MONTGOMERY COUNTY

RETAIL IN DIVERSE COMMUNITIES STUDY

PLANNING BOARD MEETING
APRIL 22, 2021
PURPOSE OF STUDY

1. To analyze conditions in the international retail clusters in Silver Spring, Wheaton, and Takoma-Langley

2. To identify how to both preserve and strengthen them in the face of pressures for change and redevelopment
## Key Phases

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Identification of Key Issues in Each Community</td>
<td>Interviews w. 40+ Business Owners</td>
<td>Findings Memo</td>
<td>Final Report</td>
</tr>
<tr>
<td>Focus Groups with Diverse Retail Support Organizations</td>
<td></td>
<td>Assessment &amp; Refinement of Tools</td>
<td>Executive Summary</td>
</tr>
<tr>
<td>Socio Economic Data Analysis</td>
<td></td>
<td>Economic Impact of Diverse Retail</td>
<td>Planning Board Presentation</td>
</tr>
</tbody>
</table>
STAKEHOLDERS SERVING DIVERSE RETAILERS

STEERING COMMITTEE:

• Montgomery County Business Portal
• Montgomery County Economic Development Corporation
• Montgomery County Planning Department

OTHER ENGAGED STAKEHOLDERS:

• Asian American Chamber of Commerce
• CHEER
• Councilman Tom Hucker’s Office
• Crossroads Community Food Network
• Ethio-American Chamber of Commerce
• Fenton Village Inc.
• Greater Silver Spring Chamber of Commerce
• Latino Economic Development Center
• Long Branch Business League
• Maryland Black Chamber of Commerce
• Maryland Women’s Business Center
• Montgomery Housing Partnership
• Silver Spring Regional Center
• Takoma/Langley Crossroads Development Authority
• Takoma Park Food Co-op
• Wheaton & Kensington Chamber of Commerce
• Wheaton Hills Civic Association
• Wheaton Urban District Advisory Committee
“[Better] define what classifies as a small business, so to distinguish a business my size (10 or fewer employees) from those with many more. I shouldn’t compete with businesses with 50 employees or more for programs and funding [an unfair advantage due to staff and financial resources available].”

- CAFE OWNER, SILVER SPRING
DIVERSE RETAILER DEFINED

INDEPENDENT RETAILER:
A privately owned, non-franchised business. A small business owner will have complete autonomy over product or service choices due to changing markets, whereas a franchise owner would not.

MINORITY SERVING AND/OR OWNED:
National and independent brands that cater their products or services to a diverse audience. Our team gauged this by signage or menu items, the clientele, or other visual representation obtained through in-store visits or online. Categories included, but not necessarily present, in the inventory are:

- Latinx
- Caribbean
- Black American
- Native American
- Black - African
- Black - Other
- East Asian
- South Asian
- Middle Eastern
- Immigrant - Other
DIVERSE RETAILERS ARE INTEGRAL TO MONTGOMERY COUNTY.

<table>
<thead>
<tr>
<th>BUSINESS DISTRICT</th>
<th>NUMBER OF DIVERSE RETAILERS</th>
<th>SHARE OF TOTAL RETAILERS</th>
<th>ESTIMATED JOBS</th>
<th>ESTIMATED SALES (MILLIONS)</th>
<th>ESTIMATED SQUARE FEET OF SPACE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>279</td>
<td>38%</td>
<td>1,391</td>
<td>$137.9</td>
<td>601,290</td>
</tr>
<tr>
<td>Silver Spring</td>
<td>105</td>
<td>33%</td>
<td>585</td>
<td>$35.0</td>
<td>176,723</td>
</tr>
<tr>
<td>Takoma/Langley Crossroads</td>
<td>67</td>
<td>46%</td>
<td>291</td>
<td>$59.3</td>
<td>285,542</td>
</tr>
<tr>
<td>Wheaton</td>
<td>107</td>
<td>41%</td>
<td>515</td>
<td>$43.6</td>
<td>139,025</td>
</tr>
<tr>
<td>Average per business</td>
<td></td>
<td></td>
<td>5</td>
<td>$0.49</td>
<td>2,155</td>
</tr>
</tbody>
</table>

BENEFITS

Filling specific retail and service needs while attracting customers

Creating jobs and economic opportunities

Closing the wealth gap between majority and minority residents

Bringing vitality and authenticity to the County’s business districts
“People are worried that prices, cost of living, everything might go up and change the demographic of the area, who are my target customers.”

