

# Racial Equity and Social Justice (RESJ) Impact Statement

Office of Legislative Oversight

## EXPEDITED BUILDINGS – DEMOLITION OR REMOVAL BILL 30-22:

### SUMMARY

The Office of Legislative Oversight (OLO) anticipates Expedited Bill 30-22 could have a minimal impact on racial equity and social justice (RESJ) in the County. Although this Bill could disproportionately impact White and Asian residents – who generally have more financial means to purchase homes – it is not likely to change existing racial disparities in homeownership.

---

### PURPOSE OF RESJ IMPACT STATEMENTS

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, leadership, and power of communities of color and low-income communities with a **goal** of eliminating racial and social inequities.<sup>1</sup> 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.<sup>2</sup>

---

### PURPOSE OF EXPEDITED BILL 30-22

The purpose of Expedited Bill 30-22 is to redefine the term “demolish” in the County Code so that it includes tearing down two-thirds or more of first story exterior walls of a one- or two-family dwelling unit. According to the Bill’s sponsors, a loophole in current law allows buildings to be substantially demolished without requiring a demolition permit. As explained in the Introduction Staff Report:<sup>3</sup>

“By changing the threshold for requiring a demolition permit, a person seeking to substantially remove a building would have to go through the same process as someone tearing down the whole building thereby requiring the applicant to meet requirements regarding the disconnection of utilities, pest control, environmental and stormwater management measures. This would also ensure that when building the new structure, the applicant would have to apply for a new construction building permit which would in turn require that they must provide a new home warranty to the consumer who purchases that home.”

The Federal Trade Commission explains that most newly built homes come with a builder warranty that covers items that are typically a permanent part of the home, like concrete floors, plumbing, or electrical work.<sup>4,5</sup>

Expedited Bill 30-22 was introduced to the Council on November 1, 2022.

# RESJ Impact Statement

## Expedited Bill 30-22

### HOMEOWNERSHIP AND RACIAL EQUITY

Government policies and practices have played a significant role in creating and sustaining housing inequities by race and ethnicity. As outlined below, Black and Latinx residents experience lower rates of homeownership and higher rates of housing insecurity as homeowners. Please refer to the RESJIS for Expedited Bill 30-21, Landlord-Tenant Relations – Restrictions During Emergencies – Extended Limitations Against Rent Increases and Late Fees, for more on the government’s role in fostering racial segregation in housing and the racial wealth divide.<sup>6</sup>

**Inequities in Homeownership.** The possibility of homeownership has been placed out of reach for many Black, Indigenous, and Other People of Color (BIPOC) families due to inequitable housing policies and practices of the past.<sup>7</sup> Slavery, sharecropping, Jim Crow laws, and the Homestead Act were government policies designed to build wealth among White residents by extracting resources from BIPOC.

Government policies reinforcing housing segregation through homeownership continued with the New Deal as the Federal Housing Administration provided government-subsidized financing to White residents and developers to purchase or build homes in White-only enclaves.<sup>8</sup> While the Fair Housing Act of 1968 eliminated racially explicit segregation in housing, the policies that built the segregated housing market “have never been remedied and their effects endure.”<sup>9</sup>

As a result of inequitable government policies and practices, access to wealth (which families often rely on to make a down payment for their home) varies significantly by race and ethnicity.<sup>10</sup> The racial wealth gap in the Metropolitan Washington Region is sizable: White households had more than 80 times the wealth of Black households and 21 times the wealth of Latinx households in 2014.<sup>11</sup> Further, BIPOC residents still experience discrimination in the housing market due to predatory lending practices and bias in the real estate market.<sup>12</sup> As such, disparities in homeownership by race and ethnicity persist in Montgomery County where:

- 75 percent of White and 73 percent Asian or Pacific Islander households reside in owner-occupied units, compared to 50 percent of Latinx households and 41 percent of Black households.<sup>13</sup>
- 31 percent of Black and 33 percent of Latinx homeowners were cost-burdened, spending more than 30 percent of their income on housing, compared to 18 percent of White and 26 percent of Asian or Pacific Islander homeowners.<sup>14</sup>
- The average value of home mortgages carried by White households was \$410,000, compared to \$391,000 for Asian households, \$328,000 for Black households, and \$308,000 for Latinx households.<sup>15</sup>

---

### ANTICIPATED RESJ IMPACTS

To consider the anticipated impact of Expedited Bill 30-22 on RESJ in the County, OLO recommends the consideration of two related questions:

- Who are the primary beneficiaries of this bill?
- What racial and social inequities could passage of this bill weaken or strengthen?

# RESJ Impact Statement

## Expedited Bill 30-22

**For the first question,** OLO considered the demographics of potential homebuyers, as they would reap the benefits from increased warranty coverage on newly constructed homes but also bear the increased costs of such homes redefined as demolitions.

Generally, White and Asian residents are best positioned to purchase homes in the County, which is evidenced by existing homeownership disparities. As previously mentioned, families often rely on wealth to make a down payment on a home. Table 1 lists the median net worth of Washington Metropolitan Area residents by race and ethnicity, as estimated by the Urban Institute from 2014 survey data. Table 1 suggests that Black and Latinx households have low levels of wealth available to make a major purchase, in contrast to White and Asian households. Further, as noted in Table 2, White and Asian residents have higher median incomes, which also makes homeownership more attainable.

