

Racial Equity and Social Justice (RESJ) Impact Statement

Office of Legislative Oversight

EXPEDITED PROPERTY TAX CREDITS- ENERGY CONSERVATION BILL 31-21: DEVICES AND ENERGY EFFICIENT BUILDINGS- AMENDMENTS

SUMMARY

OLO anticipates that Expedited Bill 31-21 will help *reduce* current racial inequities and social injustices (RESJ) related to the climate gap in Montgomery County.

PURPOSE OF RESJ STATEMENT

The purpose of RESJ impact statements is to evaluate the anticipated impact of legislation on racial equity and social justice in the County. Racial equity and social justice refer to a **process** that focuses on centering the needs, power, and leadership of communities of color and low-income communities with a **goal** of eliminating racial and social inequities.¹ Achieving racial equity and social justice usually requires seeing, thinking, and working differently to address the racial and social harms that have caused racial and social inequities.²

PURPOSE OF EXPEDITED BILL 31-21

The purpose of Expedited Bill 31-21 is to amend Bill 10-20 that created the Energy-Efficient Buildings Property Tax Credit. Bill 10-20 provides commercial and residential building owners tax credits for increasing the energy efficiency of current and future buildings.³ The overarching goal of Bill 10-20 is to reduce greenhouse emissions generated by buildings that contribute to climate change. Expedited Bill 31-21 makes minor amendments to Bill 10-20 that would:

- Define and clarify terms related to property tax credits for energy conservation devices and energy-efficient buildings;
- Repeal a sunset clause affecting property tax credits for energy-efficient buildings;
- Provide for certain application timelines related to property tax credits; and
- Generally amend the law regarding property tax credits.⁴

THE CLIMATE GAP AND RACIAL EQUITY

Climate change has far-reaching harmful consequences on public health, community assets, and the economy that will impact all residents.⁵ Black, Indigenous, People of Color (BIPOC) residents, especially those who are low-income, are disproportionately harmed by climate change due to a lack of resources and the ability to adjust to the consequences of global warming.⁶ The term “climate gap” refers to the unequal impact that climate change has on BIPOC and low-income communities. As noted by researchers at the University of Southern California, the climate gap means that BIPOC communities and the poor will suffer more during extreme heat waves with increased illness and deaths, will breathe even dirtier air due to global warming, will pay more for basic necessities, and may have fewer job opportunities with increased climate change.⁷ Drivers of the climate include inequities in income, education, employment, and access to health services.

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Data on inequities in energy burden, housing, and environmental risk help to explain the increased vulnerability of BIPOC to climate change; the drivers of the climate gap help to explain the role of government in fostering the climate gap.

Data on Energy Burden. In Montgomery County, about 17 percent of households are energy-burdened (expending more than 6 percent of their income on energy bills) and 9 percent are living in energy poverty (expending more than 10 percent of their income on energy bills).⁸ Inequities in poverty rates by race and ethnicity suggest that Black and Latinx households face greater energy burdens than White and Asian households locally. For example, as noted in the OLO Racial Equity Profile, 11 percent of Black and Latinx households experienced poverty in 2017 compared to 6 and 4 percent of White and Asian households respectively.⁹

Data on Housing. Nationally, 6 to 8 percent of Latinx and Black households resided in substandard housing compared to less than 3 percent of White households. The older-age of affordable housing in the County and local data on rent-burden suggests that Black and Latinx households in Montgomery County experience higher risks for substandard housing. For example, in 2019, 66 percent of Latinx renters and 60 percent of Black renters experienced rent-burden, expending more than 30 percent of their income on rent compared to 40 percent of White renters and 33 percent of Asian renters.¹⁰ Conversely, 75 percent of White and Asian households resided in owner-occupied units in 2019 compared to 50 percent of Latinx and Native American households and 42 percent of Black households.¹¹

Data on Environmental Risk. Nationally, BIPOC and low-income residents often reside in communities located near polluting and environmentally hazardous industries and uses.¹² This can include proximity to power stations, industrial plants, and infrastructure like major highways. This leads to far greater rates of serious health problems in communities of color, from cancer to lung conditions to heart attacks, as well as a higher prevalence and severity of asthma, lower birth weights, and greater incidence of high blood pressure.¹³