- GAFO RETAILER, TAKOMA-LANGLEY CROSSROADS
### Population Growth by Race/Ethnicity

#### Downtown Silver Spring Primary Trade Area

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>2010</th>
<th>2020</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>26,843</td>
<td>26,363</td>
<td>-1.8%</td>
</tr>
<tr>
<td>Black</td>
<td>18,572</td>
<td>22,445</td>
<td>20.9%</td>
</tr>
<tr>
<td>Asian</td>
<td>3,015</td>
<td>3,785</td>
<td>25.5%</td>
</tr>
<tr>
<td>Hispanic Origin (Any Race)</td>
<td>7,577</td>
<td>10,448</td>
<td>37.9%</td>
</tr>
</tbody>
</table>

See Appendix A for the map of the Primary Trade Area, as the geography is larger than the study area. Source: ESRI, 2020; PES 2020

### Retail Type by Minority Served

#### Silver Spring

<table>
<thead>
<tr>
<th>Minority Served</th>
<th>NG&amp;S</th>
<th>F&amp;B</th>
<th>GAFO</th>
<th>NRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black African</td>
<td>8</td>
<td>19</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Black African, Black American</td>
<td>6</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Black African, South Asian</td>
<td>1</td>
<td>23</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Black American</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caribbean</td>
<td>3</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Asian</td>
<td>1</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Asian, Middle Eastern</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Asian, South Asian</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latinx</td>
<td>4</td>
<td>11</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Middle Eastern</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Asian</td>
<td>1</td>
<td>7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Silver Spring, 2020
TAKOMA-LANGLEY

50%
MINORITY-SERVING
(67 OF 133 RETAILERS)

See Appendix A for the map of the Primary Trade Area, as the geography is larger than the study area.
Source: ESRI, 2020; PES 2020

<table>
<thead>
<tr>
<th>POPULATION GROWTH BY RACE/ETHNICITY</th>
<th>2010</th>
<th>2020</th>
<th>PERCENT CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>19,261</td>
<td>19,417</td>
<td>0.8%</td>
</tr>
<tr>
<td>Black</td>
<td>23,315</td>
<td>20,363</td>
<td>-12.7%</td>
</tr>
<tr>
<td>Asian</td>
<td>3,530</td>
<td>3,220</td>
<td>-8.8%</td>
</tr>
<tr>
<td>Hispanic Origin (Any Race)</td>
<td>42,098</td>
<td>50,333</td>
<td>19.6%</td>
</tr>
</tbody>
</table>

RETAIL TYPE BY MINORITY SERVED

0 10 20 30 40 50 60

- NG&S
- F&B
- GAFO
- NRS

BLACK AFRICAN
BLACK AMERICAN
CARIBBEAN
EAST ASIAN
LATINX
MULTIPLE
SOUTH ASIAN
WHEATON

41%
MINORITY-SERVING
(108 OF 219 RETAILERS)

See Appendix A for the map of the Primary Trade Area, as the geography is larger than the study area.
Source: ESRI, 2020; PES 2020
MONTGOMERY COUNTY COULD LOSE ITS DIVERSE RETAILERS.

TECHNICAL ASSISTANCE + BUSINESS NETWORKS:
- Limited County Staff Capacity
- Limited Business Owner Resources (time, financing/ funding, and language)
- Cumbersome Application Processes
- Systemic Exclusion From Business Networks

REAL ESTATE:
- Barriers to Initial Occupancy
- Risk of Displacement
- Prohibitive Occupancy Costs of New Construction
- Disadvantageous Lease Terms

POLICY & PUBLIC INVESTMENT:
- Government Spurred Business Costs
- Impacts of Construction on Accessibility and Visibility
- Exclusive Eligibility Requirements
- Limited Protections for Neighborhood Character and Cultural Diversity
- Prioritization of Existing Businesses

CAPITAL & FINANCING:
- Finite Funding and Financing Opportunities
- Rare Small Business Eligibility
- Increased Costs of Doing Business
“Clearly redevelopment is coming... If there is a mass exodus of tenants as redevelopment occurs and if the community at large is displaced, my property will be less competitive.”

