

Racial Equity and Social Justice Impact Statement for Zoning Text Amendment

Office of Legislative Oversight

ZTA 25-02: WORKFORCE HOUSING - DEVELOPMENT STANDARDS

SUMMARY

The Office of Legislative Oversight (OLO) anticipates Zoning Text Amendment (ZTA) 25-02 could have a small positive impact on racial equity and social justice (RESJ) in the County. Black and Latinx households could disproportionately benefit from the replacement of market rate units with workforce housing units in new developments. The actual RESJ impact of this ZTA will depend on measures that are taken to prevent the potential displacement of Black, Indigenous, and Latinx households in communities where developments utilizing this ZTA are located. Two policy options for increasing the favorable RESJ impact of this ZTA are offered for Council consideration.

PURPOSE OF RESJ STATEMENTS

RESJ impact statements (RESJIS) for zoning text amendments (ZTAs) evaluate the anticipated impact of ZTAs on racial equity and social justice in the County. RESJ is a **process** that focuses on centering the needs, leadership, and power of Black, Indigenous, and other people of color (BIPOC) and communities with low incomes with a **goal** of eliminating racial and social inequities. Applying a RESJ lens is essential to achieve RESJ.¹ This involves seeing, thinking, and working differently to address the racial and social inequities that cause racial and social disparities.²

PURPOSE OF ZTA 25-02

The purpose of ZTA 25-02 is to allow higher building densities among residential detached zones up to a half-acre in size along certain corridors if they set aside 15 percent of their dwelling units for workforce housing.³ Workforce housing refers to housing aimed at households that earn too much to qualify for traditional affordable housing subsidies but not enough to afford a home.⁴ Households with incomes between 70 and 120 percent of area median income (AMI) are eligible for workforce housing in Montgomery County.⁵

If enacted, ZTA 25-02 will allow duplexes, triplexes, townhouses, and apartment buildings in eligible residential detached zones that are located along the following road types: Boulevard, Downtown Boulevard, Downtown Street, Town Center Boulevard, or Controlled Major Highway (Appendix A). ZTA 25-02 will also create optional method workforce housing development standards and amends the development standards and general development requirements for certain residential zones.⁶ Further, ZTA 25-02 introduces housing standards for triplexes as a housing type in the Zoning Ordinance. Currently, there are no standards for this housing type in the Ordinance.

The Council introduced ZTA 25-02, Workforce Housing – Development Standards, on February 4, 2025.

This RESJ impact statement (RESJIS) builds on three OLO RESJIS's completed for:

- ZTA 22-07, Residential Multi-Unit Low Density, R-30 Optional Method Development;⁷
- ZTA 23-02, Regulatory Approvals - Mixed-Income Housing Community;⁸ and
- ZTA 24-01, Household Living–Civic and Institutional Uses.⁹

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For background on residential segregation and racial inequities in housing security, affordability, and development in Montgomery County, please refer to these RESJISs.

BACKGROUND

To understand the anticipated RESJ Impact of ZTA 25-02, it is helpful to understand racial and ethnic disparities in median income and the potential risk of displacement due to locating developments with workforce housing near existing affordable housing.

- **Median Income.** White and Asian households' higher median incomes observed in Table 1 (Appendix A) suggest they would benefit the most from the expansion of workforce housing units incentivized by ZTA 25-02. As noted, households earning up to 120 percent of AMI are eligible for workforce housing. This equates to \$154,480, although the actual threshold for workforce housing varies by household size.¹⁰ This income threshold of 120 percent AMI for workforce housing is:
 - Slightly less than the median income of White households \$159,895;
 - Slightly more than the median income of Asian households at \$144,493;
 - 31 percent more than the median income of Native American and Alaska Native households at \$105,952;
 - 39 percent more than the median income of Latinx households at \$94,619; and
 - 41 percent more than the median income of Black households at \$89,362.

As such, a smaller share of Black, Latinx, and Indigenous households will be eligible for workforce housing based on a 120 percent AMI threshold as compared to Asian and White households.

- **Affordable Housing.** Several of the corridors targeted for development inclusive of workforce housing are located near affordable housing. As noted in the Montgomery County Preservation Study, the County risks losing affordable housing units, particularly near public transit hubs.¹¹ The study notes that 2,085 deed-restricted units set to expire in the 2020's and 2030's are located within one mile of existing and planned transit stations.¹² Many of these units are clustered around the Silver Spring, Bethesda, and Wheaton Metrorail stations. They also estimate that the County could lose another 7,500 – 11,000 naturally occurring affordable housing units and approximately 2,300 of these units are at risk of becoming unaffordable for households earning up to 80 percent of AMI.

