

Racial Equity and Social Justice (RESJ) Impact Statement

Office of Legislative Oversight

EXPEDITED MONTGOMERY COUNTY URBAN DISTRICTS – FRIENDSHIP BILL 13-23: HEIGHTS URBAN DISTRICT

SUMMARY

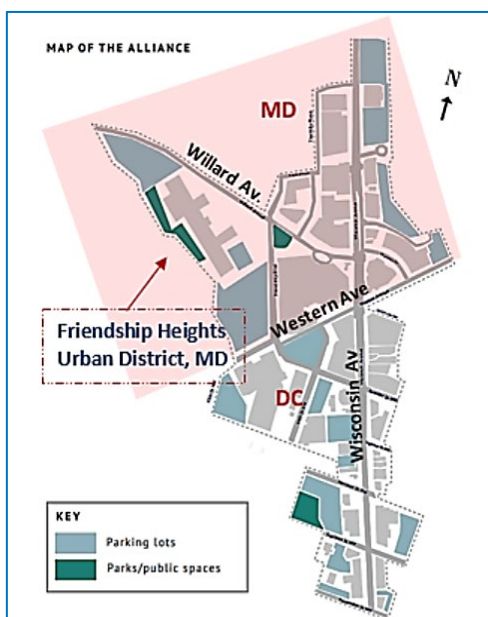
Since both the costs and benefits of this bill disproportionately accrue to White and affluent constituents, the Office of Legislative Oversight (OLO) anticipates Bill 13-23 will not impact RESJ in the County. However, if future business improvement districts in the County are only pursued in affluent and predominantly White communities, racial and social disparities in entrepreneurship and other economic outcomes could widen.

PURPOSE OF RESJ IMPACT STATEMENTS

The purpose of RESJ impact statements (RESJIS) 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.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 13-23

On February 28, 2023, the Council introduced Bill 13-23 in response to a request from the Friendship Heights Alliance³ to establish a Business Improvement District (BID) to support the work of the Alliance on behalf of businesses and residents in Friendship Heights. Business improvement districts generally have three key features:⁴



- They create public districts that rely on public funding that can include fees levied by government on businesses and/or patrons on behalf of the BID.
- They are managed by non-profits which often has substantial authority to decide the level of funding, expenditures, and services provided. A non-profit's authority may be limited by federal, state, and local law.
- They perform three designated functions - cleaning, security, and marketing.

Expedited Bill 13-23 would create the County's fourth urban district: the Friendship Heights Urban District (FHUD). Currently, there are three other urban districts in the County for Bethesda, Silver Spring, and Wheaton.

Source: Friendship Heights Alliance FY 2023-2024
Business Plan

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State law provides that the County must consider a BID application from a group of private property owners in the proposed district. The Council must find the application meets the needs of the district for a BID to be established.⁵ The boundaries of the new BID include the area extending along the Wisconsin Avenue commercial corridor from Fessenden Street on the south to Oliver Street on the north⁶ and would be articulated under Section 68A-9 of the County Code. Bill 13-23 states that each property owner within the BID that leases property to commercial or residential tenants would be charged – subject to an annual levy by the Council – a commercial district charge. The amount of the annual charge would be calculated as follows:

- For Class 2 Properties, excluding hotels and motels, the amount of \$0.165 per square foot for each net rentable square-foot;
- For hotels or motels, the amount of \$120 per hotel or motel room; and
- For Class 1 Properties that contain 5 or more residential units, available for rent for no transient residential dwelling purposes, \$120 per unit.

The Bill also specifies that residential units limited to households earning 100 percent or less of the Area Median Income would be exempt from the commercial district charge.

RACIAL INEQUITIES IN ENTREPRENEURSHIP AND HOMEOWNERSHIP

Current inequities in policies and practices adversely impact Black, Indigenous, and other People of Color (BIPOC) as they consider starting and growing businesses. These include disparities by race and ethnicity in educational attainment, personal wealth, access to capital, and exposure to entrepreneurship in family and social networks.⁷ They also include disparities in access to credit with Black and Latinx-owned businesses more likely to have been denied credit, to receive only a portion of the funding requested, or to refrain from applying for needed funding.⁸

Racial inequities in entrepreneurship and access to credit have fostered racial disparities in Montgomery County. For example, while Black, Latinx, and Asian-owned firms collectively accounted for 44 percent of local firms in 2012, they accounted for less than 8 percent of local business revenue.⁹

Historical inequities in homeownership have also adversely impacted BIPOC constituents. These include restrictive housing covenants and redlining that prevented generations of Black families from gaining equity in homeownership and building wealth.¹⁰ In turn, White and Asian households demonstrated the highest homeownership rates in the County, at 77 and 69 percent in 2021, compared to 54 percent of Latinx and 43 percent of Black households.¹¹

The inequitable practices of realtors and lending institutions, aided by Federal Housing Administration (FHA) enabling policies, have also historically fostered segregation in the Metropolitan Washington Region. As such, White households in Montgomery County are concentrated in the most affluent areas of the County. For example, compared to accounting for 43 percent of County residents, White constituents accounted for 69 percent of District 1 residents where median household income in Year 2020 was \$265,145 compared to \$152,779 for the County.¹² White constituents also accounted for 67 percent of households in Friendship Heights which is located in District 1.¹³

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ANTICIPATED RESJ IMPACTS

To consider the anticipated impact of Expedited Bill 13-23 on RESJ in the County, OLO considers two related questions:

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

For the first question, OLO considered the racial and ethnic demographics of property owners and their business and residential constituents in Friendship Heights. Available data suggests that each of these stakeholder groups are disproportionately White. In turn, White constituents, as property owners and business and residential tenants, will disproportionately bear the costs of funding FHUD and receive the benefits from it. Should the benefits of FHUD exceed their public costs, White constituents will be the primary beneficiaries of Bill 13-23.

