2019. Web. 11 July 2019.

<sup>25</sup> "The Racial Gap In Business Ownership Explained In Four Charts - The Aspen Institute." *The Aspen Institute*. N. p., 2017. Web. 11 July 2019.

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filing Internal Revenue Service tax forms as individual proprietorships, partnerships, or any type of corporation, and with receipts of \$1,000 or more.

**Categorization:** Black owned firms include hispanic and non-hispanic ethnicities. Asian owned firms include hispanic and non-hispanic ethnicities. Latino or Hispanic owned firms include owners that identify with any race.

### III. ECONOMIC DEVELOPMENT, THE BASICS

If we asked five policy researchers to define *economic development*, we would likely receive five different answers. The Aspen Institute defines economic development as the practice of enacting policies and working with local businesses and organizations to improve their economies<sup>26</sup>. At its core *economic development* is taking capital and increasing its production<sup>27</sup>. Additionally, economic development focuses on utilizing local capital before bringing in outside sources of capital<sup>28</sup>. Capital can take many forms, including places, people and programs.



Source: Buffalo Niagara Partnership<sup>29</sup>

**Economic development through places** includes public spaces that connect people in the community and private-public partnerships such as neighborhood revitalization projects or commercial developments.

**Economic development through people** includes workforce development, apprenticeships and addressing barriers to skill training such as child care and transit.

**Economic development through programs** includes connecting businesses to programs that promote local economies and address the unique challenges of minority owned businesses such as off the books transactions, not occupying a physical place, documented status of employees, and language barriers<sup>30</sup>.

<sup>26</sup> The Aspen Institute: Economic Opportunity Program. (2019). *Working In America*. [Accessed Online 27 Jun. 2019].

<sup>27</sup> Padilla, Tatiana. "Jacob Sesker: Senior Legislative Analyst." 17 June 2019.

<sup>28</sup> Padilla, Tatiana. "Jacob Sesker: Senior Legislative Analyst." 17 June 2019.

<sup>29</sup> "Economic Development & Smart Growth: Helping Businesses Develop & Compete In Western New York | Buffalo Niagara Partnership." Buffalo Niagara Partnership. N. p., 2019. Web. 7 Aug. 2019.

<sup>30</sup> Padilla, Tatiana. "Jacob Sesker: Senior Legislative Analyst." 17 June 2019.

## “Traditional” Economic Development

To envision a racial equity lens for economic development in Montgomery County, it is useful to conceptualize traditional economic development absent of a racial equity lens. The Aspen Institute provides four key characteristics of “traditional” economic development.

Traditional economic development...

- Is driven by government and private sector leaders, stakeholders are typically limited to those with direct financial investments and capacity.
- Is focused on attracting large firms from outside the community, as well as retaining and growing large or medium-sized firms.
- Frequently uses number of jobs created as a metric, not necessarily the types or quality of jobs.
- A common strategy is tax incentives. State and local governments nationwide forgo tax revenues annually as a result of business incentives. Additionally, states and regions often fiercely compete against one another for business attraction/retention deals, driving up the cost of the incentives<sup>31</sup>.

## Racially Equitable and Racially Inclusive Economic Development

In contrast to traditional economic development, racially equitable economic development are the practices that while improving the economy are driven by values of equity, transparency, sustainability, and community engagement<sup>32</sup>. The Government Alliance on Racial and Equity (GARE), proposes that equitable economic development is possible when public investments, private investments, programs and policies meet the needs of residents-- including communities of color-- and take into account past history and current conditions to reduce racial inequities<sup>33</sup>.

Equitable economic development is an important key step towards achieving racial equity—when life outcomes are no longer determined by race and opportunities are equitably

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<sup>31</sup> The Aspen Institute: Economic Opportunity Program. (2019). *Working In America*.

<sup>32</sup> "Working in America" *The Aspen Institute: Economic Opportunity Program*. (2019).

<sup>33</sup> "Equitable Development as a Tool to Advance Racial Equity" The Government Alliance on Race and Equity. [Racialequityalliance.org](http://Racialequityalliance.org). 2019.

experienced by the people currently living and working in the neighborhood as well as for new people moving in<sup>34</sup>.