- PROPERTY OWNER

“I wouldn’t want to move, because all of my regulars live in nearby apartment buildings and do not drive.”

- FULL SERVICE RESTAURANT OWNER
To address the challenges presented, the County should pursue the following four tenets to preserve and strengthen diverse retail clusters:

**Coordination:**
Supporting diverse retailers with direct staff support, specialty designations, and education

**Controls:**
Zoning and land use controls and incentives to encourage the creation of appropriate retail spaces for diverse retailers

**Capital:**
Nuanced financial programs that address the continued access to capital challenges facing minority small business owners

**Community:**
Celebrating and protecting diverse retailers through programming and policies
### CHALLENGES SOLUTIONS MATRIX

<table>
<thead>
<tr>
<th>TOOL</th>
<th>GEOGRAPHY ASSIGNED</th>
<th>CHALLENGES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>COORDINATION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diverse Retail Liaison</td>
<td>SS</td>
<td>TL</td>
</tr>
<tr>
<td>Legacy and Minority Business Designation</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td>Bill of Rights &amp; Leasing Support</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td><strong>CONTROLS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Micro-Retail Zoning</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td>Commercial Overlay Zone</td>
<td>SS</td>
<td>TL</td>
</tr>
<tr>
<td><strong>CAPITAL</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan Pool</td>
<td>SS</td>
<td>TL</td>
</tr>
<tr>
<td>Monthly Tax Bill Policy</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td><strong>COMMUNITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small Business Impact Policy</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td>Placemaking Efforts</td>
<td>SS</td>
<td>TL</td>
</tr>
</tbody>
</table>

**LEGEND:**
- C: COUNTYWIDE
- SS: SILVER SPRING
- TL: TAKOMA-LANGLEY
- W: WHEATON
DIVERSE RETAIL LIAISON

Diverse Retail Liaisons are responsible for coordinating efforts by existing organizations, providing direct connections between independent businesses and the county, and linking targeted minority-owned businesses to financial, technical, and organizational resources. Their primary role is to be brokers of resources and advocates rather than technical experts.

Recommendations:

• Identify a non-profit organization to host Diverse Retail Liaisons
• Assign one coordinator per cluster
• Expand the capacity of Diverse Retail Liaisons
• Utilize the Diverse Retail Liaisons to inform other programs
LEGACY & MINORITY BUSINESS DESIGNATION

Legacy Business Designation Program, typically established by a local jurisdiction, business district, or non-profit organization, is a way to incentivize the preservation of local businesses. Comparably, a Minority Business Designation Program can offer the same provisions, highlighting ethnically and racially diverse business owners’ community value.

Recommendations:

- Utilize business designation for data collection and monitoring
- Design the program as a self-selection process
- Align with the roles and responsibilities of the Diverse Retail Liaisons
- Create linked incentives
A commercial tenant’s bill of rights and other leasing support programs can help independent retailers who often do not have the legal expertise, language skills, or time to ensure their longevity in rented space. Tools to support small independent retailers who rent commercial space might also include a model or master lease, legal and mediation services for independent retailers, and new requirements for increased transparency in common area maintenance fees.

Recommendations:

- Leverage the Office of Landlord-Tenant Affairs
- Consider requiring specific commercial lease provisions
MICRO-RETAIL ZONING

This strategy seeks to amend the zoning code to provide a designation for micro-retail uses of less than 1,000 square feet and permitting its use, by right, in all Commercial/Residential (C/R) and Commercial Residential Town (CRT) zones. There is an opportunity to utilize this as a strategy to promote the construction of smaller spaces in overlay zones for more affordable spaces to diverse retailers.

Recommendations:

• Amend the code for micro retail/service establishment use(s) of less than 1,000 square feet
COMMERCIAL INCLUSIONARY ZONING
DEVELOPMENT COSTS

A 3.7% ($940,0000) loss in total project value is significant and could make the development infeasible. This tool is not recommended.