For the second question, OLO considered how Expedited Bill 13-23 could impact racial and ethnic disparities in business and property ownership. While the Bill is intended to spur economic development and growth in Friendship Heights, OLO anticipates the net benefit of FHUD to White constituents will be marginal and not large enough to significantly impact racial and ethnic disparities in business and property ownership in the County. As such, OLO finds Bill 13-23 will not significantly impact RESJ in Montgomery County.

Taken together, OLO finds Expedited Bill 13-23 is unlikely to impact RESJ in the County because while White constituents will disproportionately benefit from FHUD, they will also disproportionately bear its costs. Moreover, to the extent that the benefits of FHUD outweigh their costs, OLO anticipates the net benefit to predominantly White constituents will not be significant enough to impact current racial and social inequities in the County. However, if future business improvement districts in the County are only pursued in affluent and predominantly White communities, racial and social disparities in entrepreneurship and other economic outcomes could widen.

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.¹⁴ OLO anticipates that Expedited Bill 13-23 will have a minimal impact on RESJ in the County. Thus, OLO does not offer recommended amendments for this Bill.

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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¹ 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.raciaequitytools.org/glossary>

² Ibid

³ The Friendship Heights Alliance is a 501(c)6 nonprofit formed in 2021 to coordinate the place management efforts and programs in the Friendship Heights neighborhood on both sides of Western Avenue. The coverage area extends along the Wisconsin Avenue commercial corridor from Fessenden Street on the south to Oliver Street on the north – in other words, from Rodman’s to Saks Fifth Avenue. Friendship Heights Alliance: FY 2023-2024 Business Plan, December 2022 <https://ctycms.com/dc-friendship-heights/docs/fha-businessplan-2022-finalmed.pdf>

⁴ Craig Howard and Stephanie Bryant. 2015. Case Studies of Local Business and Community Districts, OLO Report 2015-7, February 24 as cited by Elaine Bonner-Tompkins and Theo Holt in OLO RESJ Impact Statement for Bill 3-21 Special Taxing Area Laws- Silver Spring Business Improvement District- Establish

https://www.montgomerycountymd.gov/OLO/Resources/Files/2015_Reports/OLO%20Report%202015-7.pdf
https://www.montgomerycountymd.gov/OLO/Resources/Files/2015_Reports/OLO Report 2015-7.pdf

⁵ Memorandum to Council President Tom Hucker from Marc Elrich, County Executive. August 9, 2021

https://apps.montgomerycountymd.gov/ccllms/DownloadFilePage?FileName=2694_1_16719_Bill_3-21_Signed_20210928.pdf

⁶ Friendship Heights Alliance FY 2023-2024 Business Plan, December 2022

⁷ Stephen Roblin. 2020. COVID-19 Recovery Outlook: Minority-Owned Businesses, Office of Legislative Oversight, September 21. <https://www.montgomerycountymd.gov/OLO/Resources/Files/2020%20Reports/COVID-19RecoveryOutlook-MinorityOwnedBusinesses.pdf>

⁸ Alicia Robb, "Minority-Owned Employer Businesses and their Credit Market Experiences in 2017," Office of Advocacy U.S. Small Business Administration, July 22, 2020, cited by Stephen Roblin, COVID-19 Recovery Outlook: Minority-Owned Businesses. <https://cdn.advocacy.sba.gov/wp-content/uploads/2020/07/22172533/Minority-Owned-Employer-Businesses-and-their-Credit-Market-Experiences-in-2017.pdf>

⁹ Jupiter Independent Research Group, Racial Equity Profile Montgomery County, OLO Report 2019-7, Office of Legislative Oversight, June 20, 2019

https://montgomerycountymd.gov/ore/Resources/Files/OLO2019-7-6_20_19.pdf

¹⁰ Brookings. 2019. Report: America’s formerly redlined neighborhoods have changed, and so must solutions to rectify them. October 14, 2019

<https://www.brookings.edu/research/americas-formerly-redlines-areas-changed-so-must-solutions/>

¹¹ Janmarie Peña. 2023 –Bill 6-23 Housing-Sharing Economy Rental, RESJ Impact statement, Office of Legislative Oversight, Appendix. Table 1: Homeownership Rate by Race and Ethnicity, Montgomery County. March 1

<https://www.montgomerycountymd.gov/OLO/Resources/Files/resjis/2023/Bill6-23.pdf>

¹² Montgomery County Planning Department. 2022. Montgomery County Demographic Trends – Presentation to the Montgomery County Council. Updated January 26, 2023

<https://montgomeryplanning.org/tools/research/demographics/>

¹³ DATAUSA: 2020. Friendship Heights Village, Maryland

<https://datausa.io/profile/geo/friendship-heights-village-md>

¹⁴ Bill 27-19 Administration – Human Rights – Office of Racial Equity and Social Justice – Racial Equity and Social Justice Advisory Committee – Established, Montgomery County Council. December 2, 2019

<https://apps.montgomerycountymd.gov/ccllms/BillDetailsPage?RecordId=2623&fullTextSearch=Bill%20AND%2027-19>