A review of American Community Survey data on homeownership and housing burden shows a greater need for affordable housing among Black and Latinx households in Montgomery County. More specifically, in 2023:

- 74 percent of White and 75 percent of Asian households resided in owner-occupied units compared to 49 percent of Latinx households and 44 percent of Black households.
- 28 to 39 percent of Black, Asian, and Latinx mortgage holders in the County were housing cost-burdened (expending more than 30 percent of income on housing) compared to 22 percent of White peers.
- 56 percent of Black and 51 percent Latinx households resided in rentals compared to 25 percent of Asian households and 26 percent of White households.
- 58 percent of Black and 60 percent of Latinx renters were housing cost-burdened compared to 50 percent of White renters and 41 percent of Asian renters.

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If development incentivized by ZTA 25-02 exacerbates the existing affordable housing shortage or triggers gentrification, current residents could be displaced, particularly BIPOC households. As observed in the OLO Racial Equity and Social Justice Policy Handbook for Land Use, Housing, and Economic Development: “If re-development makes affordable communities attractive to higher-wealth households - which given the racial wealth gap will disproportionately be White and Asian, then residents in BIPOC neighborhoods, especially renters, could be displaced as housing costs rise from an influx of wealthier households moving into redeveloping communities.”¹³

ANTICIPATED RESJ IMPACTS

To consider the anticipated impact of ZTA 25-02 on RESJ, OLO considers two related questions:

- Who would primarily benefit or be burdened by this ZTA?
- What racial and social inequities could the passage of this ZTA weaken or strengthen?

In response to these questions, OLO considered who would benefit from converting market-rate units in new developments to workforce housing units. Although available data suggests that more White and Asian households would be eligible for workforce housing than Black and Latinx households based on median incomes, more Black and Latinx households would be eligible for workforce housing than market rate housing. This marginal benefit of increased eligibility among Black and Latinx householders for housing built because of ZTA 25-02 could advance RESJ in the County.

OLO also considered the potential negative impact of ZTA 25-02 on the supply of affordable housing in the County and its impact on residents, particularly, Black and Latinx households in the County. If development incentivized by ZTA 25-02 exacerbates the existing affordable housing shortage or triggers gentrification, current residents could be displaced, particularly BIPOC households. This could worsen housing disparities by race, ethnicity, and income.

Taken together, OLO anticipates that ZTA 25-02 could have a small positive impact on racial equity and social justice (RESJ) in the County as Black and Latinx households could disproportionately benefit from the replacement of market rate units with workforce housing units in new developments. The actual RESJ impact of this ZTA, however, will depend on measures that are taken to prevent the potential displacement of Black, Indigenous, and Latinx households in communities where developments utilizing this ZTA are located.

RECOMMENDED AMENDMENTS

Bill 44-20 amending the County’s Racial Equity and Social Justice Act requires OLO to consider whether recommended amendments to zoning text amendments aimed at narrowing racial and social inequities are warranted in developing RESJ impact statements.¹⁴ Since OLO anticipates ZTA 25-02 could have a positive impact on RESJ, this statement does not offer recommended amendments. However, to enhance the RESJ impact of ZTA 25-02, OLO offers two policy options for the Council’s consideration.

- **Use a lower AMI for workforce housing eligibility for ZTA 25-02.** Based on disparities in median income, fewer Black, Latinx, and Indigenous households are eligible for workforce housing based on 120 percent of AMI than White and Asian households. To help reduce racial and ethnic disparities in homeownership and housing burden, ZTA 25-02 could be amended to reduce the AMI eligible for workforce housing from 120 to 90 percent AMI for the 15 percent set aside for workforce housing, or some portion of it (e.g., half or 7.5 percent). Reducing the AMI threshold could also help offset the potential for displacement in BIPOC communities by bringing the price of new workforce housing units closer to the price of current units along impacted corridors.

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- **Increase workforce housing set-aside for new developments for ZTA 25-02.** Another option for enhancing the RESJ impact of this ZTA is to increase the share of new units set-aside for workforce housing from 15 percent to 20 percent or a higher threshold. Like the lower AMI option, this policy option could help mitigate the potential loss of affordable housing associated with new developments by creating workforce housing units that are closer to the price of current housing units than new market rate units.

