

# Racial Equity and Social Justice (RESJ) Impact Statement

Office of Legislative Oversight

## **BILL 11-24: FINANCE – ECONOMIC DEVELOPMENT FUND – MAKE OFFICE VACANCY EXTINCT (MOVE) GRANT PROGRAM – ESTABLISHED**

### **SUMMARY**

The Office of Legislative Oversight (OLO) finds the anticipated racial equity and social justice (RESJ) impact of Bill 11-24 is indeterminant. There is insufficient information to determine the primary beneficiaries of the MOVE program by race and ethnicity.

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### **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.<sup>1</sup> Achieving racial equity and social justice usually requires seeing, thinking, and working differently to address the racial and social inequities that have caused racial and social disparities.<sup>2</sup>

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### **PURPOSE OF BILL 11-24**

The Make Office Vacancy Extinct (MOVE) program was introduced as a pilot program in March 2014. The program aims to decrease office vacancies by providing relocation grants that alleviate costs for businesses moving to the County. Through the MOVE program, businesses can receive a grant of \$8 per square foot, which is capped at \$80,000 for businesses that lease up to 20,000 square feet of office space. From FY14 through FY23, the MOVE program disbursed over five million dollars to 85 businesses for new office space.<sup>3</sup>

As of 2024, office vacancy rates in the County are at a record high – over 20%.<sup>4</sup> The goal of Bill 11-24 is to decrease office vacancies in the County. If enacted, the Bill would make the following changes to the MOVE program:<sup>5</sup>

- Codify the MOVE program under the Economic Development Fund;
- Expand program eligibility to businesses already located in the County that want to increase their office space;
- Remove the 20,000 square footage cap for renting office space to qualify for the program; and
- Increase the maximum funding award to qualifying businesses from \$80,000 to \$150,000.

The County Executive would be required to adopt method 1 regulations to implement the MOVE program.<sup>6</sup> The Department of Finance would also be required to provide an annual report on the program.<sup>7</sup>

Bill 11-24, Finance – Economic Development Fund – Make Office Vacancy Extinct (MOVE) Grant Program – Established, was introduced by the County Council on April 16, 2024.

This RESJIS builds on the RESJISs for:

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- Expedited Bill 37-23, Contracts and Procurement – Minority Owned Businesses – Sunset Date – Amendments;<sup>8</sup> and
- Expedited Bill 31-22, Finance – Economic Development Fund - Small Business Innovation Research and Small Business Technology Transfer Matching Grant Program.<sup>9</sup>

Please refer to these RESJISs for background on business ownership, the biotech industry, and racial equity.

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### ANTICIPATED RESJ IMPACTS

To consider the anticipated impact of Bill 11-24 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?

**To answer these questions,** OLO considered the demographics of business owners who are interested in office space in the County, since they would directly benefit from expanded eligibility and larger awards through the MOVE program. Table A (Appendix) shows the industries that have received grants through the MOVE program since the program's inception in 2014. Table A demonstrates that three industries have received the majority of MOVE program grants – health/healthcare, biotechnology/life sciences, and technology/information technology.

No estimates are available to understand the demographics of County business owners in specific industries by race and ethnicity. However, Census estimates for business ownership in the DC metro area (Table B, Appendix) suggest that, compared to their share of the population, White and Asian people are overrepresented among business owners in the sectors that include the top three MOVE program industries. Further, Black people are overrepresented in the sector that includes the health/healthcare industry specifically compared to their share of business ownership in all sectors.

Towards the end of 2023, MOVE program staff began collecting data on race and ethnicity of awardees. Data is available for 30 of 210, or 14 percent, of awardees. Table C (Appendix) summarizes the number of awardees, total award amount, and top industry by race and ethnicity for recent awardees. The data shows that the largest group of recent awardees were Black-owned businesses (12 grants), followed by White-owned businesses (7 grants), Asian-owned businesses (7 grants), and Latinx-owned businesses (4 grants). However, Black awardees received nearly half the award amount of White and Asian awardees.

Of note, the MOVE program could also indirectly benefit several additional stakeholders. For instance:

- Businesses operating near vacant office space, such as retail and food establishments, could experience increased revenues if employers are attracted to their area;
- Community members living near vacant office space could benefit from improved economic vitality if employers are attracted to their area; and
- County residents at large could benefit from increased tax revenue for County programs and services generated from more businesses renting office space in the County.