A racial equity lens calls for practice and planning of economic development that critically ask the following questions:

5. Who is excluded from the economy?
6. What communities will benefit from economic growth and which will not?<sup>35</sup>
7. Why are they excluded?
8. What is the cost of the exclusiveness?
9. Will development displace or move people farther out? Which people are most at risk of experiencing displacement?<sup>36</sup>
10. What is the role of the business community to include those excluded?<sup>37</sup>

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<sup>34</sup> Equitable Development as a Tool to Advance Racial Equity" *The Government Alliance on Race and Equity*. *Raciaequityalliance.org*. 2019.

<sup>35</sup> Padilla, Tatiana. "Jacob Sesker: Senior Legislative Analyst." 17 June 2019.

<sup>36</sup> Padilla, Tatiana. "Jacob Sesker: Senior Legislative Analyst." 17 June 2019.

<sup>37</sup> "Inclusive Recovery in US Cities" *Urban.org*. N. p., 2019.

## IV. RECOMMENDATIONS FOR RACIAL EQUITY IN ECONOMIC DEVELOPMENT

### Places, People and Programs

Utilizing a three-leg framework, we can think of economic development as having three legs – places, people and programs. Like a three-legged stool, all three must work together in balance for the development process to work smoothly and properly for the benefit of Montgomery County. This section recommends best practices for achieving racially equitable economic development in Montgomery County by discussing recommendations through the three-leg framework. The recommendations summarized below are a conglomeration compiled from racially equitable economic development experts and organizations leading the racial equity movement. The recommendations draw from the following organizations and experts: the Government Alliance on Race and Equity, the Urban Institute, the International Economic Development Council, WealthWorks, PolicyLink and the Aspen Institute.

### Promoting Racially Equitable Economic Development Through Places

**Economic development through places** includes public spaces that connect people in the community (libraries, recreational areas, school grounds) and private-public partnerships such as neighborhood revitalization projects or commercial developments. Below are **recommendations for improving racial equity through the economic development of places.**

#### 1. Businesses:

- Prioritize opportunities, programs and policies that increase locally owned, controlled and reinvested wealth → Doing so builds a more self-reliant and robust local economy.<sup>38</sup>
- Bring underutilized community assets (places, property, people, know-how) into fuller participation and production → Doing so builds from community strengths, increases participation and improves efficiency.<sup>39</sup>

<sup>38</sup> "What Is Wealthworks? | Wealthworks.Org." Wealthworks.org. N. p., 2019.

<sup>39</sup> The Aspen Institute: Economic Opportunity Program. (2019). *Working In America*.

- Prioritize tax credits that promote venture capital investments in areas with minority businesses.<sup>40</sup> → Doing so provide opportunity for the most vulnerable businesses and communities.

## 2. Housing:

- Prioritize development plans that are committed to maintaining, if not expanding, affordable housing options. → Inclusionary zoning in the most affluent areas of Montgomery County would decrease the economic burden currently perpetuating housing segregation.<sup>41</sup>

## 3. Transportation:

- Anticipate potential economic development in areas surrounding new lines of transit and prioritize development projects that mitigate displacement of local communities.
- Consider the following questions when constructing new plans for the communities along the Purple Line<sup>42</sup>:
  - What communities will benefit from the economic growth and which will not?
  - Will development displace or move people farther out?
  - Which people are most at risk of experiencing displacement?

## Promoting Racially Equitable Economic Development Through People

**Economic development through people** includes workforce development, apprenticeships, quality jobs and addressing barriers to skill training such as childcare and transit. Below are **recommendations for improving racially equity through the economic development of people.**

### 1. Critical Partnerships:

- Include valued and meaningful community participation and leadership in change efforts<sup>43</sup> → partnerships can flexibly connect stakeholders, especially communities that are traditionally underrepresented in economic development.
- Encourage entrepreneurs of color to find mentorships and training in the SCORE association and similar organizations.<sup>44</sup>
- Because minority-owned businesses are more likely to employ folks of color, investing in minority-owned business results greater returns for more vulnerable households<sup>45</sup>

### 2. Coordinate and Organize:

- Empower minority-serving organizations to coordinate their efforts → helps build awareness of inclusive growth, improve efficacy, amplifies and unites voices of color

<sup>40</sup> "The Color Of Entrepreneurship: Why The Racial Gap Among Firms Costs The U.S. Billions - Center For Global Policy Solutions." *Center for Global Policy Solutions*. N. p., 2019.

