



OFFICE OF THE COUNTY EXECUTIVE


Marc Elrich
County Executive

Tiffany Ward, Director
Office of Racial Equity and Social Justice

MEMORANDUM

October 26, 2021

To: Jennifer Bryant, Director
Office of Management and Budget

From: Tiffany Ward, Director
Office of Racial Equity and Social Justice 

Re: Supplemental Appropriation: Purple Line Grant Program

- I. **FINDING:** The Office of Racial Equity and Social Justice (ORESJ) finds that this Supplemental Appropriation is likely to advance racial equity and social justice in the County. The grant's geographic targeting of small businesses along the Purple Line Corridor and the selection of Latino Economic Development Corporation (LEDC) as grant administrator creates opportunities for small business owners of color to access financial resources, helping them overcome Purple Line construction impacts and pandemic-related challenges.
- II. **BACKGROUND:** This Supplemental Appropriation authorizes use of funds from the Maryland Department of Commerce's Purple Line Light Rail Project Grant Program. The purpose of the grant is to enable Montgomery County to make grants to eligible small businesses who have experienced revenue losses during the construction of the Purple Line. This request also includes the designation of the LEDC as the grant administrator, responsible for promoting the grant program, accepting application submissions, reviewing applications for eligibility, distribution of grants, and reporting activities.

Impacts of the pandemic on small business owners of color are well documented¹ and continue even as jurisdictions reopen and demand patterns shift. According to the 2021 Federal Reserve Small Business Credit Survey (SBCS), between 2019 and 2020, 57% of firms characterize their financial condition as poor, compared to 79% for Asian-owned firms and 77% for Black-owned firms². In addition, firms owned by people of color, firms with fewer employees, and leisure and hospitality firms were least likely to report receiving the full amount of financing sought³. These disparities reflect the combination of health and economic inequities predating the pandemic and the ways in which these inequities were exaggerated for business owners of color during the pandemic. An Office of Legislative Oversight analysis published in September 2020 explains the difficulty of assessing the impact of the pandemic on minority-businesses in the County but projects that the pandemic will likely produce a large number of closures for minority-owned businesses⁴.

Inequities in access to banking services and business development supports as well as histories of red-lining, employment discrimination, and wage inequality have contributed to few opportunities for and lower levels of wealth accumulation among people of color, an important precondition for business startup and survival. This may help explain why there is an underrepresentation of Black and Hispanic residents who are self-employed in the County compared to their overall population⁵.

Analysis conducted by researchers at the JP Morgan Chase Institute, show that black and Hispanic-owned businesses face challenges of lower revenues, profit margins, and liquidity⁶. Inequities in educational opportunities and histories of occupational segregation also shape the industries entrepreneurs of color enter. As explained by Farrell, et al., “Education, prior work experience, and personal financial resources—all of which may have been shaped by race—can affect whether individuals start a small business and the types of small businesses they found.” As a result, businesses owned by people of color are often concentrated in sectors like retail, accommodations, and personal services, which were particularly vulnerable to the effects of pandemic related stay-at-home orders, social-distancing, and health and safety measures. The pandemic has created even greater financial precarity for business owners, particularly in these industries, thus increasing

¹ Rohit Arora. Forbes. “Small Business Owners of Color Continue to Face Challenges”. January 29, 2021. Available at: <https://www.forbes.com/sites/rohitarora/2021/01/29/small-business-owners-of-color-continue-to-face-challenges/?sh=2a94d00e58aa>

² United States Federal Reserve Bank. Small Business Credit Survey. 2021 Report on Employer Firms. February 2, 2021. Available at: <https://www.fedsmallbusiness.org/medialibrary/FedSmallBusiness/files/2021/2021-sbcs-employer-firms-report>.

³ Small Business Credit Survey.

⁴ Stephen Roblin. Montgomery County Office of Legislative Oversight. Covid-10 Recovery Outlook: Minority-owned Businesses. September 21, 2020. Available at: <https://www.montgomerycountymd.gov/OLO/Resources/Files/2020%20Reports/COVID-19RecoveryOutlook-MinorityOwnedBusinesses.pdf>

⁵ Stephen Roblin.