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OLO finds the anticipated RESJ impact of Bill 11-24 is indeterminant. There is no County-level data on the demographics of business owners in specific industries to estimate potential MOVE program awardees by race and ethnicity. While the MOVE program has recently been collecting demographic information, the race and ethnicity of most awardees throughout the life of the program is unknown. However, data on recent awardees suggests there could be racial disparities in the dollar amount of grants awarded through the program.

### 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>10</sup> OLO finds the anticipated RESJ impact of Bill 11-24 is indeterminant. As such, OLO does not offer recommended amendments. However, should the Council seek to improve the RESJ impact of this Bill, one policy option is offered for Council consideration:

- **Require MOVE program to collect and report race and ethnicity data.** At their discretion, MOVE program staff recently decided to collect race and ethnicity data for program awardees. This data shows there are racial disparities in the dollar amount of grants that were recently awarded through the program. In codifying the MOVE program, the Council could require MOVE program staff to collect race and ethnicity data and include metrics such as the number of awards and award amounts disaggregated by race and ethnicity in the annual report. This could allow the Council to understand whether the program is reinforcing existing racial disparities in local business outcomes and consider program changes that would advance RESJ.

### 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.

### APPENDIX

**Table A: Industries Receiving MOVE Program Grants Since 2014**

Industry	Number of Grants	Percent of Grants
Health/Healthcare	41	19.5
Biotechnology/Life Sciences	37	17.6
Technology/Information Technology	35	16.7
Professional Services	19	9.1
Banking/Finance	11	5.2
Other (e.g., real estate, construction, engineering, etc.) <sup>11</sup>	67	31.9

Source: OLO Analysis of MOVE Program Data of April 15, 2024, County Executive Business Center.

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**Table B: Business Ownership by Race and Ethnicity in Select Sectors, Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area<sup>12</sup>**

Race and ethnicity	% Professional, Scientific, and Technical Services (NAICS 54)	% Health Care and Social Assistance (NAICS 62)	% All Sectors (NAICS 00)	% DC Metro Population
Asian	19.7	17.3	17.9	11.0
Black	9.4	13.9	7.6	24.5
Native American	0.5	-	0.6	0.6
Pacific Islander	0.2	-	0.1	0.1
White	66.6	55.5	67.8	44.5
Latinx	3.0	5.7	6.8	17.1

Source: OLO Analysis of 2021 Annual Business Survey ([Table AB2100CSA01](#)) and 2020 Decennial Census ([Table DP1](#)), Census Bureau.

**Table C: MOVE Program Awardees by Race and Ethnicity (N=30)**

Race and ethnicity	# of Awardees	Total Award Amount (\$)	Top Industry
Asian	7	\$308,624.00	Technology/information technology (43% of awardees)
Black	12	\$154,488.00	Health/healthcare (50% of awardees)
White	7	\$259,744.00	Biotechnology/life sciences (43% of awardees)
Latinx	4	\$44,208.00	Health/healthcare (50% of awardees)

Source: OLO Analysis of MOVE Program Data of April 15, 2024, County Executive Business Center.

<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.raciaequitytools.org/glossary>

<sup>2</sup> Ibid.

<sup>3</sup> Memo from the County Executive, [Introduction Staff Report for Bill 11-24](#), November 29, 2023.

<sup>4</sup> Memo from the Economic Development Committee, Introduction Staff Report for Bill 11-24, April 10, 2024.

<sup>5</sup> Introduction Staff Report for Bill 11-24, Montgomery County Council, Introduced April 16, 2024.

<sup>6</sup> Bill 11-24, Introduction Staff Report for Bill 11-24.

<sup>7</sup> Ibid.

<sup>8</sup> [RESJ Impact Statement for Bill 37-23](#), Office of Legislative Oversight, October 18, 2023.

<sup>9</sup> [RESJ Impact Statement for Expedited Bill 31-22](#), Office of Legislative Oversight, November 18, 2022.

<sup>10</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

<sup>11</sup> Industries listed under ‘Other’ each received less than 4 percent of MOVE programs grants.

<sup>12</sup> Business ownership percentages are based on Census estimates for number of employer firms in each sector. Estimates are not available for all racial and ethnic groups. The Professional, Scientific, and Technical Services sector includes the biotechnology/life sciences industry (NAICS 5417 Scientific Research and Development Services), and technology/information technology industry (NAICS 5415 Computer Systems Design and Related Services). The Health Care and Social Assistance sector includes the health/healthcare industry. Refer to [2017 North American Industry Classification System](#), Census Bureau.