<sup>41</sup> Padilla, Tatiana. "Jacob Sesker: Senior Legislative Analyst." 17 June 2019.

<sup>42</sup> Padilla, Tatiana. "Jacob Sesker: Senior Legislative Analyst." 17 June 2019.

<sup>43</sup> "Mayors Must Create A Bold Vision For Equity | Policylink." *Policylink.org*. N. p., 2017.

<sup>44</sup> "The Color Of Entrepreneurship: Why The Racial Gap Among Firms Costs The U.S. Billions - Center For Global Policy Solutions." *Center for Global Policy Solutions*. N. p., 2019.

<sup>45</sup> "What Is Wealthworks? | Wealthworks.Org." *Wealthworks.org*. N. p., 2019.

- Organize support for policies that mitigate the barriers to economic participation (high quality pre-kindergarten education; accessible community college; housing improvements).

### 3. Employee Focused Employment:

- Seek to understand and educate businesses of the barriers the local workforce faces, for example:
  - Access to skills development, licensing and continuous education
  - Access to reliable transportation
  - Inability to leave “survival” jobs with no opportunity to improve
- Prioritize job creation that integrate strategies focused on the needs of people and on the places where they live and work.<sup>46</sup>
- Prioritize job creation that commit to moving workers out of poverty through employment support/social services.
- Prioritize job creation that increases upward mobility overall and advance the livelihoods of lower-income people, firms and places.

### 4. Commit to Quality Jobs:

- Target education on and access to existing economic development tools to businesses that provide jobs with mobility.
- Include entrepreneurship as a part of career and technical education for high school students and to include age-appropriate entrepreneurial skill-building in K-12 education.
- Prioritizing metrics beyond number of jobs

### 5. Minimum Wage Changes:

- Consider which workers and industries the policy would affect → people of color are over represented in minimum wage jobs minimum wages therefore wage policies extremely salient in these communities.
- Anticipate and preemptively mitigate the loss of low paying jobs at risk from automation.
- Strategize gradual implementation of employment and wage policies can lessen the shock on employers while protecting employees from unexpected loss of hours or layoffs.<sup>47</sup>
- Frame wages as one of many employment benefits, policies such as Sick and Safe Worktime Off can improve the lowest paying jobs that are often coupled with few benefits and mitigate difficult situations for a worker.
- Anticipate the implications of employees that have presence in multiple jurisdictions and/or only work in Montgomery County some of the time → people of color are more likely to hold multiple jobs

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<sup>46</sup> "Mayors Must Create A Bold Vision For Equity | Policylink." *Policylink.org*. N. p., 2017.

<sup>47</sup> Padilla, Tatiana. "Jacob Sesker: Senior Legislative Analyst." 17 June 2019.



## Promoting Racially Equitable Economic Development Through Programs

**Economic development through programs** includes connecting businesses to programs that promote local economies and address the unique challenges of minority owned businesses such as off the books transactions, not occupying a physical place, documented status of employees, and language barriers. Below are **recommendations for improving racially equity through the economic development of programs.**

### 1. Impact Assistance Programs:

- Take accountability for the negative externalities of public projects. Communities of color disproportionately face the adverse effects of public projects. → impact assistance is important to ensuring the benefits of a project are not at the expense of others' well-being.
- Ask hard questions when a public project creates negative externalities for nearby communities:
  - Should we compensate impacted communities? How much? Under what circumstances? In which geographic areas?
  - What is the obligation to communities that might benefit from a public project in the long term but be harmed in the short term? How is that obligation quantified?

### 2. Educational Programs:

- Improve collaboration between economic sectors and the education systems<sup>48</sup> →
  - Helps the education system more quickly adapt and respond to the changing job markets
  - Helps businesses prepare the workforce they need and growing need for talent

### 3. Business Programs:

- Pursue programs that connect small businesses with:
  - Government, through government contracts<sup>49</sup>
  - Business alliances, to unite local businesses and protect their interest
  - Resources, to improve access to entrepreneurs of color<sup>50</sup>
- Prioritize programs that prioritize triple-bottom-line investment projects—projects that produce financial returns, community benefits, and are environmentally sustainable.
- Prioritize programs that think creatively on new types of incentives, regulation and policy fixes to market failures
- Prioritize projects that
  - Offer opportunities for individuals, businesses and communities to succeed together
  - Encourage and reward business that search for talent locally
  - Commit to employer and industry-focused strategies

<sup>48</sup> Inclusive Recovery in US Cities" *Urban.org*. N. p., 2019.