⁶ Farrell, Diana, Chris Wheat, and Chi Mac. 2020. “Small Business Owner Race, Liquidity, and Survival.” JPMorgan Chase Institute. <https://www.jpmorganchase.com/institute/research/small-business/report-small-business-owner-race-liquidity-survival>.

demand for capital with greater flexibility and at low or no cost. In a Color of Change/Global Strategy Group survey covering the period April 30-May 12th, 2020, “receiv[ing] a grant from a local or state government relief or assistance program” was among the top three supports considered most helpful by business owners of color in the study.⁷

On top of financial support, targeted technical assistance and coaching is often necessary to support business owners in maximizing financial resources and successfully pivoting operations in response to new market conditions—particularly those created by the pandemic, where demand became more variable and new health and safety measures were necessary. Poll results published in January 2021 by the Small Business Majority indicate that 30% of Black and Asian American Pacific Islander (AAPI) business owners and 29% of Latinx business owners compared to 19% of White business owners reported changing their business model drastically because of the pandemic⁸. This disparity highlights potential differences in business development needs among business owners. Overall, business owners who responded to the survey, reported that help attracting new customers would be the most useful form of support, followed by building an online presence and improving health and safety⁹. At the time of the SBCS, the most important anticipated challenge for black owned firms was credit availability while for Asian-owned firms cited weak demand¹⁰. Due to the above-described inequities, lack of access to business advisory services or affordable credit could hinder a business owner’s ability to pivot, operationalize changes to their business, and ultimately survive.

In addition to inequities in access to capital and business development services, the forces of gentrification have hit business owners of color particularly hard. A recent Bloomberg article authored by Willow Lung-Amam, director of community development at the National Center for Smart Growth Research and Education, and director of the Small Business Anti-Displacement Network, explains how public policies and public and private investments influence development decisions and the pace of commercial displacement. Of critical concern to small businesses are predatory leasing practices, rising rents, and property taxes, the impact of neighborhood policing and surveillance on residents of color, construction-related disruptions, competition from well-capitalized businesses, and the ways accompanying residential displacement influence the race, ethnicity, age, and consumer preferences of a once reliable customer base¹¹. Together, the pandemic and development-related commercial displacement have the potentially to curtail job creation,

⁷ Prepared by Global Strategy Group for Color of Change and Unidos US. *Federal Stimulus Survey Findings*” Slide 7: In order to survive, small business owners need grants and other forms of assistance from the federal government” <https://theblackresponse.org/wp-content/uploads/2020/05/COC-UnidosUS-Abbreviated-Deck-F05.13.20.pdf>.

⁸ Small Business Majority. Scientific Opinion Poll. “Small businesses continue to face closures in 2021.” January 27, 2021. Available at: <https://smallbusinessmajority.org/sites/default/files/research-reports/COVID-19-national-small-business-poll.pdf>

⁹ Small Business Majority.

¹⁰ Small Business Credit Survey.

¹¹ Willow Lung-Amam. Bloomberg CityLab. “Businesses are Victims of Gentrification, Too”. May 19, 2021. Available at: <https://www.bloomberg.com/news/articles/2021-05-19/small-businesses-are-victims-of-gentrification-too>.

tax revenues, and community cohesion within communities where businesses owned by people of color and immigrants have been the backbone¹². In an April 2021 press release announcing the Small Business Anti-Displacement Network, then Executive Director and CEO of LEDC summarized the urgency of these concerns: “External shocks like gentrification, large-scale construction projects, natural disasters and global pandemics are pushing already vulnerable small businesses over the tipping point, and most will never recover or reopen. These times require creative and innovative solutions that will position small businesses to weather these shocks, and also take advantage of the economic opportunity and vitality that will come afterward. It is critical that small businesses—the top job creators in our nation—be the center of focus as we look to rebuild the U.S. economy.”¹³

Since the early stages of the recovery, there have been important lessons learned about the connection between racial inequities and efficacy of programs in reaching business owners of color and addressing their experiences during the pandemic. Research shows, for example, that the Paycheck Protection Program (PPP), the Federal Government’s most well-known small business relief programs consisting of forgivable loans intended to function like grant dollars, was not designed or implemented in a way that effectively reached smaller of firms or firms owned by people of color¹⁴. Even when business owners of color received PPP funding, they were less likely to report receiving the full amount requested¹⁵. In January 2021, the Small Business administration released a report that suggests the overwhelming majority of approved loans (among borrowers who reported their race/ethnicity) went to white business owners¹⁶. A recent article in Forbes explained how the SBA attempted to redress some shortcomings of the PPP program by providing Community Development Financial Institutions (CDFIs) access to the latest round of PPP funding a week prior to opening the window to all other approved PPP lenders¹⁷. By prioritizing access for CDFIs, it was envisioned that the program would be more likely to reach smaller businesses and businesses owned by people of color—the customer base of many CDFIs. This adjustment demonstrates how applying a racial equity lens to disparities in resource access can help to expand opportunity to those who have faced disproportionately negative impacts during the pandemic.