**Table 1: Household Median Net Worth by Race and Ethnicity, Washington Metropolitan Area**

Race and ethnicity	Median Net Worth
White	\$284,000
Black, US	\$3,500
Black, African	\$3,000
Latinx	\$13,000
Chinese	\$220,000
Korean	\$496,000
Vietnamese	\$423,000
Asian Indian	\$573,000

Source: Urban Institute, “The Color of Wealth in the Nation’s Capital” (adapted from Table 12)

**Table 2: Median Household Income by Race and Ethnicity, Montgomery County, Maryland<sup>16</sup>**

Race and ethnicity	Median Household Income
Asian	\$121,323
Black	\$78,246
Native American	\$88,828
White	\$131,602
Latinx	\$79,981

Source: 2020 American Community Survey (Table S1903)

While White and Asian residents are more likely to benefit from increased home warranty coverage, they are also most likely to bear the higher costs of new homes that could result from this Bill. The increased cost of new homes likely offsets some of the benefits of this Bill for homebuyers. It is unclear whether the benefits of this Bill for homebuyers exceeds the costs.

**For the second question,** OLO considers how the Bill could affect existing disparities in homeownership. Potential homebuyers – who are more likely to be White or Asian – could benefit from increased warranty coverage on newly constructed homes. However, this benefit would likely be offset at least partially by an increase in the cost of homes. Further, the changing benefits/costs to potential homebuyers from this Bill would likely not affect structural factors that drive the homeownership gap between Black and Latinx residents and White and Asian residents.

Taken together, OLO anticipates Expedited Bill 30-22 could have a minimal impact on RESJ in the County. Although this Bill could disproportionately impact White and Asian residents – who generally have more financial means to purchase homes – it is not likely to change existing racial disparities in homeownership.

# RESJ Impact Statement

## Expedited Bill 30-22

### RECOMMENDED AMENDMENTS

The 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.<sup>17</sup> OLO finds Expedited Bill 30-22 could have a minimal impact on RESJ in the County. As such, OLO does not offer recommended amendments.

### 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.

---

<sup>1</sup> Definition of racial equity and social justice adopted from “Applying a Racial Equity Lens into Federal Nutrition Programs” by Marlysa Gamblin, et.al. Bread for the World, and from Racial Equity Tools. <https://www.racialequitytools.org/glossary>

<sup>2</sup> Ibid

<sup>3</sup> Expedited Bill 30-22, Buildings – Demolition or Removal, Introduced November 1, 2022.

[https://www.montgomerycountymd.gov/council/Resources/Files/agenda/col/2022/20221101/20221101\\_9B.pdf](https://www.montgomerycountymd.gov/council/Resources/Files/agenda/col/2022/20221101/20221101_9B.pdf)

<sup>4</sup> “Warranties for New Homes,” Consumer Advice, Federal Trade Commission, May 2021.

<https://consumer.ftc.gov/articles/warranties-new-homes>

<sup>5</sup> A warranty is a written guarantee, issued to the purchaser of an article by its manufacturer, promising to repair or replace it if necessary within a specified period of time.

<sup>6</sup> Racial Equity and Social Justice Impact Statement for Expedited Bill 30-21, Office of Legislative Oversight, Montgomery County, Maryland, September 9, 2021. <https://montgomerycountymd.gov/OLO/Resources/Files/resjis/2021/Bill30-21RESJ.pdf>

<sup>7</sup> Misha Hill, et al, “Taxes and Racial Equity: An Overview of State and Local Policy Impacts,” Institute on Taxation and Economic Policy, March 2021. [https://itep.sfo2.digitaloceanspaces.com/ITEP\\_Taxes-and-Racial-Equity-State-and-Local-Policy-Impacts-2.pdf](https://itep.sfo2.digitaloceanspaces.com/ITEP_Taxes-and-Racial-Equity-State-and-Local-Policy-Impacts-2.pdf)

<sup>8</sup> Ibid

<sup>9</sup> Richard Rothstein, *The Color of Law: A Forgotten History of How Government Segregated America*, 2017

<sup>10</sup> Hill, et al, “Taxes and Racial Equity: An Overview of State and Local Policy Impacts”

<sup>11</sup> Kilo Kijakazi, et al, “The Color of Wealth in the Nation’s Capital,” The Urban Institute, November 2016.

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

<sup>12</sup> Keeanga-Yamahtta Taylor, *Race for Profit: How Banks and the Real Estate Industry Undermine Black Homeownership*, 2019

<sup>13</sup> “Percent Owner-Occupied Households by Race/Ethnicity: Montgomery, MD (2019)” National Equity Atlas, Accessed November 13, 2022. <https://nationalequityatlas.org/indicators/Homeownership#/?geo=04000000000024031>

<sup>14</sup> “Housing Burden by Tenure, Severity, and Race/Ethnicity: Montgomery, MD (2019)” National Equity Atlas, Accessed June 13, 2022. [https://nationalequityatlas.org/indicators/Housing\\_burden#/?geo=04000000000024031&rentown01=2](https://nationalequityatlas.org/indicators/Housing_burden#/?geo=04000000000024031&rentown01=2)

<sup>15</sup> Jupiter Independent Research Group, OLO Report 2019-7: Racial Equity Profile Montgomery County, Office of Legislative Oversight, July 15, 2019. [https://www.montgomerycountymd.gov/OLO/Resources/Files/2019%20Reports/OLO2019-7-6\\_20\\_19.pdf](https://www.montgomerycountymd.gov/OLO/Resources/Files/2019%20Reports/OLO2019-7-6_20_19.pdf)

<sup>16</sup> Latinx is an ethnicity rather than a race. Therefore, Latinx people are included in multiple racial groups within this table.

<sup>17</sup> Bill 27-19, Administration – Human Rights – Office of Racial Equity and Social Justice – Racial Equity and Social Justice Advisory Committee – Established, Montgomery County Council