<sup>49</sup> Inclusive Recovery in US Cities" *Urban.org*. N. p., 2019.

<sup>50</sup> Inclusive Recovery in US Cities" *Urban.org*. N. p., 2019.

## CONCLUDING REMARKS

This report offers a starting point for Montgomery County leadership to consider the disparities and inequities that characterize current economic development policy. Disparities in **household income, unemployment rate, educational attainment, businesses profits and firm size** provide a snapshot of the work that lies ahead to achieve racial equity in Montgomery County.

This report attempts to explain how traditional economic development framework fundamentally contrasts racially equitable economic development. Finally, the report provides recommendations for implementing a racial equity lens on Montgomery County's economic development strategy. The recommendations are presented within the three-leg framework of places, people and programs. The recommendations draw from the following organizations and experts: the Government Alliance on Race and Equity, the Urban Institute, the International Economic Development Council, WealthWorks, PolicyLink and the Aspen Institute.

### Summary of Recommendations

- Build from community strengths by rewarding businesses that search for talent locally, bring underutilized community assets into fuller participation, and prioritize locally owned and reinvested wealth.
- Create critical partnerships by meaningfully including communities of color in change efforts and empowering minority-serving organizations to coordinate their efforts.
- Understand the breadth of economic development and advocate for an economic development strategy where places, people and programs work together in balance.

<b>Government Alliance on Race and Equity</b>	A national network of governments working to achieve racial equity and advance opportunities for all	<i>Equitable Development as a Tool to Advance Racial Equity</i> <sup>51</sup>
<b>The Urban Institute</b>	A nonprofit leading research organization dedicated to developing evidence-based insights that improve people's lives and strengthen communities	<i>Inclusive Recovery in U.S. Cities</i> <sup>52</sup>
<b>International Economic</b>	A non-profit, non-partisan membership organization promoting economic well-	<i>Creating Quality Jobs: Transforming the Economic Development Landscape</i> <sup>53</sup>

<sup>51</sup> "Equitable Development as a Tool to Advance Racial Equity" *The Government Alliance on Race and Equity*. [Racialequityalliance.org](http://Racialequityalliance.org). 2019.

<sup>52</sup> Inclusive Recovery in US Cities" *Urban.org*. N. p., 2019.

<sup>53</sup> IEDC At A Glance." *Iedconline.org*. N. p., 2019.

<b>Development Council</b>	being and quality of life for their communities, by creating, retaining and expanding jobs that facilitate growth, enhance wealth and provide a stable tax base	
<b>Aspen Institute</b>	A non-profit whose mission is to convene change-makers of every type, established and emerging, in order to frame and then solve society's most important problems.	<i>Working In America</i> <sup>54</sup>
<b>WealthWorks</b>	An organization focused on wealth that intentionally focuses on creating value that is rooted in local people, places and firms	<i>What is Wealthworks and Why</i> <sup>55</sup>
<b>PolicyLink</b>	A national research institute advancing racial and economic equity	<i>Mayors Must Create a Bold Vision for Equity</i> <sup>56</sup> ; <i>How companies can advance racial equity and create business growth</i> <sup>57</sup> ; <i>Corporate Racial Equity Advantage</i> <sup>58</sup>

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<sup>54</sup> "What Is Wealthworks? | Wealthworks.Org." *Wealthworks.org*. N. p., 2019.

<sup>54</sup> "Mayors Must Create A Bold Vision For Equity | Policylink." *Policylink.org*. N. p., 2017.

<sup>55</sup> "What Is Wealthworks? | Wealthworks.Org." *Wealthworks.org*. N. p., 2019.

<sup>56</sup> "Mayors Must Create A Bold Vision For Equity | Policylink." *Policylink.org*. N. p., 2017.

<sup>57</sup> "How Companies Can Advance Racial Equity And Create Business Growth" | Policylink." *Policylink.org*. N. p., 2019.

<sup>58</sup> "Corporate Racial Equity Advantage | Policylink." *Policylink.org*. N. p., 2019.