¹² Ibid.

¹³ University of Maryland. Press Release. University of Maryland Launches National Network to Tackle Small Business Displacement. April 7, 2020. Available at: <https://umdrighnow.umd.edu/university-of-maryland-launches-national-network-to-tackle-small-business-displacement>.

¹⁴ Policy Link. “10 Priorities for Advancing Racial Equity Through the American Rescue Plan A Guide for City and County Policymakers”. Accessed at: <https://www.policylink.org/resources-tools/american-rescue-plan-10-priorities>

¹⁵ <https://smallbusinessmajority.org/sites/default/files/research-reports/COVID-19-national-small-business-poll.pdf>

¹⁶ U.S. Small Business Administration. Paycheck Protection Program (PPP) Report. January 2021. Available at: https://www.sba.gov/sites/default/files/2021-01/PPP_Report_2021_01_24-508.pdf.

¹⁷ Rohit Arora.

Purple-line impacted businesses

Businesses located along the Purple Line—a 16-mile, 21 stop light rail transit project between Bethesda and New Carrollton—have been deeply affected by stop-and-go¹⁸ construction beginning in 2016. According to the Purple Line Corridor Coalition (PLCC), “hundreds of small businesses, primarily owned by immigrants and people of color, [and] many of which are micro-businesses with five or fewer employees, are those most affected by construction disruptions, increasing rents, and rising land costs.”¹⁹ Prior to the pandemic, these businesses were experiencing a range of operational challenges as a result of Purple Line construction. In a February 2020 Maryland Matters article²⁰, business owners reported customers having trouble reaching their storefronts, customer food-delivery delays. These operational challenges forced some businesses to layoff workers—all before the pandemic accelerated layoffs and closures. In addition to the short-term consequences of Purple Line construction, PLCC describes the importance of applying a racial and economic equity lens to the opportunities and risks associated with the development. Taking actions to prevent commercial displacement, particularly in light of the ever-changing pandemic operating environment is critical. As a Co-Chair of the PLCC Small Business Action Team and a CDFI with deep relationships, expertise, and decades of small-business lending and coaching across communities of color in the region, the selection of LEDC as the administrator of this grant fund is a strategic advantage of this supplemental appropriation.

III. **DATA ANALYSIS:** In Montgomery County, the businesses most likely impacted by this supplemental appropriation are in neighborhoods from Bethesda through Lyttonsville to Silver Spring through Long Branch to Takoma Park. These neighborhoods cross each of the PLCC subareas in Montgomery County: Bethesda/Chevy Chase, Silver Spring, and International Corridor. The below PLCC map illustrates select demographic and economic characteristics of each of these areas. While there is racial and ethnic diversity across all areas of the Purple Line, the areas in Montgomery County with the largest percentage of non-white residents are in Lyttonsville, Silver Spring, Long Branch and Takoma Park.