CAVEATS

Two caveats to this racial equity and social justice impact statement should be noted. First, predicting the impact of zoning text amendments on racial equity and social justice is a challenging, analytical endeavor due to data limitations, uncertainty, and other factors. Second, this RESJ impact statement on the proposed zoning text amendment is intended to inform the Council's decision-making process rather than determine it. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the ZTA under consideration.

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Appendix A

**Table 1 Median Income in 2023 Inflation-Adjusted Dollars, 2023: ACS 5-Year Estimates
Montgomery County**

Household Income by Race and Hispanic or Latino Origin of Householder Montgomery County, Maryland			
	Households Estimate	Percent Distribution Estimate	Median Income Estimate
Households	387,881	387,881	\$128,733
White	197,299	50.9%	\$159,895
Black or African American	72,470	18.7%	\$89,362
American Indian and Alaska Native	1,704	0.4%	\$105,952
Asian	55,770	14.4%	\$144,493
Native Hawaiian and Other Pacific Islander	229	0.1%	\$142,589
Some other race	30,667	7.9%	\$83,317
Two or more races	29,742	7.7%	\$118,278
Hispanic or Latino origin (of any race)	59,110	15.2%	\$94,619

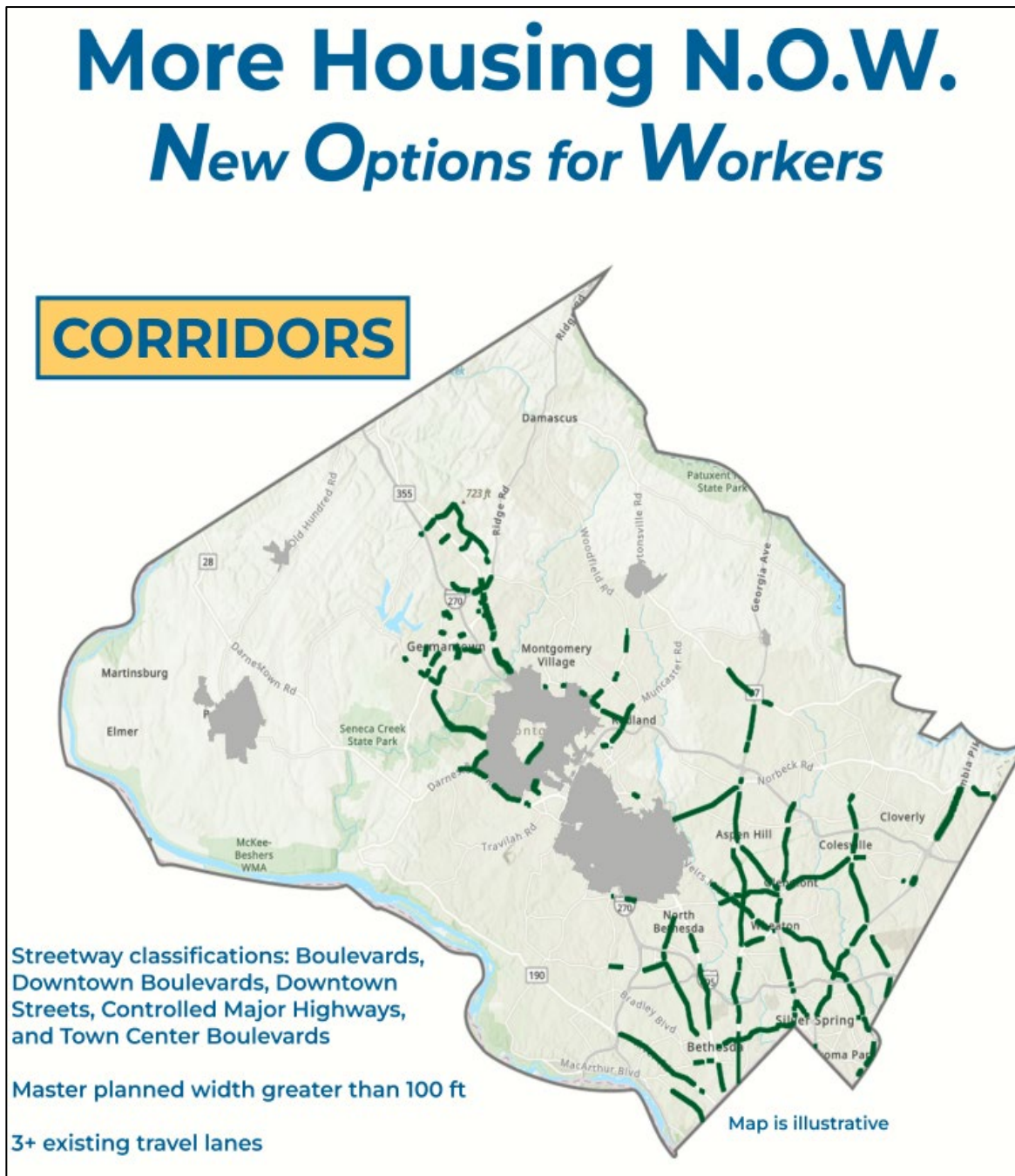
Source: United States Census (2023: ACS 5--year Estimates Subject Tables): S1903: Median Income in the Past 12 Months (in 2023 Inflation-Adjusted Dollars), modified by OLO for ZTA-25-02 analysis. The number of household figures have various levels of margin of error, ranging between ±96 and ±1,927. The percent distribution also has margin of error ranging between ±0.1 and ±0.5