<table>
<thead>
<tr>
<th>Cost Level</th>
<th>All Market Rate</th>
<th>10% Affordable</th>
</tr>
</thead>
<tbody>
<tr>
<td>$30 mil</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$25 mil</td>
<td>$5 mil</td>
<td>$5 mil</td>
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<tr>
<td>$20 mil</td>
<td>$10 mil</td>
<td>$10 mil</td>
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<tr>
<td>$15 mil</td>
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<td>$15 mil</td>
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<tr>
<td>$10 mil</td>
<td>$20 mil</td>
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</tr>
<tr>
<td>$5 mil</td>
<td>$25 mil</td>
<td>$25 mil</td>
</tr>
<tr>
<td>$0</td>
<td>$30 mil</td>
<td>$30 mil</td>
</tr>
</tbody>
</table>

- Profit
- Tenant Improvements
- Soft Costs
- Hard Costs
- Land
## REDEFINING AFFORDABILITY

<table>
<thead>
<tr>
<th></th>
<th>1,000 SQ.FT.</th>
<th>2,500 SQ.FT.</th>
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<tbody>
<tr>
<td></td>
<td>$250,000</td>
<td>$250,000</td>
</tr>
<tr>
<td></td>
<td>$25,000/YEAR</td>
<td>$50,000/YEAR</td>
</tr>
<tr>
<td></td>
<td>$2,083.34/MO.</td>
<td>$4,166.67/MO.</td>
</tr>
<tr>
<td>RETAILER PAYS</td>
<td>$125,000</td>
<td>$250,000</td>
</tr>
<tr>
<td></td>
<td>$25,000/YEAR</td>
<td>$50,000/YEAR</td>
</tr>
<tr>
<td></td>
<td>$2,083.34/MO.</td>
<td>$4,166.67/MO.</td>
</tr>
<tr>
<td>BROKER COMMISSION (3% AVG.)</td>
<td>$3,750</td>
<td>$7,500</td>
</tr>
</tbody>
</table>
OVERLAY ZONE

Overlay zones can provide opportunities to contribute to commercial space affordability by controlling form. A new overlay is recommended for Takoma-Langley Crossroads that would limit width of storefront frontages to provide diversity in retail space sizes.

Recommendation:

- Create a Takoma-Langley Overlay Zone
- Provide small business space through limited retail frontage
- Require a mix of retail space sizes
- Incentivize smaller retail spaces with decreased parking requirements
LOAN POOL

A loan pool provides resources and incentives to particular kinds of local, independent businesses. This tool intends to support re-tenanting space through subsidized tenant improvement loans for small businesses. The loan pool can also support business owners in purchasing their properties.

Recommendation:

- Explore a Range of Funding Sources
- Establish a geographically targeted pilot program
- Target Legacy and Minority Designated Businesses
- Fund fixed assets
- Consider creating a new application process
- Integrate a needs assessment
MONTHLY TAX BILL

In Montgomery County, real and personal property tax bills arrive near the end of the year with a narrow window to pay. This poses an issue for property owners and business owners that receive pass-through bills. An option to pay real estate taxes monthly could help independent businesses budget those costs into a monthly budget, limiting the burden of annual bills.

Recommendation:

• Require that landlords provide the opportunity to pay pass-through fees monthly
• Extend policy to other assessments
SMALL BUSINESS IMPACT POLICY

To minimize the impact of construction and county policy changes, create a policy statement that requires scoping sessions where small business access (e.g., room for loading and delivery systems, access to parking lots and driveways, among others) and financial impact are considered.

Recommendation:

- Host a standing meeting with Diverse Retail Liaisons
- Create a business impact checklist
- Provide a grace period for compliance
PLACEMAKING EFFORTS

Silver Spring, Takoma-Langley Crossroads, and Wheaton have an opportunity to celebrate the cultural diversity apparent in their business and residential populations through placemaking efforts. Placemaking is the process of shaping the public realm to maximize shared value and to strengthen the connection between people and the places they share, often achieved through the installation of public art, seating, or planters, and programming the space with frequent formal and informal community events.
Note, Monthly Tax Bill and Micro Retail Zoning are not presented here, yet still a priority as they are countywide priorities without nuances specific to each cluster.
“We need more details about [what services are] available to the businesses in a way that can be easily digested... I think that is where the county can step in.”

- RESTAURANT OWNER, WHEATON
THANK YOU