The County's Climate Action Plan shows that communities with high concentrations of BIPOC and low-income residents (greater than 25 percent for each) are located in areas of the County with higher levels of traffic and air pollution.¹⁴ Of note, Black residents had the highest rates of emergency room visits for chronic lower respiratory diseases (including asthma) at more than 1,538 visits per 100,000.¹⁵ In 2014-16, the rate of emergency room visits for chronic respiratory diseases for Latinx residents was 815 visits per 100,000 compared to 543 visits per 100,000 White residents.¹⁶

Drivers of the Climate Gap. The disproportionate impact of climate change on BIPOC results from government policies and practices that concentrated housing for BIPOC and low-income residents in close proximity to polluting facilities and infrastructure like major highways. More specifically, the climate gap results from a history of land and wage theft that enriched a subset of White households at the expense of BIPOC and low-income residents. Slavery, the Indian Removal and Homestead Acts, and occupational segregation have undermined the economic development of people of color.¹⁷

Further, housing segregation through redlining, racial covenants, and exclusionary zoning has contributed to the climate gap as have the policies and practices of the Federal Housing Administration, the Social Security Act, GI Bill, and of departments of transportation that have reinforced housing segregation and undermined wealth building and housing equity for BIPOC residents.¹⁸ Housing segregation has also fostered the concentration of BIPOC residents into densely populated neighborhoods with fewer trees and larger amounts of impervious surfaces that make them exceptionally vulnerable to effects of excessive heat and flood events exacerbated by climate change.¹⁹

In short, government efforts to cultivate and protect White wealth by segregating BIPOC residents and excluding them from comparable wealth-building opportunities has resulted in the siting of BIPOC communities in or adjacent to environmentally hazardous areas. As such, government has played a significant role in developing the climate gap.

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ANTICIPATED RESJ IMPACTS

When estimating the potential impact on Expedited Bill 31-21 on racial equity and social justice, both the favorable and unfavorable impacts of this bill on racial and social inequities should be considered.

On the positive side, the decrease in green house emissions anticipated by increasing the energy efficiency of buildings through tax credits could generate favorable public health outcomes that could disproportionately benefit BIPOC and low-income communities. Since BIPOC and low-income communities are more vulnerable to the negative consequences of climate change, they may benefit disproportionately from countywide reductions in green house emissions. Further, if their landlords can take advantage of the tax credits, BIPOC and low-income renters may also benefit disproportionately from long-term reductions in their energy costs that reduce their energy burden. On the negative side, however, if use of the tax credit triggers increases in real estate development and rising rents that displace BIPOC and low-income residents, then the tax credit could exacerbate housing inequities by race, ethnicity and income.

Considering both the positive and negative impacts that energy efficiency tax credits may have on racial equity and social justice, OLO anticipates that the public health and reduced energy burden benefits resulting from energy efficiency tax credits will exceed the potential costs of displacing BIPOC and low-income residents and renters. As such, OLO anticipates a favorable net impact of Bill 31-21 on racial equity and social justice in the County.

RECOMMENDED AMENDMENTS

The County's Racial Equity and Social Justice Act requires OLO to consider whether recommended amendments to bills aimed at narrowing racial and social inequities are warranted in developing RESJ impact statements.²⁰ OLO finds that Expedited Bill 31-21 could narrow racial and ethnic inequities in the climate gap by incentivizing more energy-efficient buildings in Montgomery County. If the Council chooses to implement more significant reductions in the climate gap via legislation to further promote racial equity and social justice, the County's Climate Action Plan offers two relevant recommendations for enhancing equity that could be considered as a potential amendment to this bill:

- Ensure that income-limited or vulnerable groups receive priority or focused access to incentive programs; and
- Collaborate with utilities and the State of Maryland to ensure incentive programs include equity metrics, especially future cycles of EmPOWER Maryland.²¹

Similarly, the Climate Gap Report published by researchers at the University of Southern California recommend that efforts to reduce greenhouse gas emissions should target the BIPOC and low-income neighborhoods with the dirtiest air.²² Toward this end, they recommend using mapping to identify vulnerable neighborhoods, measuring the success of mitigation strategies by whether they protect everyone, and designing research that identifies opportunities for targeting greenhouse gas reductions to reduce toxic air emissions in highly polluted neighborhoods.²³

CAVEATS

Two caveats to this racial equity and social justice impact statement should be noted. First, predicting the impact of legislation on racial equity and social justice is a challenging, analytical endeavor due to data limitations, uncertainty, and other factors. Second, this RESJ impact statement is intended to inform the legislative process rather than 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.

