

Economic Impact Statement

Office of Legislative Oversight

Expedited Bill 34-22

Streets and Roads – Classification of Roads

SUMMARY

On October 25, 2022, the Council enacted Bill 24-22, Streets and Roads, which incorporated Complete Streets (CS) into the design and construction of roads and road improvements in the County. In the Economic Impact Statement for Bill 24-22, the Office of Legislative Oversight (OLO) concluded it would have a positive overall impact on economic conditions in the County in terms of the Council's priority indicators. Expedited Bill 34-22 would amend the law concerning the classification of roads to include town centers inadvertently left off the list in the original legislation and to define more precisely some of the other town centers. By including more town centers on the list, the Bill would expand the geographic scope of CS in the County. OLO anticipates that doing so would have a positive impact on economic conditions in the County for the same reasons presented in the Economic Impact Statement for the original Bill. For this reason, OLO presents its original analysis in subsequent sections of this report.

BACKGROUND

As stated above, Bill 34-22 would amend the law concerning the classification of roads in two ways. First, it would include town centers inadvertently left off the list in the original legislation, namely White Oak Science Gateway urban area excluding the Life Sciences/FDA Village Center, the Life Science Center South urban area in the Great Seneca Science Corridor Master Plan, the Veirs Mill/Randolph urban area in the Veirs Mill Corridor Master Plan, and the Washingtonian Town Center in the Great Seneca Science Corridor Master Plan. Second, the Bill would define more precisely some of the other town centers.¹

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 34-22 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.²

OLO assumes the primary economic impacts of Bill 34-22 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

¹ [Bill 34-22](#).

² Montgomery County Code, [Sec. 2-81B](#).

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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.³

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;⁴
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;⁵ 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 34-22 could have indirect economic impacts. For instance, there is strong evidence that CS improvements increase physical activity and safety for pedestrians and cyclists.⁶ 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 34-22 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.

³ OMB, [Fiscal Impact Statement: Bill 24-22](#); and Anderson and Searfoss, "[Safer Streets, Stronger Economies](#)."

⁴ The most effective search term was: "[complete streets](#)" and "[economic](#)".

⁵ See, for example, Cornell University Library, "[Levels of evidence](#)."

⁶ 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.”⁷ This is especially true when it comes to the economics of CS, as researchers largely have focused on investigating its non-economic impacts.⁸

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.⁹ 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, Florida 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.

⁷ Jordan and Ivey, “[Complete Streets](#).”

⁸ Ibid; Yu, et al, “[Assessing the economic benefits](#).”

⁹ 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 jurisdictions where projects were located. Both studies found a positive association between CS projects and property values.

Because the nonexperimental studies support the 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 Zanoni (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 34-22 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.¹⁰ The studies also suggest certain residents may benefit from increased employment opportunities.

Beyond these potential impacts, OLO is uncertain whether Bill 34-22 would affect residents in terms of the Council's other priority indicators given limited research on the economic impacts of CS projects and policies.

Businesses, Non-Profits, Other Private Organizations

If Bill 34-22 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 34-22 would affect private organizations in terms of the Council's other priority indicators.

Net Impact

OLO believes the overall economic impact of Bill 34-22 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

WORKS CITED

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¹⁰ Yu, et al, "[Assessing the economic benefits](#)."

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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.