

Racial Equity and Social Justice Impact Statement for Zoning Text Amendment

Office of Legislative Oversight

ZTA 25-03: EXPEDITED APPROVALS - COMMERCIAL TO RESIDENTIAL RECONSTRUCTION

SUMMARY

The Office of Legislative Oversight (OLO) cannot predict which groups of stakeholders – developers, constituents in need of market rate housing or those in need of affordable housing, will benefit the most from ZTA 25-03: Expedited Approvals - Commercial to Residential Reconstruction. Nor can OLO discern whether ZTA 25-03 will create more housing units across the County overall. Thus, OLO cannot predict the impact of this ZTA on the County's overall supply of housing or its effects on RESJ.

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 25-03

The purpose of ZTA 25-03 is to create a new use in the Zoning Ordinance under the Group Living category for Commercial to Residential Reconstruction use (CRR). The use will permit the conversion of a commercial building that is 50 percent vacant into a 100 percent residential development in certain zones. The ZTA establishes special provisions and exemptions removing density and height restrictions assigned within the following zones:

- Commercial Residential Town (CRT);
- Commercial Residential Neighborhood (CRN);
- Commercial Residential (CR);
- Neighborhood Retail (NR); and
- Employment Office (EOF).

The ZTA creates a new expedited review process that exempts the CRR use from site plan and sketch plan reviews. ZTA 25-03 also consolidates all existing expedited regulatory reviews (i.e., plan reviews for: Signature Business Headquarters, Biohealth Priority Campus, and Mixed Income Community) and the CRR use into one plan review.

The Council introduced ZTA 25-03, Expedited Approvals - Commercial to Residential Reconstruction, on February 4, 2025. A companion Subdivision Regulation Amendment 25-01 Administrative Subdivisions – Expedited Approval Plan was also introduced on February 4, 2025.

This RESJ impact statement (RESJIS) builds on the following OLO RESJ impact statements completed for:

- ZTA 22-07: Residential Multi-Unit Low Density – R-30 Optional Method Development;³

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- ZTA 23-02: Regulatory Approvals - Mixed-Income Housing Community;⁴
- ZTA 25-02: Workforce Housing – Development Standards⁵, and
- Expedited Bill 2-25: Taxation-Payment in Lieu of Taxes-Affordable Housing-Amendments.⁶

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

ANTICIPATED RESJ IMPACTS

To consider the anticipated impact of ZTA 25-03 on RESJ in the County, OLO recommends considering two 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

OLO considered the potential benefits and burdens of ZTA 25-03 for three sets of stakeholders:

- **Housing developers and property owners** who renovate, rebuild, and convert under-utilized buildings with vacant office or retail components into residential use could benefit from ZTA 25-03. Its provisions exempting eligible conversions from the rigorous regulatory review process and increasing densities could enhance the profitability of commercial to residential conversions. As observed in Table 1 (Appendix), White residents are over-represented among real estate business owners in the County, and as observed in Table 2, White and Asian residents have the highest rates of property ownership. These data points suggest that White and Asian residents are over-represented among developers likely to benefit from this ZTA.
- **Constituents in need of market-rate housing** could also benefit from this ZTA if it spurs the development of additional residential housing. As observed in Table 2, White and Asian residents have the highest rates of homeownership and lowest rates of housing cost burden among homeowners. These data points suggest that White and Asian residents are over-represented among constituents in need of market rate housing likely to benefit from this ZTA.
- **Constituents in need of affordable housing** could also benefit from this ZTA if it spurs the development of additional affordable housing through the County's Moderately Priced Dwelling Units (MPDUs) requirements for new development. As observed in Table 3, Black and Latinx residents have the highest rates of residing in renter-occupied households and of housing cost burden among renters. These data points suggest that Black and Latinx residents are over-represented among constituents in need of affordable housing likely to benefit from this ZTA.

Overall, OLO anticipates that ZTA 25-03 could generate benefits for housing developers and constituents in need of housing - market rate and affordable. The benefits of additional affordable housing units could disproportionately benefit Latinx and Black households, reducing racial and ethnic disparities in housing and advancing RESJ. This disproportionate benefit to Latinx and Black households, however, could be more than offset by the potential gains to housing developers and constituents in need of market rate housing resulting from ZTA 25-03 that would disproportionately benefit White and Asian households and in turn widen racial and ethnic disparities in housing.