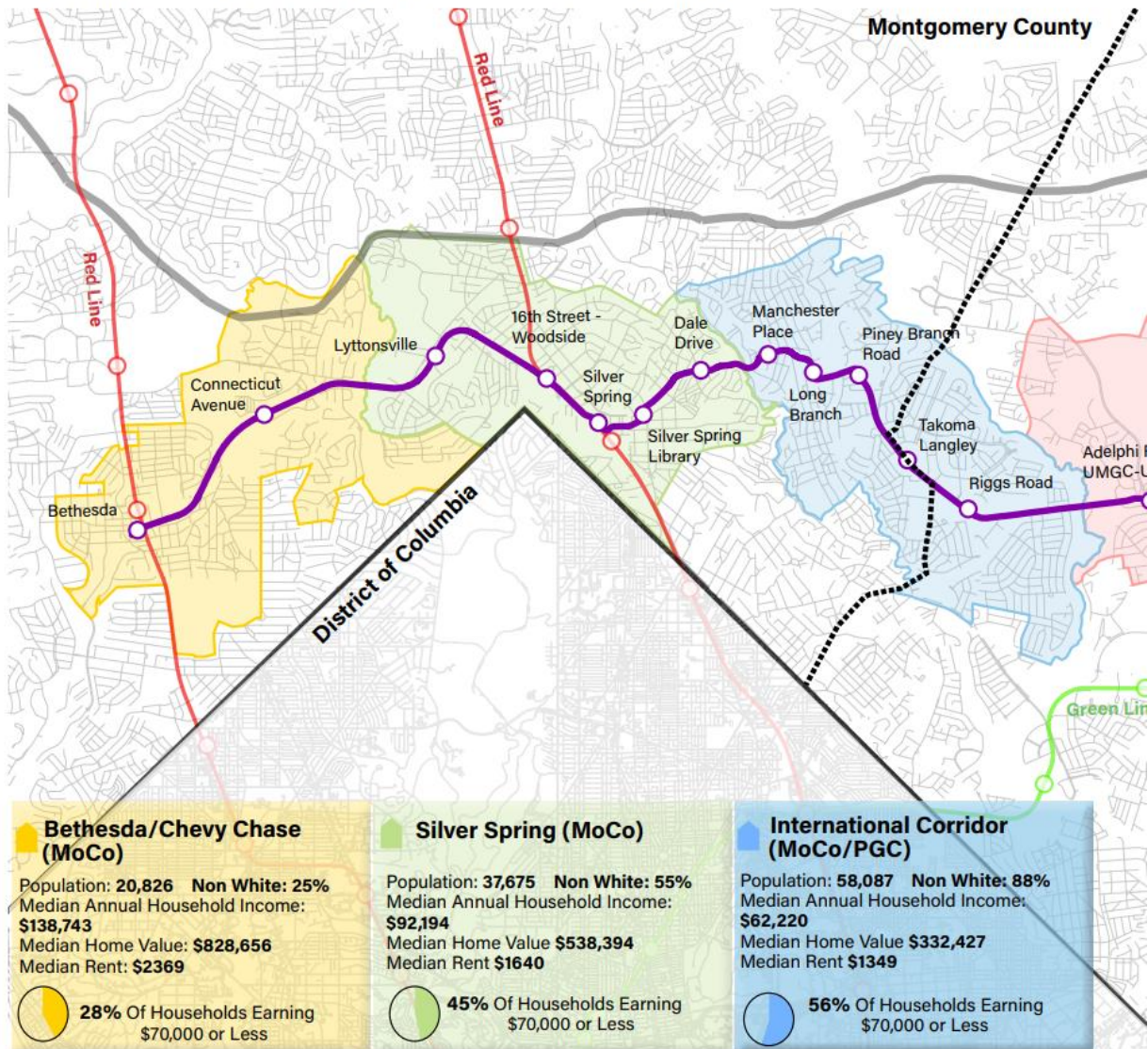
¹⁸ Abby Wester. Greater Greater Washington. “What exactly happened with the Purple Line, and will the project ever get back on track?”. July 9, 2021. Available at: <https://ggwash.org/view/81882/the-purple-line-explained>

¹⁹ <https://purplelinecorridor.org/wp-content/uploads/2021/09/PLCC-Small-Business-Support-Action-Plan-2021-2022.pdf>.

²⁰ Bruce DePuyt. Maryland Matters. “Businesses Seek Relief to Survive Disruption from Purple Line Construction”. February 21, 2020. Available at: <https://www.marylandmatters.org/2020/02/21/businesses-seek-relief-to-survive-disruption-from-purple-line-construction/>.

THE PURPLE LINE CORRIDOR

More than **170,000** people currently live along the corridor, representing broad economic, racial and ethnic diversity. To better understand this diversity of population and housing conditions, the PLCC's work breaks out the corridor into the five subareas* shown on the map below.



*Subarea geographies are aggregated from census block groups which have geographic centroids within 1/2 mile of a purple line station. Data comes from US Census, ACS 2013-2017 (data are estimates) data are rounded estimates.

Source: The Purple Line Corridor Map, page 7. Progress Report 2020. Purple Line Corridor Coalition. Available at: https://purplelinecorridor.org/wp-content/uploads/2020/11/UMD_PLCC_2020_Report.pdf

cc: Ken Hartman, Director, Strategic Partnerships, Office of the County Executive
Chris Conklin, Director, Department of Transportation