Montgomery Planning

THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

MCPB
Item No. 4
Date: 4/22/21

Briefing: Retail in Diverse Communities Study

TFK Todd Fawley-King, Real Estate Specialist, R&SP, todd.fawleyking@montgomeryplanning.org, 301-495-4545

CM Caroline McCarthy, Chief, R&SP, Caroline.McCarthy@montgomeryplanning.org, 301-495-4506

Completed: 4/15/2021

Description

The consulting team led by &Access will present a briefing on the findings and recommendations from the Retail in Diverse Communities (RDC) Study. The study analyzed conditions in three areas (Silver Spring, Wheaton, and Takoma-Langley) with concentrations of small businesses that are owned by and/or primarily serve communities of color. The study then describes potential tools that could be developed to strengthen clusters of small businesses serving diverse communities and help address unique business challenges. The briefing is for informational purposes, no Planning Board approval actions are required at this time.

Key Terms

- Diverse Retailer: For the purpose of this study, this term refers to 1) business owners who identify as immigrant, Black American, Black African, Asian, Latinx, “some other race,” or a combination thereof; and/or 2) retail establishments that serve different racial/ethnic groups’ consumer needs. A neighborhood with “diverse retailers,” for example, may have many businesses that are minority-owned and/or -serving.
- Diverse Retail Cluster: This term refers to the grouping together of minority-owned and/or -serving businesses. These clusters always include multiple retail subtypes. This study specifically crafts strategies to sustain the three diverse retail clusters identified by Montgomery County as culturally and communally significant.

The Need to Support Diverse Retailers

Since 2010, the diversity of Montgomery County has been increasing, with 20% to 40% growth in Black, Asian, and Hispanic populations. As these communities expand, minority-serving and -owned retailers become even more important. These retailers provide much more than a marketplace; they are community anchors and hubs of social support networks. They enliven key business districts with unique offerings and an authenticity not associated with retail chains. However, these businesses are facing real challenges and possible displacement as the business districts redevelop. Often reliant on the lower rents associated with older storefronts, many will not be able to pay the much higher rents typically associated with new construction. The Purple Line construction is impacting several retailers by impeding access. When the transit line opens, competition for existing retail spaces will likely increase and raise rents. In fact, rents are already climbing in anticipation. Coupled with the impacts of the COVID-19 pandemic on retailers and restaurants, immediate action is essential to preserving new and legacy businesses that serve these diverse communities.

The county's Planning Department launched the Retail in Diverse Communities Study, in partnership with the Montgomery County Small Business Navigator and MCEDC, to identify tools and policies that help preserve and strengthen clusters of minority-owned and minority-serving retail in Silver Spring, Wheaton, and Takoma-Langley Crossroads. It builds on the programs, policies, and other tools previously presented in A Long Life for Long Branch: Tools to Preserve Independent Retailers, a toolkit produced by University of Maryland students in a fall 2019 Partnership for Action Learning in Sustainability (PALS) class done in partnership with Montgomery Planning.

Value of Diverse Retailers

The 279 diverse retailers spread across Silver Spring, Takoma-Langley Crossroads, and Wheaton have a prominent role in their neighborhoods, generating nearly 1,400 jobs and approximately $137.9 million in sales. The value these businesses bring to their communities, as community anchors and hubs of social support network, surpasses the traditional metrics associated with economic impact (sales, tax revenue, etc.). These qualitative functions allow diverse retail entrepreneurship to grow, increasing businesses' ability to locate, thrive, and expand in the neighborhoods they call home.

Challenges to Diverse Retailers

While some diverse retailers in this study have operated for up to 60 years in the neighborhoods they serve, they are currently facing many real challenges. These challenges are a result of systemic and systematic barriers to access, equity, and opportunity. The challenges identified include the following:

- Technical assistance: limited county staff capacity and limited business owner resources;
- Real estate: barriers to occupancy, risk of displacement, prohibitively high rents in newly constructed buildings;
- Capital and financing: finite funding and financing opportunities; and,
- Polity and public investment: Impacts of construction on accessibility and visibility, exclusive eligibility requirements, limited protections for neighborhood character.

Recommended Tools

To preserve diverse retailers and address the challenges faced, the following tools were selected for immediate consideration and designed to mitigate trade-offs associated with thwarting redevelopment, and increasing staff and financial resource requirements, among others.

- Diverse Retail Liaison: The diverse retail liaison is an essential tool to implement the remainder of the recommended tools as it capacity would need to increase in the existing County agencies tasked with engaging small businesses. 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.
- Legacy and Minority Business Designation: Legacy Business Designation Program, typically established by a local jurisdiction, business district, or nonprofit 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.
- Bill of Rights and Leasing Support: 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.
- Zoning Amendment: 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.
- Commercial 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.
- 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.
- 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.

- 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.
- Placemaking: 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.

Priority Tools for Short-Term Implementation

While all of the tools evaluated are important, the county must prioritize available resources in the short term. The following sub-set of priority tools aligns with the implementation efforts of the Purple Line Corridor Coalition (PLCC), a public-private-community collaboration working to leverage Maryland's largest transit investment in the 21st century to create a place of opportunity for all who live, work and invest in the corridor. Collaboration between Montgomery County, PLCC, and Prince George's County could increase the effectiveness of our implementation efforts. The following tools are recommended as highest priority for short-term implementation:

- Diverse Retail Liaison
- Legacy and Minority Business Designation
- Bill of Rights and Leasing Support
- Loan Pool
- Placemaking Efforts