

# Economic Impact Statement

## Office of Legislative Oversight

### Bill 24-22 Streets and Roads

#### SUMMARY

The Office of Legislative Oversight (OLO) anticipates that enacting Bill 24-22 would have a positive overall impact on economic conditions in the County in terms of the Council's priority indicators. By incorporating Complete Streets (CS) into the design and construction of roads and road improvements in the County, the Bill likely would increase residential property values in areas surrounding CS projects that otherwise would not have been developed in the absence of the change in law. Moreover, the Bill has the potential to positively affect other priority indicators, namely employment, business revenues and creation, and commercial property values.

#### BACKGROUND

The goal of Bill 24-22 is to modernize the County's road standards to ensure roadways offer safe, accessible, and healthy travel for all users. The Bill would attempt to do so by amending Chapter 49 of the County Code to incorporate CS into the design and construction of roads and road improvements in the County.<sup>1</sup> According to the County's 2021 Complete Streets Design Guide, Complete Streets refer to "roadways that are designed and operated to provide safe, accessible, and healthy travel for all users of our roadway system, including pedestrians, bicyclists, transit riders, and motorists."<sup>2</sup> Complete Streets design principles are consistent with the County's Vision Zero initiative to eliminate all roadway-related serious injuries and fatalities by 2030.<sup>3</sup>

#### INFORMATION SOURCES, METHODOLOGIES, AND ASSUMPTIONS

Per Section 2-81B of the Montgomery County Code, the purpose of this Economic Impact Statement is to assess, both, the impacts of Bill 24-22 on residents and private organizations in terms of the Council's priority economic indicators and whether the Bill would have a net positive or negative impact on overall economic conditions in the County.<sup>4</sup>

OLO assumes the primary economic impacts of Bill 24-22 would occur through increasing the number of CS projects in the County than there otherwise would be in the absence of a CS policy. Moreover, because several sources find that CS projects are cost neutral relative to non-CS projects, OLO does not believe the Bill would significantly affect construction costs for developers and builders or the total number of projects completed in the County per year.<sup>5</sup>

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<sup>1</sup> [Bill 24-22](#).

<sup>2</sup> [Montgomery County Complete Streets](#).

<sup>3</sup> [Montgomerycountymd.gov](#), [Vision Zero](#).

<sup>4</sup> Montgomery County Code, [Sec. 2-81B](#).

<sup>5</sup> OMB, [Fiscal Impact Statement: Bill 24-22](#); and Anderson and Searfoss, "[Safer Streets, Stronger Economies](#)."

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To assess the economic impacts of increasing CS projects in the County, OLO uses the following method:

1. identify studies on the direct economic outcomes of CS projects and policies using Google Scholar;<sup>6</sup>
2. rank the relative strengths of results from these studies using a standard Levels of Evidence (LOE) which rates evidence from experimental studies above descriptive studies;<sup>7</sup> and
3. infer the Bill's impacts on stakeholders and overall economic conditions in the County based on the strength of the studies' findings.

The studies identified through OLO's search (see below) evaluate whether CS projects and policies impact the following economic indicators prioritized by the Council:

- property values;
- employment;
- business income and creation; and
- private sector capital improvement.

The focus of this analysis is to assess whether establishing a CS policy in the County would affect these indicators.

Note: OLO acknowledges that Bill 24-22 could have indirect economic impacts. For instance, there is strong evidence that CS improvements increase physical activity and safety for pedestrians and cyclists.<sup>8</sup> Through increasing activity and safety, CS could decrease personal healthcare expenditures as well as revenues for the healthcare industry. Due to information and time limitations, however, these potential impacts are excluded from the scope of this analysis.

## VARIABLES

The primary variables that would affect the economic impacts of enacting Bill 24-22 are the following:

- number of CS projects;
- average residential and commercial property values;
- number of full- and part-time jobs;
- total business revenues; and
- number of businesses.

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<sup>6</sup> The most effective search term was: "complete streets" and "economic".

<sup>7</sup> See, for example, Cornell University Library, "[Levels of evidence](#)."

<sup>8</sup> Countyhealthrankings.org, [Complete Streets & Streetscape Design Initiatives](#).

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### IMPACTS

WORKFORCE ■ TAXATION POLICY ■ PROPERTY VALUES ■ INCOMES ■ OPERATING COSTS ■ PRIVATE SECTOR CAPITAL INVESTMENT ■ ECONOMIC DEVELOPMENT ■ COMPETITIVENESS

### Evidence Evaluation

The purported benefits of CS are many—spanning outcomes related to the economy, safety, mobility, equity, environment, and livability. However, as stated in a 2021 review, “CS has promised much and proven little.”<sup>9</sup> This is especially true when it comes to the economics of CS, as researchers largely have focused on investigating its non-economic impacts.<sup>10</sup>

Using Google Scholar, OLO identified four studies that examine the impact of CS projects and policies on several economic indicators prioritized by the Council. As shown in **Table 1**, OLO ranked the studies that use quasi-experimental methodologies over the non-experimental studies in terms of strength of findings

#### *Property Values*

Yu, et al (2018) and Vendegrift and Zononi (2018) use quasi-experimental designs, specifically matching, to construct artificial control groups to account for selection bias in the adoption of CS projects or policies.<sup>11</sup> They compare the outcomes of interest—property values for homes—between units that received the treatment—homes near a CS roadway or in jurisdictions with a CS policy—and units with similar characteristics that did not receive the treatment—similar homes distant from a CS roadway or in jurisdictions with no CS policy.