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CONTRIBUTIONS

Dr. Elaine Bonner-Tompkins, Senior Legislative Analyst drafted this racial equity and social justice impact statement with assistance from Dr. Theo Holt, Performance Management and Data Analyst.

¹ Adopted from definition of racial equity described in the Racial Equity Policy Scorecard included in “Applying a Racial Equity Lens into Federal Nutrition Programs,” authored by Marlysa Gamblin; see the Government Alliance for Race and Equity’s “Advancing Racial Equity and Transforming Government” resource guide for understanding the historical role of government in maintaining racial inequities https://racialequityalliance.org/wp-content/uploads/2015/02/GARE-Resource_Guide.pdf

² Adopted from racial equity definition provided by Racial Equity Tools. <https://www.racialequitytools.org/glossary>

³ Montgomery County Council Bill 10-20-Property Tax Credit-Energy and Environmental Design-Eligibility Criteria and Amounts of Credit, Effective December 30, 2020, Montgomery County, Maryland <https://apps.montgomerycountymd.gov/ccllms/BillDetailsPage?RecordId=2649&fullTextSearch=10-20>

⁴ Ibid.

⁵ Montgomery County Climate Action Plan: Building a Healthy, Equitable, Resilient Community, June 2021, Montgomery County, Maryland <https://www.montgomerycountymd.gov/green/Resources/Files/climate/climate-action-plan-printer-friendly.pdf>

⁶ Ibid.

⁷ Rachel Morello-Frosch, et al, The Climate Gap: Inequities in How Climate Change Hurts Americans and How to Close the Gap, Dornsife Center, University of Southern California, 2009

⁸ Montgomery County Climate Action Plan

⁹ Jupiter Independent Research Group, Racial Equity Profile Montgomery County, Office of Legislative Oversight, Report 2019-7, July 17, 2019 <https://www.montgomerycountymd.gov/OLO/Resources/Files/2019%20Reports/RevisedOLO2019-7.pdf>

¹⁰ American Community Survey, Gross Rent as a Percentage of Household Income, 2019 1-Year Estimates, United States Census Bureau. <https://data.census.gov/cedsci/table?t=-00%20%20All%20available%20races%3AIncome%20and%20Poverty%3ARace%20and%20Ethnicity&g=0500000US24031&tid=ACSSPP1Y2019.S0201>

¹¹ Calculations based on American Community Survey, 2019 1-Year Estimates, Table ID S2502.

¹² Rolf Pendall, A Building Block for Inclusive Housing for Community Level Diversity, Participation and Cohesion, Urban Institute, September 2017 cited in Zero Cities Project, Equity Assessment Tool

¹³ American Public Health Association, Climate Change, Health, and Equity: A Guide for Local Health Departments, https://www.apha.org/-/media/Files/PDF/topics/climate/Guide_Section2.ashx

¹⁴ American Public Health Association, Climate Change, Health, and Equity: A Guide for Local Health Departments, https://www.apha.org/-/media/Files/PDF/topics/climate/Guide_Section2.ashx

¹⁵ Montgomery County Climate Action Plan

¹⁶ Health in Montgomery County, 2008 – 2016: A surveillance report on population health,

<https://www.montgomerycountymd.gov/HHS/Resources/Files/Reports/PopHealthReportFINAL.pdf>

¹⁷ Ibid.

¹⁸ Field Note, 2020-2, December 2020 – Turning the Floodlights on the Root Causes of Today’s Racialized Economic Disparities: Community Development Work at the Boston Fed Post-2020, Regional and Community Outreach

¹⁹ Kilolo Kijakazi, et al, The Color of Wealth in the Nation’s Capital, November 2016

<https://www.urban.org/research/publication/color-wealth-nations-capital>

²⁰ Iverson, L.R. and E.A. Cook, Urban Forest Cover of the Chicago Region and Its Relation to Household Density and Income, Urban Ecosystems, 2000 cited in Zero Cities Project, Equity Assessment Tool

²¹ Montgomery County Council, Bill 27-19, Administration – Human Rights - Office of Racial Equity and Social Justice – Racial Equity and Social Justice Advisory Committee - Established

²² Montgomery County Climate Action Plan

²³ Rachel Morello-Frosch

²⁴ Ibid.