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Appendix B

Corridors Identified for implementation of ZTA -25-02



Source: Attachment to Staff Report, Montgomery County Council introduction, ZTA 25-02, February 4, 2025

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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.racialequitytools.org/glossary>

² Ibid.

³ In Montgomery County, Workforce Housing is housing program under Chapter 25B, Article V of the Montgomery County Code. The program provides affordable housing available for rent and purchase to households who live and work in the County with incomes (Between 70-120% of the Area Median Income (AMI)) too high to participate in the County's Moderately Priced Dwelling Units (MPDU) program.

⁴ Ford, Tiffany N. and Jenny Schuetz. Workforce housing and middle-income housing subsidies: A primer. Brookings. October 29, 2019.

<https://www.brookings.edu/articles/workforce-housing-and-middle-income-housing-subsidies-a-primer/>

⁵ Montgomery County Department of Housing and Community Affairs (DHCA). Workforce Housing Program. April 5, 2024.

<https://www.montgomerycountymd.gov/DHCA/housing/singlefamily/workforce/index.html>

⁶ Article 59-4, development Standards for Euclidean Zones specifies: Applicants can choose to develop using the standard method or, in certain zones and circumstances, choose the optional method. The optional method may allow greater density and flexibility but requires more discretionary review. The optional methods of development include requirements for the zones in which the method is allowed. An optional method of development is allowed in the following zones: RC, RNC, RE-2C, RE-1, R-200, R-90, R-60, R-40, TLD, TMD, THD, R-30, R-20, R-10, CRT, CR, LSC, and EOF.

https://codelibrary.amlegal.com/codes/montgomerycounty/latest/montgomeryco_md_zone2014/0-0-0-2471

⁷ OLO RESJ Impact Statement for ZTA 22-07. Office of Legislative Oversight, August 15, 2022.

<https://www.montgomerycountymd.gov/OLO/Resources/Files/resjis/ZTA/2022/ZTA22-07.pdf>

⁸ OLO RESJ Impact Statement for ZTA 23-02. Regulatory Approvals - Mixed-Use Housing Community. Office of Legislative Oversight, August 15, 2022. <https://www.montgomerycountymd.gov/OLO/Resources/Files/resjis/ZTA/2023/ZTA23-02.pdf>

⁹ OLO RESJ Impact Statement Zoning Text Amendment 24-01: Household Living–Civic and Institutional Uses. Office of Legislative Oversight. February 23, 2025.

<https://www.montgomerycountymd.gov/OLO/Resources/Files/resjis/ZTA/2024/ZTA24-01.pdf>

¹⁰ Montgomery County Department of Housing and Community Affairs (DHCA). Workforce Housing Program. April 5, 2024

<https://www.montgomerycountymd.gov/DHCA/housing/singlefamily/workforce/index.html>

¹¹ OLO RESJ Impact Statement Zoning Text Amendment 24-01

¹² Ibid

¹³ OLO Report Number 2024-11. Racial Equity and Social Justice Policy Handbook: Land Use, Housing, and Economic Development. Page 27. June 18, 2024.

https://www.montgomerycountymd.gov/OLO/Resources/Files/2024_reports/OLReport%202024-11.pdf

¹⁴ Bill 44-20, Racial Equity and Social Justice – Impact Statements – Advisory Committee – Amendments, Montgomery County, Maryland, December 1, 2020.

https://apps.montgomerycountymd.gov/ccllims/DownloadFilePage?FileName=2682_1_12149_Bill_44-20_Signed_20201211.pdf