The studies arrived at conflicting conclusions. Focusing on the effect of CS at the *project-level* on property values for single-family homes, Yu, et al (2018) found positive and robust effects relative to two control groups. Exposure to a CS project in Orlando increased home values and home value resiliency by 8.2% and 4.3% respectively when compared to similar homes in an area adjacent to the project and by 2.7% and 1.6% respectively when compared to similar homes around auto-oriented areas with similar characteristics.

In contrast, Vendegrift and Zononi (2018) assessed the effect of CS at the *policy-level* on residential property values in municipalities in New York and New Jersey. They found no statistically significant difference between the change in values for homes in municipalities pre- and post-CS policy adoption and for homes in municipalities with similar characteristics that had not adopted CS policies during this time.

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<sup>9</sup> Jordan and Ivey, “[Complete Streets](#).”

<sup>10</sup> Ibid; Yu, et al, “[Assessing the economic benefits](#).”

<sup>11</sup> Quasi-experimental methods are distinguished from standard regression approaches and by their ability to better identify the causal effects of a policy intervention from outcomes correlated with, but unrelated to, the intervention due to unmeasured confounding, selection bias, and other threats to causal inference.

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The non-experimental studies examined the relationship between CS projects and residential and commercial property values. Anderson and Searfoss (2015) and Perk, et al (2015) compared changes in property values before and after the completion of CS projects with property value trends in control areas or the jurisdictions where projects were located. Both studies found a positive association between CS projects and property values.

Because the non-experimental studies support the strong findings in Yu, et al (2018), OLO believes there is a high likelihood that CS projects increase residential property values for nearby homes. They may also increase commercial property values.

### *Other Indicators*

OLO was unable to identify quasi-experimental studies on the effect of CS projects/policies on other economic indicators. Both non-experimental studies found CS projects increase employment near the sites. Anderson and Searfoss (2015) found these projects increase business revenue and creation and private investment, in addition to employment.

In the absence of stronger findings, OLO cannot be confident there is a high likelihood CS projects increase these outcomes. However, the non-experimental studies suggest CS projects may have these effects.

**Table 1. Relative Strength of Findings for Studies Reviews**

Source	Indicator(s)	Methodology	Findings	Relative Strength of Evidence
Yu, et al (2018)	property values	quasi-experimental: matching	CS increases property values	high
Vandegrift and Zaroni (2018)	property values	quasi-experimental: matching	no association b/w CS and property values	high
Anderson and Searfoss (2015)	property values; employment; business revenues; business creation; private investment	non-experimental: before-and-after comparison between CS projects and control areas and/or jurisdiction where project occurred	CS increases all indicators	low
Perk, et al (2015)	property values; employment	non-experimental: case study comparison between CS projects and control areas and/or jurisdiction where project occurred	CS increases property values and employment	low

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### Residents

If Bill 24-22 increases the number of CS roadways in the County than there otherwise would be in its absence, OLO believes the change in law would have a positive impact on certain residents in the County in terms of several priority indicators of the Council.

The studies reviewed in this analysis indicate a high likelihood the Bill would increase residential property values for homes nearby CS projects that would not have occurred in the absence of the change in law. Homeowners would benefit from this outcome. However, increased property values may act to decrease housing affordability, which would adversely affect lower income home buyers and tenants.<sup>12</sup> The studies also suggest certain residents may benefit from increased employment opportunities.

Beyond these potential impacts, OLO is uncertain whether Bill 24-22 would affect residents in terms of the Council's other priority indicators given the limited research on the economic impacts of CS projects and policies.

### Businesses, Non-Profits, Other Private Organizations

If Bill 24-22 increases the number of CS roadways in the County than there otherwise would be in its absence, OLO believes the change in law may have a positive impact on certain private organizations in the County in terms of several priority indicators of the Council. The non-experimental studies suggest the Bill may increase business revenues and creation and commercial property values in areas surrounding CS projects. Again, due to the limited research on the topic, OLO is uncertain whether Bill 24-22 would affect private organizations in terms of the Council's other priority indicators.

### Net Impact

OLO believes the overall economic impact of Bill 24-22 to residents and private organizations would be positive. The magnitude of the overall impact largely would depend on the extent to which establishing a CS policy would induce CS project creations. Assessing this relationship is beyond the scope of the analysis here due to information and time limitations.

## DISCUSSION ITEMS

Not applicable

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<sup>12</sup> Yu, et al, "[Assessing the economic benefits.](#)"

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### WORKS CITED

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- Yu, Chia-Yuan, Minjie Xu, Samuel D. Towne, and Sara Iman. “[Assessing the Economic Benefits and Resilience of Complete Streets in Orlando, FL: A Natural Experimental Design Approach](#).” *Journal of Transport & Health* 8 (March 1, 2018): 169–78.

### CAVEATS

Two caveats to the economic analysis performed here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to *inform* the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO’s endorsement of, or objection to, the Bill under consideration.

### CONTRIBUTIONS

Stephen Roblin (OLO) prepared this report.