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Conclusion. OLO cannot predict which groups of stakeholders – developers, constituents in need of market rate housing or those in need of affordable housing, will benefit the most from ZTA 25-03. Nor can OLO discern whether ZTA 25-03 will create more housing units across the County overall. Thus, OLO cannot predict the impact of this ZTA on the County’s overall supply of housing or its effects on RESJ.

RECOMMENDED AMENDMENTS

Bill 44-20 amending the County’s Racial Equity and Social Justice Act⁷ requires OLO to consider whether recommended amendments to narrow racial and social inequities are warranted in developing RESJ impact statements for zoning text amendments. OLO cannot discern the anticipated impact of ZTA 25-03 on RESJ in the County. Consequently, the actual yield of affordable housing attainable through this ZTA is neither quantifiable nor could be estimated practically. Therefore, 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 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.

Appendix

Table 1: Percent of Real Estate and Rental and Leasing Business Owners by Race and Ethnicity, Montgomery County

| Race and Ethnicity ⁸ | Real Estate and Rental and Leasing Business Owners (NAICS 53) ⁹¹⁰ | Population |
|---------------------------------|--|------------|
| Asian | 12.4 | 15.3 |
| Black | 5.1 | 18.5 |
| White | 82.3 | 46.6 |
| Latinx | 3.9 | 20.0 |

Source: 2022 American Business Survey (Table AB2200CSA01) and 2022 American Community Survey 5-Year Estimates (Table DP05), Census Bureau.

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Table 2: Homeownership and Cost Burden Rates of Homeowners. Montgomery County, 2023

| Race and Ethnicity | Homeownership Rate | Homeowner Cost Burden Rate |
|----------------------|--------------------|----------------------------|
| White | 74% | 20% |
| Black | 44% | 39% |
| Asian | 75% | 28% |
| Latinx ¹¹ | 49% | 31% |

Source: Table S0201, 2023 American Community Survey 1-Year Estimates, Census Bureau

Table 3: Renter-Occupied Households and Cost Burden Rates of Renter Households. Montgomery County, 2023

| Race and Ethnicity | Renter-Occupied Households | Rent Burden Rate |
|--------------------|----------------------------|------------------|
| White | 26% | 50% |
| Black | 56% | 58% |
| Asian | 25% | 41% |
| Latinx | 51% | 60% |

Source: Table S0201, 2023 American Community Survey 1-Year Estimates, Census Bureau

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 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>

⁴ 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>

⁵ OLO RESJ Impact Statement for ZTA 25-02 Workforce Housing – Development Standards.

<https://www.montgomerycountymd.gov/OLO/Resources/Files/resjis/ZTA/2025/ZTA25-02.pdf.pdf>

⁶ OLO RESJ Impact Statement for Expedited Bill 2-25 Taxation – Payments in Lieu of Taxes – Affordable Housing – Amendments. [Racial Equity and Social Justice Impact Statement for Expedited Bill 2-25E](#)

⁷ Bill 44-20, Racial Equity and Social Justice – Impact Statements – Advisory Committee – Amendments, Montgomery County, Maryland, December 1, 2020.

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

⁸ Estimates for Native American and Pacific Islander community members were not available for data points in this RESJIS.

⁹ The Real Estate and Rental and Leasing Sector includes establishments that rent, lease, or otherwise allow the use of their own real estate or other assets by others. This sector also includes establishments primarily engaged in managing real estate for others, selling, renting, and/or buying real estate for others, and appraising real estate- as cited in RESJ Impact Statement for Bill 2-25

¹⁰ Margins of error for these data points may be large-as cited in RESJ Impact Statement for Bill 2-25.

¹¹ Latinx is an ethnicity rather than a race; therefore, Latinx people are included in multiple racial groups throughout this impact statement unless where otherwise noted. Estimates for Native American and Pacific Islander constituents not available for all data points presented in impact statement.